BARNETT WADDINGHAM
beyond the expected

# Nottinghamshire County Council Pension Fund

## Annual General Meeting
## 30 January 2025

Barry McKay FFA, Partner

The tri-ennial valuation and a recap of 2022

What has happened since then?

What has this done to the funding level?

Looking forward to 2025

BARNETT WADDINGHAM
beyond the expected

# Why do a funding valuation?

- Measure long-term funding and overall health of fund
- Set employer contribution rates for next three years
- An opportunity to assess long-term aims of the fund and tweak funding strategy
- Can be used as a comparison to other funds – Section 13

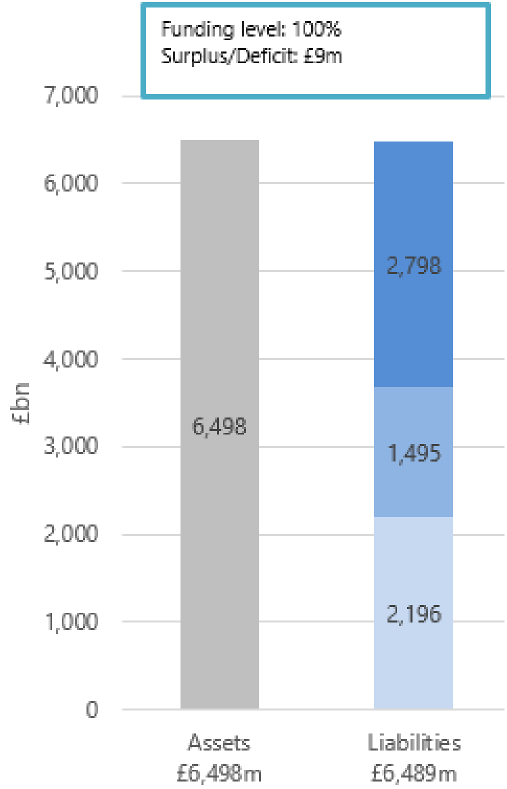
# What do we actually do?

- Set assumptions and methodology
- Collect, cleanse and manipulate data
- Run data in actuarial valuation systems to calculate liabilities and primary rates
- Carry out asset valuations
- Set contribution rates
- Present results in a report

# The **value** of LGPS liabilities is **not** the same as the **cost**

- It's the **present** value i.e. discounted to today's money
- Based on 'expected' future cashflows
- Calculated using agreed assumptions

# 2022 whole Fund results




- Fund had a small surplus of £9m at 2022 valuation
- The funding level had increased from 93% at 2019 to 100% at 2022

# 2022 primary rate (whole Fund level)

**Using the proposed assumptions, the resulting average primary rate across the whole Fund is set out in the table below.**

| Primary rate | 2022<br>% of payroll p.a. | 2019<br>% of payroll p.a. |
|---|---|---|
| Average total future service rate | 25.4% | 24.2% |
| Less average member rate | 6.4% | 6.3% |
| **Fund primary rate** | 19.0% | 17.9% |

BARNETT WADDINGHAM
beyond the expected

# Surplus in the LGPS?

## What has ACTUALLY happened since 2022?

### Investment returns

No material impact on the funding position

### Inflation

Large reduction in funding position due to high pension increases.

### Assumptions

Led to an improvement of funding position.
To be reviewed for 2025

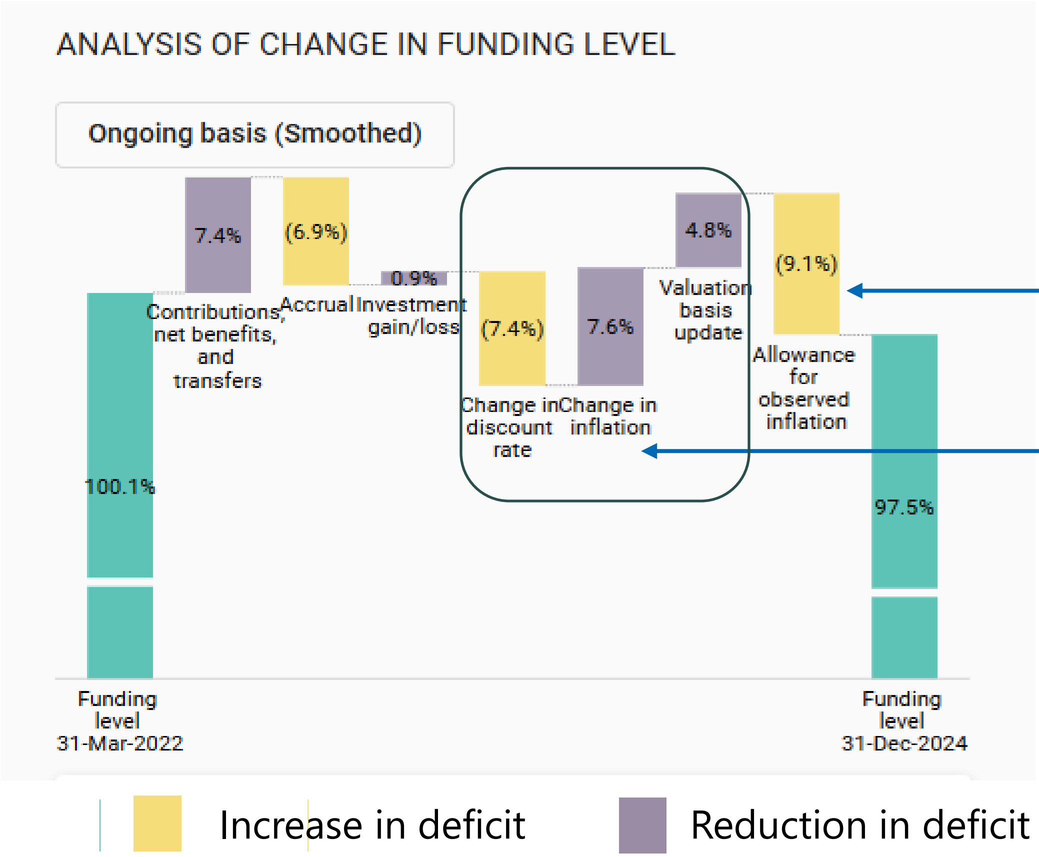
Funding level has decreased slightly

## FUNDING LEVELS


BARNETT WADDINGHAM
beyond the expected

## Funding level at 31 December 2024

- Assets have increased materially over the last 12 months from circa £6.5bn to circa £7.45bn
- Liabilities increased from £6.5bn to £7.65bn
- Updated discount rate to allow for markets
- Funding level decreased from 100% to 97.5%




# Why has the funding level decreased since March 2022?

- Very high actual CPI inflation and pension increases awarded
- Partially offset by change in assumptions
- Asset returns marginally ahead of assumed return (circa 1%)

BARNETT WADDINGHAM
beyond the expected

# What we expect for 2025

| | Expected change compared to 2022 | Impact on funding level | Impact on contribution rate |
|---|---|---|---|
| Investment return | Small increase | Increase of 3% - 4% | Decrease of 1% |
| CPI inflation | Small decrease | Increase of 1% - 2% | Decrease of 0.5% |
| Longevity | There are a lot of moving parts and unknowns so unclear until analysis carried out | | |
| Other factors | There are lots of other items that can impact the funding level and employer contribution rates – member experience (e.g salary increases, IH retirement, leavers etc) | | |

Will vary by fund, employer and things may change before 31 March 25

# What does it all mean for the 2025 valuation?

Expect funding position to be similar to 2022

There will always be uncertainty and volatility

Objective will be to keep contributions stable

Employer focus is accurate and complete data

# Valuation project timescales

**...to Mar 2025**
- Valuation preparation meeting and report
- Early data checks and cleansing

**Apr to Jun 2025**
- Initial member data and checks
- Confirming final employer info
- Final employer cashflows
- Draft Fund accounts

**Jul to Oct 2025**
- Final member data
- Final Fund accounts
- Assumption setting
- Initial Fund results
- Key employer results
- Draft FSS updated

**Nov to Dec 2025**
- All employer results
- Draft FSS consulted on
- Employer forum

**Jan to Mar 2026**
- Final results
- Draft valuation report with R&A
- Finalise FSS
- Finalise valuation report and R&A

# What are we doing now?

Meetings and liaison with Fund officers

Receiving member data for review

Receiving member data for longevity analysis

Updating employer database with employer information