



**BARNETT
WADDINGHAM**
beyond the expected

XYZ Pension Fund

Employer ABC

FRS102 Report as at 31 March 2022

8 July 2022



Introduction

We have been instructed by the XYZ Council, the administering authority to the XYZ Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Employer ABC (the Employer) as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the Employer and its advisers; in particular, this report is likely to be of relevance to the Employer's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website (www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

This report is prepared in accordance with our understanding of FRS102 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures disclosed are in respect of the Employer's pension obligations under the LGPS as at 31 March 2022.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

FRS102 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the data section of this report.

We would be pleased to answer any questions arising from this report.

Actuary

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation as at	31 March 2019
Results of the previous FRS102 report as at	31 March 2021
Fund asset statement as at	31 March 2022
Fund income and expenditure items to	31 March 2022
Employer income and expenditure items to	31 March 2022
Details of any new unreduced early retirement payments to	31 March 2022
Details of any settlements to/from the Employer for the period to	31 March 2022

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2019 for members receiving funded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	4	131	53
Deferred pensioners	11	4	44
Pensioners	1	1	58

Employer payroll

The total pensionable payroll and projected payroll for the Employer is set out below and is based on information provided to us by the administering authority. This has been used to calculate the service cost and projected service cost respectively.

Estimated payroll for the year to 31 March 2022	£140,000
Projected payroll for the year to 31 March 2023	£140,000

Scheduled contributions

The table below summarises the minimum employer contributions due from the Employer to the Fund over this inter-valuation period. The Employer may pay further amounts at any time. Future contributions may be adjusted on a basis approved by us.

The calculated cost of accrual of future benefits is 16.6% of payroll p.a.

	Current period		
Minimum employer contributions due for the period beginning	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of payroll	18.5%	18.5%	18.5% ERC010
plus monetary amount (£000s)	-	-	-

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 7.11%. The actual return on Fund assets over the year may be different.

The Employer's share of the assets of the Fund is approximately 0.04%.

The estimated asset allocation for the Employer at 31 March 2022 and 31 March 2021 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	MCA010 389	57%	389	64%
Other Bonds	MCA030 118	17%	102	17%
Property	MCA040 74	11%	54	9%
Infrastructure	MCA090 84	12%	56	9%
Cash/temporary investments	MCA050 17	3%	8	1%
Total	682	100%	609	100%

MCA020 = Gilts/Government bonds

MCA060 = Derivatives

MCA070 = Investment funds (Hedge funds, Diversified Growth Fund, LLPs)

MCA080 = Asset backed securities

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Employer's past service liabilities, which is estimated to be 26 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA_H	S3PA_H
Multiplier (M/F)	90% / 95%	90% / 95%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	ALE010	20.5
	Females	ALE020	23.4
Retiring in 20 years	Males	ALE030	21.9
	Females	ALE040	24.9

Financial assumptions		31 Mar 2022	31 Mar 2021	31 Mar 2020
		p.a.	p.a.	p.a.
Discount rate	MAP040	2.60%	2.05%	2.35%
Pension increases (CPI)	MAP010 MAP030	3.15%	2.85%	1.80%
Salary increases	MAP020	4.15%	3.85%	2.80%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Past service costs

Past service costs arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. We are not aware of any additional benefits which were granted over the year ending 31 March 2022.

Curtailments

Over the year, we understand no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

Results

Net pension asset in the statement of financial position as at	31 Mar 2022	31 Mar 2021	31 Mar 2020
	£000s	£000s	£000s
Present value of the defined benefit obligation	1,178	1,167	782
Fair value of Fund assets (bid value)	682	609	462
Deficit / (Surplus)	496	558	320
Present value of unfunded obligation	-	-	-
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	496	558	320

The amounts recognised in the profit and loss statement	Year to 31 Mar 2022	Year to 31 Mar 2021
	£000s	£000s
Service cost	65	46
Net interest on the defined liability / (asset)	11	7
Administration expenses	-	-
Total loss / (profit)	76	53

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to 31 Mar 2022	Year to 31 Mar 2021
	£000s	£000s
Return on Fund assets in excess of interest	31	104
Other actuarial gains / (losses) on assets	-	-
Change in financial assumptions	80	(331)
Change in demographic assumptions	-	12
Experience gain / (loss) on defined benefit obligation	(2)	7
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	109	(208)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening defined benefit obligation	1,167	782
DBO050 Current service cost	65	46
DBO060 Interest cost	24	18
DBO070 Change in financial assumptions	(80)	331
DBO080 Change in demographic assumptions	-	(12)
DBO090 Experience loss/(gain) on defined benefit obligation	2	(7)
DBO150 Liabilities assumed / (extinguished) on settlements	-	-
DBO110 Estimated benefits paid net of transfers in Past service costs, including curtailments	(10)	(1)
DBO100 Contributions by Scheme participants and other employers	10	10
DBO140 Unfunded pension payments	-	-
Closing defined benefit obligation	1,178	1,167

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening fair value of Fund assets	609	462
FVA050 Interest on assets	13	11
FVA080 Return on assets less interest	31	104
FVA080 Other actuarial gains/(losses)	-	-
FVA150 Administration expenses	-	-
FVA090 Contributions by employer including unfunded	29	23
FVA100 Contributions by Scheme participants and other employers	10	10
FVA110 Estimated benefits paid plus unfunded net of transfers in	(10)	(1)
FVA120 Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	682	609

FVA060 & FVA070 = Zero

BASE

Sensitivity analysis	£000s	£000s	£000s	
Adjustment to discount rate	+0.1%	0.0%	-0.1%	
Present value of total obligation	1,149 <-----SAP010----->	1,178 <-----SAP020----->	1,208	Sensitivity Analysis (£000s)
Projected service cost	58	60	61	SAP010 e.g. £1,149 - £1,178 = -£29
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%	
Present value of total obligation	1,183	1,178	1,173	SAP020 e.g. £1,208 - £1,178 = £30
Projected service cost	60	60	60	SAP030 e.g. £1,135 - £1,178 = -£43
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	
Present value of total obligation	1,203 <-----SAP050----->	1,178 <-----SAP060----->	1,154	SAP040 e.g. £1,222 - £1,178 = £44
Projected service cost	62	60	58	SAP050 e.g. £1,203 - £1,178 = £25
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year	
Present value of total obligation	1,222 <-----SAP040----->	1,178 <-----SAP030----->	1,135	SAP060 e.g. £1,154 - £1,178 = -£24
Projected service cost	62	60	57	

Projected pension expense

 Year to
31 Mar 2023

£000s

Service cost	60
Net interest on the defined liability / (asset)	13
Administration expenses	-
Total loss / (profit)	73
Employer contributions	26

These projections are based on the assumptions as at 31 March 2022, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.