



## XYZ Pension Fund

ABC Employer

FRS102 Report as at 31 March 2023

19 April 2023



## Introduction

We have been instructed by 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 ABC Employer (the Employer) as at 31 March 2023. 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/](http://www.lgpsregs.org/)) and the Fund's membership booklet ([www.lgpsmember.org/](http://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 2023.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023.

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.

## 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 2022
Results of the previous FRS102 report as at	31 March 2022
Fund asset statement as at	28 February 2023
Fund income and expenditure items to	28 February 2023
Employer income and expenditure items to	28 February 2023
Details of any new unreduced early retirement payments to	31 March 2023
Details of any settlements to/from the Employer for the period to	31 March 2023

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

Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in 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 2022 for members receiving funded benefits, and as at 31 March 2022 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	26	821	44
Deferred pensioners	8	16	55
Pensioners	23	186	74
Unfunded pensioners	1	2	74

### 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 2023 £817,000

Projected payroll for the year to 31 March 2024 £817,000

### 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 20.4% of payroll p.a.

Minimum employer contributions due for the period beginning	Current period		
	1 Apr 2023	1 Apr 2024	1 Apr 2025
Percent of payroll	26.8%	26.8%	26.8% <b>ERC010</b>
plus monetary amount (£000s)	-	-	-

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is calculated to be 0.52% based on the Fund asset statements and Fund cashflows as set out in the Data section above.

The Employer's share of the assets of the Fund is approximately 0.17%.

The estimated asset allocation for the Employer at 31 March 2023 and 31 March 2022 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown		31 Mar 2023		31 Mar 2022	
		£000s	%	£000s	%
Equities	MCA010	3,388	64%	2,910	61%
Bonds	MCA020 + MCA030	963	18%	1,207	25%
Property	MCA040	707	13%	556	12%
Cash	MCA050	220	4%	84	2%
<b>Total</b>		<b>5,278</b>	<b>100%</b>	<b>4,757</b>	<b>100%</b>

## Major categories of plan assets

Derivatives = MCA060

Investment funds (LLPs, Hedge funds, Diversified growth funds) = MCA070

Asset backed securities = MCA080

Other = MCA090

## Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2023 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions		31 Mar 2023	31 Mar 2022	31 Mar 2021
		p.a.	p.a.	p.a.
Discount rate	MAP040	4.80%	2.60%	2.00%
Pension increases (CPI)	MAP010 - MAP030	2.95%	3.30%	2.85%
Salary increases	MAP020	3.95%	4.30%	3.85%

In addition, we have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to February 2023.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. These assumptions have been updated from those adopted at the last accounting date. Details of the post retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post retirement mortality	31 Mar 2023	31 Mar 2022
Base table	Club Vita tables	Club Vita tables
Future improvements model	CMI_2021	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.5
Initial addition parameter	0.0% p.a.	0.5% p.a.
2020 weight parameter	5%	25%
2021 weight parameter	5%	n/a

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)			31 Mar 2023	31 Mar 2022
Retiring today	Males	ALE010	21.4	22.0
	Females	ALE020	24.2	24.4
Retiring in 20 years	Males	ALE030	22.4	22.9
	Females	ALE040	25.8	26.0

#### Employer duration

The estimated duration of the Employer as at the accounting date, using the assumptions set out above is 16 years.

### 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 2023.

### 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

Balance sheet	As at	As at	As at
Net pension asset in the statement of financial position	31 Mar 2023	31 Mar 2022	31 Mar 2021
	£000s	£000s	£000s
Present value of the defined benefit obligation	5,988	8,506	8,341
Fair value of Fund assets (bid value)	5,278	4,757	4,488
<b>Deficit / (Surplus)</b>	<b>710</b>	<b>3,749</b>	<b>3,853</b>
Present value of unfunded obligation	36	42	45
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
<b>Net defined benefit liability / (asset)</b>	<b>746</b>	<b>3,791</b>	<b>3,898</b>

The amounts recognised in the profit and loss statement	Year to	Year to
	31 Mar 2023	31 Mar 2022
	£000s	£000s
Service cost	398	492
Net interest on the defined liability / (asset)	95	76
Administration expenses	4	3
<b>Total loss / (profit)</b>	<b>497</b>	<b>571</b>

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to	Year to
	31 Mar 2023	31 Mar 2022
	£000s	£000s
Return on Fund assets in excess of interest	(99)	125
Other actuarial gains / (losses) on assets	412	-
Change in financial assumptions	3,618	270
Change in demographic assumptions	152	101
Experience gain / (loss) on defined benefit obligation	(764)	(14)
Changes in effect of asset ceiling	-	-
<b>Remeasurement of the net assets / (defined liability)</b>	<b>3,319</b>	<b>482</b>

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2023 £000s	Year to 31 Mar 2022 £000s
<b>Opening defined benefit obligation</b>	<b>8,548</b>	<b>8,386</b>
DBO050 Current service cost	398	350
DBO060 Interest cost	220	166
DBO070 Change in financial assumptions	(3,618)	(270)
DBO080 Change in demographic assumptions	(152)	(101)
DBO090 Experience loss/(gain) on defined benefit obligation	764	14
DBO150 Liabilities assumed / (extinguished) on settlements	-	-
DBO110 Estimated benefits paid net of transfers in Past service costs, including curtailments <a href="#">DBO120 and/or DBO130</a>	(193) -	(192) 142
DBO100 Contributions by Scheme participants and other employers	59	55
DBO140 Unfunded pension payments	(2)	(2)
<b>Closing defined benefit obligation</b>	<b>6,024</b>	<b>8,548</b>

The experience loss/(gain) on the defined benefit obligation includes £597,000 in respect of the allowance for actual pensions increases and CPI inflation over the accounting period.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2023 £000s	Year to 31 Mar 2022 £000s
<b>Opening fair value of Fund assets</b>	<b>4,757</b>	<b>4,488</b>
FVA050 Interest on assets	125	90
FVA080 Return on assets less interest	(99)	125
FVA080 Other actuarial gains/(losses)	412	-
FVA150 Administration expenses	(4)	(3)
FVA090 Contributions by employer including unfunded	223	196
FVA100 Contributions by Scheme participants and other employers	59	55
FVA110 Estimated benefits paid plus unfunded net of transfers in	(195)	(194)
FVA120 Settlement prices received / (paid)	-	-
<b>Closing Fair value of Fund assets</b>	<b>5,278</b>	<b>4,757</b>

No input required for FVA060 and FVA070

Sensitivity analysis	£000s	£000s	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	5,599	5,935	SAP010 6,024	SAP020 6,116	6,508
Projected service cost	120	140	145	151	176
<b>Adjustment to long term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	6,062	6,032	6,024	6,017	5,988
Projected service cost	146	145	145	145	145
<b>Adjustment to pension increase and deferred revaluation</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	6,477	6,110	SAP050 6,024	SAP060 5,941	5,627
Projected service cost	176	151	145	140	119
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>		<b>- 1 Year</b>
Present value of total obligation		6,276	SAP030 6,024	SAP040 5,784	5,784
Projected service cost		151	145	140	140

Projected pension expense	Sensitivity Analysis (£000s)	
	Year to 31 Mar 2024	
	£000s	
Service cost	145	SAP010 = 5,935 - 6,024 = -89
Net interest on the defined liability / (asset)	31	SAP020 = 6,116 - 6,024 = 92
Administration expenses	4	SAP030 = 6,276 - 6,024 = 252
<b>Total loss / (profit)</b>	<b>180</b>	SAP040 = 5,784 - 6,024 = -240
<b>Employer contributions</b>	<b>219</b>	SAP050 = 6,110 - 6,024 = 86
		SAP060 = 5,941 - 6,024 = -83

These projections are based on the assumptions as at 31 March 2023, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023.