

IAS19 as at 31 March 2021 - Results Schedule

Pool : Waverley Borough Council Pool

Local Government Pension Scheme Fund : Surrey Pension Fund

Terms of Engagement Signed : 12 April 2021

Date report prepared : 27 May 2021

Summary information from this schedule:

(a) Balance sheet

	31 March 2020	31 March 2021
	£(000)	£(000)
Assets	102,772	130,594
Obligations	168,418	211,610
Net asset / (liability)	(65,646)	(81,016)

(b) Profit & Loss account for the period ending 31 March 2021

	£(000)
Service cost	
Current Service Cost	(4,178)
Past Service Cost (including curtailments)	(4)
Effect of settlements	-
Total Service Cost	(4,182)

	£(000)
Total net interest	(1,512)
Total defined benefit cost recognized in Profit or (loss)	(5,694)



Anne Cranston AFA

For and on behalf of Hymans Robertson LLP

(c) Key elements

Has the employer instructed bespoke assumptions?	N
Bulk transfer(s) included?	N
Unfunded Pensioner included?	Y - Please see section 'Unfunded benefits'.

To help with your year-end reporting, you can request a summary paper explaining the key movements on your specific numbers to aid understanding of the figures, help with audit questions and assist with presentations to committee members / directors on your results. If you have already requested a summary paper, this will be issued alongside this results schedule.

We anticipate an increase in audit queries this year, including discussions around treatment of recent and pending legal cases. In general, it should be quicker and more cost effective to arrange a three way call with your auditor to answer any questions they have beyond those already answered in the accompanying covering report.

To discuss or request a summary paper, or arrange a call with your auditor, please contact us on LGPSCentralAccountingTeam@hymans.co.uk

Asset returns - The figure on page 2 for the investment return over the year is based on information provided by the Administering Authority. The figure incorporates actual Surrey Pension Fund returns for the period 1 April 2020 to 31 March 2021.

(d) General Information for auditor and Employer

The results in the Schedule report should be read in conjunction with the accompanying report entitled 'Actuarial Valuation as at 31 March 2021 for Accounting Purposes'. The method, assumptions, reliances and limitations are described in that document. The restrictions set out in the reports on the disclosure to any third party apply equally to this Results Schedule.

If there are any queries on the approach taken to derive the figures in the Results Schedule please first consider the accompanying report as it will often answer these. In particular, see the sections on recent court cases (such as the Lloyds' judgement on GMP, McCloud, Goodwin etc) and other key topics which will detail the approach taken to allow for these issues or otherwise.

Contents in the remainder of this schedule:

1. Data (including early retirements, investment returns, asset split & unfunded pensions)
2. Assumptions
3. Balance sheet, P&L, OCI disclosures as at 31 March 2021 (and prior year if relevant)
4. Projected defined benefit cost for the period to 31 March 2022
5. Sensitivity analysis

Section 1 - Data

Employer membership statistics

	Number	Total Salaries / Pensions £(000)	Average Age
	31 Mar 2019	31 Mar 2019	31 Mar 2019
Actives	413	11,747	52
Deferred Pensioners	573	1,571	53
Pensioners	694	5,043	70

Deferred pensioners include undecided leavers and frozen refunds. Salaries are actual, not full-time equivalent.

Payroll

Period	Assumed Total Pensionable Payroll based on Information Provided
1 April 2020 to 31 March 2021	£12,180,000

LGPS early retirements

New Early Retirements 1 April 2020 to 31 March 2021	Number	Total Pension Accrued (£)	Total Pension Actual (£)
Redundancy	1	3,899	3,899
Efficiency	-	-	-
Other	-	-	-

Teachers' early retirements

New Early Retirements 1 April 2020 to 31 March 2021	Number	Recharged Accrued Pension (£)	Total Actual Recharged Pension (£)
Redundancy	-	-	-
Efficiency	-	-	-
Other	-	-	-

Investment returns

The return on the Fund in market value terms for the period to 31 March 2021 is based on actual Fund returns as provided by the Administering Authority. Details are given below:

Actual Returns from 1 April 2020 to 31 March 2021	28.5%
Total Returns from 1 April 2020 to 31 March 2021	28.5%

The major categories of plan assets as a percentage of total plan assets

Please note, IAS19 requires a detailed breakdown of Fund assets which requires me to distinguish between the nature and risk of those assets and to further break them down between those with a quoted price in an active market and those that do not. The split is shown on page 8.

Unfunded benefits

A summary of the membership data in respect of unfunded benefits is shown below.

LGPS Unfunded Pensions	Number at 31 March 2021	Annual Unfunded Pension £(000)
Male	38	92
Female	12	27
Dependants	12	9
Total	62	128

Teacher Unfunded Pensions	Number at 31 March 2021	Annual Unfunded Pension £(000)
Male	-	-
Female	-	-
Dependants	-	-
Total	-	-

The annual unfunded pensions include the 2021 pension increase.

Bulk transfers

I have not been asked to value any bulk transfers of membership this period.

Section 2 - Assumptions

Financial assumptions

The financial assumptions, as described in the accompanying report, are summarised below:

Period Ended	31 Mar 2021	31 Mar 2020
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.85%	1.90%
Salary Increase Rate	3.75%	2.80%
Discount Rate	2.00%	2.30%

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 19 years.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners*	23.4 years	26.4 years

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Prospective Pensioners	Pensioners
Vita Curves with improvements in line with the CMI 2018 model assuming long term rates of improvement of 1.25% p.a.	Vita Curves with improvements in line with the CMI 2018 model assuming long term rates of improvement of 1.25% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

Commutation

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

Section 3 - Balance sheet, P&L, OCI disclosures as at 31 March 2021

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2021

Period ended 31 March 2021	Assets £(000)	Obligations £(000)	Net (liability) / asset £(000)
Fair value of plan assets	102,772		102,772
Present value of funded liabilities		167,053	(167,053)
Present value of unfunded liabilities		1,365	(1,365)
Opening Position as at 31 March 2020	102,772	168,418	(65,646)
Service cost			
Current service cost*		4,178	(4,178)
Past service cost (including curtailments)		4	(4)
Effect of settlements	-	-	-
Total Service Cost	-	4,182	(4,182)
Net interest			
Interest income on plan assets	2,348		2,348
Interest cost on defined benefit obligation		3,860	(3,860)
Total net interest	2,348	3,860	(1,512)
Total defined benefit cost recognised in Profit or (Loss)	2,348	8,042	(5,694)
Cashflows			
Participants' contributions	848	848	-
Employer contributions	3,729		3,729
Estimated benefits paid	(5,843)	(5,843)	-
Estimated unfunded benefits paid	(127)	(127)	-
Estimated contributions in respect of unfunded benefits paid	127		127
Effect of business combinations and disposals	-	-	-
Expected closing position	103,854	171,338	(67,484)
Remeasurements			
Changes in financial assumptions		39,906	(39,906)
Changes in demographic assumptions		2,214	(2,214)
Other experience	-	(1,848)	1,848
Return on assets excluding amounts included in net interest	26,740		26,740
Total remeasurements recognised in Other Comprehensive Income (OCI)	26,740	40,272	(13,532)
Fair value of plan assets	130,594		130,594
Present value of funded liabilities		210,203	(210,203)
Present value of unfunded liabilities**		1,407	(1,407)
Closing position as at 31 March 2021	130,594	211,610	(81,016)

Please note the Employer's fair value of plan assets is approximately 3% of the Fund's total.

I estimate that the present value of funded liabilities comprises of approximately £76,085,000, £52,380,000 and £81,738,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021.

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

** The unfunded liabilities comprise of £1,407,000 in respect of LGPS unfunded pensions and £0 in respect of Teachers' unfunded pensions.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2020

Period ended 31 March 2020	Assets £(000)	Obligations £(000)	Net (liability) / asset £(000)
Fair value of plan assets	115,637		115,637
Present value of liabilities		183,051	(183,051)
Opening Position as at 31 March 2019	115,637	183,051	(67,414)
Service cost			
Current service cost*		5,469	(5,469)
Past service cost (including curtailments)		44	(44)
Effect of settlements	-	-	-
Total Service Cost	-	5,513	(5,513)
Net interest			
Interest income on plan assets	2,763		2,763
Interest cost on defined benefit obligation		4,406	(4,406)
Total net interest	2,763	4,406	(1,643)
Total defined benefit cost recognised in Profit or (Loss)	2,763	9,919	(7,156)
Cashflows			
Participants' contributions	827	827	-
Employer contributions	3,537		3,537
Estimated benefits paid	(5,906)	(5,906)	-
Estimated unfunded benefits paid	(127)	(127)	-
Estimated contributions in respect of unfunded benefits paid	127		127
Effect of business combinations and disposals	-	-	-
Expected closing position	116,858	187,764	(70,906)
Remeasurements			
Changes in financial assumptions		(12,920)	12,920
Changes in demographic assumptions		(4,188)	4,188
Other experience	-	(2,238)	2,238
Return on assets excluding amounts included in net interest	(14,086)		(14,086)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(14,086)	(19,346)	5,260
Fair value of plan assets	102,772		102,772
Present value of funded liabilities		167,053	(167,053)
Present value of unfunded liabilities		1,365	(1,365)
Closing position as at 31 March 2020	102,772	168,418	(65,646)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

Please note that I have only shown a one year history of results and if further information is required please see the previous years' reports.

Section 4 - Assets

Fair value of plan assets

The below asset values are at bid value as required under IAS19.

Please note, where an IAS19 asset split was not available at the year end, we have used the nearest IAS19 asset split prior to this date. The previous period's asset split can be found in the Employer's IAS19 report for the previous accounting period (where available).

Asset category	Period Ended 31 March 2021			
	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Equity Securities:				
Consumer	2,828.8	-	2,828.8	2%
Manufacturing	1,424.6	-	1,424.6	1%
Energy and Utilities	275.0	-	275.0	0%
Financial Institutions	1,701.8	-	1,701.8	1%
Health and Care	1,196.8	-	1,196.8	1%
Information Technology	3,953.1	-	3,953.1	3%
Other	-	-	-	0%
Debt Securities:				
Corporate Bonds (investment grade)	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%
UK Government	-	6,052.8	6,052.8	5%
Other	-	-	-	0%
Private Equity:				
All	-	8,958.5	8,958.5	7%
Real Estate:				
UK Property	1,869.3	2,865.4	4,734.7	4%
Overseas Property	-	2,306.6	2,306.6	2%
Investment Funds and Unit Trusts:				
Equities	77,320.1	-	77,320.1	59%
Bonds	16,470.1	-	16,470.1	13%
Hedge Funds	-	-	-	0%
Commodities	-	-	-	0%
Infrastructure	-	-	-	0%
Other	-	-	-	0%
Derivatives:				
Inflation	-	-	-	0%
Interest Rate	-	-	-	0%
Foreign Exchange	398.7	-	398.7	0%
Other	-	-	-	0%
Cash and Cash Equivalents:				
All	2,972.4	-	2,972.4	2%
Totals	110,411	20,183	130,594	100%

The breakdown of assets in monetary terms in the table have been shown to the nearest £100. The additional precision in the presentation of the figures has been included because the sum of the values rounded to the nearest £1,000 will not equal the total values due to rounding. Please note that there may still be a rounding difference between the total and the sum of the breakdown values but this difference will be small. For the avoidance of doubt this does not impact any of the other figures in the report.

Section 5 - Projected defined benefit cost for the period to 31 March 2022

Analysis of projected amount to be charged to operating profit for the period to 31 March 2022

Period Ended 31 March 2022	Assets	Obligations	Net (liability)/asset	
	£(000)	£(000)	£(000)	% of pay
Projected Current service cost *		6,343	(6,343)	(52.1%)
Past service cost including curtailments		-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	6,343	(6,343)	(52.1%)
Interest income on plan assets	2,599		2,599	21.3%
Interest cost on defined benefit obligation		4,243	(4,243)	(34.8%)
Total Net Interest Cost	2,599	4,243	(1,644)	(13.5%)
Total Included in Profit and Loss	2,599	10,586	(7,987)	(65.6%)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll. The monetary value is based on a projected payroll of £12,180,000.

The contributions paid by the Employer are set by the Fund following an actuarial valuation. For further details on the approach adopted to set contribution rates for the Employer, please refer to the latest formal valuation report and Funding Strategy Statement.

I estimate the Employer's contributions for the period to 31 March 2022 will be approximately £3,774,000.

Notes:

The above figures should be treated as estimates and may need to be adjusted to take account of:

- any material events, such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund;
- any changes to accounting practices;
- any changes to the Scheme benefit or member contribution rates; and/or
- any full funding valuation that may have been carried out on the Employer's behalf.

The monetary amount of the projected service cost for the period to 31 March 2022 will be adjusted to take account of the actual pensionable payroll for the period.

Section 6 - Sensitivity Analysis

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2021:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	19,299
0.5% increase in the Salary Increase Rate	1%	1,489
0.5% increase in the Pension Increase Rate (CPI)	8%	17,430

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The provided sensitivity figures can be used to estimate the impact of adopting different financial assumptions (e.g. an Employer considering alternative accounting assumptions or to help an Employer complete an ESFA accounts return). For further details on this, please refer to the accompanying accounting covering report.

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

Appendix - IAS19 remeasurements of plan amendments, curtailments and settlements

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it is our understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event.

Where the event is not deemed to be significant, we have not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, we have measured significance based on 5% of active membership being affected by any event. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Please contact us once the report has been reviewed, where applicable.

The details of all plan amendments, curtailments and settlements that have occurred over the accounting period are noted below.

Event	Date of assumptions*	% of active members affected**	(Net) discount rate at event date	Extent to which assumptions differ***	Significant event?
Early retirements					
Early retirements (December)	31 December 2020	0.2% (1 out of 413)	-1.2%	-1.6%	No

*accounting assumptions that would apply if remeasuring for this event (grouped monthly)

**based on active membership at the latest full valuation

***compared to financial assumptions at start of the accounting period

