



Nottinghamshire Pension Fund

Annual General Meeting
2025 Actuarial Valuation

22 January 2026

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What is a valuation?



Proposed assumptions



2025 Whole Fund results



Funding Strategy Statement

What is a valuation

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Key outcomes – funding position

Funding
position

Funding level =
Assets / Liabilities

Surplus (Deficit) =
Assets - Liabilities



Employer contribution rates

Primary rate

- Cost of future benefits (% of pay)
- Employer share only
- Membership profile

Secondary rate

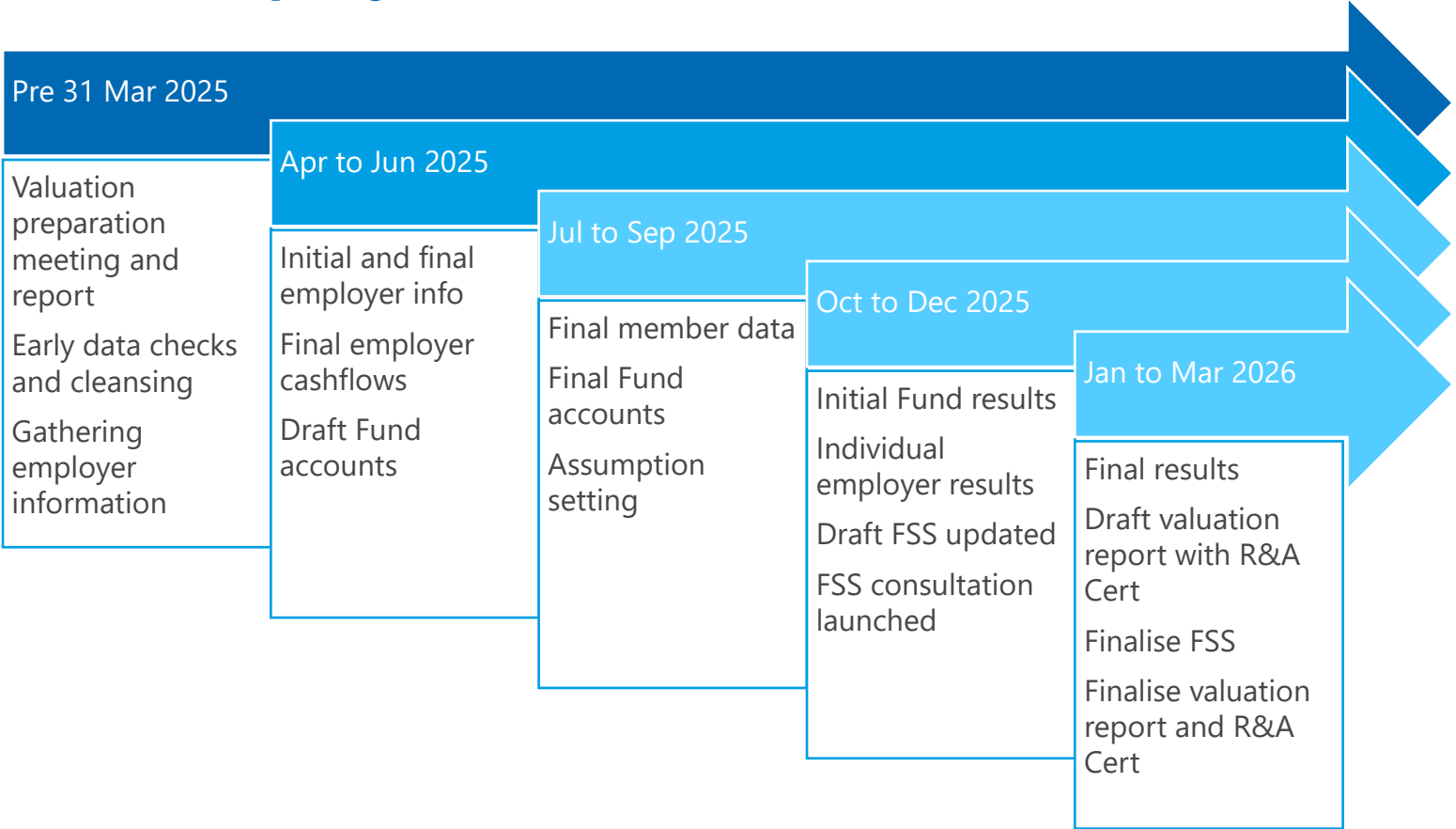
- To target a funding position of 100%
- % of pay or cash amount

Total contribution rate

- Future service rate plus deficit recovery rate
- Stability objective



Valuation project timescales



What is a funding valuation?



Liabilities

- Financial value of pension promises
- NPV of future cashflows from the Fund



Assets

- Long-term investments
- Suitable risk
- Investment return on assets



Employer results

- Employers pooled or standalone
- Tracked separately over time

Valuing liabilities for each employer

Member data for details of the benefits

Assumptions about future **amount** of benefit

Assumptions about **when** benefits will be paid

Actuary builds **model** and runs (lots of) calculations

Liability for each individual employer, in line with FSS

Valuing assets for each employer



Assets at the **start** of the period

Plus **contributions** paid in

Minus **benefits** paid out

Investment return – gain or loss




Assets at the **end** of the period

Proposed assumptions

2

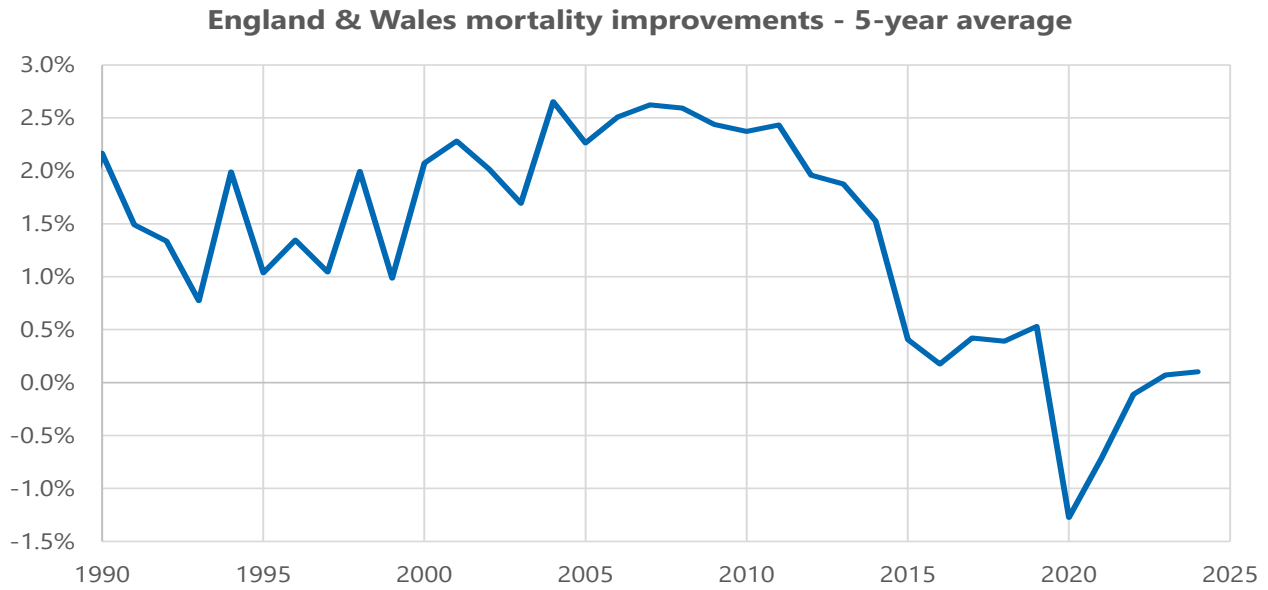


Summary of key financial assumptions and impact

Assumption		2025	2022	Impact on liabilities
Discount rate		5.0% p.a.	<i>4.7% p.a.</i>	↓
Inflation		2.7% p.a.	<i>2.9% p.a.</i>	↓
Salary increases		3.7% p.a.	<i>3.9% p.a.</i>	↓

Future mortality improvements

Refers to the percentage reduction in the probability of death for a particular age group from one year to the next. The chart shows how mortality improvement rates in England & Wales, averaged across ages 20-100, have changed in recent decades.



Proposed mortality assumptions - impact

The resulting life expectancies are set out in the table below. The table sets out the change relating to the updated base mortality assumption as well as the change relating to the updated future changes in mortality assumption.

Life expectancy from age 65 (years)	2022 val	2025 current mortality, 2022 improvements	2025 current mortality, 2025 improvements	Total change frm 2022 to 2025
Male, retiring today, age 65	20.8	21.0	21.0	0.2 years
Female, retiring today, age 65	23.7	24.2	24.0	0.3 years
Male, retiring in 20 years, current age 45	22.2	22.4	22.6	0.4 years
Female, retiring in 20 years, current age 45	25.1	25.6	25.8	0.6 years

Funding

Increases liabilities



The proposed mortality assumptions will worsen the funding position by 1.6% and increase Fund primary contributions by 0.4%.



Whole Fund Results

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What has happened since 31 March 2022?

Factors that affect the cost and the value of liabilities



Investment returns

Lower than expected investment returns

These have increased the cost of the LGPS



Inflation

High pension increase awards (10.1% in 2022/23 and 6.7% in 2023/24), offset by lower expected future inflation

High pension increase awards have increased the cost of the LGPS



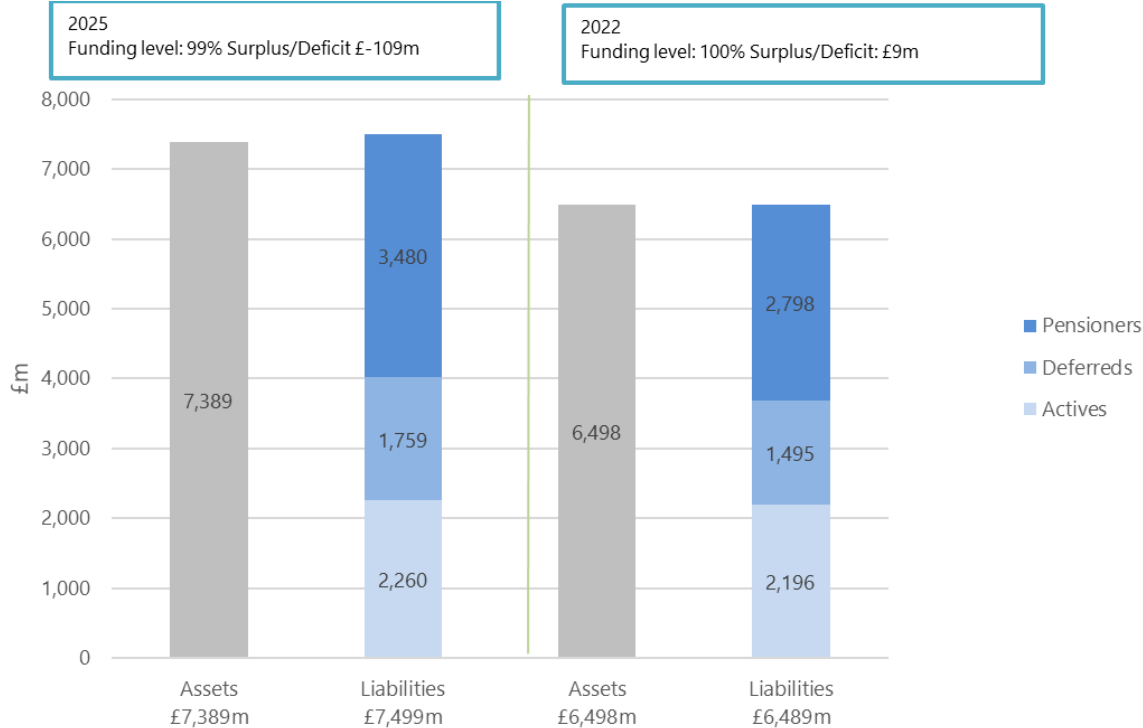
Discount rates

Discount rates are higher than the previous valuation

Higher discount rates reduce value of liabilities but do not reduce cost

2025 Fund-level results

Using the proposed assumptions the results of the valuation are set out in the chart below. We have included the funding position at the previous valuation for comparison.

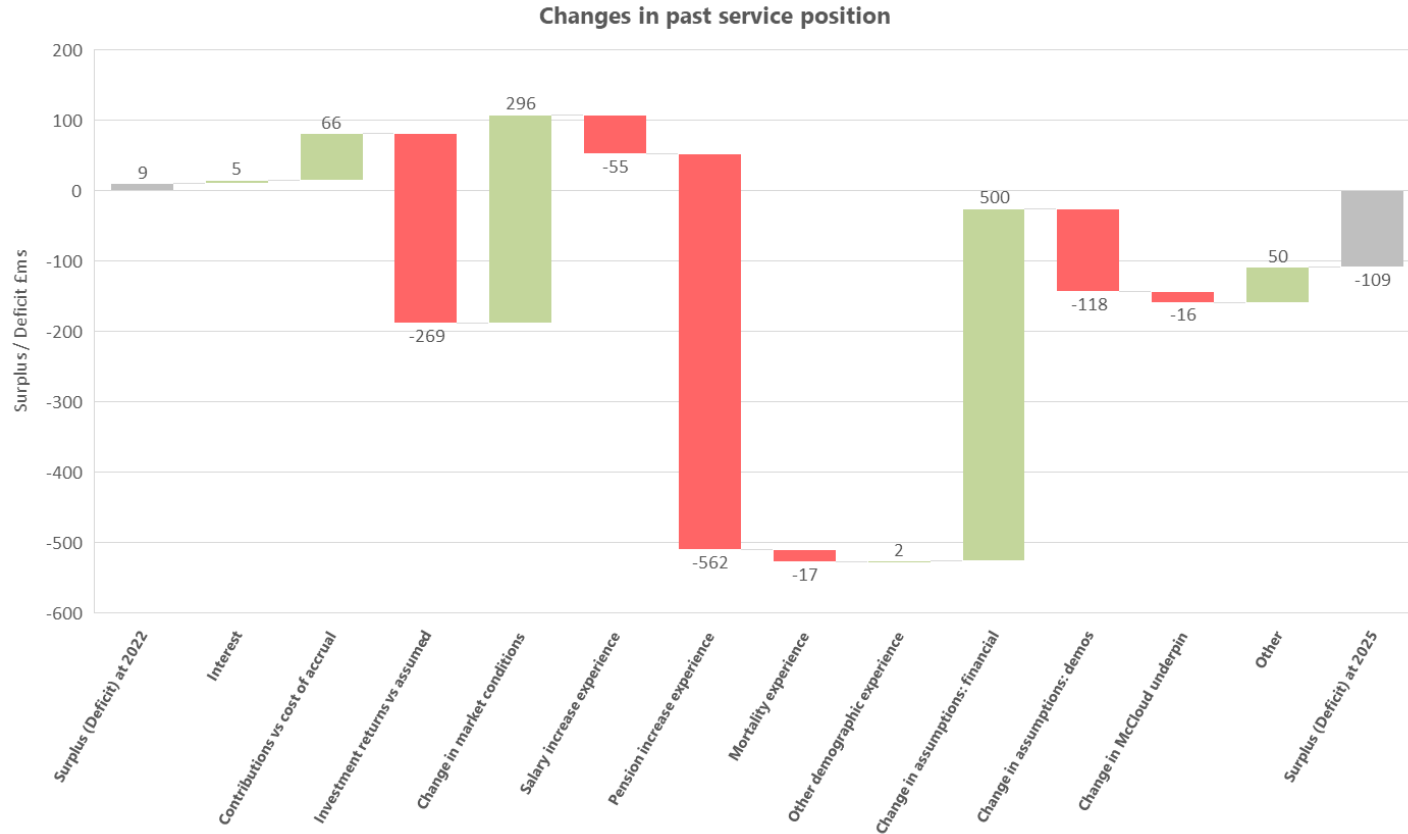


Year to	Investment return (p.a.)
31 March 2023	-1.8%
31 March 2024	8.5%
31 March 2025	3.9%

Actual return 10.2%
Expected return 14.8%



Analysis of change in surplus / deficit



2025 primary rate (Fund-level)

Using the proposed assumptions the resulting average primary rate across the whole Fund is set out in the table below. Note that expenses are dealt with in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

Primary rate	2025 Proposed basis of payroll p.a.	Previous valuation of payroll p.a.
Average total future service rate	23.0%	25.5%
Less average member rate	6.3%	6.4%
Fund primary rate	16.6%	19.0%



Setting the contribution rates

Contribution rates are certified for the period from 1 April 2023 to 31 March 2026



Primary rate

- Employer's share of cost of new benefits
- Over a period of time
- Current employees only

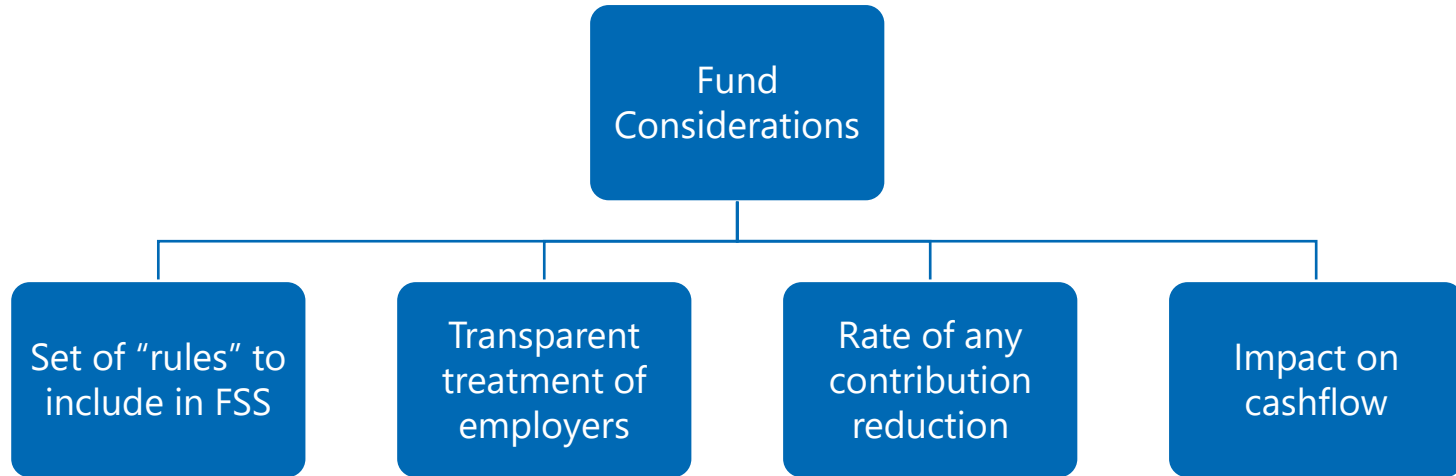
Secondary rate

- Adjustment to primary rate
- Typically set to remove a deficit or surplus
- May vary by employer

Funding strategy statement

- Employer covenant and circumstances
- Contribution Stability
- Prepayment policy

Considerations for setting contributions



These considerations were discussed as part of the employer results process and were included in the FSS for the consultation with employers.

Why are there differences at employer level?

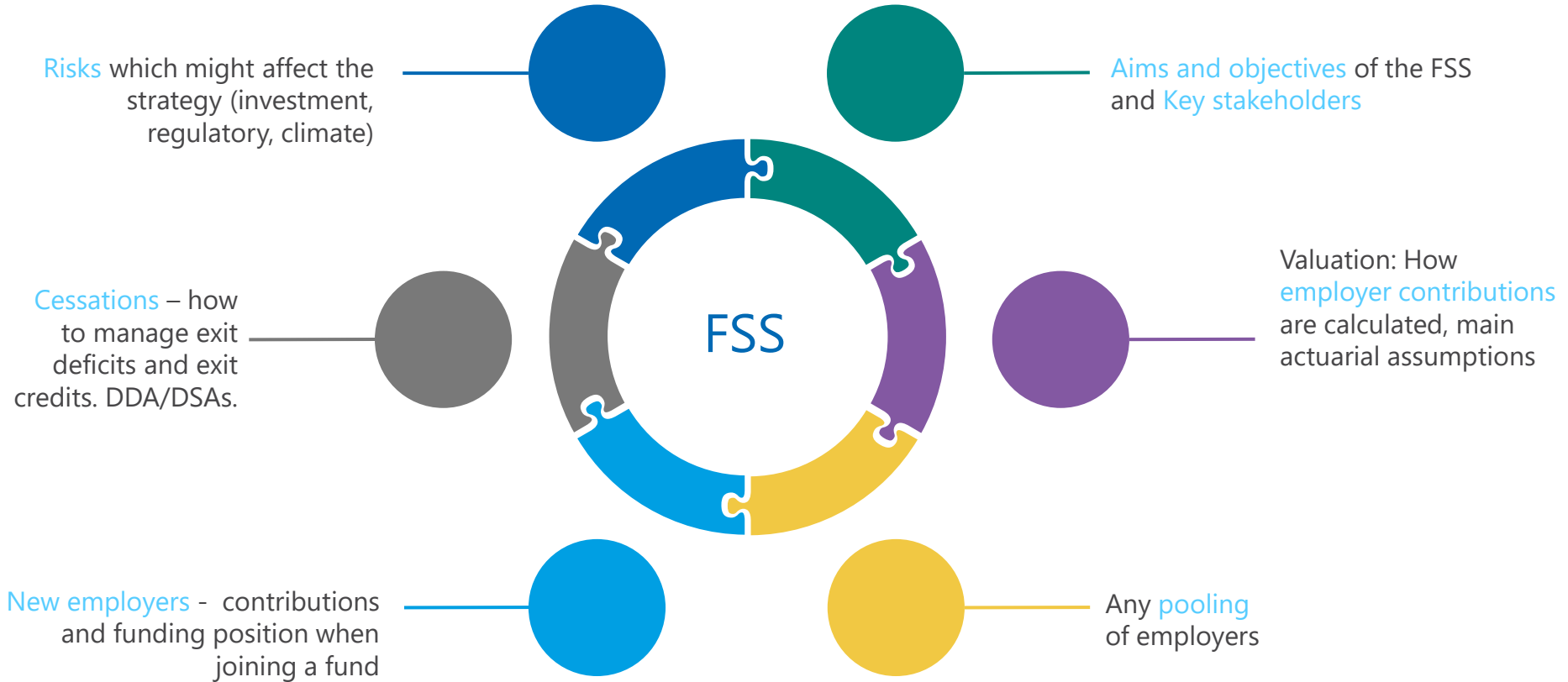
- Funding positions at 2022
- Membership profiles
 - Changes since 2022
 - Impact from changes in assumptions
 - Older membership, costs more
- Contributions paid over the last 3 years
- Membership experience
 - Salary increases, IH retirements, transfers etc



Funding Strategy Statement



What should the FSS contain?



Funding Strategy Statement (FSS)

The FSS plays an integral role in setting out the Fund's approach to managing long-term funding requirements and funding risk in LGPS whilst enabling stability and sustainability for participating scheme employers. An employer should be able to understand from the FSS how their contributions are calculated as part of the actuarial valuation, and also on joining and leaving the fund.



Approach to employers

Employers should be able to understand how they are being treated and how their contributions are being calculated

Employer covenant is the legal obligation and financial ability to pay

Employer groupings and/or pools

Any employer-specific funding arrangements



Funding assumptions

Key assumptions and methodology should be set out. We suggest including more detail than before

Level of prudence and results of stochastic analysis

Long-term asset strategy used

Noting how assumptions will vary over time



Timing and security

Time horizons (open/closed to new entrants, mature/immature)

Level of contributions

"Pace" of funding including deficit / surplus spread periods

Additional security, guarantees

Bespoke arrangements including DDAs/DSAs

Your questions



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