

REDDITCH BC (6)

Worcestershire Pension Fund

31 MARCH 2022 ACTUARIAL
VALUATION RESULTS



2022 ACTUARIAL VALUATION SUMMARY

Worcestershire Pension Fund - REDDITCH BC (6)



EMPLOYER RESULTS SUMMARY

VALUATION BALANCE SHEET

Assets	£126,860,770
Liabilities	£132,039,810
Surplus / (Deficit)	(£5,179,040)
Funding Level	96.1%

EMPLOYER CONTRIBUTION REQUIREMENTS

Contributions requirements	Future Service Rate	(Surplus) / Deficit Contributions
2023/24	19.6%	£568,000
2024/25	19.6%	£594,100
2025/26	19.6%	£621,500

SUPPORTING INFORMATION

Employer Information	
Employer Type	Scheme Employer
Open / Closed	Open
Ill Health Insurance	No
Funding Basis	Growth Pot

Guarantor in Fund	n/a
Deficit Contribution Prepayment Selected	None
Recovery Period from 1 April 2023	12 years

McCloud Costs	
Increase in Liabilities (% of liabilities)	1.0%
Increase in Liabilities	£1,307,320

The figures above include an allowance for short term pay of 4% p.a. for the three years to 31 March 2026.

The results include the impact of the McCloud judgment. Further information of the impact is shown in the table above.

This schedule should be read in conjunction with the Funding Strategy Statement 2022. The contributions will be reassessed as part of the 2025 Actuarial Valuation and new contributions will be payable from 1 April 2026.

Whilst reasonableness checks on the data provided by employers and the Fund have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently, we do not accept any liability in respect of our advice where we have relied on data which is incomplete or inaccurate.

2022 ACTUARIAL VALUATION CONTRIBUTION PROJECTIONS

Worcestershire Pension Fund - REDDITCH BC (6)



DETAILED RESULTS

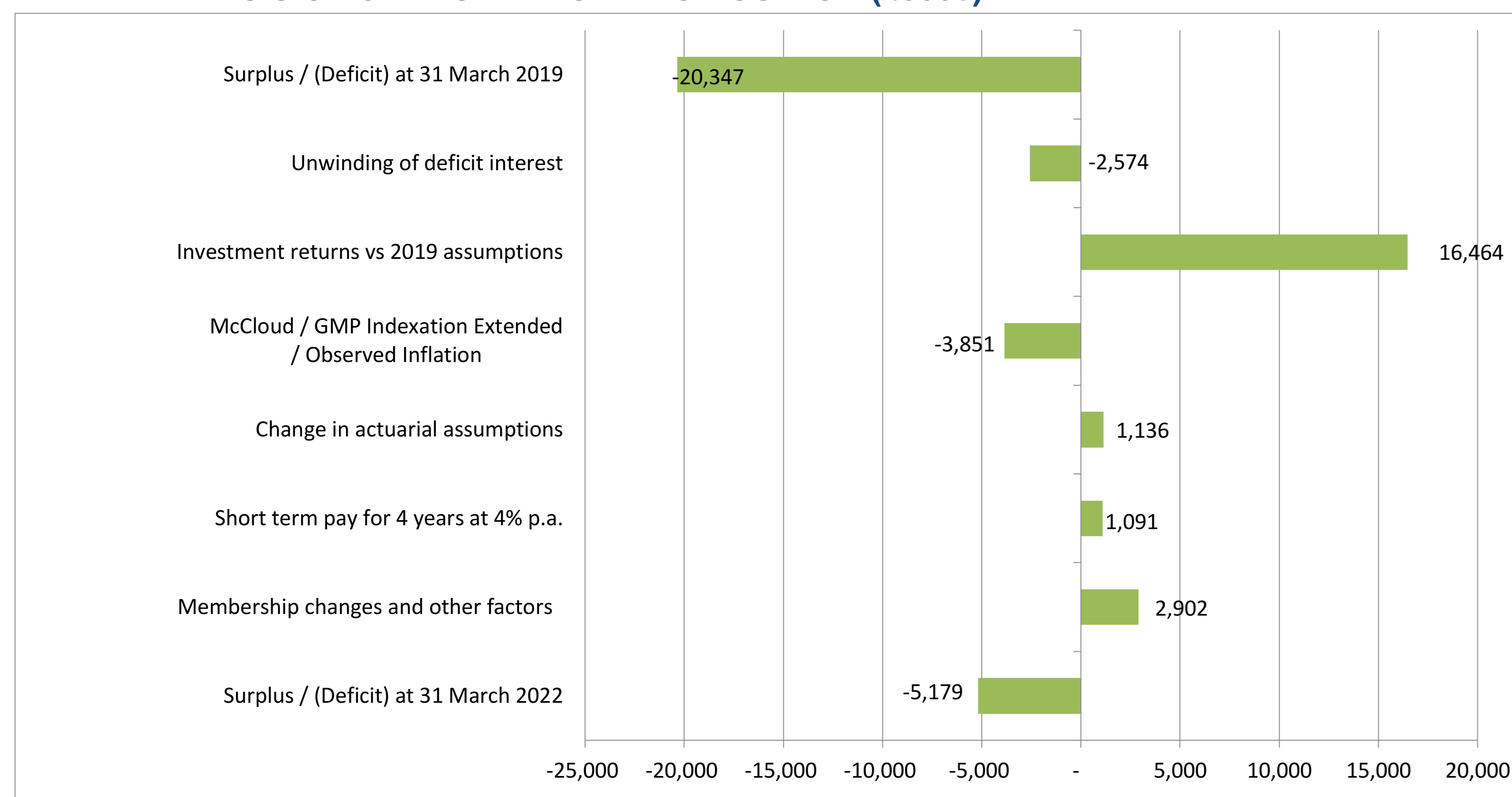
	Final results at 31 March 2019		Actuarial Valuation Results at 31 March 2022 (including McCloud Impact)	
Assets	£103,309,320		£126,860,770	
Liabilities	£123,655,880		£132,039,810	
Surplus / (Deficit)	(£20,346,560)		(£5,179,040)	
Funding Level	83.5%		96.1%	
Employer Future Service Rate (% of pay)	18.6%		19.6%	
2023/24 Projected Payroll	£9,802,780		£9,802,780	
Recovery Period	15 years		12 years	
2022/23 Future Service Amount *	18.6%	£1,753,190	18.6%	£1,753,190
2022/23 Deficit Recovery Amount *	£1,675,800		£1,675,800	
* before any relevant pre-payment discount at the 2019 valuation				
2023/24 Future Service Amount (% and £)	18.6%	£1,823,320	19.6%	£1,921,340
2024/25 Future Service Amount (% and £)	18.6%	£1,896,250	19.6%	£1,998,200
2025/26 Future Service Amount (% and £)	18.6%	£1,972,100	19.6%	£2,078,130
2023/24 Deficit Recovery / Surplus Offset Amount	£1,741,200		£568,000	
2024/25 Deficit Recovery / Surplus Offset Amount	£1,809,100		£594,100	
2025/26 Deficit Recovery / Surplus Offset Amount	£1,879,700		£621,500	
Total 2023/26 Projected Contributions	£11,121,670		£7,781,270	
	Deficit Prepayment Options:		Each April	April 2023
	2023/24 Deficit Recovery Amount		£555,370	£1,666,120
	2024/25 Deficit Recovery Amount		£580,890	£0
	2025/26 Deficit Recovery Amount		£607,680	£0
	Saving		£39,660	£117,480

2022 ACTUARIAL VALUATION FURTHER INFORMATION

Worcestershire Pension Fund - REDDITCH BC (6)



ANALYSIS OF CHANGE IN FUNDING POSITION (£000s)



ANALYSIS OF CHANGE IN FUTURE SERVICE RATE

	% of Pay
2019 Future service rate	18.6%
Removal of 2019 McCloud allowance	-0.7%
Change in employee contribution rate	-0.1%
Change in profile of membership / other	+0.7%
Change in actuarial assumptions	+1.1%
2022 Future service rate	19.6%

KEY MEMBERSHIP EXPERIENCE - 2019 TO 2022

	Actual	Actual vs Expected
Pensioner Deaths	82	130%
Ill-health Retirements	5	136%
Implied Salary Growth (weighted by liability)	12%	
Implied Salary Growth (unweighted)	17%	

SUMMARY OF MEMBERSHIP DETAILS

	31 March 2019	31 March 2022
Number of Active members	389	355
Total Post 2014 Actual Salaries (£ p.a.)	8,380,530	9,011,230
Total Pre 2014 FTE Salaries for those in both valuations (£ p.a.)	6,658,350	7,789,180
Total Liabilities (£)	26,774,260	32,364,630
Average Age (weighted by CARE pay)	48.4	49.1
Average Employee Rate (% of pensionable pay)	6.4%	6.5%
Number of Deferred Pensioners	696	677
Total Liabilities (£)	28,016,110	29,641,170
Total Deferred Pensions at the Valuation Date (£ p.a.)	1,469,590	1,495,030
Number of Current Pensioners and Dependants	787	864
Total Liabilities (£)	68,865,510	70,034,010
Total Pensions Payable at the Valuation Date (£ p.a.)	4,472,390	4,800,660

2022 ACTUARIAL VALUATION EMPLOYER CONTRIBUTION PLAN

Worcestershire Pension Fund - REDDITCH BC (6)



Year	Contribution Plan	
	Future Service Rate (% of pay)	Deficit Contributions (£ per annum)
2023/24	19.6%	£568,000
2024/25	19.6%	£594,100
2025/26	19.6%	£621,500
2026/27	19.6%	£650,000
2027/28	19.6%	£679,900
2028/29	19.6%	£711,200
2029/30	19.6%	£743,900
2030/31	19.6%	£778,100
2031/32	19.6%	£813,900
2032/33	19.6%	£851,300
2033/34	19.6%	£890,500
2034/35	19.6%	£931,500
2035/36	19.6%	
2036/37	19.6%	
2037/38	19.6%	
2038/39	19.6%	
2039/40	19.6%	
2040/41	19.6%	
2041/42	19.6%	
2042/43	19.6%	
2043/44	19.6%	
2044/45	19.6%	
2045/46	19.6%	
2046/47	19.6%	
2047/48	19.6%	
2048/49	19.6%	
2049/50	19.6%	
2050/51	19.6%	

Please note that the future service contributions are payable for as long as your organisation has active members in the Fund. In addition, employer contributions are subject to a minimum of zero. Your contributions will be reassessed as part of the next actuarial valuation.

2022 ACTUARIAL VALUATION NOTES

Worcestershire Pension Fund - REDDITCH BC (6)



Notes to accompany the 2022 Valuation Individual Employer Schedules

The schedules above include more detailed information about the 2022 valuation outcome. There are many factors that will influence the results at an employer level, including the changes in the financial and demographic assumptions and also the actual experience of the membership.

For smaller employers in the Fund (in terms of membership size), “experience” can potentially have a significant impact on the funding position, more so than for the larger employers where positive/negative experience is likely to be less material because of averaging effects over the larger membership.

1. Whole Fund Outcome

The initial outcome at the overall Fund level as at 31 March 2022 (and 31 March 2019 for comparison) along with the financial assumptions adopted is as follows:

	31 March 2019	31 March 2022
Assets	£2,795m	£3,584m
Liabilities	£3,090m	£3,570m
Surplus / (Deficit)	(£295m)	£14m
Funding Level	90%	100%
Future Service Rate	17.5%	18.8%

	31 March 2019	31 March 2022
Discount Rate:		
Past Service	4.05%	4.60%
Future Service	4.65%	5.10%
Salary Increases	3.90%	4.60%
CPI Inflation	2.40%	3.10%

**Growth Pot assumptions shown in the table above*

The 2022 valuation takes into account changes in financial markets, demographic assumptions and the membership profile of the Fund and its employers. This addendum explains the overall outcome for the Fund in detail.

2. Notes on change in funding position since last valuation (reflecting experience over the three year period)

Interest - this reflects the expected increase in the deficit / surplus over the 3 year valuation period using the discount rate applicable at the 2019 valuation (based on each employer's strategy). Those employing bodies which had a surplus in 2019 will have interest credited instead of debited.

Actual vs. expected investment return – the actuary assumes an investment return equal to the discount rate at the last valuation. Any investment return in excess of the assumption is positive for the funding position; any return below the assumption is negative for the funding position.

Impact of salary increases – the actuary assumed salary inflation of 3.9% in the 2019 valuation (however short term pay restraint applied to certain employers). Salary growth lower than the assumed growth is positive for the funding level; salary growth higher than the assumed growth is negative for the funding position.

Net effect of membership changes and other factors – this reflects the changes to the membership profile. The most significant changes in terms of the impact on an employer's funding position are withdrawals from the scheme (a positive if greater than expected), ill health retirements for those not in the captive (a negative if greater than expected) and post retirement deaths (a positive if greater than expected).

2022 ACTUARIAL VALUATION NOTES

Worcestershire Pension Fund - REDDITCH BC (6)



Changes to assumptions – this includes the changes to (i) the financial assumptions including the discount rate and inflation which are derived from market information prices at the time of the valuation and (ii) to the demographic assumptions including anticipated rates of mortality, early (ill-health) and normal retirements, other withdrawals and the probability level of take up of commutation of pension for additional lump sum.

Experience over period gives more detail on salary growth and some membership changes:

- **Salary growth** – shows the actual salary growth (either weighted by the liabilities or unweighted based on the data provided) which then relates to the impact of salary increases in the analysis of change in funding position
- **Withdrawals and post retirement deaths** – shows the actual number compared to the number assumed by the actuary – if these are >100%, then the effect on the funding position is positive; if <100% then the impact is negative.
- **Ill-health retirements** – shows the number of early retirements due to ill-health compared to the number assumed by the actuary – if this is >100% the effect on the funding position is negative; if <100% the effect on the funding position is positive. Equally if more members than expected fall into tier 1 or tier 2 ill health category's this will be a negative impact on the funding position.

3. Notes on changes to the Future Service Rate (FSR)

Changes in the membership profile - includes the proportions of males and females and the average age of the membership; for example if the average age increases, the future service rate increases as a % of pay.

Change in assumptions - this includes the changes to the financial assumptions including the discount rate and inflation which are derived from market prices at the time of the valuation; the demographic assumptions including anticipated rates of mortality and any other changes such as moving from an open to closed scheme or from the ongoing valuation basis to a lower risk funding basis.

4. McCloud costs

The Government confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. The Regulations have not been finalised at this stage and so, in line with guidance, a reasonable estimate for the potential cost of McCloud has been included within the liabilities calculated. The relevant estimated costs have been assessed and included within the schedule in the table headed "McCloud Costs". McCloud no longer impacts on the future service contributions payable.

5. Funding Basis

The Growth pot reflects a predominantly growth based investment strategy targeting long term additional outperformance above CPI inflation. The Medium pot represents an alternate investment strategy available to employers who wish to reduce investment risk to some extent compared to the Growth pot, but still target long-term additional outperformance above CPI inflation. Further information is available in the Investment Strategy Statement and the Fund's 'Investment Pot Risk Management Policy'.

Worcestershire Pension Fund
November 2022

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Registered in England and Wales No. 984275 Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU

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Mercer Limited
No 4 St Paul's Square
Old Hall Street
Liverpool L3 9SJ