Actuarial Valuation as at 31 March 2024 for Accounting Purposes

Covering report to accompany the Results Schedule

April 2024

Contents

1 Introduction and how to contact us

Scope and Purpose

1 Hymans Robertson have been instructed by the Employer to undertake pension expense calculations to comply with the Accounting Standard stated in the accompanying Results Schedule for the period ending 31 March 2024 ("the Accounting Date").

2 The purpose of this covering report is to help the Employer and its auditor understand the methodology, data and assumptions used in preparing the Results Schedule.

3 The Employer participates in the Fund named in the Results Schedule ("the Fund") which is part of the Local Government Pension Scheme ("the LGPS").

4 The information set out in the Results Schedule and this report should be included in a disclosure note in the Employer's report and accounts.

Further assistance and how to contact us

5 The Employer can request a supplementary paper and/or slide deck with accompanying script to help explain the key balance sheet movements, assist with audit questions and enable results to be easily presented to committees/directors.

6 The Accounting Standard restricts (by way of an 'asset ceiling') the amount of accounting surplus that the Employer may be able to disclose at 31 March 2024 (or at a prior accounting date). A complex mix of Fund and employer specific factors need to be considered to determine an asset ceiling and there is no single and/or correct approach to follow for any given type of LGPS employer. The adopted approach is ultimately an employer decision to make for its own accounts, noting that auditors will want to see clearly set out rationale for the approach taken by an employer. To assist, we offer the Employer a comprehensive asset ceiling calculation, considerations, and commentary paper which can be produced as at 31 March 2024 (or as at a prior accounting date).

7 Where an asset ceiling adjustment applied at 31 March 2023, there are follow-on amendments required within the 2023/24 Results Schedule P&L and OCI. The Employer can manually calculate and adjust for these individual items within their own accounts or may have instructed us in advance to capture fully within the 2023/24 Results Schedule.

8 We recommend that the Employer and its auditor consider this report in full before raising any queries about the assumptions or approach we have used, particularly the sections on data and regulatory and legal developments.

9 Please contact us with any questions not already answered in this report or the Results Schedule. It may be most efficient to arrange a three-way call (employer, auditor and actuary) to address queries.

To arrange a call with our accounting specialists or to request any additional services or calculations (e.g. related to asset ceilings) please contact us on LGPSCentralAccountingTeam@hymans.co.uk

2 Results Commentary

The below commentary is for a typical LGPS employer, adopting standard assumptions, and reporting at 31 March 2023 last year and 31 March 2024 this year.

Results commentary – Assets

1 In the period to the Accounting Date, individual LGPS Fund investment performance % returns have typically being higher than assumed (compared to last year's accounting discount rate assumption). A higher than assumed investment return will lead to a positive 'Return on assets excluding amounts included in net interest' figure in the Results Schedule. Note, this will vary between LGPS funds and even within LGPS funds where employers are invested in different investment strategies.

Results commentary – Obligations

2 The remeasurements in the obligations rollforward are split into three separate parts to differentiate between the following:

Change in financial assumptions – as at the Accounting Date, the net discount rate (discount rate net of CPI inflation) has increased compared to last year. The higher net discount rate placed a lower value on the obligations with the gain shown within 'Changes in the financial assumptions' in the OCI.

Change in demographic assumptions - using a more up-to-date longevity improvement assumption at the Accounting Date (see section 5.9), typically leads to a small gain of less than 1% of the obligations. Note the baseline longevity and all other demographic assumptions will be consistent with the 2023 accounting disclosures (e.g. based on the 2022 funding valuation assumptions).

The 'Other experience' item captures any adjustments made to the rollforward approach to allow for actual experience over the period. This item is a combination of 2 factors:

- The loss (increase in obligations) resulting from applying the actual Pensions Increase Order for April 2024 of 6.7% to the benefits. Please note the monetary £ impact of this loss is set out in a separate line under the balance sheet in Section 3 of the Employer's Results Schedule.

  After subtracting the above Pensions Increase Order monetary impact, the remainder of the 'Other experience' item will be in relation to unfunded obligations experience (only in cases where the Employer has historically granted such unfunded benefits and allows for these under the Accounting Standard):

- The unfunded obligations are valued annually using updated individual membership data which can lead to (typically small) experience items if there have been greater or fewer deaths than expected over the period.

Results commentary – Profit & Loss account

3 The charge to Profit & Loss (P&L) shown in the Results Schedule is based on financial conditions at the start of the year (i.e. assumptions as at last year's accounting date). The Current Service Cost should be broadly in line with the projections made in last year's Results Schedule. Note, where this year's payroll is significantly higher or lower than that assumed in last year's projection, the Current Service Cost will then be higher or lower than the projection.

4 The projected service cost charge to the P&L for next year is likely to be lower than this year, as a result of the higher net discount rate at the Accounting Date noted above.

Results commentary – Asset ceiling adjustments

5 The Accounting Standard restricts (by way of an 'asset ceiling') the amount of accounting surplus that the Employer may be able to disclose at its accounting year end.

6 Where an asset ceiling adjustment was applied by the Employer at 31 March 2023, the Employer will have instructed us to either start their 2023/24 disclosures from the unadjusted or adjusted position (ie before or after the asset ceiling adjustment was applied to the closing net asset/liability).

7 Where the Employer has instructed us to adjust the 2023/24 opening position for the effect of the asset ceiling:

- the 2023/24 Results Schedule has an enhanced disclosure layout.
- this includes additional calculations for the impact of the effect of the asset ceiling on the 2023/24 P&L and OCI.
- if the Employer has instructed us on their asset ceiling restriction amount at 31 March 2024, this will have been incorporated within the 2023/24 closing position.
- if we are yet to receive final notification of any 31 March 2024 asset ceiling restriction amount, the 2023/24 Results Schedule will note that a final version could be produced at a later date once the Employer has made a decision and/or following discussion with its auditor.

8 Where the Employer has not instructed us to adjust the 2023/24 opening position for the effect of the asset ceiling (eg the Employer is doing adjustments manually within its own accounts, did not apply an asset ceiling, etc):

- the 2023/24 Results Schedule will show the gross accounting positions at opening and closing, before any potential asset ceiling adjustments were applied.
- no additional calculations have been performed for the impact of the effect of any asset ceiling at 31 March 2023 on the 2023/24 P&L and OCI.

9 See Section 1.6 and 1.7 for some further assistance we can provide on this topic or alternatively contact LGPSCentralAccountingTeam@hymans.co.uk with any questions.

3 Auditor information – What approach has been taken?

A funding valuation is carried out every three years for the Fund and all its employers, whereas an accounting valuation is carried out every year.

Key differences between funding and accounting valuations

1 The purpose of the funding valuation is to assess the ongoing financial position of the Fund and to determine each participating employer's cash contribution rates, certified for a three-year period. The aim of the funding valuation is to ensure that each employer's shar of the Fund's assets alongside future expected investment returns and contributions will be sufficient to meet future benefit payments from the Fund.

2 The purpose of an employer's accounting valuation under the Accounting Standard is to facilitate consistent comparison of pension positions between employers. An accounting valuation has no effect on the cash contributions that will be certified for an employer.

3 The funding valuation is carried out using a method and assumptions customised for each LGPS fund and agreed between the Administering Authority and the Fund Actuary, in consultation with the Fund's employers. An accounting valuation is carried out using a much more standardised method; most of the assumptions are prescribed by the Accounting Standard but are ultimately the responsibility of each employer (see Section 5 on Assumptions for more details).

4 Importantly, the method and assumptions underlying the funding and accounting calculations are different, so accounting calculations can produce significantly different results from the funding valuation calculations.

Unless otherwise instructed by the Employer and stated in the Results Schedule, below is a description of the approach taken for the accounting disclosure calculations.

Accounting Valuation Methodology

5 We have used the projected unit credit method of valuation as required under the Accounting Standard.

6 We have projected forward the results of the latest funding valuation to the Accounting Date using approximate rollforward methods. We allow for changes in financial and demographic assumptions, benefit accrual, actual pension increases and estimated cashflows over the period. We also allow for bulk transfers, business combinations, settlements etc as shown in the Results Schedule.

7 We cannot assess the accuracy of rollforward estimates without performing another full valuation using updated membership data, which is generally not possible in the time available. The rollforward estimated obligations will not therefore reflect differences in demographic experience from that assumed (e.g. member deaths), the impact of differences between aggregate changes in salaries or changes for specific individuals (e.g. individual member transfers in/out of an Employer).

8 We also do not allow for any changes in the overall profile of the membership since the latest funding valuation date but, for most employers, we believe the effect is likely to be immaterial in actuarial terms.

9 To calculate the Employer's asset share at the Accounting Date, we have rolled forward the Employer's assets calculated at the latest funding valuation allowing for investment returns, Employer and employee contributions paid in, and estimated benefits paid out by the Fund.

10 To calculate the Employer's obligations at the Accounting Date, we have rolled forward the value of the Employer's obligations calculated at the latest funding valuation allowing for the financial assumptions required under the Accounting Standard. We include estimated benefit accrual for current employees and estimated benefits paid out to the Employer's former employees.

11 We use contribution information provided by the Administering Authority (or the Employer) to allow for changes in the Employer's pensionable payroll when we calculate the Current Service Cost.

12 We have made no allowance for early retirements on grounds of redundancy or efficiency other than those summarised in the Results Schedule. We have, however, made an allowance for some premature retirements on grounds of ill-health (as these allowances were made within the funding valuation).

13 Expenses (expressed as a percentage of pensionable payroll) are allowed for within the Current Service Cost and stated under the main Balance Sheet table in the Results Schedule. This assumption is updated at each funding valuation.

14 For employers who joined the Fund recently and are receiving a first-time accounting report:

- The Results Schedule relates to the period from date of joining to the Accounting Date.
- The initial asset allocation used for accounting purposes will be based on final membership data at the date of joining. This may differ from any initial asset allocation previously quoted, if based on estimated transferring membership data or estimated financial market conditions.
- The obligation value reported in the Results Schedule will differ from the past service liability in any previous actuarial reports related to the Employer's opening funding position due to the different assumptions adopted for each type of valuation.

4 Auditor information – What data has been used?

Our standard data sources and checks are described below. In the Results Schedule we have stated any Employer requested departures from the standard approach.

Data sources

1 Our calculations are based on the following data provided by the Administering Authority (and summarised in the Results Schedule):

- member data as at the latest funding valuation date – see Section 4.5 below;
- employer and employee contributions for the accounting period (estimated where necessary);
- actual Fund investment performance returns (quarterly or monthly) up to the latest available date;
- latest available whole fund asset information split into major asset class categories, to derive estimated Fund investment performance returns (quarterly or monthly) where necessary;
- any new early retirements (where data is available) on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non-ill-health retirements); and
- individual pensioner member data in respect of unfunded LGPS and Teachers' pensions.

2 Our calculations are based on projected benefit payment data from the latest funding valuation date – see Section 4.10 below.

Data checks

3 We check that the data provided is complete, consistent with the previous year and fit for the purpose of the accounting valuation. However, these reasonable checks are necessarily limited by the scope of the information provided and by time constraints.

4 The Employer is ultimately responsible for the accuracy of the data shown in the Employer's accounts.

Underlying membership

5 We have used the latest funding valuation for the Employer as the starting position for the accounting figures. This is either the latest triennial valuation or the opening position at the date the Employer joined the Fund, if later.

6 The Employer should discuss with its Auditors any significant membership changes since the latest funding valuation. If necessary, we can investigate the potential effect on the balance sheet and P&L account or carry out a full valuation of updated membership data at the Accounting Date.

Assets and investment returns

7 Details of the investment return on the Fund over the accounting period is set out in Section 1 of the Results Schedule.

8 For Funds with multiple investment strategies, we use the investment return of the individual investment strategy in which the Fund has invested the Employer's assets. If the Employer has changed investment strategy over the year, this will be reflected in the return shown in Section 1 of the Results Schedule.

9 We show the Employer's fair value of plan assets as an approximate proportion of the Whole Fund's assets, for information only. This proportion figure is not used to calculate the Employer's assets (see Section 3.9 above) and is not expected to remain constant from year to year.

Benefits paid

10 To maintain consistency of the closing obligations with the starting point of the rollforward calculations, we estimate the benefit payments based on the projected cashflows we calculated at the latest funding valuation.

11 The benefit payment we estimate includes benefits expected to be paid to members who were already pensioners at the funding valuation, as well as to members who were active/deferred at the funding valuation based on when they are expected to retire.

Additional comments on data

12 In the Results Schedule we have set out any specific comments on the data provided for the Employer. This will include any material uncertainty in the data, and any limitations on the results where we had to make assumptions in respect of incomplete or unreliable data.

5 Auditor information – Which assumptions have been used and how have they been derived?

The Employer is ultimately responsible for the financial and demographic accounting assumptions adopted for its accounts, based on actuarial advice.

Below we describe our standard assumptions and how we derive them. In the Results Schedule we have stated any Employer-requested departures from the standard approach.

The Accounting Standard requires 'best estimate' assumptions. We interpret this to mean there should be an equal chance of actual experience being better or worse than the assumptions proposed.

Derivation of financial assumptions

Discount rate

1 The Accounting Standard states that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. The currency and term of the high-quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

Corporate bond yield curve

2 Updated Government bond yield curves are available on a daily basis from the Bank of England so we can easily identify a spot yield on Government bonds at any duration and at any date. However, a similarly accessible yield curve for corporate bonds is not so readily available.

To set the discount rate, we construct a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index. The complex construction details of the yield curve are beyond the scope of this report, but we can provide further details if necessary.

Weighted average duration

3 The discount rate should reflect the 'term' of the benefit obligation. We interpret 'term' to be the weighted average duration of the benefit obligation.

We calculate the weighted average duration for each employer and categorise each employer's duration. We set assumptions based on duration category as below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

Retail Price Inflation (RPI)

4 We use a market implied inflation curve over a range of maturities, derived from yields available on fixed interest and index linked government bonds to be consistent with the derivation of the discount rate. For each duration category we derive a cashflow weighted single RPI rate from this market implied inflation curve.

Our RPI assumption allows for an Inflation Risk Premium (IRP) of 0bps pre-2030 and a post-2030 IRP of 30bps, giving an average IRP of 20bps over short durations, and 25bps over medium and long durations.

Consumer Price Inflation (CPI) – Pension Increases

5 We set the pension increases assumption in line with our default Consumer Prices Index (CPI) assumption. As a deep market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices.

Our CPI assumption allows for a wedge of 100bps pre-2030 and a wedge of 10bps post-2030 relative to RPI. The former reflects differences between RPI and CPI and the latter reflects differences between CPI and CPIH. The resulting average RPI/CPI gap is 0.35%, 0.30% and 0.25% over short, medium and long durations respectively.

The above gives CPI assumptions of 2.85%, 2.80% and 2.80% at short, medium and long durations respectively.

We have adjusted the CPI assumption to reflect 5 months of observed CPI experience from October 2023 to February 2024 of 0.2%. Following adjustment, our final standard CPI assumptions are 2.80%, 2.75% and 2.75% at short, medium and long durations respectively.

Salary Increases

6 We set our standard assumption for salary growth relative to CPI, using the same methodology as the Fund's most recent funding valuation. See the Fund's formal valuation report for further details on the salary growth assumption.

Proposed financial assumptions for the Accounting Date

7 We use financial assumptions from the beginning of the accounting period (as set out in Section 2 of the Results Schedule) to calculate the service cost and net interest components of the pension expense.

We propose the following standard assumptions at the Accounting Date.

Accounting Date – 31 March 2024	Weighted Average Duration At Most Recent Valuation		
	Short % p.a.	Medium % p.a.	Long % p.a.
Discount Rate	4.80%	4.85%	4.85%
Retail Price Inflation (RPI)	3.20%	3.10%	3.05%
Consumer Price Inflation (CPI) – Pension Increase Rate	2.80%	2.75%	2.75%

Demographic assumptions

Longevity

8 We use baseline longevity assumptions consistent with the assumptions used at the latest funding valuation.

9 We use future longevity improvements assumptions in line with the latest Continuous Mortality Investigation (CMI) results, namely the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020 data), standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both females and males.

Other demographic assumptions

10 We use other demographic assumptions (e.g. commutation, withdrawal, ill-health early retirements etc) which are the same as those used for the latest funding valuation. These are considered to be best estimate. Further details of these assumptions are set out in the Fund's formal valuation report.

Reasonableness of assumptions

11 There is a range of actuarial assumptions which are acceptable under the requirements of the Accounting Standard. We consider that the assumptions above are within the acceptable range.

12 Where the Employer has requested different assumptions, we have shown these in the Results Schedule and noted whether these fall outside our standard acceptable range.

Risks and uncertainties in relation to the assumptions

13 We have adopted assumptions which are in effect projections of future investment returns and demographic experience many years into the future. There is inevitably a great deal of uncertainty in what constitutes 'best estimate' with such projections.

14 It is important to note that the Accounting Standard requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the Fund's actual investment strategy. As such, the figures in the Results Schedule are not likely to reflect the actual cost of providing the benefits. Similarly, the Results Schedule is not used in any way to calculate or certify employer cash contributions.

Sensitivity to assumptions

15 We have included details of the effect on the obligations of changes to the key assumptions in the Sensitivity Analysis section of the Results Schedule.

16 The net discount rate is the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment. Changes in market conditions that affect the net discount rate can have a significant effect on the value of the obligations reported.

A reduction in the net discount rate will increase the assessed value of obligations, as a higher value is placed on benefits paid in the future.

A rise in the net discount rate will have an opposite effect of similar magnitude.

6 Auditor information – Legal and regulatory uncertainty

We describe the approach we have taken to allow for relevant legal judgements and regulatory uncertainty. In the Results Schedule we have stated any Employer-requested departures from the standard approach.

Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)

1 We have made no additional allowance within the accounting balance sheet for this initial legal judgement from July 2023. We have taken this approach because at the time of writing:

- the ruling only applies to the above-named private sector pension scheme
- the legal judgement is currently being appealed
- it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be
- it is unknown whether Section 37 certificates exist for prior scheme amendments.

GMP equalisation / indexation treatment (Lloyds' ruling)

2 We allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation has already been included in the accounting disclosure.

GMP equalisation – historical transfers (Further Lloyd's ruling)

3 This further ruling is unlikely to have a significant impact on the pension obligations of a typical employer, and the historic individual member data we would need to assess the impact is not readily available. As a result, we have not made any allowance for this within our calculations at the Accounting Date

McCloud/Sargeant treatment

4 We allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting rollforward calculations and therefore an allowance is included in the accounting disclosure.

Goodwin treatment

5 We have previously carried out some approximate analysis across our LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain but we estimate the potential impact of this to be very small for a typical Fund (c0.1% of obligations). We therefore do not believe it is necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

Other court cases

6 We are also aware of the following court cases, which may also impact LGPS benefits in the future:

- Walker;
- O'Brien;

It is our understanding these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, we have not made any allowance for the potential remedies to these judgements.

7 Auditor information – IAS19 Amendments and Other considerations

IAS19 Amendments

1 On 7 February 2018, the IASB issued changes to the IAS19 standard for plan amendments, curtailments and settlements ("special events"). This potentially affects any IAS19 employers with events such as bulk transfers (e.g. academy conversions or outsourcings) or redundancies over the year. CIPFA incorporated this amendment into their guidance from 2020/21. Where applicable, we will give details of these events in an Appendix to the Results Schedule.

2 In the absence of any instruction, we have measured significance based on 5% of active membership being affected by an event or the event being more than 2% of an employer's obligations. If an alternative measure of significance were to apply, and/or if we were instructed to treat one or more event as material for these purposes, changes may be required to our calculations and disclosures; however, the closing balance sheet position would remain unchanged.

3 Where all events are deemed not to be significant, we have not remeasured the Profit and Loss account in the Results Schedule.

4 Where any event(s) are deemed to be significant, we will have issued details of the events to the Employer and followed their instructions on how to produce the Results Schedule.

Other considerations

Past service costs (including curtailments)

5 Past service costs can arise from the Employer awarding discretionary benefits e.g. added years augmentation or deciding to allow LGPS employees to retire on unreduced benefits.

6 We have set out details of any such retirements (and any Past Service Costs) in the Results Schedule. These represent the difference between an active member reserve and the actual early retirement reserve, both calculated at the time of early retirement based on the Accounting Date assumptions.

Settlements

7 Our calculations do not take account of any obligations being settled at a cost materially different to the Accounting Standard reserve during the period, other than as set out in the Results Schedule.

Bulk transfers

8 Our calculations do not take account of any bulk transfers (in or out) since the Employer's previous Accounting Standard valuation (or following the date of joining for employers receiving a first time Accounting Standard valuation) other than as set out in the Results Schedule. Where a bulk transfer has been allowed for, this will be detailed in an Appendix to the Results Schedule.

8 Auditor information – Professional qualifications of signing actuaries

Professional qualifications

1 All signing actuaries preparing accounting disclosures for Hymans Robertson will either be a Fellow of the IFoA (FFA or FIA) or an Associate of the IFoA (AFA or AIA).

2 The Actuary preparing the Results Schedule will have a minimum of three years' experience in their relevant field of work. This will qualify the Actuary to sign out the Results Schedule in compliance with their professional obligations to the IFoA.

3 Details of the named signing Actuary and their relevant qualification can be found on page 1 of the Results Schedule.

Independence from Employer

4 All signing Actuaries who produce a Results Schedule for an Employer have no financial dependence on the Employer, other than in a professional capacity via Hymans Robertson's appointment by the Employer.

Peer review process

5 Our approach to preparing Accounting Standard disclosures for employers in LGPS funds has been developed over many years by a number of experienced actuaries and has been subject to rigorous peer review at each stage. The Results Schedule for the Employer was prepared using this approach and has been checked before being reviewed and signed off by the signing actuary noted in the Results Schedule.

Pensions administration internal controls

6 Hymans Robertson, as actuaries to the LGPS Funds we advise, have no involvement in the day-to-day administration functions of said Funds. As a result, we make no reference to the internal controls for pension administration services (AAF 01/06 and ISAE 3402) when producing our LGPS accounting reports.

9 Reliances and limitations

Reliances and limitations

1 We have provided this report (including the accompanying Results Schedule) to the Employer solely for the purpose of complying with the Accounting Standard for the period ending the Accounting Date. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. Importantly, however, a copy of this report should be passed to the Employer's auditor to be used solely for the purpose of their audit.

2 We accept no liability to any third party unless we have expressly accepted such liability in writing.

3 The accounting Net Asset/Liability can vary significantly over short periods of time so the Results Schedule should not be taken as being applicable at any date other than the Accounting Date.

4 The figures presented in this report are not relevant for calculations undertaken for funding purposes, for reporting under any accounting standard other than named in the Results Schedule, for bulk transfers or for other statutory purposes under LGPS Regulations.

5 The data with which we have been provided with and relied upon for this exercise is summarised in Section 4 and set out in the Results Schedule.

6 The projected pension expense calculations shown in the Results Schedule may be used for the purpose of any interim financial reporting for the next accounting year. However, subsequent adjustments may be necessary to take account of certain events which are set out below the projected pension expense calculations in the Results Schedule.

7 This report and the Results Schedule deal principally with pension benefits provided via the LGPS. However, the Accounting Standard may require the disclosure of any additional obligations, for example, those in respect of compensatory added years pensions ("Unfunded Benefits"). We have only valued such additional obligations, which would not be covered in the formal LGPS funding valuation, to the extent that they have been notified to us and are summarised in the Results Schedule.

8 We have not been notified by the auditor to the Employer of the materiality limits which apply to the Employer and we have therefore prepared these figures using methods which are as accurate as is feasible using the data made available to us and the timescale within which the report is required.

9 These figures are prepared in accordance with our understanding of the latest version of the Accounting Standard.

10 This report does not constitute an audit opinion in relation to the Fund.

11 This report and the Employer's Results Schedule comprise the totality of our advice on the standard assumptions and comply with Technical Actuarial Standard 100.

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Appendices

Appendix 1 – Glossary of technical terms

Actuarial gains/losses (Remeasurements)	**Over a reporting period, these consist of:** – experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred (e.g. known investment returns, actual pension increase orders, reflection of any funding valuation which has taken place since the last report etc); and – the effects of changes in actuarial assumptions (split between financial and demographic)
Current service cost	The increase in the present value of the defined benefit obligation resulting from employee service in the current period. This is based on the employer's "service cost" rate which accounts for the cost to the employer of benefits accruing over the period calculated on the financial assumptions at the beginning of the accounting period. This could differ significantly from what the employer is currently paying in cash contributions based on the certified rates from the latest funding valuation.
Inflation Risk Premium	A margin to compensate (or a premium paid by) investors against future uncertainty relating to inflation.
Net Asset / Liability	The present value of the defined benefit obligation less the fair value of the plan assets.
Past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).
Present value of defined benefit obligation (present value of funded and unfunded obligations)	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
Total net interest	The change during the period in the net defined benefit liability that arises from the passage of time. This includes allowance for interest on the current service cost.
Weighted average duration	The weighted average time until payment of all expected future discounted cashflows, determined based on membership as at the most recent actuarial valuation. The shorter the duration, the more 'mature' the employer.