

IAS19 as at 31 March 2020 - Results Schedule

ATTENTION

The results in this Schedule should be read in conjunction with the accompanying report entitled 'Actuarial Valuation as at 31 March 2020 for Accounting Purposes'. The method, assumptions, reliances and limitations are described in that document. The restrictions set out in the report on the disclosure to any third party apply equally to this Results Schedule.

Fund	London Borough of Camden Pension Fund
Administering Authority	London Borough of Camden
Pool	London Borough of Camden
Terms of Engagement Signed	15 April 2020

Please Note

With absences and remote working, we recognise the difficulties that employers/auditors face preparing accounts and the specialist nature of pension disclosures. With this in mind we would suggest that an initial 3-way call with you and your Auditor could be useful for smooth progression.

In addition, on request, we can provide further details on your:

- remeasurements items (including asset and membership changes from the latest valuation)
- treatment of settlements, curtailments or other past service costs
- McCloud and GMP treatment

Finally, to assist sharing with Directors, Boards, etc we are happy to prepare a summary paper on your specific figures including explaining key movements.

Please contact LGPSCentralAccountingTeam@hymans.co.uk.

McCloud – As instructed, I have allowed for an approximate impact of the McCloud judgement (£3,915k), which is included within the Past Service Cost figure on page 5.

Please note, as per previous years, we have excluded Camden Community Nurseries (CCN) from the London Borough of Camden (LBC) pool for the purposes of this report. CCN request a separate accounting report.



Barry Dodds FFA

For and on behalf of Hymans Robertson LLP

22 April 2020

Section 1 - Data

Employer membership statistics

	Number	Total Salaries / Pensions £(000)	Average Age
	31 Mar 2019	31 Mar 2019	31 Mar 2019
Actives	4,990	149,054	53
Deferred Pensioners	8,652	21,751	53
Pensioners	6,661	46,671	68

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 2019 to 31 March 2020	£156,169,000

LGPS early retirements

New Early Retirements 1 April 2019 to 31 March 2020	Number	Total Pension Accrued (£)	Total Pension Actual (£)
Redundancy	31	305,933	305,933
Efficiency	-	-	-
Other	-	-	-

Teachers' early retirements

New Early Retirements 1 April 2019 to 31 March 2020	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 2020 is based on actual Fund returns as provided by the Administering Authority. Details are given below:

Actual Returns from 1 April 2019 to 31 March 2020	(6.8%)
Total Returns from 1 April 2019 to 31 March 2020	(6.8%)

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 7.

Unfunded benefits

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

LGPS Unfunded Pensions	Number at 31 March 2020	Annual Unfunded Pension £(000)
Male	389	1,173
Female	271	649
Dependants	318	362
Total	978	2,184

Teacher Unfunded Pensions	Number at 31 March 2020	Annual Unfunded Pension £(000)
Male	37	161
Female	73	334
Dependants	7	15
Total	117	510

The annual unfunded pensions include the 2020 pension increase.

Bulk transfers

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

Section 2 - Assumptions

Financial assumptions

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

Period Ended	31 Mar 2020	31 Mar 2019
	% p.a.	% p.a.
Pension Increase Rate (CPI)	1.9%	2.5%
Salary Increase Rate	2.3%	3.1%
Discount Rate	2.3%	2.4%

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 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men.

	Males	Females
Current Pensioners	21.8 years	23.9 years
Future Pensioners*	23.2 years	25.9 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 life expectancies are shown below:

Prospective Pensioners	Pensioners
CMI 2013 model assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% p.a..	CMI 2013 model assuming the current rate of improvement has peaked and will converge to a long term rate 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 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Section 3 - Balance sheet, P&L, OCI disclosures as at 31 March 2020

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	1,452,542		1,452,542
Present value of funded liabilities		2,164,948	(2,164,948)
Present value of unfunded liabilities		36,254	(36,254)
Opening Position as at 31 March 2019	1,452,542	2,201,202	(748,660)
Service cost			
Current service cost*		67,153	(67,153)
Past service cost (including curtailments)		4,344	(4,344)
Effect of settlements	-	-	-
Total Service Cost	-	71,497	(71,497)
Net interest			
Interest income on plan assets	34,916		34,916
Interest cost on defined benefit obligation		53,118	(53,118)
Total net interest	34,916	53,118	(18,202)
Total defined benefit cost recognised in Profit or (Loss)	34,916	124,615	(89,699)
Cashflows			
Participants' contributions	10,975	10,975	-
Employer contributions	48,490		48,490
Estimated benefits paid	(60,927)	(60,927)	-
Estimated unfunded benefits paid	(2,648)	(2,648)	-
Estimated contributions in respect of unfunded benefits paid	2,648		2,648
Effect of business combinations and disposals	-	-	-
Expected closing position	1,485,996	2,273,217	(787,221)
Remeasurements			
Changes in financial assumptions		(185,844)	185,844
Changes in demographic assumptions		(48,731)	48,731
Other experience		(53,585)	53,585
Return on assets excluding amounts included in net interest	(146,889)		(146,889)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(146,889)	(288,160)	141,271
Fair value of plan assets	1,339,107		1,339,107
Present value of funded liabilities		1,953,875	(1,953,875)
Present value of unfunded liabilities**		31,182	(31,182)
Closing position as at 31 March 2020	1,339,107	1,985,057	(645,950)

Please note the Employer's fair value of plan assets is approximately 86% of the Fund's total.

I estimate that the present value of funded liabilities comprises of approximately £656,447,000, £519,779,000 and £777,649,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2020.

* The current service cost includes an allowance for administration expenses of 0.8% of payroll.

** The unfunded liabilities comprise of £24,293,000 in respect of LGPS unfunded pensions and £6,889,000 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 2019

Period ended 31 March 2019	Assets £(000)	Obligations £(000)	Net (liability) / asset £(000)
Fair value of plan assets	1,367,332		1,367,332
Present value of liabilities		1,979,238	(1,979,238)
Opening Position as at 31 March 2018	1,367,332	1,979,238	(611,906)
Service cost			
Current service cost*		53,171	(53,171)
Past service cost (including curtailments)		113	(113)
Effect of settlements	-	-	-
Total Service Cost	-	53,284	(53,284)
Net interest			
Interest income on plan assets	36,916		36,916
Interest cost on defined benefit obligation		53,507	(53,507)
Total net interest	36,916	53,507	(16,591)
Total defined benefit cost recognised in Profit or (Loss)	36,916	106,791	(69,875)
Cashflows			
Participants' contributions	10,020	10,020	-
Employer contributions	44,514		44,514
Estimated benefits paid	(52,807)	(52,807)	-
Estimated unfunded benefits paid	(2,705)	(2,705)	-
Estimated contributions in respect of unfunded benefits paid	2,705		2,705
Effect of business combinations and disposals	-	-	-
Expected closing position	1,405,975	2,040,537	(634,562)
Remeasurements			
Changes in financial assumptions		160,084	(160,084)
Changes in demographic assumptions		-	-
Other experience		581	(581)
Return on assets excluding amounts included in net interest	46,567		46,567
Total remeasurements recognised in Other Comprehensive Income (OCI)	46,567	160,665	(114,098)
Fair value of plan assets	1,452,542		1,452,542
Present value of funded liabilities		2,164,948	(2,164,948)
Present value of unfunded liabilities		36,254	(36,254)
Closing position as at 31 March 2019	1,452,542	2,201,202	(748,660)

* The current service cost includes an allowance for administration expenses of 0.8% 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).

Period Ended 31 March 2020				
Asset category	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Equity Securities:				
Consumer	65,171.0	-	65,171.0	5%
Manufacturing	24,603.3	-	24,603.3	2%
Energy and Utilities	-	-	-	0%
Financial Institutions	66,461.0	-	66,461.0	5%
Health and Care	11,261.8	-	11,261.8	1%
Information Technology	14,450.4	-	14,450.4	1%
Other	17,264.9	123.2	17,388.1	1%
Debt Securities:				
Corporate Bonds (investment grade)	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%
UK Government	-	-	-	0%
Other	-	-	-	0%
Private Equity:				
All	-	22,809.5	22,809.5	2%
Real Estate:				
UK Property	67,049.8	-	67,049.8	5%
Overseas Property	-	55,132.6	55,132.6	4%
Investment Funds and Unit Trusts:				
Equities	645,782.6	-	645,782.6	48%
Bonds	141,138.9	-	141,138.9	11%
Hedge Funds	45,706.7	-	45,706.7	3%
Commodities	-	-	-	0%
Infrastructure	-	-	-	0%
Other	143,466.6	-	143,466.6	11%
Derivatives:				
Inflation	-	-	-	0%
Interest Rate	-	-	-	0%
Foreign Exchange	-	-	-	0%
Other	-	-	-	0%
Cash and Cash Equivalents:				
All	18,684.7	-	18,684.7	1%
Totals	1,261,042	78,065	1,339,107	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 2021

Analysis of projected amount to be charged to operating profit for the period to 31 March 2021

Period Ended 31 March 2021	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000) % of pay	
Projected Current service cost *		53,921	(53,921)	(34.5%)
Past service cost including curtailments		-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	53,921	(53,921)	(34.5%)
Interest income on plan assets	30,828		30,828	19.7%
Interest cost on defined benefit obligation		45,703	(45,703)	(29.3%)
Total Net Interest Cost	30,828	45,703	(14,875)	(9.6%)
Total Included in Profit and Loss	30,828	99,624	(68,796)	(44.1%)

* The current service cost includes an allowance for administration expenses of 0.6% of payroll. The monetary value is based on a projected payroll of £156,169,000.

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 2021 will be approximately £49,644,000.

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 2021 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 2020:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	179,693
0.5% increase in the Salary Increase Rate	1%	12,522
0.5% increase in the Pension Increase Rate (CPI)	8%	166,066

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.