

to year while liabilities are assessed on the basis of corporate bond yields. The results to some degree reflect the relative movements in these financial instruments.

- 5.4 Ashfield District Council's net pension liability (the difference between the assets held and projected liabilities) as at 31 March 2015 was calculated at £76.110m. This is a material component of the Council's balance sheet, and therefore its net worth. As such it is important that the Council is supportive of the assumptions being made by the actuary in their calculations. This year's net position will be affected by the assumptions used, but does not immediately change ongoing revenue costs.
- 5.5 The calculated costs and the underlying assumptions, based upon the advice of the actuary and the administering authority. Nottinghamshire County Council will be used in preparing the Council's 2015/16 Accounts.
- 5.6 The responsibility for setting the assumptions rests with the employer and alternative assumptions can be used by the actuary however the Actuary would impose additional fees for this work. The accounting requirements of IAS19 do not require that every individual estimate is a "best estimate". Directors (or equivalent) of the organisation should be satisfied that the combined effect of the assumptions as a whole is reasonable.
- 5.7 The proposed financial assumptions for 2015/16 are detailed below

The value of the Pension Fund's assets and liabilities are heavily dependent on the underpinning assumptions. The Employer is ultimately responsible for the assumptions used, and this year's proposed assumptions are listed below and detailed in the Actuary's briefing note at Appendix A:-

- **Corporate bond yields.** This is used to derive the discount rate which is applied to the employer's liabilities to calculate their future values. The rates used are those that match the duration of the employer's liability.
- **Expected Return on Assets.** The actuaries anticipate that a typical local Government Pension Fund might achieve a negative return of around 5% in the year to 31 March 2016 although this may vary depending on the individual funds investment strategy.
- **Inflation Expectations.** The levels of future Retail Prices Inflation (RPI) are assessed on the basis of the yields on fixed interest and index linked government securities over the period of the duration of the liabilities. The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI) which historically is lower than the Retail Prices Index. The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of 0.9%.
- **Salary Increases** – The actuaries assess that salary increases will exceed the Consumer Prices Index by between 1.5% and 1.8% which will be applied to the funding valuations at 31 March 2016.

The overall impact of the assumptions for an average employer is set out below but it should be noted that individual employer's circumstances vary, in particular the average age of their overall liabilities and therefore the results for Ashfield may be different from the assessment below.

Assumption	Duration of Individual Employee Liability			
	10 Years	15 Years	20 years	25 Years
Corporate Bond Yields	-4%	-7%	-7%	-9%
Pension Increase	-1%	0%	0%	0%
Salary Increase	0%	0%	0%	0%
Overall impact	-7%	-7%	-7%	-9%

6. IMPLICATIONS

Corporate Plan:

There is no impact in relation to the Long Term Outcomes and Corporate Priorities.

Legal:

There are no legal implications.

Financial:

There are no direct financial implications as a result of this report, as it sets out assumptions that the actuary uses to calculate the pension position for the Council under IAS 19 to show the estimated net value of the Council's portion of the pension fund (assets less liabilities). Changes in assumptions will affect the net position, but this has a nil overall change in the resources available to the Council on the balance sheet as any changes to the income and expenditure statement are reversed through statutory accounting entries.

It is best practice that the actuarial assumptions used in preparing the IAS19 figures reported in the Accounts are considered prior to their agreement and use in the compilation of the actuary's report. As such this report delivers the council's obligations as part of the closure of the 2015/16 Accounts.

Health and Well-Being / Environmental Management and Sustainability:

There are no health and wellbeing / environmental and sustainability impacts

Human Resources:

There are no human resource impacts

Diversity/Equality:

There are no diversity/ equality impacts

Community Safety

There are no community safety impacts.

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