2022 valuation – Reconciliation of changes to the funding position

Cashflows	
Employer Contributions In	The Fund has supplied the actuary with contributions paid in by the Employer and its members.
Employee Contributions In	
Benefits paid out	The Fund has supplied the actuary with benefits paid out in the annual cashflow data. Note that these figures affect both the assets and the liabilities.
Net bulk and individual transfers in/(out) of the Fund	The Fund actuary has calculated the impact of transfers of members to and from the Employer. Note we have not quantified the net liability for transfers in and out as we have insufficient data to do so. The net impact on the liability will be included within ‘other membership experience’.
Other Cashflows	The Fund Actuary is supplied with other cashflows that do not fall under the above categories (e.g. expenses).
Expected changes in liabilities	
Interest cost on benefits already accrued	There is an interest cost associated with the increase in present value placed on these benefits (that had been accrued up to 31 March 2019) due to the payment of these future benefits now being three years closer. This has a negative impact on the Employer’s funding position.
Accrual of new benefits	This is the cost of new benefits earned by employees since the previous 2019 valuation or, if they are a new employer, when they joined the Fund.
Membership experience vs expectations	
Salary increases greater/(less) than expected	At the 2019 valuation, the Fund Actuary made an assumption about the level of future salary increases. If the Employer has awarded salary increases that are higher (on average) over the last three years, this will have a negative effect on their funding position. If they have awarded lower salary increases, this will have a positive effect on their funding position. This item of experience only impacts Employers with members that have benefits accrued up to 31 March 2014 (‘Final Salary Benefits’).

Benefits increases grater/(less) than expected	At the 2019 valuation, the Fund Actuary made an assumption for the expected level of the Consumer Price Index. This is the expected level of future pension increases for deferred and pensioner members and for the revaluation of CARE benefits. Over the period from 2019 to 2022, actual pension increases have been slightly lower than assumed. This has a positive impact on the funding position.
Early retirement strain (and Contributions)	The Fund Actuary extracts early retirement information for the three-year period based on the membership information provided. The strain of each early retirement is calculated on the 2019 funding basis and will have a negative impact on the funding position (liabilities). However, any early retirement contributions the Employer has made to the Fund will have a positive effect on their funding position (assets). Due to differences in the way these calculations are carried out, the payment the Employer has made to the Fund may be more or less than the actuarially assessed strain cost.
Ill Health retirement strain	The Fund Actuary makes an allowance for people to retire early with ill-health benefits. Ill-health early retirements cost more than normal retirements. If fewer members than expected have retired on ill-health grounds, this will have a positive impact on the Employer's funding position. If more members than expected have retired on ill-health grounds, then this will have a negative impact on their valuation results. Payments in respect of ill health retirements are recorded under Employer contributions or Other cashflows above.
Early leavers (more)/fewer than expected	At the 2019 valuation, an assumption was made about the number of members who would withdraw from the Fund. Early leavers' benefits usually cost less than normal retirements, as the assumption for salary increases will be higher than pension increases, for anyone with Final Salary benefits. The Fund Actuary compares the actual number of leavers to the expected number of leavers for the last three years. Where this is more than expected, this will have a positive impact on the funding position. Where this is less than expected, this will have a negative impact on the funding position.
Pensioner deaths (more)/fewer than expected	At the 2019 valuation, an assumption was made about how long members would live for. Where pensioners have lived for longer than expected, this will have a negative impact on the Employer's funding position. Where more pensioners have died than expected, this would have a positive impact on their funding position.

Commutation less/(greater) than expected	At the 2019 valuation, an assumption was made about how many pensioners would commute part of their pension to a lump sum and how much they would commute. Where this is more than expected, this will have a positive impact on the Employer's funding position. Where this is less than expected, this would have a negative impact on their funding position.
Impact of bulk transfers	If the Employer has been involved in any bulk transfers, there may be a profit or a loss if the value of assets they received (or paid) is different from the value of liabilities they assumed (or transferred). This applies to both transfers between Funds and transfers to / from employers within the Fund. For Multi-Academy Trusts (MATs), this reflects the assets and liabilities for the academies that have joined the MAT since the 2019 valuation. Any transfers that occur on a "fully funded" basis have no impact on the funding position of an employer.
Estimated impact of the McCloud remedy	The Fund Actuary has estimated the impact of the McCloud remedy based on each Employer's own membership experience. This has led to a small increased liability (for the average employer).
Other membership experience	This is the balancing item and represents the amount of membership experience that the Fund Actuary has not identified in the calculations above. This number is typically less than 10% of liabilities, however the breakdown of the membership experience items above is approximate by its nature, particularly where an employer's membership is small or has changed significantly since the last valuation. For this reason it is not uncommon to see larger values of 'other membership experience' without cause for concern.
Changes in Market Conditions	
Investment returns on Employer's assets	At the 2019 valuation, an assumption about the Fund's future investment return each year (the investment return assumption) was agreed with the Fund's officers. Since 2019 valuation, the Fund's actual returns have been much greater than this, which has had a positive effect on the funding position. If the Fund's actual return over the period was less than the investment return assumption, this would have a negative effect.
Changes in future inflation expectations	Based on current market expectations, the expectation is future inflation will be higher than at the 2019 valuation. This increases the estimate of the liabilities as it means future benefit payments are expected to be higher.

Changes in actuarial assumptions	
Change in demographic assumptions (excluding longevity)	At each valuation the Fund Actuary performs an experience analysis to compare all demographic assumptions with those assumed at the previous valuation. The demographic assumptions are then refined for the following valuation to more closely reflect what the Fund's actual experience has been. The impact of the change in these assumptions will depend on the profile of the Employer's membership.
Change in longevity assumptions	Similar to the demographic assumptions, the longevity assumption is refined at each valuation to reflect more up to date experience and longevity trends. The Fund uses Club Vita, a specialist longevity analytics provider, to reflect the unique mix of members in the Fund and identify tailored longevity assumptions for each member. The impact of the change in these assumptions will depend on the profile of the Employer's own membership data.
Change in Salary increase assumption	At each valuation, the Fund Actuary seeks advice from the Fund's officers on the expectation of the future outlook for salary increases. The impact of the change in these assumptions will only impact members that have Final Salary Benefits.
Change in discount rate	To obtain a 'present value' of past service liabilities (and hence a funding level) at 31 March 2022, the pension benefits that are expected to be paid in the future have to be 'discounted' back to 31 March 2022. The investment return (discount rate) used to calculate the present value is based on the Fund's actual investment holdings at 31 March 2022 and the investment return that is expected to be earned from these assets – noting that there is a regulatory requirement for the assumptions to be prudent. The higher the future investment return assumption, the lower the liability value (and vice versa). Adopting a higher discount rate than the previous valuation will have a positive impact on the Employer's funding level.