

IAS19 / FRS102 Pension Fund Accounting

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Agenda

Introduction to accounting valuations

2023 accounting valuation results

Accounting surpluses

Introduction to accounting valuations

What is an accounting valuation?

Funding valuation

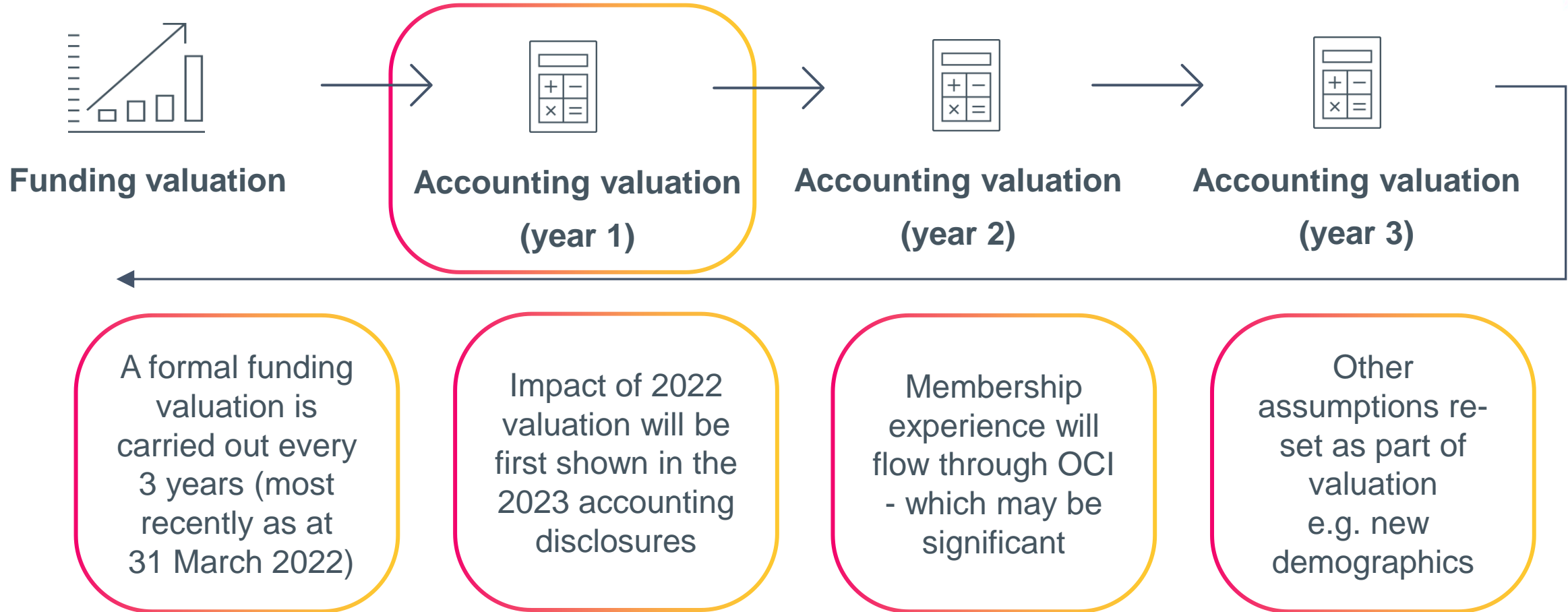
- **Purpose** is to set cash contributions
- **Assumptions** set by the LGPS Fund
- **Future investment returns** based on the Fund's actual assets and investment strategy
- Based on full membership data

Accounting valuation

- **Purpose** is financial reporting
- **Assumptions** are responsibility of the Employer (having taken appropriate advice)
- **Future investment returns** set with reference to UK corporate bond yields
- Projection from last funding valuation (31 March 2022)

The annual accounting valuation does not influence cash contributions

Where are we now?



How the accounting valuation is done

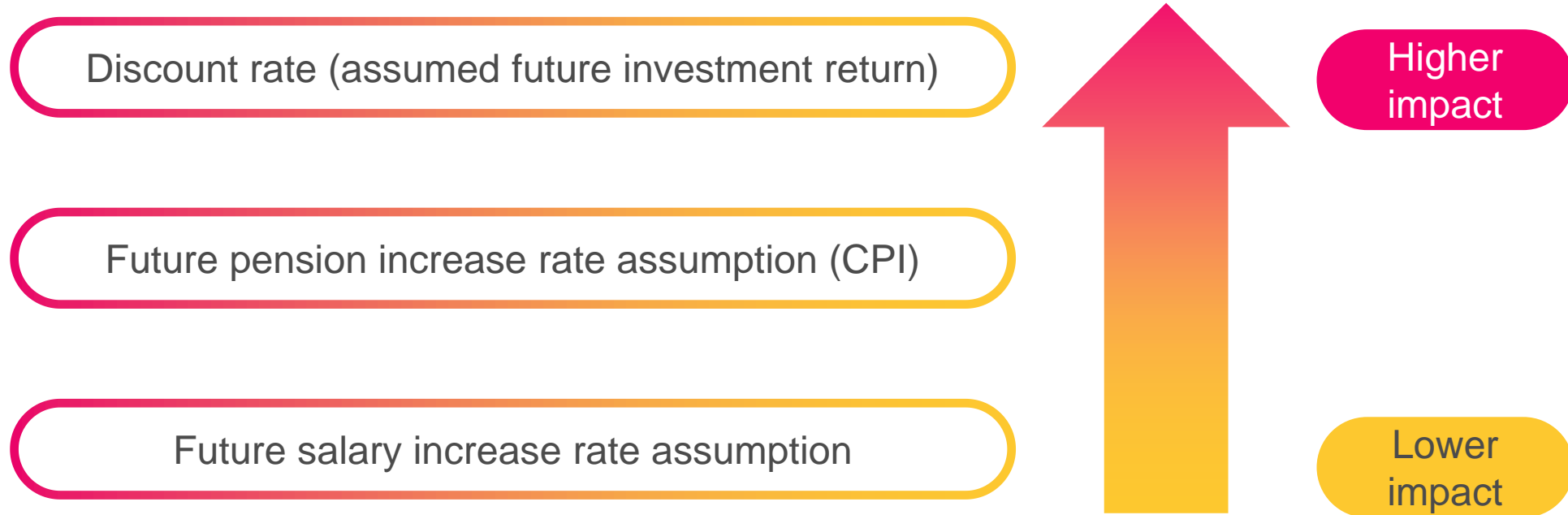
Projection of assets

Assets at start of the period
+
Expected investment return
+
Employee contributions
+
Employer contributions
-
Benefits paid
+/-
Excess investment return (actual less expected)
=
Assets at the end of the period

Projection of obligations

Obligations at the start of the period
+
Interest cost
+
Employee contributions
+
Service cost (cost of benefits earned over the period)
-
Benefits paid
+/-
Changes in assumptions (Remeasurements)
=
Obligations at the end of the period

Impact of accounting assumptions



The key demographic assumption is for future life expectancy

2023 Accounting Valuation Results



What has happened in the year

Asset returns have been less than anticipated

Significant changes in market conditions

2022 formal valuation results are now available

Reduces the value of the assets

Much higher discount rates

Refreshes the data underpinning accounting reports

Has a negative impact on balance sheets

Net impact will improve balance sheets

Impact could be positive or negative

Results for a typical employer

Assets a little lower

+

Obligations materially lower

=

Improved net closing balance sheet

Accounting surpluses



Potential accounting surplus

- You may see a **net asset position** in your FRS102 / IAS19 figures
- The accounting standard places a limit on the net asset that can be disclosed
- No central opinion – different auditors have different views

Example balance sheet	
Assets	150,000
Funded obligations	140,000
Net asset / (liability)	10,000

An additional paper can be provided setting out the options for determining an asset ceiling with sample calculations

First port of call for queries



Covering report

- Commentary on results
- How the calculations are done
- What data has been used
- How the assumptions are set
- How legal and regulatory uncertainty has been dealt with (McCloud, Goodwin, GMP equalisation etc)
- Other considerations
- Professional qualifications of signing actuary

Thank you

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