

Meeting:	Pensions Committee
Date:	16/03/2026
Title:	PENSION FUND VALUATION REPORT
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Recommendation:	For information only

1. Introduction

Over the past year, we have been working closely with our actuary, Hymans Robertson, on the triennial valuation of the Pension Fund. This work has now been completed, and this report provides a summary of the key results and outcomes of the valuation.

The full Valuation Report and the Rates and Adjustments Certificate are included in Appendix A.

2. Purpose of the Valuation

The triennial actuarial valuation fulfills **Regulation 62 of the Local Government Pension Scheme Regulations 2013**. Its primary purpose is to ensure the Fund has a robust funding strategy to meet its long-term benefit obligations while setting employer contribution rates for the period from **1 April 2026 to 31 March 2029**.

3. Whole Fund Funding Position

The Fund's financial health has improved significantly since the last valuation in 2022:

- **Assets:** Increased to **£3,232 million** (from £2,776 million in 2022).
- **Liabilities:** Decreased to **£1,946 million** (from £2,308 million in 2022).
- **Surplus:** The Fund now has a surplus of **£1,286 million**.
- **Funding Level:** Improved to **166%**, up from 120% in 2022.

For comparison with other LGPS funds, the **SAB funding level** (calculated on a consistent set of standardised assumptions) is **134%**.

4. Employer Contribution Rates

On average, total employer contribution rates have reduced, primarily driven by **higher assumed future investment returns**.

- **Primary Rate:** Reduced to **16.2% of pay** (compared to 21.8% in 2022). This includes a 0.6% allowance for administration and governance expenses.
- **Secondary Rate:** Adjustments have been set for the next three years at **-0.3%** for 2026/27 through 2028/29.
- **Stabilisation:** To support affordability, the Fund has allowed a one-off immediate **3% reduction** in contributions for some employers, while maintaining a long-term stability mechanism that limits annual changes to +/- 1% of pay.

5. Key Drivers and Assumptions

The improvement in the funding position is largely due to **future expectations regarding investment outlook** (+£672m) and **inflation outlook** (+£208m).

- **Discount Rate:** Set at **5.9% p.a.**, which represents an **80% likelihood of success**.
- **Prudence:** While assumed returns are higher, the Fund has increased the level of **prudence** in its strategy to buffer against ongoing geopolitical tensions and market volatility.
- **Membership:** As of March 2025, the Fund has **19,082 active members, 21,172 deferred members**, and **13,222 pensioners**.

6. Risks and Sensitivities

The funding strategy remains sensitive to various risks:

- **Investment Returns:** A 50% "best estimate" likelihood return would result in a funding level of 239%.
- **Longevity:** Average life expectancy is **20.8 years** for male pensioners and **23.7 years** for female pensioners. If mortality improves faster than the assumed 1.5% p.a., the surplus would fall.
- **Climate Change:** Scenario analysis shows that while the funding strategy is resilient over 20 years, extreme "Climate Catastrophe" pathways could pose a downside risk to the likelihood of success.
- **Regulatory:** An allowance of **£1 million** has been included for the estimated cost of **McCloud** discrimination rectification.

7. Gender Pension Gap (GPG)

A new requirement for the 2025 Valuation is the requirement to report on the Gender Pension Gap (GPG).

The Fund reports a notable disparity in pension values between genders:

- **Active Members:** The overall GPG is **30%**. The mean total pension is **£6,927 for males** and **£4,838 for females**.
- **Pensioner Members:** The GPG is higher at **52%**. Male pensioners receive a mean annual pension of **£9,791**, compared to **£4,668 for females**.
- **Drivers:** The gap is heavily influenced by the gender pay gap, which is **25%** for actual pay among active members, reflecting different working patterns such as part-time service.

8. Governance and Next Steps

The assumptions used in this valuation were reviewed in January 2025 and formally agreed by the Pensions Committee in **March 2025**. The final Funding Strategy Statement (FSS) is being presented to you at today's meeting, following employer consultations. The next formal valuation is scheduled for **31 March 2028**.

