Subject	Valuation 2025	Status	For Publication Not For Publication
Report to	Local Pension Board	**Date**	6th November 2025
Report of	Assistant Director - Pensions		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

1.1 To update members on the progress of the 2025 Triennial Valuation. To comply with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The Valuation statement must be produced by 31 March 2026.

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2 Recommendations

2.1 Members are recommended to:

a. **Accept the report with or without Comment and indicate any areas where they would like to receive further detail.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes.

Scheme Funding
To maintain a position of full funding (for the Fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have the following implications for the Corporate Risk Register.

4.2 IAF-001 Material changes to the value of investment assets and/or liabilities – The valuation shows a significant downward movement in liabilities, largely due to the changed interest rate environment that exists now in comparison to the previous valuation. The valuation addresses the risk that this creates of future instability in contributions using prudent assumptions and a stabilisation mechanism. The review of the investment strategy is also undertaken in the context of these assumptions with a view to creating a strategy which gives a significant likelihood of maintaining the current position and level of contributions into the future.

4.3 IAF-004 Imbalance in cashflows – Material changes in the level of employer contributions will increase the monthly gap between contribution income and benefits paid out resulting in an increased need to harvest investment income to meet benefit payments. Again, this will need to be taken into account in the review of the investment strategy.

4.4 IAF-005 Employer contributions become unaffordable – The significant reductions in the overall level of employer contributions (averaging a reduction of c. x% in cash payable over this valuation period compared to the previous one) provide a significant mitigation to this risk. There is an inherent tension between what employers regard as affordable and what is sufficient to meet the future liabilities which they are building up over time. The Fund needs to strike a balance and while the proposals set out in the valuation report may be regarded as insufficient by employers, they represent the furthest the Fund, acting, as it is required to do, in line with proper advice can go.

5 Background and Options

5.1 The Local Government Pension Scheme (LGPS) Regulations require that the Fund Actuary undertake a full valuation of the Fund every three years for the purpose of setting employer contribution rates for the next three-year period. The Actuary has now completed the work on the individual employer contribution rates. These have all been shared with the employers.

5.2 These contribution rates have been calculated in line with the policies set out in the revised Funding Strategy Statement which is also out for consultation.

5.3 The Authority is running on time for delivery of the Valuation and ahead of most other Funds. This ensures the employers have plenty of notice of changes to contribution rates for their own budget setting.

5.4 Significantly fewer individual contribution rates have been set at this valuation due to the impact of the "pass through" which means increasingly contractors do not require a separate contribution rate, and the impact of treating Multi-Academy Trusts (MATs) rather than individual schools as employers. In effect this creates fewer larger employers which reduces the volatility in contribution rates potentially experienced by very small employers such as contractor serving an individual primary school, or an individual primary school.

5.5 In addition to the “pooling” of contributions within MATs a separate pool has been proposed for so-called resolution bodies such as parish councils and internal drainage boards. This is administratively simpler and does provide on average lower and potentially less volatile rates for individual employers through risk sharing.

5.6 There are an increased number of employers with certified nil contribution rates. These are contractors whose surplus is sufficient to meet their liabilities over the remainder of their contract. Setting contributions at nil for this fixed period minimises the likelihood that the Fund will need to pay an exit credit when the employer terminates their participation at the end of the contract

5.7 None of the Fund’s employers will see an increase in contributions at this valuation with the vast majority seeing reductions.

5.8 The Authority has undertaken a much more substantial consultation with employers about the setting of contribution rates than has occurred at previous valuations. This has involved early engagement with major employers from the first quarter of the calendar year, engagement through employer focus groups on specific issues such as the treatment of MATs and recently a series of webinars.

5.9 4 bespoke webinars have been run together with the Fund Actuary. These webinars targeted like groups of Employers and covered why we do the Valuation, how it has been undertaken and explained the results schedules they have received. There was good attendance at the webinars. And good feedback on the contents.

5.10 Broad feedback has been favourable. However, the councils feedback on the Authority’s initial proposals was broadly that they felt that the approach being taken was overly prudent. As a result of this officers and the actuary considered the points made and agreed a revised approach to setting the floor on contribution rates which balanced prudence with a somewhat faster release of surplus. This does increase the risk that rates will need to increase at the next valuation, but this is still within what are considered acceptable bounds. Similar principles to those applied to the councils have been applied to other employer groups, in particular setting rates at no less than the level required to meet the cost of future accrual.

5.11 The consultation on the Employers’ individual rates is open until late November.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	The implications of the reduced level of contribution income will be built into future financial planning and the review of the investment strategy which will need to include a focus on the generation and harvesting of investment income.
Human Resources	None
ICT	None
Legal	The LGPS regulations require that the Fund Actuary undertake a valuation every three years in line with relevant guidance and professional standards. The Authority is obliged under the regulations to approve the employer contribution rates certified by the actuary.
Procurement	None

Debbie Sharp

Assistant Director Pensions

Background Papers	
Document	**Place of Inspection**