

Subject	Valuation 2025 - Outcome	Status	For Publication
Report to	Authority	Date	18 December 2025
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To receive the Fund Actuary's report on the outcome of the 2025 valuation and approve the employer contribution rates for the 3 years from 2026/27 set out in the rates and adjustments certificate.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note the results of the 2025 valuation carried out by the Fund Actuary set out in the report at Appendix A, and**
 - b. **Approve the employer contribution rates set out in the rates and adjustments certificate to apply for the three years starting 1st April 2026.**

3 Link to Corporate Objectives

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

Listening to our stakeholders

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

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 issues discussed in this report have implications for the following risks contained in the corporate risk register:

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.

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.

IAF-005 Employer contributions become unaffordable – The significant reductions in the overall level of employer contributions (averaging a reduction of c. 30% 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 that 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, who will be in attendance at this meeting, has now completed his work and set out employer contribution rates in the valuation report attached at **Appendix A**. These contribution rates have been calculated in line with the policies set out in the revised Funding Strategy Statement which appears elsewhere on the agenda for this meeting.
- 5.2 At headline level the results of the valuation are as set out in the table below which also shows a comparison with the 2022 position.

	At 31 st March 2025	At 31 st March 2022
Fund Assets £m	11,112	10,674
Fund Liabilities £m	7,818	8,988
Surplus £m	3,294	1,685
Funding Level %	142%	119%
Average Contribution Rate % (primary and secondary)	12.7%	18.3% 2023/24 18.5% 2024/25 18.7% 2025/26

- 5.3 Looked at a different way, none of the Fund's employers will see an increase in contributions at this valuation with the vast majority seeing reductions and only 3 employers seeing contributions maintained at the level of the previous valuation. The

range of contributions for each employer group at this valuation and compared to the previous valuation is set out in the table below.

Employer Type	Lowest %	Highest %
Major Employers	11.0%	15.9%
Resolution Bodies	12.7%	NA
MATs	9.8%	18.9%
Other Academies	11.5%	15.0%
CABs	10.1%	21.8%
TABS	0.0%	21.4%

- 5.4 The proposed contributions for each employer are set out in the Rates and Adjustments Certificate which forms part of Appendix A. Of note are the following:
- 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.
 - In addition to the “pooling” of contributions within MATs, a separate pool has been created 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.
 - There are an increased number of employers with certified nil contribution rates (48). 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
- 5.5 SYPA’s results are the first full results published by the actuary, so it is difficult to draw conclusions about how the proposed contribution rates compare to those being proposed by other funds. However, the expectation is that these contribution rates will be among the lowest in the LGPS, although it should be emphasised that this was not an objective in setting out the Fund’s strategy for contribution rates. Overall, the aim has been to set rates at a level that is likely to be able to be maintained into the future, and this has been achieved with the “risk of regret” at for the stabilised employers (i.e. the likelihood of having to raise rates at Valuation 2028) being around 18%.
- 5.6 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 a series of webinars and one-off meetings once the detailed results and proposed revisions to the Funding Strategy Statement and other policies were available. 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.

- 5.7 In due course the Government Actuary's Department (GAD) will conduct a review of the valuation process across the scheme under s.13 of the Public Service Pensions Act 2013. GAD will "flag" funds where they think that rates have not been set in the long-term interests of the scheme and where they feel undue risk is being taken. The view of the fund actuary is that the strategy being adopted by SYPA does not run the risk of regulatory action of this sort.
- 5.8 The Government has made proposals as part of its Access and Fairness consultation to add further information to valuation reports relating to the Gender Pension Gap among other things. At present the detail of these requirements, which are intended to apply to the 2025 valuation, are not known and therefore a revised version of the Actuary's report reflecting the final guidance will be published on the Authority's website before the statutory deadline of 31st March. In the interim this report will be published and made available to stakeholders.
- 5.9 As required by the relevant professional standards, the actuary has also conducted an analysis to understand how the contribution strategy will stand up in a range of different climate scenarios. The results of this are summarised in Appendix A and the full analysis has been made available to members in the online reading room and will be published on the Authority's website alongside the final valuation report.
- 5.10 The proposed contribution rates are forecast to increase the gap between contributions and benefits paid out to £148m in the first year of the valuation period rising to £177m by 2030 and reaching £229m by 2045. This gap, which already exists, needs to be met by harvesting income generated from the fund's investments and the means of increasing the level of available income on this scale will be a key debate within the work to revise the investment strategy which is currently being undertaken.

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

George Graham

Director

Document	Place of Inspection
<p>Setting the Framework for the 2025 Valuation – Report to the Authority 13th February 2025</p> <p>Pension Administration Policies Update – Report to Authority with Appendices 4th Sept 2025 Agenda item 15</p>	<p>20250213 Valuation Framework Final.pdf</p> <p>Agenda for South Yorkshire Pensions Authority on Thursday, 4th September, 2025, 10.00 am - South Yorkshire Pensions Authority</p>