

Funding Strategy Statement



Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	26 February 2026
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

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1. Purpose of Gloucestershire Pension Fund and the Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Gloucestershire Pension Fund.

Gloucestershire Pension Fund is administered by Gloucestershire County Council, known as the Administering Authority. Gloucestershire County Council worked with the Fund's Actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Gloucestershire County Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact peninv@gloucestershire.gov.uk.

1.1 What is Gloucestershire Pension Fund?

Gloucestershire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The Administering Authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give

employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transfree admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.4 How is the funding strategy specific to Gloucestershire Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be made in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the Fund Actuary
- in the event of significant changes to investment strategy or significant market volatility which impacts the FSS or goes beyond FSS expectation

- if there have been significant changes to the Fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS
- recommendations from MHCLG/GAD.

In undertaking such reviews, the Administering Authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contribution income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to contribution rate changes for individual employers but could impact admissions, terminations, the approach to managing risk and employer risk assessment.
- Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

1.6 Links to Pension Administration Strategy

The Fund maintains a Pension Administration Strategy which outlines the responsibilities, standards and procedures for employers and the Fund. A copy of this can be found [here](#).

Adherence with the requirements of the Pension Administration Strategy is crucial to ensure the well-running of the Fund. Any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.7 Actuarial valuation report

[LGPS Regulations](#) (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation exercise. The actuarial valuation report sets out:

1. the Fund Actuary's assessment of the past service funding position, and
2. the contributions required to ensure full funding by the end of the time horizon.

The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

Part A – Key Funding Principles

2. How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses. The primary rate will always be set as a percentage of pay. The secondary rate may be set as a percentage of pay or as a monetary amount.

The Fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model – has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the Fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The Fund has set funding strategy criteria for each employer in the Fund that must be satisfied in order for a given employer contribution rate to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **Funding basis** – the set of actuarial assumptions used to value the employer’s (past and future service) liabilities
- **target funding level** – how much money the Fund aims to hold for each employer
- **Funding time horizon** – the time over which the employer aims to achieve the target funding level
- **likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer’s funding strategy criteria may be set as follows:

*The employer must have at least a **75% likelihood** of being **100% funded** on the **ongoing participation** basis at the end of a **20-year** funding time horizon*

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rate rises.

The funding strategy criteria used by the Fund are set out in Table 1. Further detail on the ESS and on the funding bases used by the Fund are set out in Appendix E.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the Fund actuary helps the Fund meet the aim of maintaining as stable an employer contribution rate as possible.

Employers may opt to pre-pay contributions in specific circumstances. The Fund’s policy on contribution prepayments can be found [here](#).

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies				Designated employers	CABs and admission bodies with no guarantor	TABs and admission bodies with a guarantor*
Sub-type	Local authorities and Police	Academies and Colleges	Universities	Other scheduled bodies	Town and Parish Councils	All	All
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 1	Tier 3	Tier 3
Funding Basis**	Ongoing	Ongoing	Low-risk exit	Ongoing if open Low-risk exit if closed	Ongoing	Low-risk exit	Ongoing
Target funding level	120%	120%	100%	120% if open 100% if closed	120%	100%	100%
Likelihood of success	80%	80%	50%	85% if open 50% if closed	80%	50%	50%
Maximum time horizon	20 years	20 years	14 years	20 if open Average future working lifetime if closed	20 years	Average future working lifetime, but may extend to maintain stability of contributions	Same as the awarding authority
Primary rate approach***	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay.						
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the Primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).						

Stabilised contribution rate?	Yes	Yes****	No	No	Yes	No	No
Treatment of surplus	Covered by stabilisation arrangement. Acceleration and/or extension of reductions permitted where appropriate.	Transition to new stabilisation arrangement. Contributions capped at Primary rate, with further reductions permitted where appropriate.	Contributions set at Primary rate.	Reduce contributions by spreading the surplus over the time horizon.	Transition to new stabilisation arrangement. Contributions capped at Primary rate, with further reductions permitted where appropriate	Reduce contributions by spreading the surplus over the time horizon*****	
Recognising covenant	Stabilisation parameters.	Stabilisation parameters	Adjust funding basis and likelihood of success	Adjust likelihood of success	Stabilisation parameters	Adjust funding basis and likelihood of success. Undertake annual checks	Adjust likelihood of success. Undertake annual checks
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	None	Phasing of secondary contribution rates may be permitted	Covered by stabilisation arrangement	None	None

* For employers joining the Fund with a pass-through agreement, contributions will be set equal to the Primary rate of the awarding authority, calculated using an 85% likelihood of success.

** See Appendix E for further information on funding bases.

*** The Primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' Primary rates.

**** Hartpury University have opted out of the Stabilisation Mechanism.

***** Where nil rates are certified, this is subject to an annual check which may result in the Fund carrying out a contribution rate review for the employer ahead of the next formal valuation.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. This is achieved through a number of methods:

- Setting a stabilised contribution strategy.
- Phasing in any employer increases or decreases.
- Testing if the current contribution rate meets a minimum likelihood of success.

A stabilised contribution rate strategy is adopted for the Fund's open, long-term secure employers where contributions move each year with a maximum of the parameters shown in Table 2. After taking advice from the Fund Actuary, the Administering Authority believes a stabilised approach is a prudent longer-term strategy.

Table 2: current stabilisation approach

Employer	Maximum contribution increase per year	Maximum contribution decrease per year
Local Authorities		
Gloucestershire County Council and Schools	+ 0.5% of pay	- 0.5% of pay
Cheltenham Borough Council	+ 1.0% of pay	- 1.0% of pay
Cotswold District Council	+ 2.0% of pay	- 2.0% of pay
Forest of Dean District Council	+ 3.0% of pay	- 3.0% of pay
Gloucester City Council	+ 1.5% of pay	- 1.5% of pay
Stroud District Council	+ 1.0% of pay	- 1.0% of pay
Tewkesbury Borough Council	+ 1.5% of pay	- 1.5% of pay
Other		
Gloucestershire Police	+ 0.5% of pay	- 0.5% of pay
Academies	+ 0.5% of pay	- 0.5% of pay
Colleges*	+ 0.5% of pay	- 0.5% of pay
Town and Parish Council Pool	+ 0.5% of pay	- 0.5% of pay

* Hartpury University have opted out of the Stabilisation Mechanism.

Stabilisation criteria and limits are reviewed during the valuation process. The Administering Authority may review them between valuations to respond to membership or employer changes. For employers entering into a stabilisation strategy for the first time, the pattern of contributions may not follow that shown in Table 1. It would however be expected to apply at future valuations. Should an employer choose to opt out of the stabilisation mechanism, they will be required to pay the contribution rates calculated at future valuations in line with the Funding Strategy Statement at that time with no limit on future increases or decreases. The Fund recommends that employers remain within the stability mechanism to support future contribution affordability and to provide greater budgeting certainty.

At their absolute discretion the Administering Authority may permit acceleration or extension of contribution rises and reductions within the contribution stability mechanism.

2.4 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund’s obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won’t be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The Fund’s strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available [here](#).

Asset class	Allocation
UK equity	10.0%
Overseas equity	35.0%
Emerging market equity	5.0%
UK corporate bonds (A rated average)	13.0%
Multi-asset credit	7.0%
Infrastructure debt	7.0%
Property	13.0%
Private lending	5.0%
Private equity	5.0%

2.5 Does the funding strategy reflect the investment strategy?

The funding strategy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that Funds take a ‘prudent longer-term view’ of funding liabilities (see [Appendix A](#)).

2.6 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy on contribution reviews is available [here](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.7 What is pooling?

The Administering Authority may operate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the Fund Actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the Fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the Rates and Adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't calculated for pooled employers, unless agreed by the Administering Authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the Fund, the Fund will request a cessation payment based on a proportionate share of the pooled funded position (based on liabilities). The funding position will be determined on the Fund's ongoing basis.

2.8 What are the current contribution pools?

- **Town and parish councils** – sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service.
- **Non- academy schools** – pooled with Gloucestershire County Council.
- **Ceased employers** – these are pooled with the awarding authority (where relevant) or with another employer providing a guarantee.
- **Multi-academy trusts** – a pool operates for each multi-academy trust. The positions of each participating academy school are tracked individually.

2.9 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

2.10 Non cash funding

The Fund will not accept any form of non-cash assets in lieu of contributions.

2.11 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates to ensure.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

3. What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non-ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread by no more than 3 years for scheduled bodies with tax-raising powers.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, a funding strain will arise due to early payment of benefits and the cost of additional pension being paid for prospective service. The funding strain may be a significant sum.

The Administering Authority has arranged an external insurance policy to cover ill-health early retirement strains. Each employer's contribution that participates in this arrangement includes a share of the premium. When an active member retires on ill-health early retirement, the claim amount is credited to the employer's asset share.

The Fund's policy is that all Academy Schools, Town and Parish Councils, Admitted Bodies with closed Admission Agreements and Admitted Bodies without a guarantor will be required to be automatically covered by the ill health pension strain insurance policy organised by the Fund.

All other employers will also automatically be covered by the ill health policy organised by the Fund unless they choose to opt out of such cover.

Where an employer formally opts out of the cover their employer contributions will remain unchanged. When a member retires because of ill-health the employer will be asked to meet the funding strain where this exceeds the allowance for ill-health within the existing contribution rate.

4. How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the Fund actuary projects the expected benefits for all members into the

future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer’s liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer’s funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer’s deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

Part B – Employer Events

5. What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a resolution to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully Fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT). At the request of the multi-academy trust, the Fund will merge the membership data of schools participating in a MAT to a single code. However, the advantages and disadvantages of doing so should be considered. Further details can be provided on request.

The new academies' contribution rate is based on the current funding strategy (set out in Section 2) and the transferring membership. If a new academy joins an existing MAT, they will be asked instead to pay the contribution rate currently in payment by that MAT.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Ministry of Housing, Communities and Local Government or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor.

The Fund's preferred approach is to request that all new admission bodies are set up with a pass-through arrangement. The Fund's guidance on pass through is available upon request.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund. For town and parish councils, the contribution rate will be set in line with the Town and Parish Council pool rate.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Administering Authority's satisfaction.

After considering the assessment, the Administering Authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely.
- allowance for the risk of assets performing less well than expected.
- allowance for the risk of liabilities being greater than expected.
- allowance for the possible non-payment of employer and member contributions.
- admission body's existing deficit.

6. What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another Fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7. What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of the admission body.
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction.
- failure to pay any sums due within the period required.
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor.

- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- a. Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis.
- b. Where there is a guarantor, the guarantee will be considered before the cessation valuation.
 - i. Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect after the cessation event and final settlement), this will have no effect on the cessation valuation.
 - ii. If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- c. Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations. Fees and any other cessation expenses are deducted from the employer's asset share at cessation.

The Fund's cessation policy is [here](#).

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the Administering Authority can decide how much will be paid back to the employer based on:

- the surplus amount.
- the proportion of the surplus due to the employer's contributions.
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support.
- any other relevant factors.

The Fund's approach to payment of exit credits is detailed within the cessation policy which is available [here](#).

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement ("DSA").
- if an exiting employer enters into a deferred debt agreement ("DDA"), it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The options available to employers are detailed in the Fund's cessation policy, available [here](#).

7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond the DDA/DSA they have no further obligation to the Fund and either:

- a. their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis based on liabilities at the formal valuation.
- b. the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund actuary will apportion the remaining assets to the other Fund employers based on a pro-rated share of liabilities.

7.6 Partial cessations

The Fund will consider a request for a partial cessation on an individual basis. The Fund will provide further details on request.

8. What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS Funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report include advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other Funds. Either:

- a. employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

- b. there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS Funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years

Absolute factors include:

1. comparing Funds with an objective benchmark

2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial basis does not offer straightforward comparisons.

Standard information about the Fund's approach to solvency of the pension Fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between Funds.

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require Funds to maintain and publish a Funding Strategy Statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a clear and transparent Fund-specific strategy identifying how employers' pension liabilities are best met going forward.
- support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.
- ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Fund are met.
- explain how the Fund balances the interests of different employers.
- explain how the Fund deals with conflicts of interest and references other policies/strategies.

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The Funding Strategy Statement sets out how the Fund meets these responsibilities.

A2 Consultation

Both the LGPS regulations and the most recent CIPFA guidance state that the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers*’.

The Fund shared the draft FSS with all participating employers and facilitated meetings to discuss the changes made and the implications of the Fund’s funding policies. A consultation period of 20 business days was held.

The Fund also shared the draft FSS with the Department for Education and facilitated a meeting to discuss the changes made and the implications of the Fund’s funding policies on academy employers.

A3 How is the FSS published?

The FSS is made available through the following routes:

- publishing on the Administering Authority's website.
- sending copies to each employer.
- including the full statement or summary in final accounts.
- sending copies to members of the local pension board.
- sending copies to independent advisers.
- making copies freely available on request.

The FSS is published on the [Gloucestershire Pension Fund website](#).

A4 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation on the [Gloucestershire Pension Fund website](#).

Appendix B – Roles and responsibilities

B1 The administering authority is required to:

1. operate a pension Fund
2. collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations
3. have an escalation policy in situations where employers fail to meet their obligations
4. pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations
5. invest surplus monies in accordance with the relevant regulations
6. ensure that cash is available to meet liabilities as and when they fall due
7. ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
8. take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
9. manage the valuation process in consultation with the Fund's actuary
10. prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties
11. monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
12. establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
13. effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
14. enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
15. support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

1. Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
2. provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
3. pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date

4. develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
6. notify the administering authority promptly of all changes to active membership that affect future funding
7. Pay any exit payments on ceasing participation in the Fund timely provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality

B3 The Fund actuary should:

1. prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations
2. provide advice so the Fund can set the necessary assumptions for the valuation
3. prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
4. provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the Fund
5. provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
6. assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
7. ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
8. Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each Fund to determine the input into the

development of the FSS (as appropriate within Fund's own governance arrangements) however this may include:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Assist with the development and review the FSS 2. Review the compliance of scheme employers with their duties under the | <p>FSS, regulations and other relevant legislation</p> <ol style="list-style-type: none"> 3. Assist with the development of and review communications in relation to the FSS. |
|---|--|

B5 Employer guarantors

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Department for Education - To pay cessation debts in the case of academy and college cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if | <p>an academy is deemed to be in breach of the regulations.</p> <ol style="list-style-type: none"> 2. Other bodies with a financial interest (outsourcing employers) 3. Any other guarantor |
|--|---|

B6 Other parties:

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement 2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS 3. auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements | <ol style="list-style-type: none"> 4. governance advisers may be asked to advise the administering authority on processes and working methods 5. internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures 6. the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements. |
|--|--|

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the Fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as ‘the Fund’)

A body listed in Part 1 of Schedule 3 of the regulations who maintains a Fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension Fund (the Fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

Code of Practice

The Pensions Regulator’s General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time.

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

Employer covenant

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pensions Committee

A committee or sub-committee to which an administering authority has delegated its pension function

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates)

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the Fund-specific risks and controls are taken to every [Pension Committee meeting](#) and [Pension Board meeting](#). The Fund’s risk management framework is available [here](#).

The role of the Pensions Committee and the local pension board are defined in the Governance Policy Statement [here](#).

D2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer’s funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities and Police	Tax-raising or government-backed, no individual assessment required .	n/a.
Academies & Colleges	Government-backed, covered by DfE guarantee in event of failure.	Check that DfE guarantee continues, after regular scheduled DfE review.
Universities	Engagement with employers in this group occurs at each formal valuation.	Position is reassessed at each formal valuation.
Admission bodies (CABs)	The Fund regularly engages with closed employers with no guarantor. Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers.	The Fund will review employers periodically or when a significant event occurs.
Admission bodies (TABs)	Covenant assessment is the responsibility of the awarding authority who guarantees the contract.	The Fund will review employers periodically or when a significant event occurs.
Designating employers	No individual assessment is carried out due to small size of liabilities and pooling approach to setting contributions.	Position is reassessed at each formal valuation.

Any change in covenant over the inter-valuation period may lead to a contribution rate review.

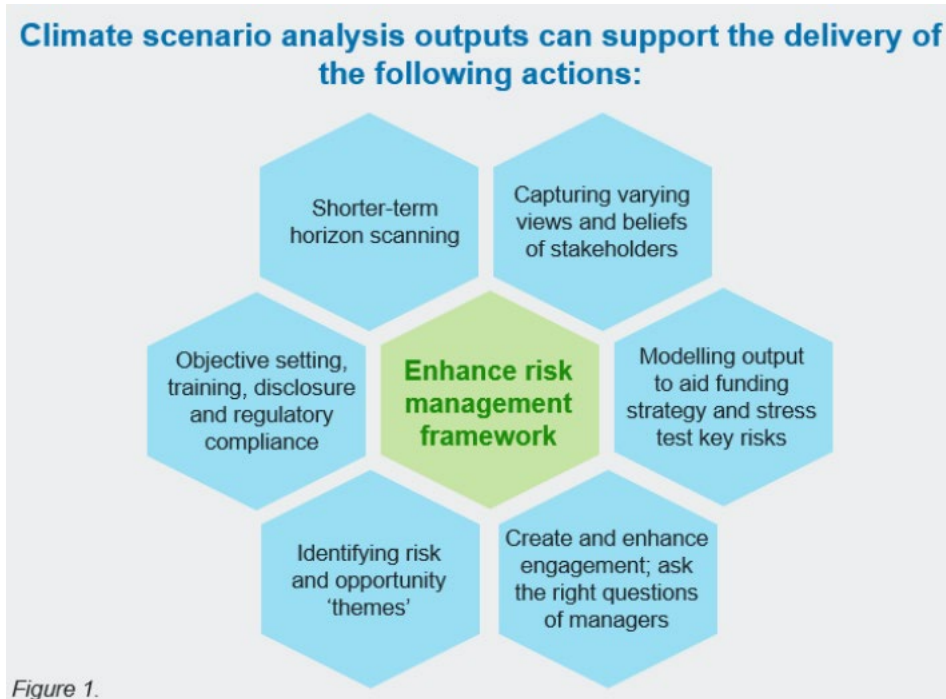
D3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing a narrative around potential policy and market responses, noting these may be sub-optimal. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this the narrative approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of real world climate scenarios that may arise, and indicate the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled.
2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes, helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.



This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the Fund’s assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy (that includes climate change) [here](#). This was last agreed by Pensions Committee in February 2025.

D4 Gender Pension Gap reporting

The government published its consultation “Local Government Pension Scheme in England and Wales: Access and Fairness” in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 11).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme Funds account return (SF3) categorisation.

Appendix E – Actuarial assumptions

The key outputs from an employer’s funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the Fund actuary requires actuarial assumptions.

The Fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The Fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

E1 What are assumptions?

Actuarial assumptions are required to value the Fund’s liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can’t be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments.
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the Fund are uncertain. An assumption is needed about what those future investment returns will be.

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a ‘prudent’ valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments (‘liabilities’), but different assumptions don’t affect the actual benefits the Fund will pay in future.

E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer’s (past and future service) liabilities. The Fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

E3 What financial assumptions were used?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The Fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.

The prudence level is the likelihood. The prudence levels used by the Fund are as follows:

Funding basis	Prudence level
Ongoing participation	80%
Low-risk exit	90%

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The Fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood

Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.0% above the CPI inflation assumption plus a promotional salary scale.

E4 Further detail on the calculation of financial assumptions

The (ongoing participation basis) discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the Fund Actuary uses Hymans Robertson's proprietary economic scenario generator; the *Economic Scenario Service* (or ESS). The model uses statistical distributions to project a range of

5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Time period	Percentile	Annualised total returns										Inflation/Yields		
		UK Equity	Overseas Equity	Emerging market equity	UK corporate bonds (A Credit 14-year maturity)	UK corporate bonds (A Credit 4-year maturity)	Multi-asset credit	Infrastructure debt	Property	Private Lending	Private Equity	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 th	0.1%	-0.5%	-3.2%	2.5%	4.0%	4.1%	1.6%	0.2%	4.5%	-2.5%	1.2%	1.5%	4.8%
	50 th	8.2%	8.2%	8.5%	4.9%	5.2%	6.7%	5.3%	6.8%	8.2%	10.0%	2.8%	2.4%	5.8%
	84 th	16.4%	16.9%	20.9%	7.1%	6.1%	8.8%	8.6%	14.1%	11.4%	22.8%	4.3%	3.3%	7.1%
10 years	16 th	2.5%	2.1%	0.2%	4.5%	4.8%	5.8%	4.2%	2.3%	6.4%	1.2%	0.8%	0.8%	3.9%
	50 th	8.6%	8.5%	8.8%	6.0%	5.8%	7.4%	6.5%	7.3%	8.8%	10.2%	2.5%	2.1%	5.3%
	84 th	14.6%	14.8%	17.5%	7.3%	6.7%	8.9%	8.6%	12.7%	10.9%	19.6%	4.1%	3.3%	7.1%
20 years	16 th	3.8%	3.7%	2.2%	5.5%	4.6%	6.1%	5.4%	3.5%	7.0%	3.4%	0.7%	-0.5%	1.6%
	50 th	8.4%	8.3%	8.5%	6.5%	5.8%	7.6%	6.9%	7.3%	8.8%	9.9%	2.3%	1.3%	3.6%
	84 th	12.9%	13.1%	15.1%	7.4%	7.2%	9.1%	8.3%	11.3%	10.7%	17.0%	3.9%	3.0%	6.2%
Volatility (1 yr)		16.3%	18.6%	24.3%	6.5%	3.2%	6.3%	8.8%	15.2%	9.3%	26.6%	1.4%	-	-

The ESS model is recalibrated monthly. The Fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

E5 What demographic assumptions are used by the Fund

The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund’s experience.

Demographic assumptions vary by type of member, so each employer’s own membership profile is reflected in the assumptions that apply to them.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund’s membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below

Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	<p>A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females).</p> <p>Dependant of a male is 3.5 years younger than him</p> <p>Dependant of a female is 0.6 years older than her</p>
Commutation	65% of maximum under HMRC limits.
50:50 option	0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	701.22	0.00	0.00	0.00	0.00
25	117	0.17	213.65	463.18	0.00	0.00	0.00	0.00
30	131	0.20	151.59	328.59	0.00	0.00	0.00	0.00
35	144	0.24	118.44	256.70	0.10	0.07	0.02	0.01
40	151	0.41	95.36	206.61	0.16	0.12	0.03	0.02
45	159	0.68	89.57	194.03	0.35	0.27	0.07	0.05
50	167	1.09	73.83	159.76	0.90	0.68	0.23	0.17
55	173	1.70	58.14	125.87	3.54	2.65	0.51	0.38
60	174	3.06	51.82	112.14	6.23	4.67	0.44	0.33
65	174	5.10	31.81	68.83	11.83	8.87	0.00	0.00

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.10	225.55	373.90	0.00	0.00	0.00	0.00
25	117	0.10	151.77	251.55	0.10	0.07	0.02	0.01
30	131	0.14	127.22	210.83	0.13	0.10	0.03	0.02
35	144	0.24	109.80	181.90	0.26	0.19	0.05	0.04
40	151	0.38	91.39	151.34	0.39	0.29	0.08	0.06
45	159	0.62	85.28	141.21	0.52	0.39	0.10	0.08
50	167	0.90	71.90	118.92	0.97	0.73	0.24	0.18
55	173	1.19	53.65	88.83	3.59	2.69	0.52	0.39
60	174	1.52	43.24	71.50	5.71	4.28	0.54	0.40
65	174	1.95	20.61	34.07	10.26	7.69	0.00	0.00

FT and PT denote full-time and part-time members respectively.