

<b>Title of Report</b>	2025 Triennial Valuation Report, Funding Strategy Statement & Policies
<b>For Consideration By</b>	Pensions Committee
<b>Meeting Date</b>	30 March 2026
<b>Classification</b>	Open
<b>Ward(s) Affected</b>	All
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## 1. **Introduction**

- 1.1. This report provides the Pensions Committee with the draft 2025 triennial valuation report which includes the Rates & Adjustment Certificate as well as the Funding Strategy Statement post consultation.
- 1.2. The funding level at 31 March 2025 is 138% (v 106% at the 2022 valuation) based on agreed assumptions including a discount rate of 6.4% (v 2022 4.3%), The improvement in funding level is primarily due to higher assumed future investment returns at 2025.

## 2. **Recommendations**

**The Pension Committee is recommended:**

- 2.1. **Note the 2025 Draft Triennial Valuation Report issued by the Scheme Actuary (Appendix 1)**
- 2.2. **Approve the post-consultation Funding Strategy Statement and Policies: (Appendix 2)**
  - **Policy on Contribution Reviews**
  - **Policy on Cessations**
  - **Policy on Small Employers**
  - **Academies Policy**
- 2.3. **Note the Actuarial Cash Flow Projections (Appendix 3)**

### 3. **Reason(s) for decision**

- 3.1. Under Local Government Pension Scheme (LGPS) Regulations an Administering Authority must obtain an actuarial valuation of the assets and liabilities of the Pension Fund every three years. An Administering Authority must also maintain and publish a Funding Strategy Statement (FSS) which needs to be kept under review, and after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement.

#### **Related Decisions**

- 3.2. Pensions Committee 25 November 2025 - Triennial Valuation - Whole Fund Results
- 3.3. Pensions Committee 11 June 2025 - Triennial Valuation Assumptions, Cashflow and Asset Liability Modelling Outcome
- 3.4. Pensions Committee 30 March 2023 - Actuarial Valuation 2022 - Final Valuation Report & Funding Strategy Statement

### 4. **Background**

- 4.1. The main purpose of the triennial valuation is to ensure the Fund continues to have a funding strategy likely to achieve the objectives set out in the Funding Strategy Statement. This report contains the valuation's two key outcomes:

- Employer contribution rates for the period 1 April 2026 to 31 March 2029
- The funding position of the whole Fund at 31 March 2025

#### **Funding Position**

- 4.2. As at 31 March 2025, the funding position was 138% compared to 31 March 2022 106%. The improvement in funding level is primarily due to higher assumed future investment returns at 2025. The discount rate assumption of 6.3% was applied against 4.4% in the 2022 valuation.
- 4.3. The table below shows the reported funding level compared with previous valuation.

Valuation Date	31 March 2025	31 March 2022
Asset (£m)	2,120	1,965
Liabilities (£m)	1,539	1,861
Surplus/(Deficit) (£m)	581	104
Funding Level	138%	106%

4.4. The funding level for London Borough of Hackney (as a single and largest employer) stands at 136% improving from 105% in 2022.

**Employer Contribution Rate**

4.5. The employer contribution rate is made up of two components:

- Primary rate - the level of contributions sufficient to fund benefits that will be accrued in the future
- Secondary rate - the difference between the primary rate and the total contribution rate.

4.6. The table below shows the combined individual employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029 alongside the 2022 comparison. On average, employer total contribution rates (ie Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared to 2022. This reduces the estimated cost of funding future benefit payments. Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate (Appendix 1)

	<b>31 March 2025</b>		<b>31 March 2022</b>	
<b>Primary rate</b>	16.5% of Pay		20.4% of Pay	
<b>Secondary rate</b>	2026/27	6.9%	2023/24	6.2%
	2027/28	5.0%	2024/25	6.2%
	2028/29	4.0%	2025/26	6.2%

**Summary of Changes to Actuarial Assumptions**

4.7. Several assumptions are made during the triennial valuation process, with the most significant being the discount rate used to value future pension liabilities. The discount rate in 2025 increased from 4.3% to 6.4%. The Fund’s likelihood of success based on the Hymans analysis as at 31 March 2025, the Fund’s assets have a 80% likelihood of returning 6.4% per annum over the next 20 years. (2022 4.3% p.a. (72% likelihood of success))

4.8. The actuarial analysis suggests a reduction in inflation assumptions from 2.7% p.a. in 2022 to 2.3% p.a in 2025.

4.9. The actuarial analysis suggests a long-term trend of 1.5% annual improvements in longevity. When adjusted for the LGPS, this leads to a

reduction in liability values. This is consistent with the 2022 valuation. The table below shows the impact of member mortality experience since 2022.

<b>Mortality Experience</b>	
Actual amount of annual pension ceased	£4.4m
Expected amount of annual pension ceased	£5.4m
Difference	(£1.0m)
Increase (reduction) in surplus	(£8.7m)

4.10. The table below is a summary of the assumptions approved by the committee in June 2025.

	31 March 2025	31 March 2022
<b>Financial assumptions</b>		
Discount rate	6.4% p.a. (80% likelihood of success)	4.3% p.a. (72% likelihood of success)
Benefit increases (CPI inflation)	2.3% p.a.	2.7% p.a.
Salary increases	2.8% p.a.	3.2% p.a.
<b>Demographic assumptions</b>		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	65% of maximum under HMRC limits	50% of maximum under HMRC limits
50:50 scheme	0% of members elect to change scheme	2% of members elect to change scheme
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 year older than her	Varying proportion have dependant at retirement Dependant of a male is 3 years younger than him Dependant of a female is 3 year older than her

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Source: Hymans Robertson

## 5. **Funding Strategy Statement**

5.1. The Committee approved the draft Funding Strategy Statement (FSS) in September. The purpose of the FSS is to establish a clear and transparent strategy on how to meet pension liabilities going forward. The FSS also serves the following purpose:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as near constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent, longer-term view of funding those liabilities.

- 5.2. The FSS incorporates the funding approach of the admitted and scheduled bodies, including admissions, academies, bulk transfers, small employers and cessations.
- 5.3. The major risks to the funding strategy are financial, although there are other external factors including maturity risks, demographic risks, employer risks, regulatory risks and governance risks. Whilst the FSS attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that these risks may impact on the ability of the strategy to meet the funding objectives.

### **Funding Strategy Statement Consultation**

- 5.4. An updated version of the FSS was issued to employers, the Department for Education (DFE) and the Pensions Board in January 2026 with the opportunity to feed back comments or ask questions to the Fund by 27 February 2026. Whilst no comments were received from employers, the Fund received a number of comments and questions from the DFE regarding academy funding which have all been answered. The Board welcomed the FSS and accompanying policies.
- 5.5. The Committee is asked to approve the draft Funding Strategy Statement.

### **6. Projected Actuarial Cash Flow**

- 6.1. With employer contributions reducing significantly for the Council and most employers, the cash flow projections considers different future projections of the Fund's cashflows under a range of different scenarios. The analysis and projections will help the Fund better understand its current and potential future cashflow position and is part of its management of risk in this area.
- 6.2. The Fund's primary sources of income are: contributions from employers in the Fund, contributions from employee members in the Fund and income streams generated from the Fund's investments. Contributions paid by employers from 1 April 2026 to 31 March 2029 are estimated based on: payroll based on membership data at 31 March 2025 and an average of 21.8% (2022 (26.1% of pay)).
- 6.3. Fund outflows are the benefits payable to the members and their dependants. These include: retirement lump sums paid to active and deferred members on retirement, death in service benefits, ill health benefits, transfers out and out of the Fund.
- 6.4. The table below shows the projected benefit payments and total contribution income over the 5-year period from 1 April 2026 (on the baseline projection). Contribution rate for individual employers is listed in the Rates & Adjustment Certificate. Employer contribution rates payable for periods after 1 April 2029 will be set at the 2027 triennial valuation. For the purpose of this estimated

cash flow, the actuary assumes that employer (and employees) rates will remain unchanged following the 2028 valuation.

Year ending	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
<b>Total projected benefit outflow</b>	86,067	89,247	94,533	99,197	100,119
<b>Total projected contributions</b>	81,192	78,230	77,663	79,847	82,092
<b>Net cashflow position</b>	<b>(4,875)</b>	<b>(11,017)</b>	<b>(16,870)</b>	<b>(19,350)</b>	<b>(18,027)</b>

### **Risk assessment**

- 6.5. The Pensions Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment structure in place that is regularly monitored.
- 6.6. In addition it monitors benefit administration, the Risk Register and compliance with relevant investment, finance and administration regulations. The creation of the Responsible Investment Working Group further strengthens the governance of responsible investment matters and contributes to reducing risks in these areas.

### **7. Financial implications**

- 7.1. The triennial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure that the Fund is able to develop contribution and investment strategies that will achieve the objectives set out in this Funding Strategy Statement. The key outcomes from the Valuation process are the setting of employer contribution rates for the period 1 April 2026 to 31 March 2029.
- 7.2. The valuation process makes a number of assumptions in calculating the long term financial position of the Fund. In light of the financial and economic risks facing the Fund mentioned in this report, the level of prudence assumed for investment returns has been increased to 94%, to provide increased mitigation against the risk of future returns falling below expectations.
- 7.3. There are no direct financial implications arising from this report.

8. **Legal implications**

- 8.1. Regulation 58 of the Local Government Pension Scheme Regulations 2013 sets out that administering authorities are required to prepare and maintain an FSS.
- 8.2. Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain:
- an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;
  - a report by an actuary in respect of the valuation; and
  - a rates and adjustments certificate prepared by an actuary
- 8.3. Paragraph 7 of the Pensions Committee's Terms of Reference state that it is responsible for 'mak[ing] arrangements for the triennial actuarial valuation, monitor[ing] liabilities and undertak[ing] any asset/liability and other relevant studies as required.
- 8.4. Taking into account the regulatory requirements around the actuarial valuation and role of the Pensions Committee as set out in the Terms of Reference, the consideration of the 2025 valuation process would appear to properly fall within the Committee's remit.
- 8.5. The scheme actuary is required to comply with TAS 300 of the Pensions Technical Actuarial Standards as applied to the LGPS. These standards set requirements for actuaries to ensure high-quality, reliable work when providing advice on issues such as funding valuations, managing long term risks and bulk transfers.
- 8.6. The Fund is required to regularly review the FSS and to have regard to the [joint](#) MHCLG, CIPFA and LGPS Scheme Advisory Board January 2025 guidance, for Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (LGPS).

## **Appendices**

Appendix 1 - 2025 Triennial Valuation Report  
Appendix 2 - 2025 Funding Strategy Statement  
Appendix 3 - Projected Actuarial Cashflow

## **Background documents**

None