

# Warwickshire Pension Fund

## AGM – 2025 valuation

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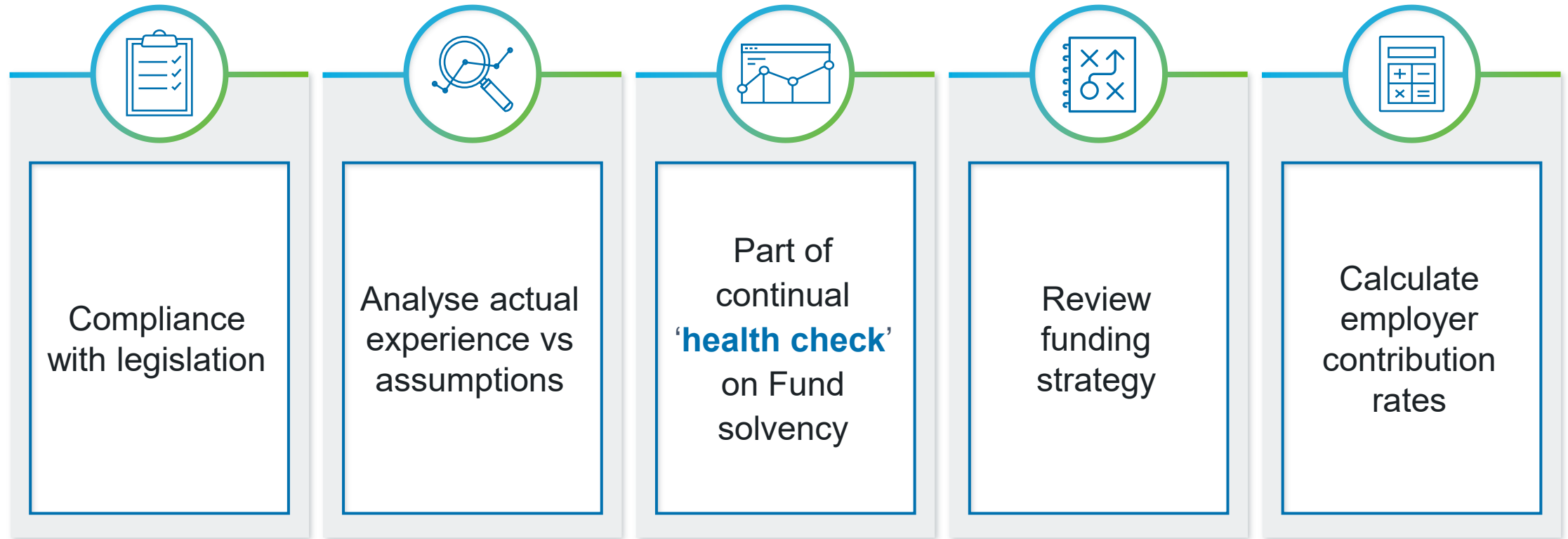


# Agenda

- 1 Background to the valuation
- 2 2025 results – overview
- 3 Employer contribution rates
- 4 Your valuation results schedule
- 5 Funding Strategy Statement
- 6 What do you need to do?

# 1. Background to the valuation

# Why does the Fund carry out a valuation?



**The valuation is a key risk management exercise for the Fund**

# How the Fund works



**Collect money**  
(contributions)



**Invest money**  
(its assets)

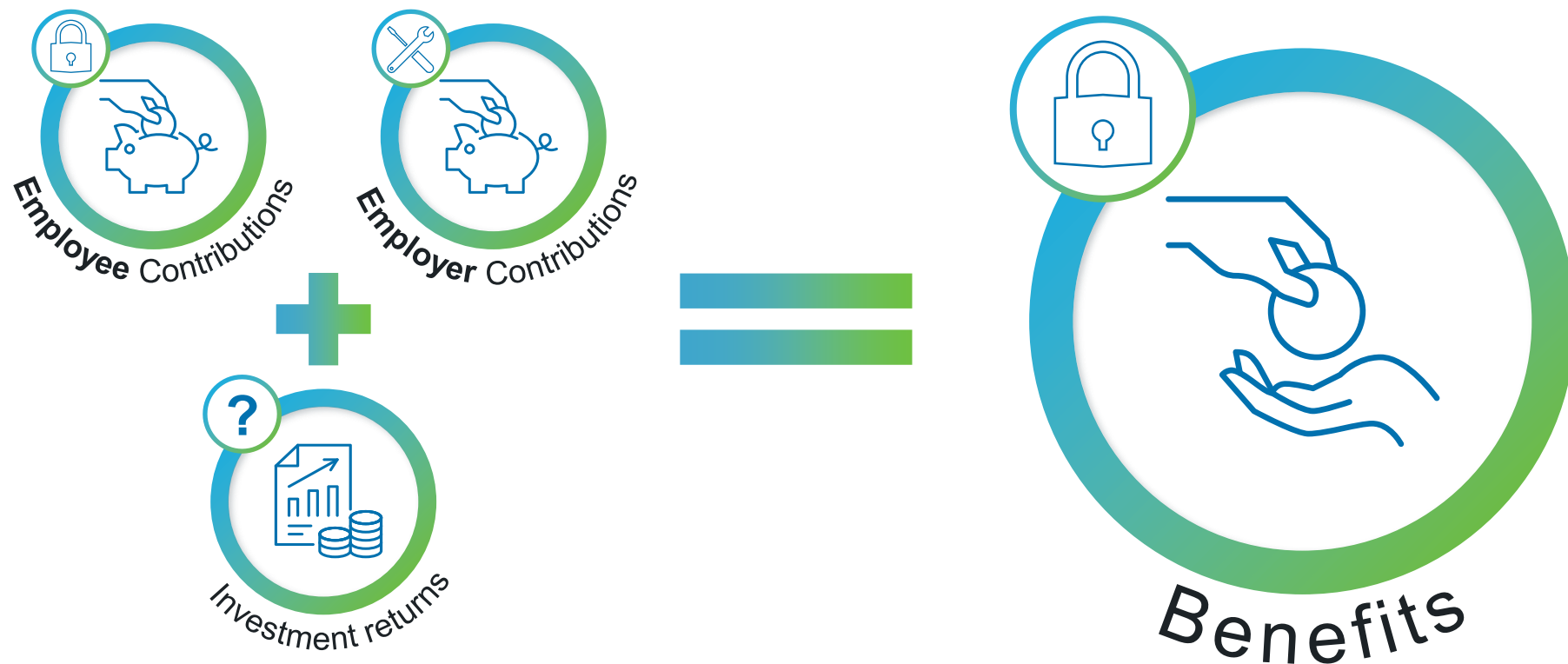


**Pay money out**  
(benefits)

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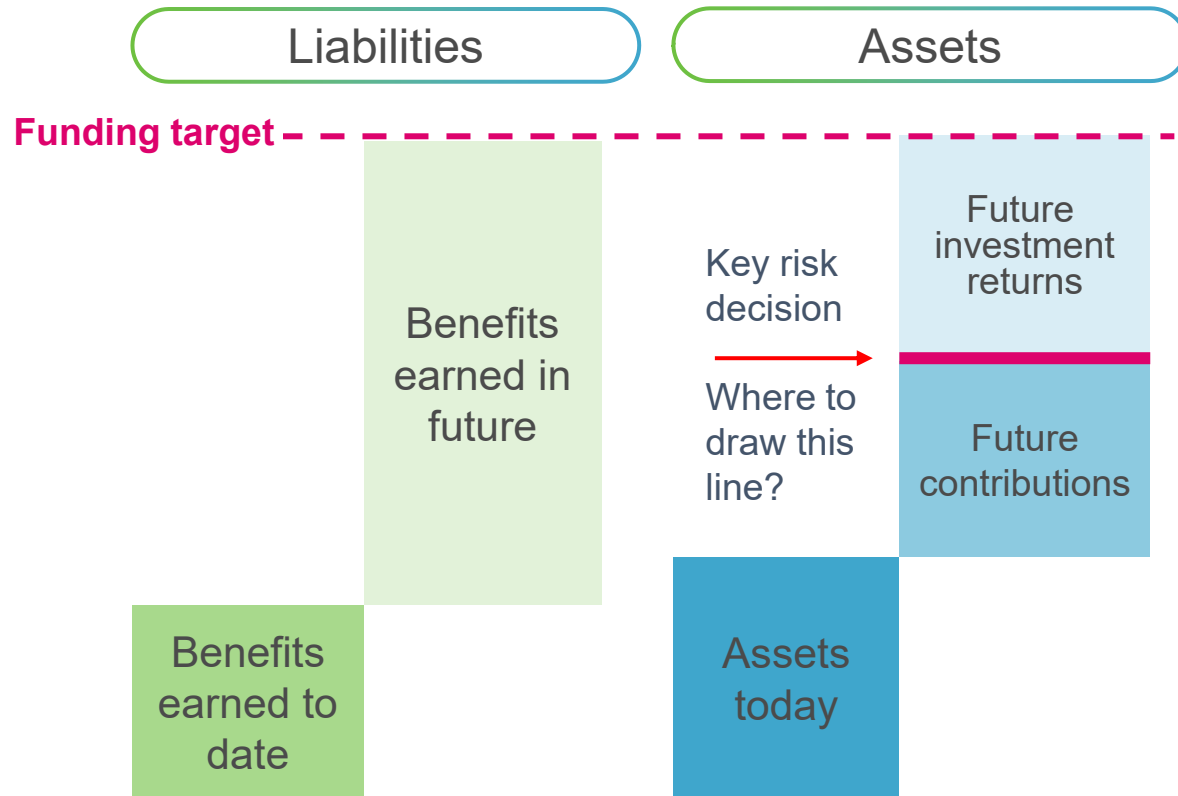
**Contributions and investment returns fund all the benefits**

# How do we get the sides to balance?



**Employer contributions are the main tool we can control to meet the balance of cost**

# Key funding decision



## General insights



Funding level is 'past service' only



Majority of benefits yet to be earned



Balance future contributions vs investment risk

**Setting contributions requires careful management**

# How we do the valuation

## Inputs

Data for each member

Financial and demographic assumptions

Funding and investment strategy

LGPS benefit structure

## Actuary's models



## Primary outputs

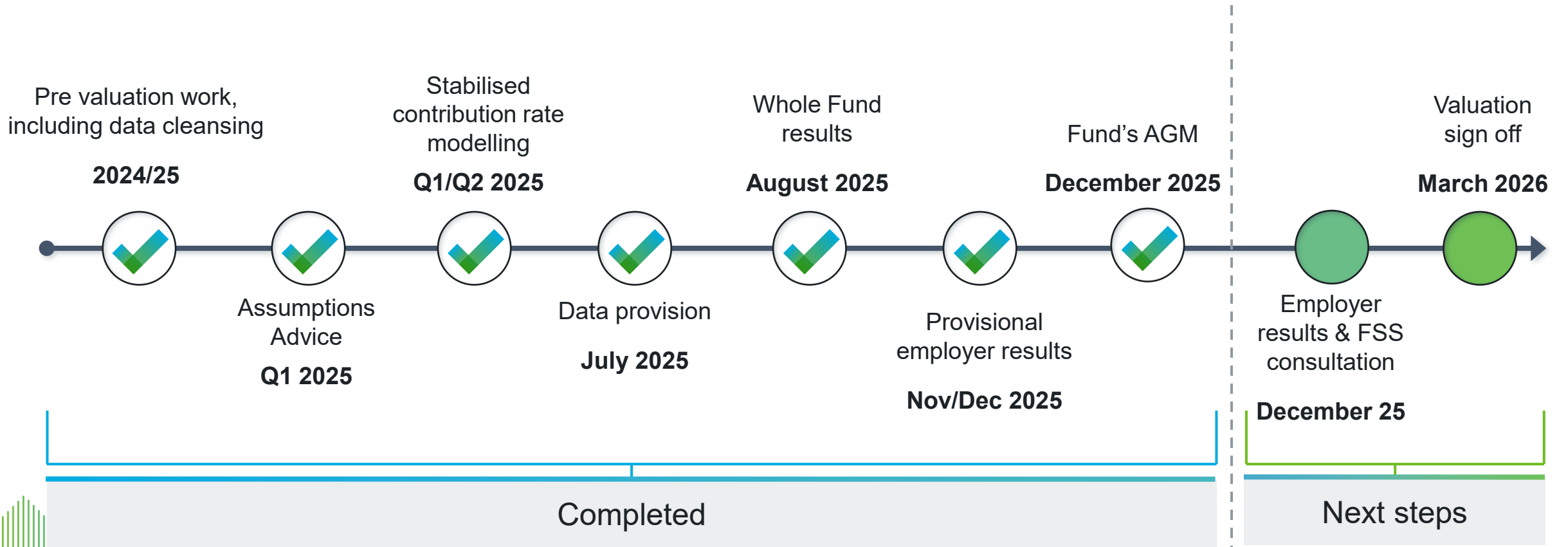
Individual employer results schedule

Updated Funding Strategy Statement

Final valuation report

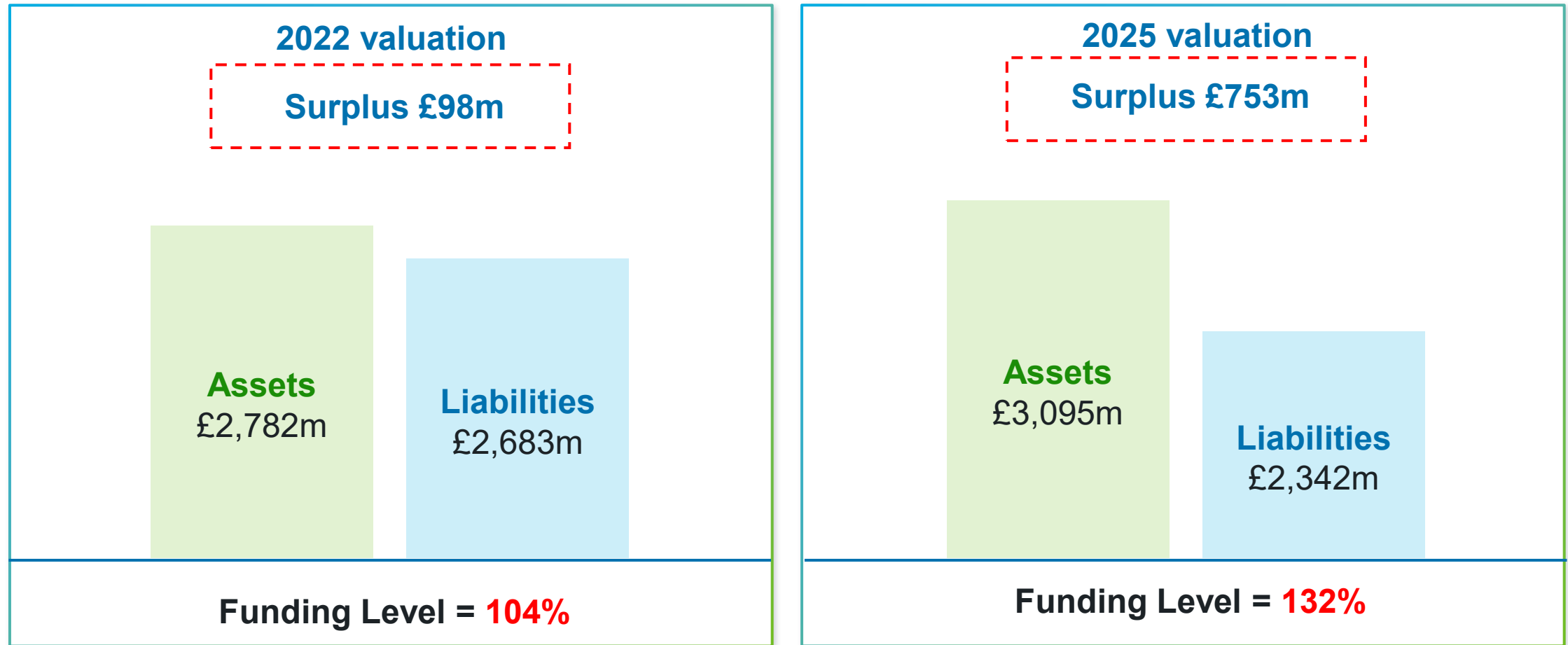


# 2025 valuation – next steps

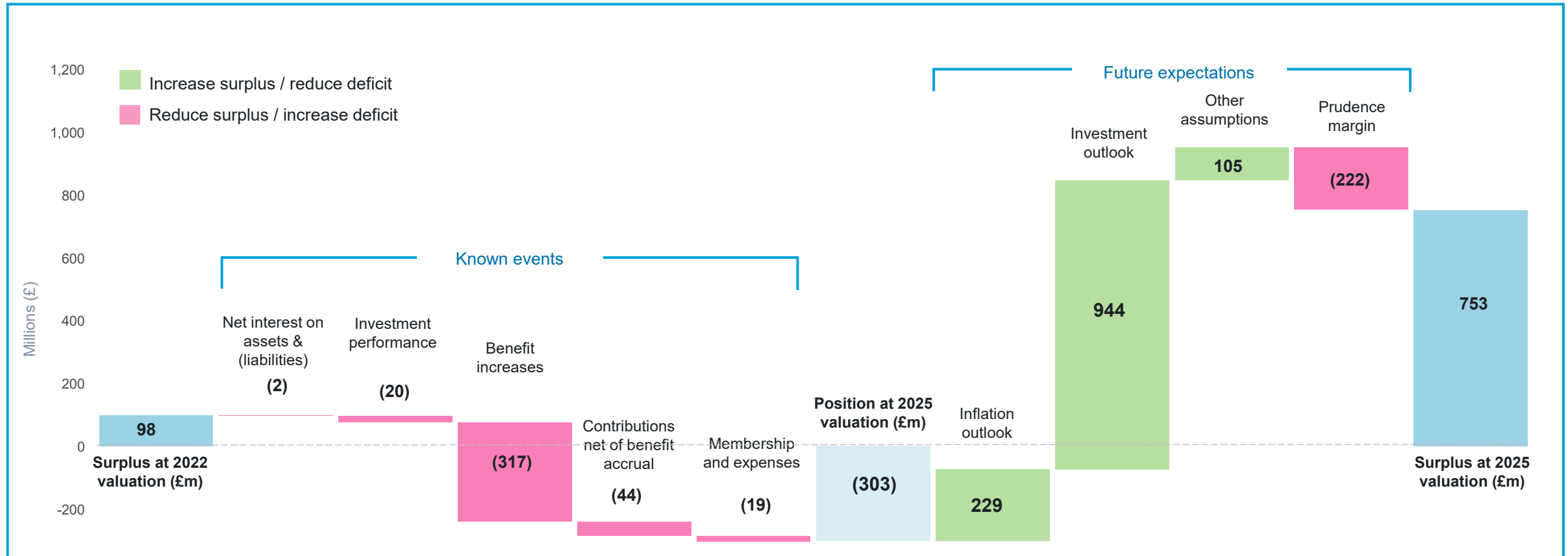


## 2. 2025 results – overview

# Whole fund valuation results



# Change in whole fund funding position



Numbers may not sum due to rounding.

**Higher assumed investment returns are the main driver in funding level improvements**

# Individual employer funding positions

## Funding profile and history

LGPS history and active payroll impact past and future costs

## Membership experience

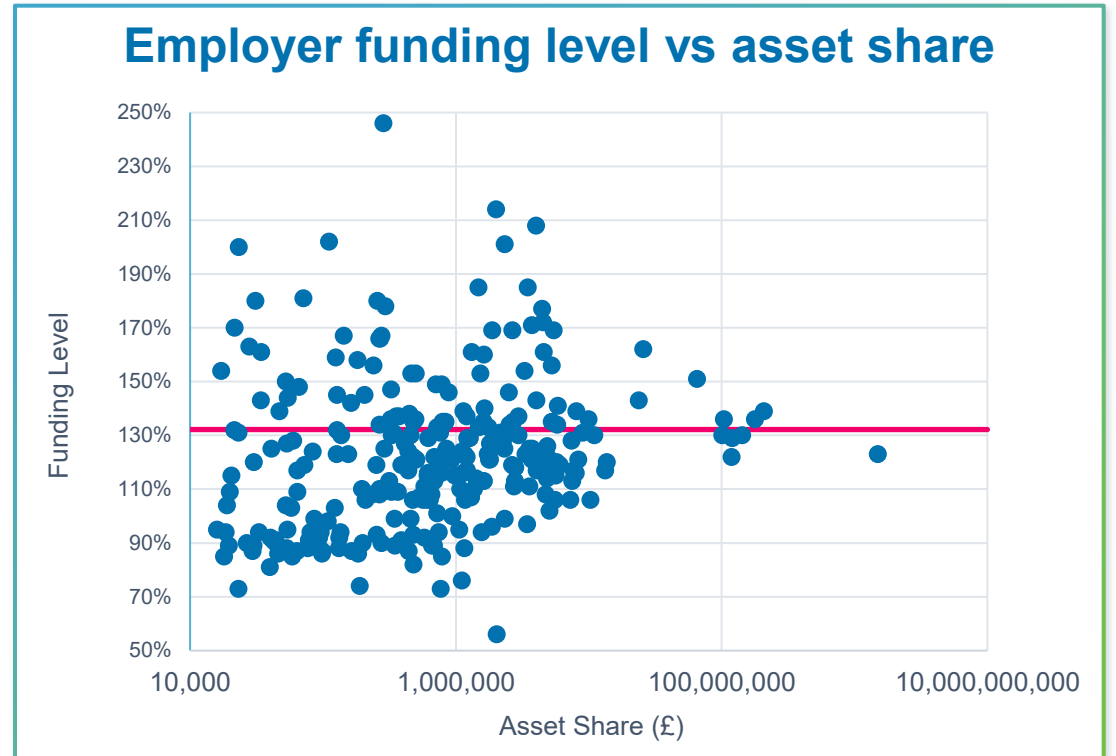
Events such as ill-health retirements or salary increases will affect your funding position

## Membership profile

Differences such as age and gender will affect the contribution rate

## Contributions being paid

Higher contributions will result in a larger funding level improvement



**No two employers are the same**

# Funding themes at the 2025 valuation

**Funding position**

**Funding  
level**

Funding positions have improved  
across almost all employers

**Contribution rates**

**Total  
contribution  
rates**

Majority of employers seeing managed  
reductions in contributions

**Funding position improvements and contribution changes vary by employer**

### 3. Employer contribution rates

# Changes in funding environment since 2022

## Economic

- Big jump in **interest rates**
- Higher than expected **inflation** - April 23 (10.1%) & April 24 (6.7%)
- Increasing **budgetary pressure** for LGPS employers

## Demographic

- Post COVID recovery in **life expectancies**.
- Uncertainty over rate of future **improvements**

## Political

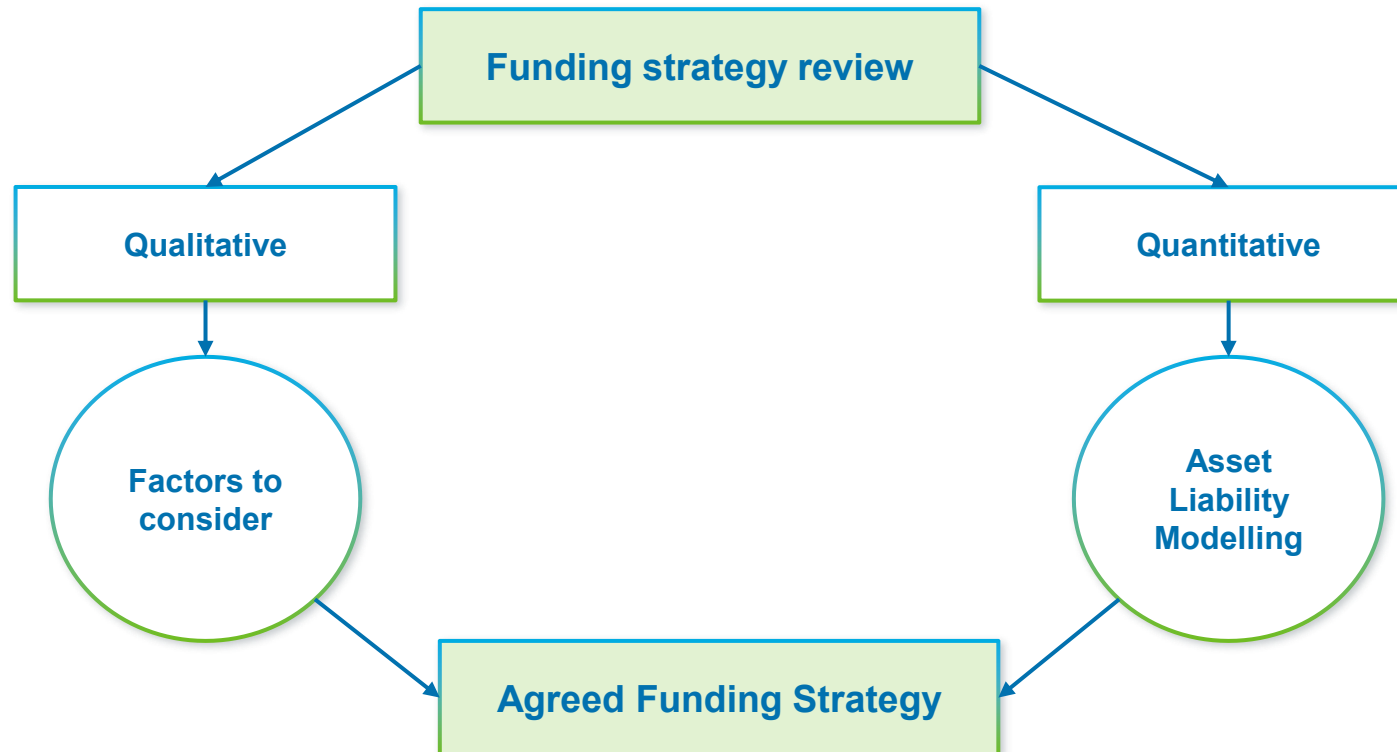
- 'Fit for the Future' and other **consultations**
- Heightened **geo-political** risk

## Others

- **National benchmarking** exercise including use of surplus
- Climate and nature-related '**tail**' risks

Fund is proposing to increase prudence margin from 75% to 83% to protect against increased uncertainty

# The decision-making process



Fund considers a combination of qualitative and quantitative information when reviewing funding strategies

# Qualitative: Factors considered

The following **qualitative** factors have been considered as part of the Fund's review:

## 1. Long-term funding objective



- Buffer against future adverse experience
- Market and geopolitical uncertainty
- Climate and nature-related 'tail' risks
- Pay less in the long run

## 2. Contributions



- Difficulty of future increases
- Inter-generational fairness
- Cost of future benefit accrual

## 3. Investment strategy



- Balance past and future service benefit costs
- Practicalities
- Cashflow

**Considered alongside quantitative factors to enable stable funding strategies**

# 3 steps to setting the funding strategy



## **Funding target**

How much money is the Fund aiming for each employer to hold?



## **Time horizon**

Will the employer continue to participate in the Fund for the long-term or will they exit (and when)?

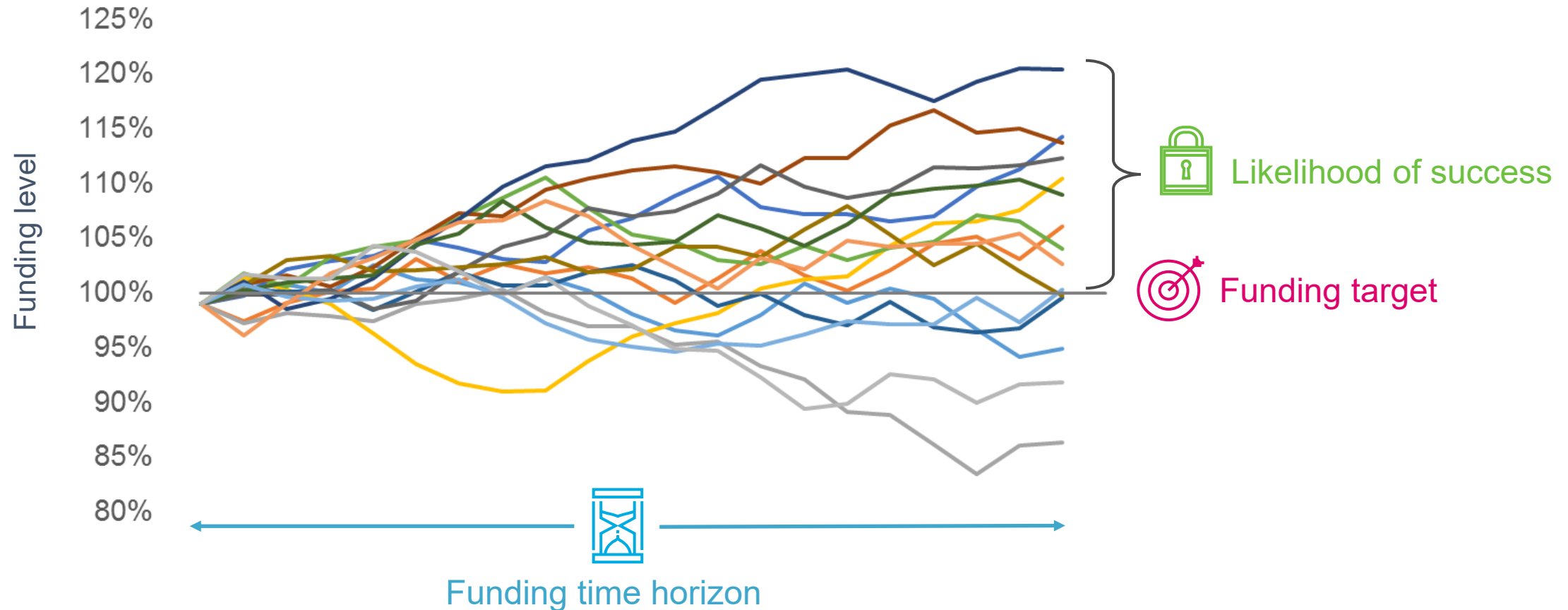


## **Likelihood of success**

How sure do we want to be of achieving this target (allowing for prudence and employer covenant)?

**Reflects employer circumstances and allows the Fund to manage risks**

# Setting risk-based contribution rates



**Set contribution rate to have sufficiently high likelihood of meeting the funding target at the end of the time horizon**

# Employer strategies – overview

## 2025 valuation funding strategies

Employer type	Funding target	Time horizon	Likelihood of success	Stabilised contributions
Major precepting employers	Ongoing	Long	83%	Yes
Parish and Town Councils	Ongoing	Long	83%	No
Academies and Colleges	Ongoing	Long	80% to 85%	Yes
Transferee Admission Bodies	Ongoing	Long	83%	No
Community Admission Bodies	Low Risk	Short	83%	No

Some changes from strategies at 2022 to reflect the current funding environment

## 4. Your valuation results schedule

# Example Employer

Warwickshire Pension Fund

## 2025 Actuarial Valuation - Notification of draft employer results

This schedule is addressed to the Administering Authority of the Warwickshire Pension Fund (the Fund). Hymans Robertson LLP consent to it being shared with Example Employer (the Employer) and, if applicable, its advisor(s) on a non-reliance, no liability basis for information purposes only, and in a manner that fully discloses how it has been produced. It should not be construed as advice to the Employer, its advisor(s) or any other third party with whom it is shared. Any reader of this schedule should carry out their own enquiries and obtain their own advice prior to making decisions.

This schedule should be read in conjunction with the Fund's draft Funding Strategy Statement (the FSS).

This schedule contains a summary of the draft results of the 2025 actuarial valuation of the Warwickshire Pension Fund (the Fund), specifically those relating to the Employer or Pool/Group named above. Its main purpose is to notify the Administering Authority of the contribution rates payable by the Employer from 1 April 2026 to 31 March 2029 as well as the Employer's funding position on the valuation date (31 March 2025). This schedule has not been prepared for any other purpose.

This schedule also contains detailed technical information explaining the results and how they compare to the last valuation, which may be when the Employer joined the Fund.

It also contains the data and assumptions underlying the results and the reliances and limitations which apply to them. Please see the appendices for more information and read these in conjunction with the draft Funding Strategy Statement.

Surplus/(deficit)

**£44.6m**

+£27.9m vs last valuation

Funding level

**135%**

+23% vs last valuation

Contributions from 1 April 2026

**See page 2**

## Contribution rates

The minimum employer contributions payable for the three-year period from 1 April 2026 to 31 March 2029 are set out in the following table (alongside the current contributions). The final contributions will be formally certified in the Fund's Rates and Adjustments Certificate.

Employer contributions for year ending	Primary rate	Secondary contributions*		Total contributions*	
	% of pay	% of pay	£	% of pay	£
31 March 2026	20.2%	0.0%	£185,000	20.2%	£185,000
31 March 2027	20.0%	0.7%	-	20.7%	-
31 March 2028	20.0%	0.0%	-	20.0%	-
31 March 2029	20.0%	(0.8%)	-	19.2%	-

\*Contributions may include a percent of pay and monetary element, both of which are payable.

Employer contributions have been set in accordance with the draft FSS as agreed by the Administering Authority. The Primary rate includes an allowance of 1.1% of pay for administration expenses. Employee contributions averaging 6.6% of pay are payable in addition to employer contributions.

## Employer details and funding plan

The contribution rates payable from 1 April 2026 have been determined based on the following funding strategy and employer circumstances:

	Last valuation	This valuation
<b>Employer details</b>	<b>Employer Type</b>	<b>Example Employer Type</b>
	<b>Funding pool</b>	<b>Example Pool</b>
	<b>Investment strategy</b>	<b>Whole Fund</b>
	<b>Open / closed to new entrants</b>	<b>Open</b>
	<b>Funding target (see FSS for details)</b>	<b>Ongoing</b>
<b>Funding strategy</b>	<b>Funding time horizon (years)</b>	<b>19</b>
	<b>Minimum likelihood of achieving funding target by end of time horizon</b>	<b>83%</b>

The recommended contribution rates are based on the Employer's participation in the Fund's contribution stability mechanism. The funding strategy is designed to provide at least an 83% likelihood that both past and future service benefits will be at least fully funded on the Fund's Ongoing basis at the end of a 19-year horizon.

This funding strategy has been determined by the Administering Authority, taking into account the type of organisation the Employer is and the nature of its participation in the Fund. The approach to setting employer contribution rates, and the Employer's funding target, is explained further in the draft FSS. Further details on the investment strategy is included in the Fund's Investment Strategy Statement.

## Funding position

The table below shows the Employer's funding position as at 31 March 2025 on the Fund's Ongoing basis (as defined in the Fund's draft FSS), alongside the funding position at the last valuation for comparison.

Monetary amounts in £000	Last valuation	This valuation
	Ongoing basis	Ongoing basis
<b>Asset share</b>	163,178	172,468
<b>Past-service liabilities</b>		
Employees	51,131	37,958
Deferred pensioners	28,871	19,438
Pensioners	66,494	70,515
<b>Total liabilities</b>	146,496	127,911
<b>Surplus/(Deficit)</b>	16,682	44,558
<b>Funding level</b>	111%	135%

The funding position only covers assets and liabilities accrued up to the calculation date (past service), it does not consider the cost of benefits that will be earned in the future (future service).

## Change in funding position

The following table helps to explain the changes in the Employer's assets and liabilities over the period since the last valuation. Due to rounding the columns may not add up exactly.

	£000	Assets	Liabilities	Surplus / (deficit)
	<b>Last valuation</b>	163,178	146,496	16,682
<b>Cashflows</b>	<b>Employer contributions paid in</b>	7,314		7,314
	<b>Employee contributions paid in</b>	3,056		3,056
	<b>Benefits paid out</b>	(18,530)	(18,530)	
	<b>Other cashflows (e.g. expenses, transfers)</b>	476		476
<b>Changes since last valuation</b>	<b>Expected growth</b>	18,694	18,039	655
	<b>Accrual of new benefits</b>		15,026	(15,026)
	<b>Membership experience</b>		20,024	(20,024)
	<b>Excess return on assets</b>	(1,720)		(1,720)
<b>Changes in actuarial assumptions</b>	<b>Financial assumptions</b>		(47,661)	47,661
	<b>Longevity assumptions</b>		(952)	952
	<b>Other demographic assumptions</b>		(4,531)	4,531
	<b>This valuation</b>	172,468	127,911	44,558

## Appendix A - Data

### A.1 Membership data

The results in this schedule are based on the membership data summarised below which was supplied to us by the Fund for the purpose of the 2025 formal valuation.

		Last valuation	This valuation
Employee members	Number	492	531
	Total actual pay (£000)	12,973	17,493
	Total accrued benefit (£000)	2,810	3,532
	Average age	53.2	54.9
Deferred pensioners	Number	643	649
	Total accrued benefit (£000)	1,521	1,687
	Average age	52.4	54.2
Pensioners and dependants	Number	702	766
	Total accrued benefit (£000)	4,478	5,817
	Average age	70.5	70.5

Average ages are weighted by liability.

## Appendix B - Assumptions

### B.1 Financial assumptions

The financial assumptions underlying the funding positions disclosed are detailed below (with comparison to those adopted at the last valuation).

Assumption (% p.a.)	Last valuation	This valuation
	Ongoing basis	Ongoing basis
Discount rate	4.00%	5.70%
Pension increases	2.70%	2.30%
Salary increases*	3.70%	3.30%

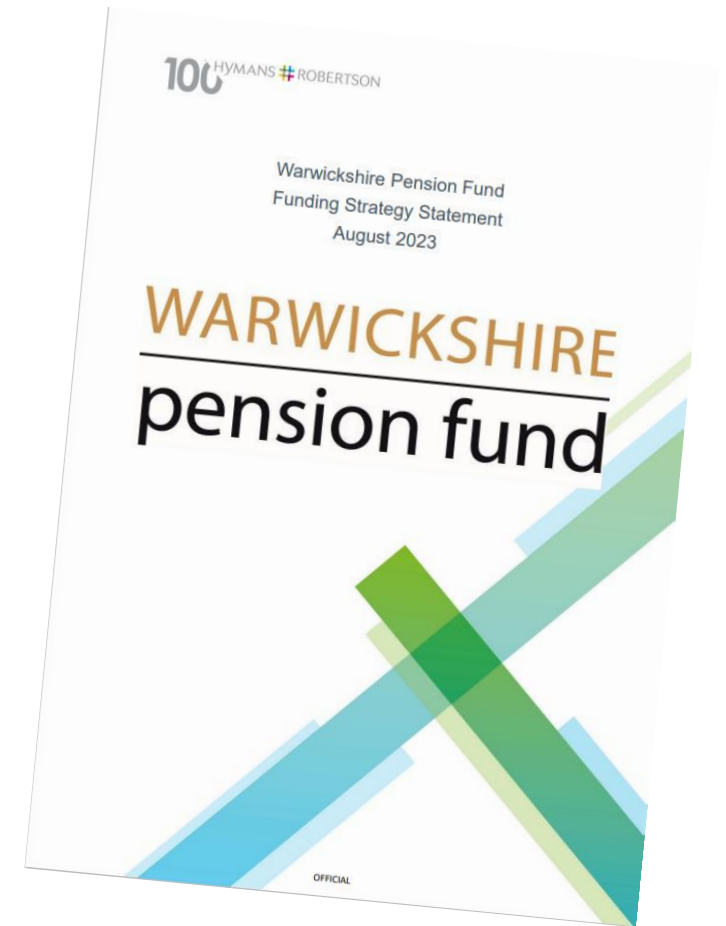
\*This is in respect of inflationary increases. There is a separate promotional salary scale assumption.

For further details on the methodology used to derive the assumptions, please see the draft FSS.

## 5. Funding Strategy Statement

# Review of the FSS

- Regulations require review of FSS every three years
- Publicly available document
- New guidance set by SAB / MHCLG / CIPFA for preparers of FSS
- The updated FSS is out for consultation with employers alongside your results
- Invitation to input or comment on the FSS during consultation period.
- Responses to the consultation should be made through the “31 March 2025 Valuation Employer Engagement Portal” – details of how you can input is available from the Fund
- Other funding policies exist alongside the FSS, including academies policy and cessation policy



**Funding Strategy Statement is now being consulted upon with employers**

## 6. What do you need to do?

# What you need to do?



## **Read your results schedule**

Check the data is correct, understand your current funding position and the rate that will come into payment from 1 April 2026



## **Review the updated Funding Strategy Statement**

Understand how this applies to your participation in the Fund and feedback any comments to the Fund via the “31 March 2025 Valuation Employer Engagement Portal”



## **Talk to the Fund**

Ask any questions and let them know about any possible changes in circumstances

# Questions?



# Thank you

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