HYMANS ROBERTSON

Scottish Homes Pension Fund

Report on the actuarial valuation as at 31 March 2023

March 2024

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For and on behalf of Hymans Robertson LLP

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Contents

Executive summary

We have been commissioned by City of Edinburgh Council ("the Administering Authority") to carry out a valuation of Lothian Pension Fund ("the Fund") as at 31 March 2023. This fulfils Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018. This report is a summary of the valuation.

1. Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates and Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation.

Table 1: Whole fund contribution rates compared with the previous valuation

	31 March 2023	31 March 2020
Expense requirement	£90,000 p.a.	£90,000 p.a.

2. Funding position

At 31 March 2023, the past service funding position has improved from the last valuation at 31 March 2020. Table 2 shows the single reported funding position at this valuation and the last valuation.

Table 2: Single reported funding position compared with the previous valuation

	31 March 2023	31 March 2020
	(£m)	**(£m)**
Deferred Pensioners	15	32
Pensioners	84	109
Total liabilities	**99**	**141**
Assets	**126**	**166**
Surplus (Deficit)	**27**	**25**
Fund level	**127%**	**118%**

1 Background

1.1 History

The deferred pensioner and pensioner members of the Fund were transferred to the Administering Authority prior to the wind-up of the Scottish Homes Residuary Body. The Administering Authority assumed the management of its assets and liabilities from 1 July 2005. The Scottish Government (formerly the Scottish Executive) acts as the Guarantor for the transferred liabilities. The Guarantor's intention is that over time the transferred assets together with any additional contributions required should be sufficient to fund the former Scottish Homes Pension Fund liabilities.

1.2 Homeless Action Scotland

The results shown in this paper include the assets and liabilities of Homeless Action Scotland which transferred into the Fund following its cessation from the Lothian Pension Fund on 12 July 2018.

1.3 Contribution rates

The Funding Agreement sets out how payments from the Guarantor should be determined.

2 2 Approach to the valuation

2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

This report marks the culmination of the valuation process and contains its two key outcomes:

1. Reviewing the current funding plan
2. Setting the contribution rate for the period 1 April 2024 to 31 March 2027

The Funding agreement with the Scottish Government, as Guarantor, sets out how contribution payments should be determined.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Statement of Investment Principles and published papers and minutes of the Fund's Pensions Committee.

2.2 Measuring the funding level

The past service funding level, referred to as the Actual Funding Level in the Funding Agreement, is measured at the valuation date. To measure the funding level, a market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

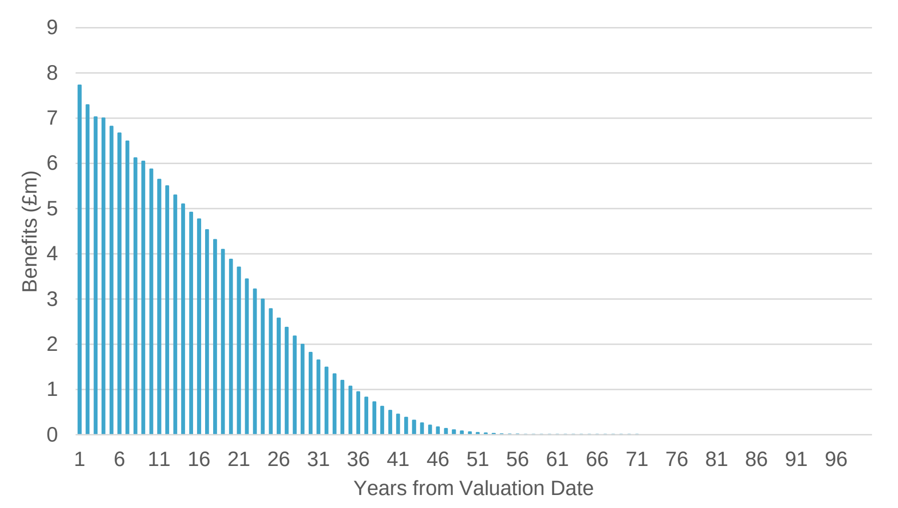
1. The bid-market value of the Fund's assets at the valuation date has been used.
2. The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

2.2.1 Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2), and our understanding of the LGPS benefit structure as at 31 March 2023 (details at www.scotlgpsregs.org).

Chart 1: Projected benefit payments for all service earned up to 31 March 2023



To express the future payments in today's money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the discount rate).

3 Valuation results

3.1 Single funding level as at 31 March 2023

Table 3 sets out the assets and liabilities at the valuation date. The results at the 2020 valuation are shown for comparison.

The overall result has been an improvement in the Actual Funding Level (AFL), from 118% to 127% with a larger funding surplus than was reported in 2020.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position as at 31 March 2023, but there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change daily.

Table 3: Single reported funding position compared with the previous valuation

	31 March 2023	31 March 2020
	(£m)	(£m)
Deferred pensioners	15	32
Pensioners	84	109
Total liabilities	**99**	**141**
Assets	**126**	**166**
Surplus/(Deficit)	**27**	**25**
Funding level	**127%**	**118%**

3.1.1 Projection of the funding position

If the financial and demographic assumptions we have made at this valuation are borne out in practice, and there are no changes to the valuation assumptions, we project that the funding level at the 2026 valuation date will be broadly unchanged.

3.2 Changes since the last valuation

3.2.1 Events between 2020 and 2023

The most significant external event to occur since the last valuation has been the Covid-19 pandemic However, the analysis in Table 5 shows that mortality experience was broadly as expected over the period with minimal impact on the funding position.

CPI inflation was much higher than anticipated by the long-term assumption at the 2020 valuation.

The Fund experience much worse than expected investment returns. This has had a material negative impact on the funding position (Table 4).

Financial

Table 4: Analysis of investment return experience between 2020 and 2023 valuations

	Expected	Actual	Difference	Impact on funding position
Investment returns				
3-year period	0.4%	-13.9%	-14.5%	-£20m
Annual	0.15% pa	-4.9% pa	-5.05% pa	

Membership

Table 5: Analysis of membership experience between 2020 and 2023 valuations

	Expected	Actual	Difference	Impact on funding position
Post-retirement				
Benefit increases	1.3% pa	4.5% pa	3.2% pa	-£14m
Pension ceasing	£1.1m	£1.1m	£0.0m	-£0m

3.2.2 Outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

Future inflation: this is expected to be on average higher than at 2020 due to the current high level of inflation.

Investment returns: due to changes in financial markets, future investment returns are now expected to be higher than at the last valuation.

Table 6: Summary of change in outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which you discount back future benefits payments (also known as the 'discount rate' assumption)	Future investment returns are anticipated to be higher than at 2020.	Decrease of £42m
Inflation	The rate at which pensions (both in payment and deferment) and CARE pots increase.	Significant increase in short-term future inflation expectations.	Increase of £18m
Current life expectancy	How long we expect most people to live for based on today's current observed mortality rates.	Slight increase in life expectancy (not allowing for Covid-related excess deaths)	Increase of £4m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Lower rate of improvement in life expectancy through use of updated model of future improvements, including allowance for some recent mortality experience related to the excess deaths from the Covid 19 pandemic..	Decrease of £4m

3.3 Reconciling the overall change in funding position

Tables 7 & 8 provide insight into the funding position change between 31 March 2020 and 31 March 2023. Firstly, the changes expected to happen (Table 7), which relate mostly to assets. Then the impact of actual experience (Table 8), which affects mainly the liabilities.

3.3.1 Expected development

Table 7: Expected development of funding position between 2020 and 2023 valuations.

	Assets	Liabilities	Surplus/ deficit
	£m	£m	£m
31 March 2020 valuation	**166**	**141**	**25**
Cash flows			
Employer contributions paid in	0	0	0
Employee contributions paid in	0	0	0
Benefits paid out	(21)	(21)	0
Other cash flows (eg expenses, transfers in/out)**	0	0	0
Expected changes			
Expected investment returns	1	0	1
Interest on benefits already accrued	0	1	(1)
Expected position at 31 March 2023	**146**	**121**	**25**

***This includes the contributions paid by the Scottish Government each year to cover the administration expenses of the Fund.*

3.3.2 Impact of actual events

Table 8: Impact of actual events on the funding position at 31 March 2023

	Assets	Liabilities	Surplus/ deficit
	£m	£m	£m
Expected position at 31 March 2023	**146**	**121**	**25**
Events between 2020 and 2023			
Benefit increases greater than expected	0	14	(14)
Other membership experience	0	(6)	6
Lower than expected investment returns	(20)	0	(20)
Changes in future expectations			
Investment returns	0	(42)	42
Inflation	0	18	(18)
Longevity	0	0	0
Other demographic assumptions	0	(6)	6
Actual position at 31 March 2023	**126**	**99**	**27**

Numbers may not sum due to rounding.

3.4 Contribution rate payable by the Guarantor

3.4.1 Deficit Recovery Contributions

The Funding Agreement sets out how payments from the Guarantor should be determined. The Target Funding Level (TFL), is 95.5% at 31 March 2023. The AFL (127%) is greater than the TFL at the 2023 valuation date and therefore no deficit contributions are required from the Guarantor for the period from 1 April 2024 to 31 March 2027.

3.4.2 Expense Requirement

The Guarantor has a responsibility to pay towards the cost of the following expenses:

- Administration (including oversight and governance) – estimated to be £90,000 per annum
- Investment management

As required by the Funding Agreement, the liabilities are valued using yield curves that make no allowance for investment returns above gilts. To maintain prudence in future valuations, the Guarantor should also pay for investment expenses otherwise these would act to reduce the returns expected from the gilts-based strategy to below those implied by the yield curves. However, given the Fund is currently in surplus, we and the Administering Authority are comfortable for these expenses to continue to be met by the Fund over the next three years, in line with the approach adopted at the 2020 valuation.

The total Expense Requirement is therefore £90,000 p.a. from 1 April 2024 to 31 March 2027.

3.4.3 Certified contributions

The Guarantor would pay the total of these items to the Fund over the three years from 1 April 2024. This contribution requirement is set out in the Rates and Adjustments Certificate on page 24.

4 Sensitivity and risk analysis

The valuation results depend on the actual assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their sensitivity and risk levels.

4.1 Funding level

4.1.1 Financial assumptions

Future investment returns and future inflation will always be uncertain. The impact of varying levels is set out below.

Table 9: Sensitivity of funding position to discount rate assumption

Discount rate assumption	Surplus/Deficit	Funding level
Per annum	**£m**	**%**
Gilts plus 0.5%	32	134%
Gilts	**27**	**127%**
Gilts less 0.5%	22	121%

Table 10: Sensitivity of funding position to inflation assumption

CPI assumption	Surplus/Deficit	Funding level
	£m	**%**
2.1% pa	29	130%
2.3% pa	**27**	**127%**
2.5% pa	25	125%

It is worth noting that, because the Fund is invested entirely in government bonds, the surplus / (deficit) position is largely immunised against any changes in government bond yields. That is, any increase (decrease) in liabilities as a result of changing bond yields will be offset (partially or fully) by an increase (decrease) in the value of the government bonds held. The extent of this immunisation will depend on how closely the duration and inflation-linkage of the bonds match the characteristics of the Fund's liabilities.

4.1.2 Demographic assumptions

The main demographic risk is that people live longer than expected. A 1-year improvement in life expectancy will result in an increase in the liabilities of around 5%.

4.2 Other risks

4.2.1 Regulatory, administration and governance risks

Potential risks in this area include change in central government legislation, which alters the future cost of the LGPS, and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

McCloud

Benefits accrued by certain members in the LGPS between 2015 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2015 for older members were discriminatory. We've made an allowance for the cost of these potential improvements, based on the guidance issued by the Scottish Public Pensions Agency on 28 April 2023.

Other legal rulings

Benefits could change because of other legal challenges (eg the Goodwin case affecting partner pensions). Given the lack of information about possible benefit changes and their relatively small impact, we have made no allowance for these changes.

Cost cap

This is not relevant since members are no longer accruing benefits.

GMP Indexation

We have made an allowance for all increases on GMPs for members reaching State Pension age after 6 April 2016 by assuming that all increases will be paid for by LGPS employers in the Fund with no future support from the State (ie the worst-case scenario from an LGPS perspective). The affected members are a diminishing group, and the financial significance of this allowance will reduce over time. This is the same approach that was taken for the 2020 valuation.

4.2.2 Post valuation events

Since 31 March 2023, there has been continued volatility in financial markets and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

However, as mentioned above, the Fund's gilts-based investment strategy provides significant protection against volatile market conditions.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

4.2.3 Climate change risk

Results may materially change due to the impact of climate change, because of transition and physical risks. We have not quantified the risk exposure here as the Funding Agreement with the Scottish Government as Guarantor means the Fund's exposure to climate risk is reduced.

5 Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Agreement with the Guarantor
- The Funding Strategy Statement
- The Statement of Investment Principles, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.
- The Fund's risk register.

5.1 Valuation frequency

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2026 where contribution rates payable from 1 April 2027 will be set.

Richard Warden FFA

Julie Baillie FFA

March 2024

For and on behalf of Hymans Robertson LLP

Appendices

Appendix 1: Data

Membership data

A summary of the membership data provided by the Fund for the 2023 valuation is set out in Table 11. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data

To check the membership data, we have used asset and cashflow data provided by the Fund.

Table 11: Whole Fund membership data at this valuation compared with the previous valuation

Whole Fund membership data	31 March 2023	31 March 2020
Active members		
Number	-	-
Total actual pay (£000)	-	-
Total accrued pension (£000)	-	-
Average age (liability weighted)	-	-
Future working lifetime (years)	-	-
Deferred pensioners (including undecideds)		
Number	264	369
Total accrued pension (£000)	566	801
Average age (liability weighted)	57.7	55.7
Pensioners and dependants		
Number	1,089	1,165
Total pensions in payment (£000)	6,859	6,601
Average age (liability weighted)	73.5	72.2

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future investment return is set out in Table 12. In practice, the actual allocation may include some holdings in cash.

This information is as set out in the Fund's Statement of Investment Principles.

Table 12: Investment strategy allocation used for the calculation of employer contribution rates

% Allocated	This Valuation 31 March 2023	Last Valuation 31 March 2020
UK gilts	100%	100%
Total	100%	100%

Appendix 2: Assumptions

Financial assumptions

The Scottish Government acts as the ‘Guarantor’ for the Fund’s liabilities. The valuation of these mature liabilities uses more prudent assumptions than those applied to other employers in the Lothian Pension Fund, as set out in the agreed Scottish Executive Guarantee dated June 2005 (‘the Funding Agreement’).

The terms of the Funding Agreement impose restrictions on the discount rate that is used to calculate the value of the past service liabilities. The Funding Agreement states that there will be no allowance for anticipated outperformance resulting from investment in assets that are riskier than government bonds, and there will be no deduction for investment expenses.

The yield curve used for the discount rate is the Bank of England nominal yield curve. This is the same discount rate that was adopted for the 2020 valuation of the Fund (albeit updated for market conditions as at 31 March 2023). Cash holdings aside, as at 31 March 2023 the Fund is invested entirely in government bonds, which means the discount rate assumption may be considered as a ‘best estimate’ of the future investment performance. While the Regulations require the funding basis to be prudent, given the low-risk nature of the Fund’s investment portfolio, and the associated low-risk nature of the funding strategy, we believe this discount rate is appropriate for the purposes of the valuation.

Table 13: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2020

Assumption	31 March 2023	Required for	31 March 2020
Discount rate	Bank of England nominal yield curve	To place a present value on all the benefits promised to scheme members at the valuation date.	Bank of England nominal yield curve
Benefit increases	Bank of England implied RPI inflation curve less 1% pa before 2030 and 0.1% pa thereafter*	To determine the size of future benefit payments.	Bank of England implied RPI inflation curve less 0.9% pa

** The change in RPI-CPI gap assumption is to reflect changes to RPI from 2030, when it will be redefined to match CPIH. CPIH inflation is historically very similar to CPI inflation hence the gap of only 0.1% pa after that point.*

Yield Curves

Chart 2 shows the nominal spot yields for a Government-backed loan (ie the yield to maturity of a zero-coupon bond) as at 31 March 2020 and 31 March 2023 (Source: Bank of England). Chart 3 shows the implied inflation curve (RPI) over a range of maturities at 31 March 2020 and 31 March 2023. This is derived from the yields on both fixed and index linked gilts (Source: Bank of England).

All other assumptions adopted are intended to represent our best estimate of future experience. Taken in aggregate, the funding basis results in a 'best estimate' of the Fund's pension liabilities, which are being funded in a prudent manner.

Chart 2: Gilts nominal yield curve

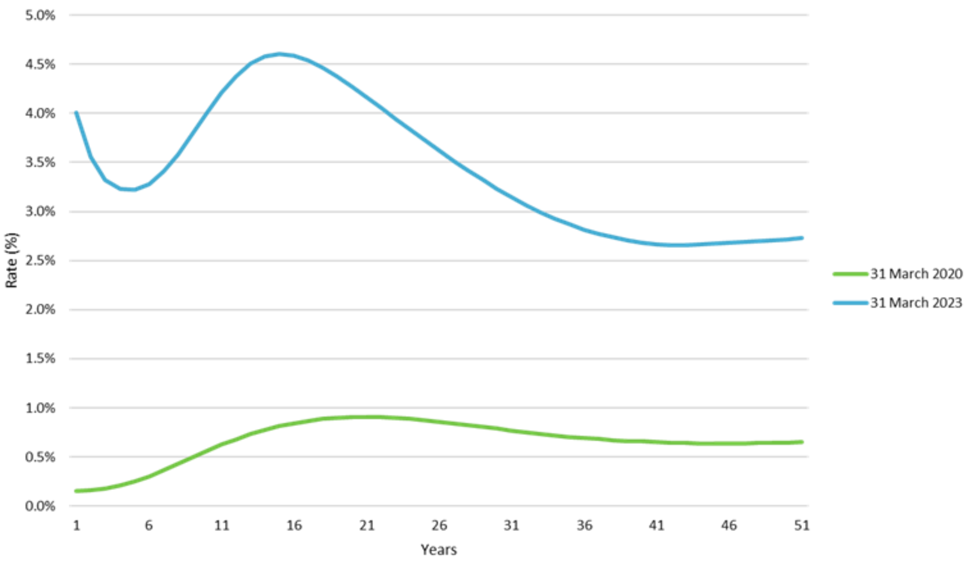
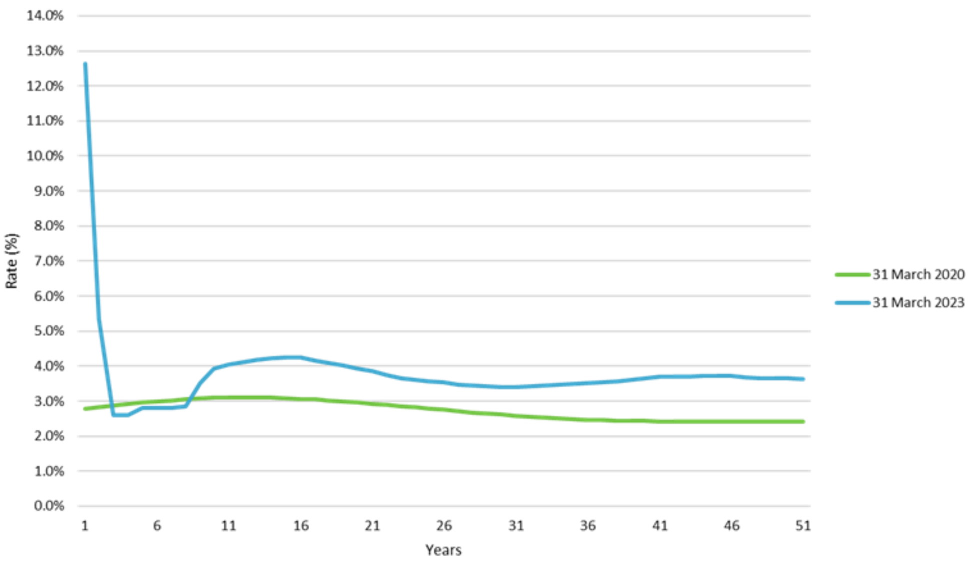


Chart 3: Gilts implied RPI inflation curve



Demographic assumptions

The same demographic assumptions are used to set contribution rates and to assess the current funding level.

Longevity

Table 14: Summary of longevity assumptions at this valuation compared with the previous valuation

	31 March 2023	31 March 2020
Baseline assumptions	Club Vita	Club Vita
Future improvements	CMI 2022 model Initial addition = 0.25% (both Male and Female) Smoothing factor = 7.0 Weighting = 0% (2020 & 2021 data), 25% (2022 data) 1.5% pa long-term rate	CMI 2019 model Initial addition = 0.5% (Male) 0.25% (Female) Smoothing factor = 7.0 2.0% pa long term rate of improvement

Other demographic assumptions

Table 15: Summary of other demographic assumptions

Death in deferment	See sample rates in Table 16
Commutation	70% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 85% for males and 60% for females. The dependant of a male member is assumed to be 2 years younger than him and the dependant of a female member is assumed to be 3.5 years older than her.

Sample rates for demographic assumptions

Table 16: Sample rates of male and female demographic assumptions

Age	Death in Deferment	
	Males	Females
	FT & PT	FT & PT
20	0.21	0.11
25	0.21	0.11
30	0.26	0.16
35	0.30	0.27
40	0.51	0.44
45	0.86	0.71
50	1.37	1.04
55	2.15	1.37
60	3.86	1.75
65	6.44	2.25

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	0.11	256.99	338.79	0.00	0.00	0.00	0.00
25	117	0.11	172.88	227.90	0.16	0.13	0.09	0.10
30	131	0.16	144.88	190.99	0.21	0.18	0.12	0.13
35	144	0.27	89.25	164.73	0.41	0.34	0.24	0.25
40	150	0.44	74.23	137.00	0.61	0.51	0.36	0.37
45	157	0.71	61.11	112.78	0.82	0.68	0.48	0.50
50	162	1.04	46.56	85.94	1.50	1.23	1.11	1.13
55	162	1.37	43.56	80.39	5.47	4.43	2.32	2.35
60	162	1.75	35.02	64.64	11.52	9.30	2.38	2.40
65	162	2.25	0.00	0.00	20.73	16.76	0.00	0.00

Figures are incidence rates per 1,000 members
FT and PT denoted full-time and part-time members respectively.

Appendix 3: Reliances & limitations

We have been commissioned by City of Edinburgh Council ('the Administering Authority') to carry out a full actuarial valuation of Scottish Homes Pension Fund ('the Fund') at 31 March 2023, as required under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2023 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular:

- Correspondence relating to data including the Data Report dated 1 December 2023
- Our Initial Results Report dated 12 October 2023 which outlines the whole Fund results and inter-valuation experience
- The operation of the Scottish Executive Funding Agreement which is dated 29 June 2005, confirming the approach to determine contributions payable to the Fund by the Scottish Government.as Guarantor.
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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Appendix 4: Glossary

Term	Explanation
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts who Hymans Roberston partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insights on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

Term	Explanation
Discount rate	An assumption for the annual rate of future investment return. Used to place a single 'today's money' value on a stream of future payments.
Funding position	The extent to which the assets held by the Fund at 31 March 2023 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions.

Appendix 5: Rates and Adjustments Certificate

In accordance with regulation 62(4) of the Regulations we have assessed the contributions that should be paid into the Fund by the Guarantor for the period 1 April 2024 to 31 March 2027 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in our report on the actuarial valuation dated March 2024. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The required minimum contribution rates are set out in Table 17.

Table 17: Whole fund primary and secondary contribution rates from 1 April 2024 to 31 March 2027

This valuation - 31 March 2023	
Period	Guarantor's minimum contribution rate
1 April 2024 to 31 March 2025	£90,000
1 April 2025 to 31 March 2026	£90,000
1 April 2026 to 31 March 2027	£90,000

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March 2024

For and on behalf of Hymans Robertson LLP

Appendix 6: Section 13 dashboard

Metric	Unit	2023 Valuation
2023 funding position – local funding basis		
Funding level (assets/liabilities)	%	127.5%
Funding level (change since previous valuation)	%	9.8%
Asset value used at the valuation	£m	126
Value of liabilities (including McCloud liability)	£m	99
Surplus (deficit)	£m	27
Discount rate (past service)	% pa	Bank of England nominal yield curve
Discount rate (future service)		Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% pa	Bank of England implied RPI inflation curve less 1% pa before 2030 and 0.1% pa thereafter
Method of derivation of discount rate, plus any changes since previous valuation		No change to method of derivation of discount rate since previous valuation

Metric	Unit	2023 Valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	Years	20.2
Life expectancy for current pensioners – women age 65	Years	23.0
Life expectancy for future pensioners – men age 45	Years	20.7
Life expectancy for future pensioners – women age 45	Years	24.9
Past service funding position – SAB basis (for comparison purposes only)		
Market value of assets	£m	126
Value of liabilities	£m	88
Funding level on SAB basis (assets/liabilities)	%	143%
Funding level on SAB basis (change since last valuation)	%	-46%

Metric	Unit	2023 Valuation	2020 Valuation
Contribution rates payable			
Primary contribution rate	% of pay	0.0%	0.0%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)			
1st year of rates and adjustments certificate	£m	0.09	0.09
2nd year of rates and adjustments certificate	£m	0.09	0.09
3rd year of rates and adjustments certificate	£m	0.09	0.09
Giving total expected contributions			
1st year (£ figure based on assumed payroll)	£m	0.0	0.0
2nd year (£ figure based on assumed payroll)	£m	0.0	0.0
3rd year (£ figure based on assumed payroll)	£m	0.0	0.0
Assumed payroll (cash amounts in each year)			
1st year rates and adjustments certificate	£m	0.0	0.0
2nd year rates and adjustments certificate	£m	0.0	0.0
3rd year rates and adjustments certificate	£m	0.0	0.0
Three-year average	% of pay	0.0%	0.0%
Average employee contribution	% of pay	0.0%	0.0%
Employee contribution rate (£ figure based on assumed payroll of £0m)	£m pa	0.0	0.0

Metric	Unit	2023 Valuation	2020 Valuation
Deficit recovery and surplus spending plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor.	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor.	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2043	2040
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor.	%	Methodology not used	Methodology not used
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	Methodology not used	Methodology not used
Additional information			
Percentage of total liabilities that are in respect of Tier 3 employers	%	0.0%	N/A
Included climate change analysis/comments in the 2023 valuation report		Yes	N/A
Value of McCloud liability in the 2023 valuation report (on local funding basis)	£m	0.01	N/A