



Royal County of Berkshire Pension Fund

Employers' Forum
19 March 2025

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What is a valuation and what do we do?

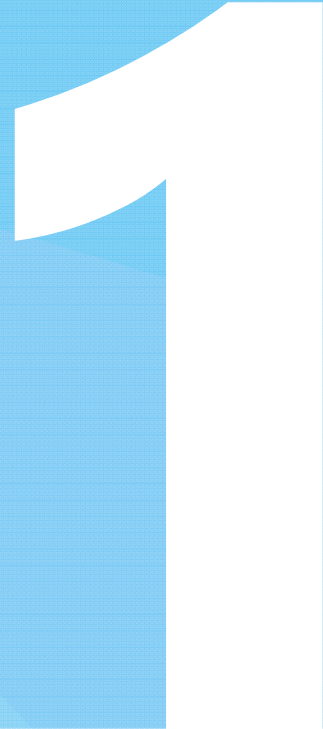


What's happened since 2022?

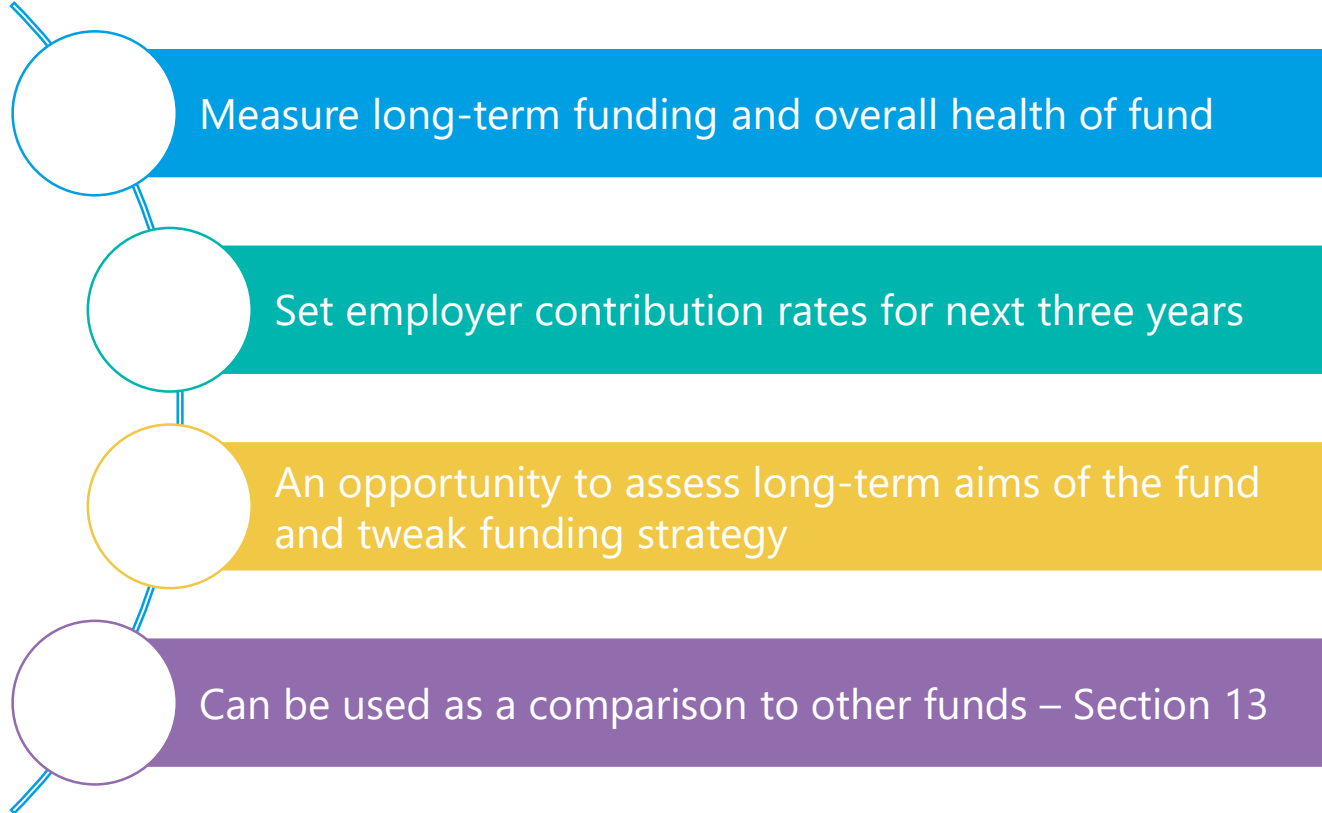


What next?

What is a funding valuation?



Why do a funding valuation?



What do we actually do?

- ✓ Set assumptions and methodology
- ✓ Collect, cleanse and manipulate data
- ✓ Run data in actuarial valuation systems to calculate liabilities and primary rates
- ✓ Carry out asset valuations
- ✓ Set contribution rates
- ✓ Present results in a report



Key outcomes – funding position

Funding
position

Funding level =
Assets / Liabilities

Surplus (Deficit) =
Assets - Liabilities

Key outcomes - Employer contributions

Primary rate

- Cost of future benefits
- Employer share only
- Membership profile

Secondary rate

- Reflects employer's funding position and individual circumstances
- Surplus/deficit

Total contribution rate

- Primary plus secondary
- Stability objective

What data do we need?



Valuing liabilities for each employer



Member data for details of the benefits

Assumptions about future **amount** of benefit

Assumptions about **when** benefits will be paid

Actuary builds **model** and runs (lots of) calculations

Liability for each individual employer, in line with FSS

Valuing assets for each employer



Assets at the **start** of the period

Plus **contributions** paid in

Minus **benefits** paid out

Investment return – gain or loss

Assets at the **end** of the period

Whole Fund results

31 March 2022
valuation results



31 March 2019
valuation results

What's happened
since 2022?



What has ACTUALLY happened since 2022?



Investment returns

Slight deterioration of funding position due to lower than expected investment returns.



Inflation

Slight deterioration of funding position due to high pension increases. Offset by lower future inflation



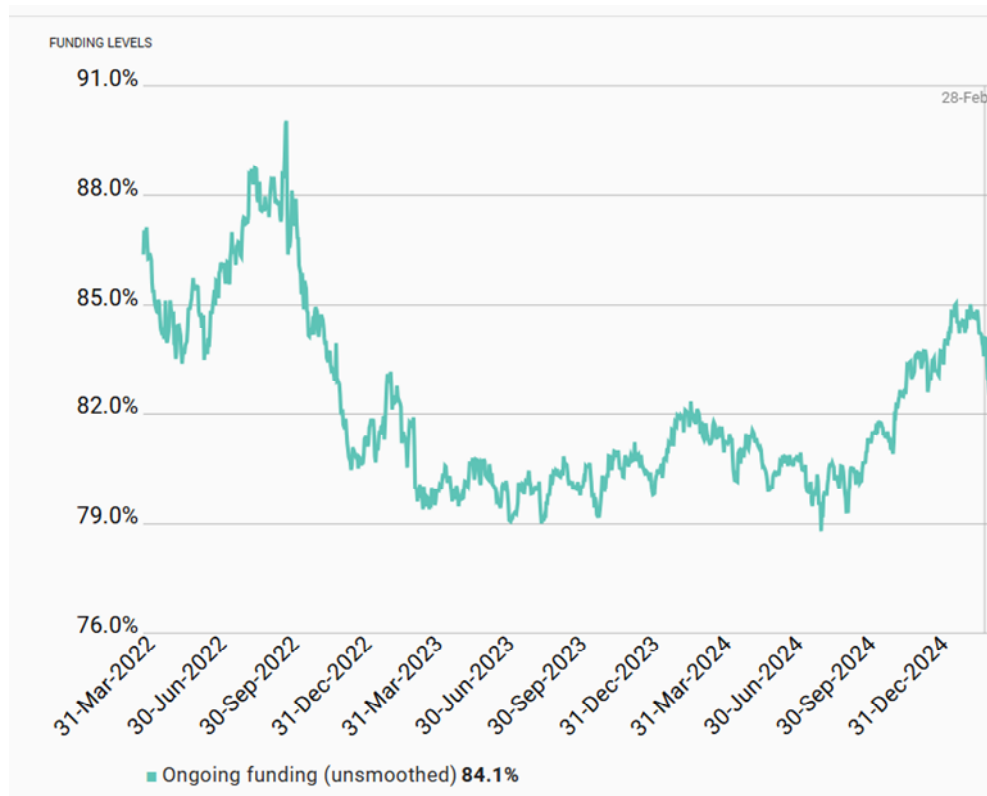
Discount rates

Slight deterioration of funding position, assumptions to be reviewed

Funding level has decreased on 2022 methodology



Funding update at 28 February 2025



- Updated roll-forward valuation based on market conditions as at 28 February 2025.
- Latest Fund asset statement and fund returns to 31 December 2024.
- Known CPI inflation to 31 December 2024

Assumption
(unsmoothed)

Last valuation Recent update

Discount rate	5.2%	4.8%
CPI	3.0%	2.4%
Salary increases	4.0%	3.4%



What next?

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However – more to do...



Experience to 31
March 2025



Setting financial and
demographic
assumptions



Updates to
funding strategy



Analyse impact of
member experience

What does it all mean for the 2025 valuation?



Expect whole fund
funding position to
be similar to 2022



Objective to keep
contributions as stable
as possible
- but will differ by
employer



Short term focus
for employers is
clean data



However, still lots could
happen before 31 March
2025 but smoothing
mechanism will dampen
down any short term
volatility....

Valuation project timescales

