



Funding Strategy Statement (FSS) 2025 Comparison with Funding Strategy Statement 2022

https://www.berkshirepensions.org.uk/sites/default/files/2024-05/bpf_funding_strategy-statement_0_0.pdf

This document provides a comparison of the proposed draft FSS following the 2025 valuation against the current FSS from the 2022 valuation.

Each section of the draft 2025 FSS is linked to the relevant sections of the current version, highlighting areas of similarity and difference.

The intention is to show in summary where key points of the Fund's strategy have changed.

THIS DOCUMENT DOES NOT FORM PART OF THE CONSULTATION PROCESS.
It is provided to support your understanding of the changes made to the FSS.

SECTION A – PURPOSE OF THE FUND AND THE FSS

A1 Introduction

Consistent with section 1. *Introduction* of previous FSS.

REMOVED reference to GAD s13 review.

Updated for revised guidance issued by SAB/MHCLG in January 2025.

Once this FSS has been approved by the Pension Fund Committee, the date of approval will be added.

A2 Aims and objectives of the FSS

Consistent with section 2. *Purpose of Funding Strategy Statement* and section 3. *Aims of the Fund* of previous FSS.

NEW: Reference to Fund's Conflicts of Interest policy. *This policy is in draft, for presentation to Local Pension Board in January 2026. Once published, a link to the policy will be provided in the FSS.*

A3 Monitoring and review of the FSS

REPLACES paragraph 13.16 *Monitoring and review* of the previous FSS with updated reasons for review and reference to future consultation on changes.

REMOVED Previous FSS sections 4. *Purpose of the Fund* and 6. *Key Parties*.

SECTION B: KEY FUNDING PRINCIPLES

B1 Funding target

Consistent with section 5. *Funding Objectives* of previous FSS.

NEW: explanation of how contribution rates are set, emphasising balance between stability and affordability for employers and the risk to the fund.

NEW: Explanation of how defined benefit obligations are calculated.

NEW: Explanation of different types of employer within the fund

NEW: summary table setting out how different aspects of the FSS are applied to different types of employers. Covering:

- Valuation basis: **NEW** "projected cessation basis" approach for Tier 3 employers (Community Admission Bodies (CABs) Housing Associations) see section B3.4

- Pooling of employers: **CHANGE** CABs no longer pooled, but valued individually
- Primary contribution rates: **NEW** “projected cessation basis” approach for Tier 3 employers. see B3.4
- Recovering funding deficits: **CHANGE** reduced from 17 to 14 years for major employer groups; **NEW** introduction of Expected Future Working Lifetime recovery period for Transferee Admission Bodies (TABs) and CABs.
- Surplus retention limit: **CHANGE** from 130% to 115% for all relevant types of employer.
- Approach to spreading funding surplus: **CHANGE** allowance of negative secondary rates for employers whose funding level exceeds the surplus retention limit.
- Minimum contribution rate: **NEW** links to allowance for negative secondary rates.
- Cessation basis

All items in table are described in subsequent sections of the FSS, but table makes it easier to see at a glance how each group of employers is treated.

B2 Managing risk

Consistent with paragraphs 13.1 to 13.3 of previous FSS.

B3 Main actuarial assumptions

Initial narrative consistent with section 7.7 *Valuation assumptions and funding model* of previous FSS.

Assumptions have been updated, but for narrative:

- B3.1 RPI – consistent with previous *section 7.8*.
- B3.2 CPI – consistent with previous *section 7.9*.
- B3.3 Pay increases – consistent with previous *section 7.10*.
- B3.4 Discount rate – added detail, generally consistent with previous *section 7.11*, **NEW** explanation of “projected cessation basis”
- B3.5 Demographic – consistent with previous *section 7.13*.
- B3.6 Valuation assumptions – **NEW** detailed table showing all assumptions
- B3.7 Actuarial methods – consistent with previous *paragraphs 7.6.7 and 7.6.8*.
- B3.8 Asset valuation – consistent with previous *section 7.12*.
- B3.9 Employer pooling - links to later section C1.4

Previous assumptions in sections 7.14 *McCloud/Sargeant judgements* and 7.15 *Guaranteed Minimum Pension* have been removed as now built into standard calculations.

B4 Links to the Investment Strategy Statement (ISS)

Consistent with section 12. *Links with ISS* of previous FSS.

NEW: summary table showing Strategic Asset Allocation of Fund.

NEW: statement on how investment strategy statement and asset allocation takes into account funding objectives.

B5 How employer contributions are calculated

NEW explanatory section.

NB links to Rates and Adjustment Certificate will be updated once the valuation exercise is completed (by 31 March 2026)

B6 Prepayment policy

CHANGE proposing that 1% discount for prepayment of one year's secondary contributions by end April, and 3% for prepayment of all three years' secondary contributions by 30 April 2026. Previous FSS *paragraphs 7.20.3 to 7.20.5* offered up to 3.5% discount for prepayment of all three years' contributions only.

B7 Primary rate of employers' contribution

Consistent with *paragraphs 7.6.4 and 7.6.6 to 7.6.8* of previous FSS.

NEW: Explanation of how different employer circumstances may impact the calculation of the primary contribution rate.

NEW: Cross reference to employer reporting requirements in Pensions Administration Strategy.

B8 Secondary rate of the employers' contribution

Consistent with *paragraphs 7.17.1 and 7.6.5* of previous FSS.

NEW: Explanation of how secondary contributions may be shown (% of payroll or monetary amount).

NEW: Explanation of management of conflicts of interest in relation to Administering Authority involvement.

B9 Payment of additional contributions

NEW explanatory section.

B10 Actuarial valuation

NEW explanatory section.

NB links to final Valuation Report will be updated once the valuation exercise is completed (by 31 March 2026)

B11 Review of employer contributions between valuations

NEW link to Annex A, which **REPLACES** *section 9 Contribution reviews between actuarial valuations* of previous FSS.

B12 Fund approach to managing surpluses and deficits

NEW explanatory section, **REPLACES** *section 7.17 deficit recovery/surplus amortisation periods* of previous FSS.

Links to summary table introduced under B1.

B13 Employer covenant

NEW explanatory section.

B14 Guarantors

NEW explanatory section.

B15 Admission bodies

NEW explanatory section on treatment of new admission bodies, including security requirements, risk sharing and pass-through arrangements.

More information on this is provided in section C1 below.

B16 Links to administration strategy

NEW explanatory section on the requirements for membership data from employers.

SECTION C: EMPLOYER EVENTS

C1 Joining the fund and employer contribution rate setting and monitoring

Consistent with section 8. *New employers joining the Fund* of previous FSS.

Links to fund website section for Employers.

- C1.1 Resolution bodies – **NEW** explains that town and parish councils are linked to the geographic Unitary Authority for contribution rate setting purposes.
- C1.2 Admission bodies (previous FSS *section 8.3 Admission bodies*)
 - Initial narrative consistent with *paragraph 8.3.1* in previous FSS
 - **NEW** Greater explanation of pass-through arrangements as default entry method for new admission bodies (greater clarity than *section 7.19 Risk sharing* in previous FSS).
 - Full risk transfer narrative consistent with *section 8.3.2 Funding at start of contract* in previous FSS.
 - Contribution rate narrative consistent with *section 8.3.3 Contribution rate* in previous FSS.
- C1.3 New academies – consistent with *section 8.4 New academies* in previous FSS.
- C1.4 Pooling of individual employers – consistent with *section 7.18 Pooling of individual employers* in previous FSS, with **NEW** sections on Unitary Authorities and Treatment of employers in a pool, including **CHANGE** that CABs no longer pooled.

C2 Preparing for exit and events which may trigger termination

NEW section **REPLACES** *section 10. Cessation valuations* in previous FSS.

Explains why a cessation valuation may be required and what data is required by the Fund to support such the calculation of the exit position.

NEW explanation of the process for determining the exit position for an employer, including basis for calculation under different scenarios.

SIGNIFICANT CHANGE in basis for exit calculations from previous *section 10.6 Minimum risk policy*

NEW Cross reference to Annex B: Deferred debt agreement and debt spreading arrangement policies and Annex C: Exit Credit Policy (see below).

C3 Deferred debt agreements or debt spreading arrangements

REPLACES *section 10.8 Managing exit payments* in previous FSS.

Cross reference to Annex B: Deferred debt agreement and debt spreading arrangement policies

C4 Suspension notices

NEW section.

C5 Partial terminations

NEW section.

NEW policy that partial terminations will not be allowed, except in exceptional circumstances

C6 Bulk transfers (both to or from the LGPS)

Consistent with *paragraphs 11.1 to 11.3* of section 11 *Bulk transfers* in previous FSS.

NEW explanation of what constitutes a bulk transfer.

REMOVES sections 11.4 *Consolidation of Multi Academy Trusts* and 11.5 *Early retirement costs* from previous FSS.

Annex A: Contribution review policy

NEW annex

REPLACES section 9 *Contribution reviews between actuarial valuations* of previous FSS.

Consistent with the Fund's existing Employer Contribution Review Policy

https://www.berkshirepensions.org.uk/sites/default/files/2024-08/bpf_employer_contribution_review_policy_0.pdf

- Timeline where initiation is made by the Administering Authority – **UPDATED**, improved upon includes a description of process. Sets out ultimate decision rests with AA, confirming AA is committed to engaging with Scheme employer.
- Triggering a contribution review – **REMOVES** paragraph under section 3.2 of previous policy concerning AA monitoring the level of covenant of its Scheme employers.

Annex B: Deferred debt agreement and debt spreading arrangement policies

NEW annex

REPLACES section 10.8 *Managing exit payments* in previous FSS.

Consistent with the Fund's existing Employer Flexibilities Policy (last reviewed September 2024)

https://www.berkshirepensions.org.uk/sites/default/files/2024-05/bpf_employer_flexibilities_policy.pdf

- DDA Introduction – **UPDATED**, final paragraph ends with slight amended wording “... on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021”
- DDA Approach for exiting employers – **UPDATED**, paragraph 4 includes to where request for DDA or DSA should be submitted.
- DDA Process of termination – **UPDATED**, paragraph 4 includes wording “All fees associated with the termination are to be paid by the exiting employer”
- DSA Assessing the Proposal – **UPDATED**, additional bullet point added “any legal advice as appropriate;”

Annex C: Exit Credit Policy

NEW annex

REPLACES, but is consistent with, section 10.7 *Exit Credit Policy* in previous FSS.

NEW section on applications for adjudication and disagreements, referencing LGPS Regulations 2013.

Annex D: Managing Risks

NEW annex

REPLACES, but is generally consistent with, *section 13 Risks and counter measures* in previous FSS.

- Investment risks – **UPDATED**, but generally consistent with *section 13.4 Financial risks* in previous FSS. **REMOVES** paragraph 13.43 from previous FSS.
- Demographic risks – **UPDATED**, but generally consistent with *section 13.5 Demographic risks* in previous FSS.
- Self insurance pool - **NB at date of writing, this section needs further review.**
- Climate risks – **UPDATED**, but generally consistent with *section 13.6 Climate risks* in previous FSS.
- Maturity risks – **UPDATED**, but generally consistent with *section 13.7 Maturity risks* in previous FSS. **NEW** information about cash flow projections and covenant review process.
- Regulatory and compliance risks – **UPDATED**, but generally consistent with *section 13.8 Regulatory risks* in previous FSS.
 - McCloud/Sargeant judgements – **REPLACES** *section 13.9 McCloud/Sargeant judgements* in previous FSS.
 - **NEW** Devolution and Local Government Reorganisation
 - **NEW** New Fair Deal
 - **NEW** Consultation: Fit for the Future
 - **NEW** Consultation: Access and Fairness
- Employer risks – **UPDATED**, but generally consistent with *section 13.14 Employer risks* in previous FSS.
- Governance risks – **REPLACES** *section 13.15 Governance risks* in previous FSS
- **NEW** risks:
 - Economic risks
 - Employer data quality risks
 - Orphan liabilities
 - Long-term employer covenant alongside shorter-term affordability
- **REMOVED** risks:
 - *13.11 Consultation: Local Government Pension Scheme: changes to the local valuation cycle and management of employer risk*
 - *13.12 Timing of future actuarial valuations*
 - *13.13 Changes to employers required to offer LGPS membership*

Annex E: Glossary

NEW annex