

## Appendix

**Financial Assumptions**

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

The discount rate allows for the effect of inflation on the liabilities in the scheme and the rate of future inflation determines the rate at which pension benefits increase. Pension increases in the Pension Fund are expected to be based on the Consumer Price Index (CPI)

The impact of a change in the rate assumptions compared with the previous accounting date will vary by employer depending on their own unique cashflow profile. The Council is considered to have a “mature” cashflow profile as the liability duration is 20 years at the accounting date.

Comparative rates are shown below:

	2025/26	2024/25	Estimated Impact of Change on Liabilities
Discount Rate	5.40% to 5.80%	5.60% to 5.85%	Increase of 1% to 2%
Pension Increase Rate (CPI)	2.50% to 2.70%	2.85% to 2.95%	Decrease of 3% to 5%
Overall			Decrease of 2% to 4%

Additionally, an assumption is made regarding the increase in salary for the employer. This increase is in line with the latest actuarial valuation.

**Demographic Assumptions**

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption.

- Current assumption based on best estimate assumptions as adopted in the 2025 actuarial valuation.
- Future assumption from a model prepared by the Continuous Mortality Investigation Bureau (CMI) which is updated on an annual basis.

Other democratic assumptions are:

- Commutation whereby members will exchange pension to get 50% of the maximum cash available on retirement.
- Normal retirement whereby members will retire at one retirement age for all tranches of benefit.

- A 50/50 take up where the proportion of the membership that has taken up the 50/50 option at the previous valuation date will remain the same.

### Impact in the Financial Statements

Assumption	Movement	Impact
Discount Rate	Decrease	Worsen the balance sheet position
	Increase	Improve the balance sheet position
Pension Increase Rate	Decrease	Improve the balance sheet position
	Increase	Worsen the balance sheet position
Mortality Rate	Decrease	Improve the balance sheet position
	Increase	Worsen the balance sheet position
Salary Increase Rate	Decrease	Improve the balance sheet position
	Increase	Worsen the balance sheet position

### Other Considerations

#### Goodwin case

The Goodwin case highlighted discriminatory practices in survivor pensions for same-sex spouses and civil partners, and as such the government proposes amendments to align LGPS regulations with principles of equality. Employers may see an increase to their LGPS defined benefit obligations resulting from any backdated benefit awards to members. The value of these possible payments is uncertain, because of the historical nature of these benefit awards to members. The overall costs are not anticipated to be significant, and it is, therefore, expected that any such awards will not be material to an average LGPS employer.

#### Impact of Lloyds Judgement

The Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid. It is not yet known if, or how, this will affect the Local Government Pension Scheme.

#### Virgin Media case

Where the rules of a contracted-out defined benefit scheme were amended, the Scheme Actuary would provide a 'section 37' confirmation that the scheme continues to meet the contracting-out requirements. The original court case in June 2023 decided that certain rule amendments were invalid in absence of the actuarial certification (potentially including cases where such a confirmation cannot now be located).

On 18 September 2025, the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. For the LGPS, the Scheme Actuary is the Government Actuary's Department (GAD). It is understood that GAD were reviewing historic amendments to the LGPS in this context and the Scheme Advisory Board were liaising with GAD on whether the relevant certificates were available for past scheme changes.