Report to:	**Pension Board**
Date of meeting:	**12 February 2026**
By:	**Chief Finance Officer**
Title:	**Triennial Valuation 2025 and Funding Strategy Statement**
Purpose:	**This report provides the results of the 2025 triennial Valuation and a revised Funding Strategy Statement**

RECOMMENDATIONS:

The Pension Board is recommended to:

1) **consider the draft 2025 Valuation report as set out at Appendix 1 of the report;**
2) **consider the revised Funding Strategy Statement as set out at Appendix 3 of the report; and**
3) **agree any comments that should be brought to the attention of the Pension Committee**

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1. Background

1.1 It is the responsibility of East Sussex County Council, in its capacity as Administering Authority to the East Sussex Pension Fund (the Fund), to prepare, publish and maintain the Fund's Funding Strategy Statement. This document has been reviewed alongside the 2025 Valuation and went through formal consultation with employers following the draft strategy presented to this Board in November 2025.

1.2 The 2025 Valuation of the Fund on a triennial basis is a regulatory requirement and is used to determine contribution rates payable by participating employers for the period commencing 1 April 2026. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). The Fund Actuary has now prepared the 2025 Valuation report which records the high-level outcomes of the actuarial valuation, following discussions and decisions made by the Pension Committee, Pension Board and Fund officers with advice from the Fund Actuary.

2. Triennial Valuation 2025 report

2.1 The Pension Board and Pension Committee received an update on the 2025 triennial valuation in November and September 2025 respectively, following a presentation to the Committee in June on the proposed assumptions. The initial presentation set out the 2025 whole Fund valuation results and draft whole fund primary rate along with the detailed assumptions, a climate scenario report and the draft Funding Strategy Statement (FSS). The initial results showed a current whole fund funding level of 117% down from 123% in 2022.

2.2 The whole fund primary rate reduced from 20.2% to 17.3% of payroll with an expectation that the vast majority of employers will see contribution rates fall.

2.3 The draft strategy and assumptions were approved by the Pension Committee on 25 September 2025 and a consultation commenced with employers on the draft FSS after the Employer Forum event that took place on 13 November 2025, at which a presentation was received from the Fund Actuary and those employers in attendance received their draft results and had the opportunity to speak to the Fund actuary.

2.4 The Fund Actuary has now drafted the 2025 Valuation report which records the high-level outcomes of the actuarial valuation, including the value of the assets and liabilities of the Fund as at 31 March 2025 and the required rate of employers' contributions to the Fund for the period from 1 April 2023 to 31 March 2026 (set out in the Rates and Adjustments certificate). The draft report is provided in Appendix 1.

3. Funding Strategy Statement (FSS)

3.1 Under the Regulations, all Local Government Pension Scheme (LGPS) funds have a statutory obligation to produce a Funding Strategy Statement (FSS). The Fund reviews the FSS at least every 3 years alongside the valuation but also from time-to-time when required. The current version of the FSS was approved by the Pension Committee on 22 February 2023 following the 2022 valuation.

3.2 The revised FSS was approved in draft form by the Pension Committee on 25 September 2025. Following this approval, the draft version was issued to all participating employers for consultation alongside their individual results and contribution rates. The consultation period with employers ran for 7 weeks from 20 November 2025 to 9 January 2026. The Fund asked for a response from every employer that could either be a nil return or comments or questions on the approach taken by the Fund to the 2025 valuation.

3.3 The Fund received 52 nil returns and 8 comments or queries (this represents a response rate of approximately 43% of employers). The feedback received is summarised below:

(i) Royal Pavilion & Museum Trust - Employer queried that their rate hasn't been reviewed. They believed that their pass-through arrangement should have been reviewable after 5 years. **Fund response:** The Fund contacted the employer and they have now accepted that because they are on a fixed rate pass-through arrangement the employer contribution rate will remain unchanged.

(ii) Aldrige Education raised a query on the approach to surplus, specifically asking for further clarity around the funding approach to surplus set out in the table on page 13 of the FSS. **Fund response:** The Fund agreed that the line referred to in the "2025 funding approach – surplus" row is unclear and is actually misleading in this case. All employers (except those in the last column) were treated the same when setting contributions in terms of reductions and treatment of surplus. The Fund will reformat this section of the table to remove the implication that these bodies were treated differently.

(iii) Ditchling St Margrets school queried whether there would be a ceiling applicable to relating to the approach to self-insurance of ill health benefits? (i.e. "*The Administering Authority reserves the right to charge an additional* *premium where there is evidence to suggest that a materially higher than anticipated experience for that employer")*

Fund response: the Fund proposes to change the wording on page 52 to 'The Administering Authority reserves the right to review the premium for any employer where there is evidence to suggest a materially higher than anticipated experience for an individual employer. Any decisions made based on the outcomes of these reviews would be communicated in advance to the affected employer(s) and any changes to premiums would be clearly evidenced'.

(iv) East Sussex Fire & Rescue Service (ESFRS) raised 4 queries on the FSS. The first requested clarity on the ill health self insurance reserve (Appendix D), specifically whether the reserve is managed globally or if the reserve is specific to each employer, what happens if an employer's drawdown exceeds the reserve and if there would be cross subsidy between employers in this eventually? **Fund response:** The reserve is managed globally and will include the premiums for all participating employers. As with any insurance arrangement, there will be cross-subsidies across participating employers in the Fund.

(v) The second query from ESFRS also queries the description of academies as schedule 1 bodies on page 9 of the FSS. **Fund response:** It is a naming convention to differentiate between government backed and DfE backed employers. Both are described as "Schedule 2 Part 1" bodies in the Regulations.

(vi) ESFRS also highlighted the queries described in (ii) and (iii) above and the Fund responded as per the details set out above. Finally, ESFRS queried if a move to a Mayoral Combined Authority (MCA) or County Combined Authority (CCA) control would impact contributions. **Fund response**: This would likely trigger a contribution review at the date of the change but more information would be required regarding the number of members affected and the impact the change in control would have before advising.

(vii) The Department for Education also raised a number of actuarial queries that have been answered and this detail is included in Appendix 2 to this report.

(viii) The University of Brighton also raised a number of queries and has challenged why they had not received a contribution rate reduction. The Fund's detailed written response to these queries is available upon request.

3.4 Minor changes to the FSS have been implemented to reflect the feedback above and the proposed final version of the FSS is set out at Appendix 3 to this report along with a version containing track changes at Appendix 4.

3.5 Following the consultation and Pension Board discussions, Fund officers will look at the accessibility and branding of the FSS to ensure it is aligned with the requirements and branding of the Fund for its published policies and strategies, so the appearance may change slightly to the version at Appendix 3.

4. Conclusion and reasons for recommendation

4.1 The Pension Board is recommended to consider the draft 2025 Valuation report (Appendix 1) and the revised Funding Strategy Statement (Appendix 3) following consultation and agree any comments that should be brought to the attention of the Pension Committee ahead of approval at its meeting on 26 February 2026.

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