

East Sussex Pension Fund

Funding update as at 31 December 2025

Background

This schedule is provided to East Sussex County Council as administering authority to the East Sussex Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 31 December 2025. The results in this schedule should be considered alongside the DRAFT report on the valuation of the Fund as at 31 March 2025. This schedule has been generated from our online monitoring tool [LGPS Monitor](#).

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties, but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon by any third party or for any purpose other than that stated above.

This information is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations). We have taken account of current LGPS Regulations (as amended) as at the date of this report.

Valuation method, process and assumptions

Roll-forward method

To assess the estimated funding position at 31 December 2025, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2025 have been rolled forward allowing for:
 - Changes in market conditions to 31 December 2025.
 - Estimated cashflows paid to and from the Fund from 31 March 2025 to 31 December 2025
- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 31 December 2025.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this information.

We assess the funding position on a smoothed basis which is an estimate of the average position over a six-month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six-month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value, and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

Assumptions

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For this update it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2025 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	31 December 2025	31 March 2025
CPI inflation	2.53% p.a.	2.67% p.a.
Salary increases	3.53% p.a. (CPI plus 1.00% p.a.)	3.67% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.72% p.a. (CPI plus 2.19% p.a.)	4.95% p.a. (CPI plus 2.28% p.a.)

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2025 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is lower than at the 31 March 2025 valuation, increasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2025 and the Funding Strategy Statement, both of which are available on the Fund's website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	31 December 2025	31 March 2025
CPI inflation	2.53% p.a.	2.71% p.a.
Salary increases	3.53% p.a. (CPI plus 1.00% p.a.)	3.71% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.71% p.a. (CPI plus 2.18% p.a.)	5.03% p.a. (CPI plus 2.32% p.a.)

Results

The table below shows the approximate updated funding position of the Fund as at 31 December 2025. The results of the previous actuarial valuation are also shown for comparison.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	31 December 2025	31 March 2025
Liabilities	£4.570bn	£4.326bn
Assets	£5.407bn	£5.071bn
Surplus / (Deficit)	£837m	£745m
Funding level	118.3%	117.2%

The Fund has a funding surplus of £837m at 31 December 2025 relating to a funding level of 118.3%. This compares to a funding surplus of £745m at 31 March 2025, relating to a funding level of 117.2%.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

- Actual investment returns have been higher than assumed over the period (actual circa 6.6% vs 3.7%) from 31 March 2025 to 31 December 2025. This has resulted in an experience gain of £152m, increasing the funding level by around 3.4%.
- The discount rate has decreased from 5.0% at 31 March 2025 to 4.7% at 31 December 2025. This decreased the funding level by around 4.3%.
- The long-term expectations for CPI inflation have reduced since the last valuation from 2.7% at 31 March 2025 to 2.5% at 31 December 2025. This increased the funding level by around 2.5%.
- CPI over the period from 31 March 2025 to 31 December 2025 has been broadly in line with our CPI assumptions and so the impact of allowing for actual inflation is minimal.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

Barnett Waddingham LLP