

Leicestershire County Council Pension Fund AGM

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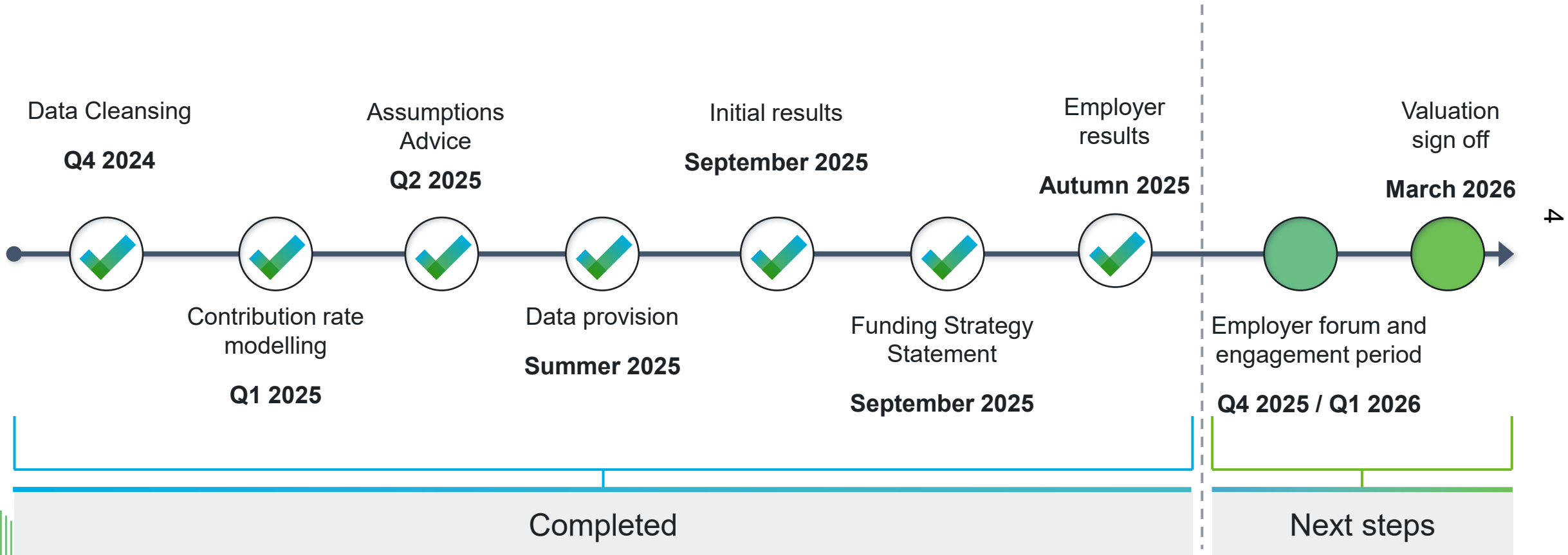
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Agenda

- 1 Valuation timetable
- 2 The funding valuation
- 3 The assumptions
- 4 2025 valuation results
- 5 Employer level funding strategy

Valuation timetable

2025 valuation milestones



The funding valuation

Why do we do a valuation?



Compliance with legislation



Analyse actual experience vs assumptions



Part of continual 'health check' on Fund's solvency



Review Funding Strategy Statement



Calculate employer contribution rates

The valuation is a large risk management exercise

How we do the valuation

Inputs

Data

Financial and demographic assumptions

Funding and investment strategy

LGPS benefit structure

Actuary's calculations



Primary outputs

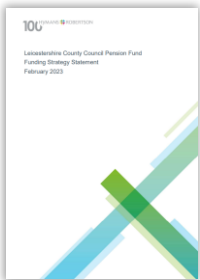
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Change in funding position

The following table shows the change in the Pension Fund's assets and liabilities over the period since the last valuation. It is intended to provide a summary of the changes in the Pension Fund's assets and liabilities over the period since the last valuation.

	Assets	Liabilities	Net Assets
Assets			
Employer contributions paid in	100,000		100,000
Investment income	50,000		50,000
Other income	10,000		10,000
Other contributions (e.g. interest, dividends)	10,000		10,000
Liabilities			
Benefits payable		100,000	
Other liabilities (e.g. interest, dividends)		10,000	
Net Assets	170,000	110,000	60,000

Individual employer results schedule

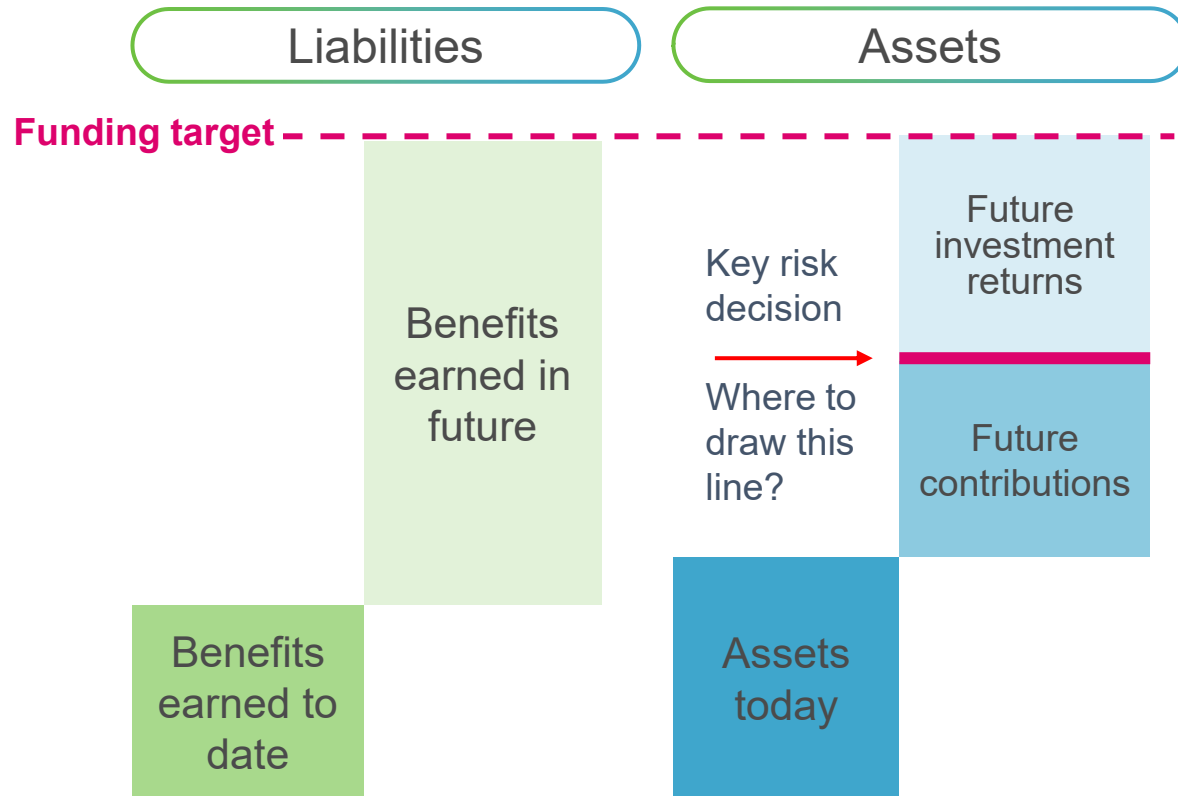


Updated Funding Strategy Statement



Final valuation report

Key funding decision



General insights



Funding level (assets today compared with benefits earned to date) is 'past service' **only**



Majority of benefits yet to be earned



Balance future contributions vs investment risk

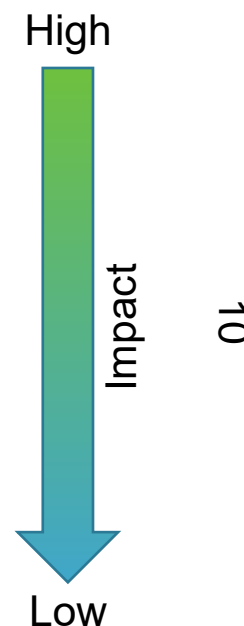
Setting future contributions requires careful long-term risk management

The assumptions

Summary of key assumption changes

Assumption	2022	2025
Future investment returns	4.4% p.a.	6.1% p.a. (80% prudence)
Benefit Increases (CPI)	2.9% pa	2.5% pa
Longevity / Mortality	Club VITA	Club VITA
Salary Increases	3.4% pa (CPI + 0.5%)	3.0% pa (CPI + 0.5%)
Other demographics*	Based on Fund experience	Based on Fund experience

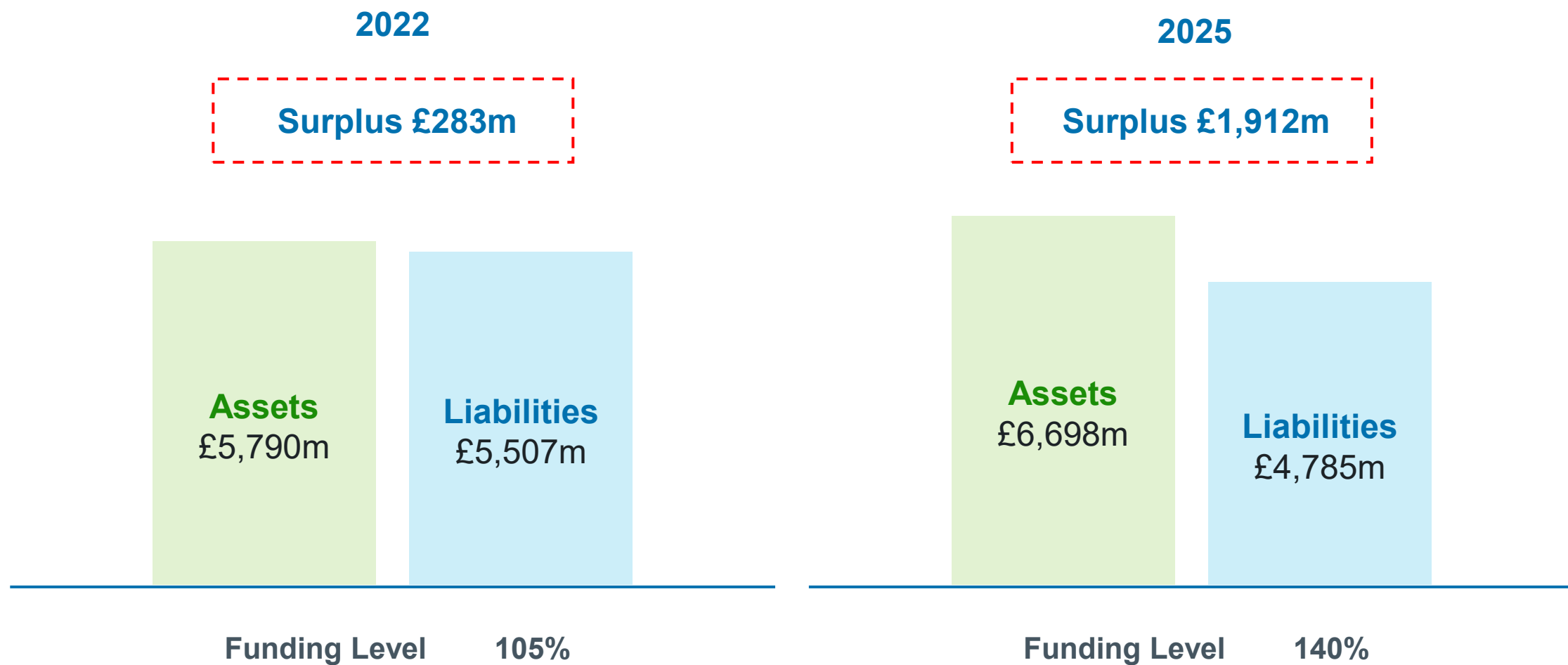
*including commutation, ill-health retirements and withdrawals etc.



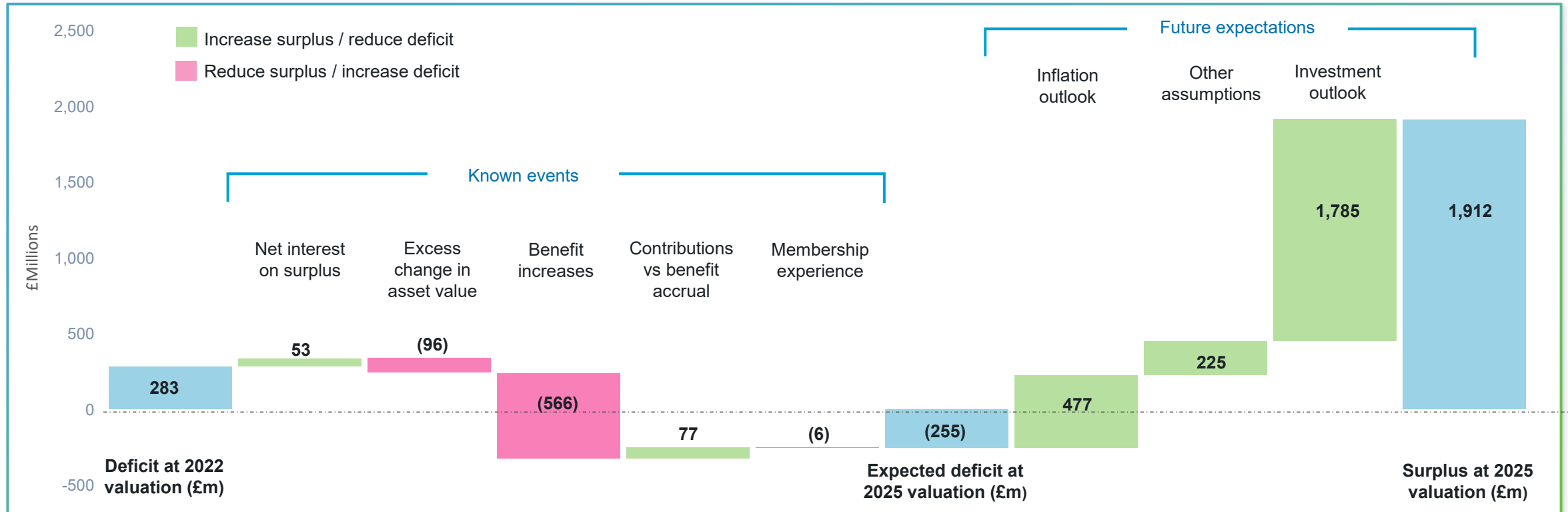
Prudence margin helps to protect against future uncertainty (and is a requirement)

2025 valuation results

Whole fund valuation results



Change in whole fund funding position



Numbers may not sum due to rounding.

Employers will see variation based on their own circumstances

Employer level funding strategy

3 steps to setting the funding strategy



Funding target

What is the long-term funding objective?



Time horizon

Will the employer continue to participate in the Fund for the long-term or will they exit (and when)?

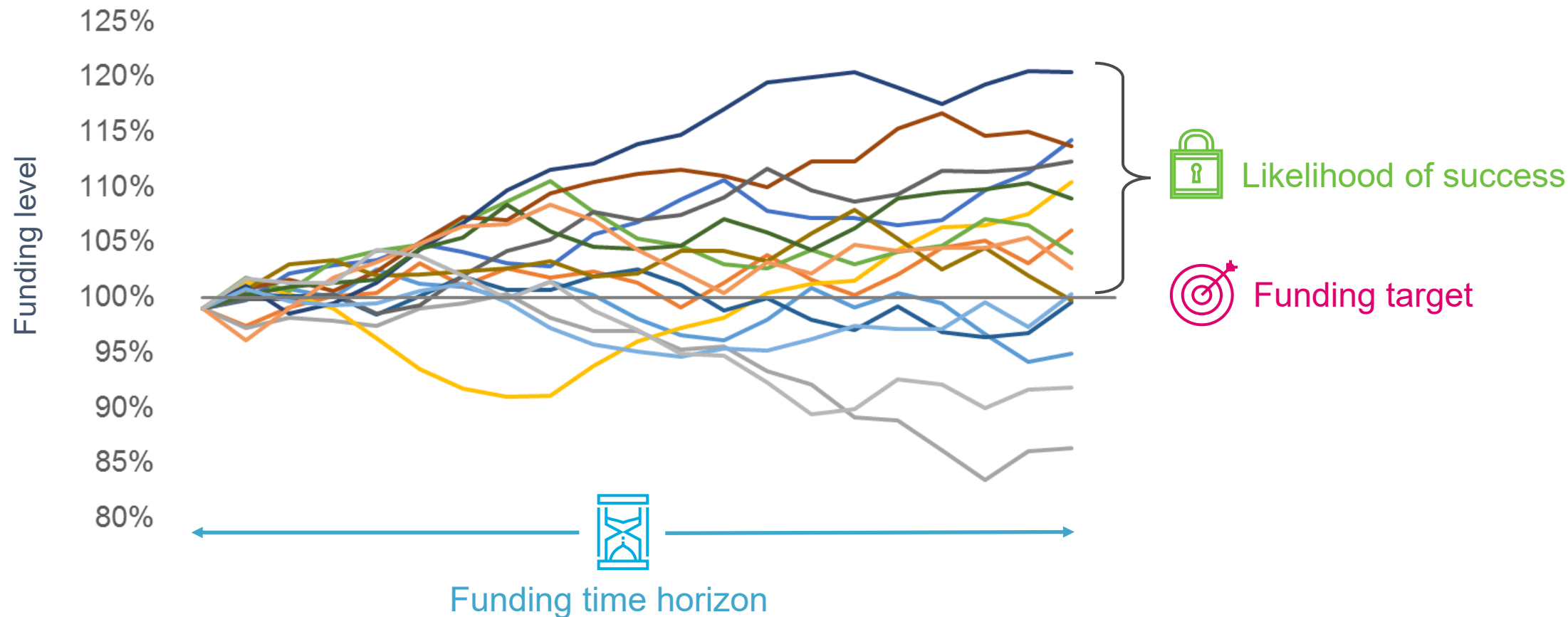


Likelihood of success

How sure do we want to be of achieving this target (balancing funding risks with employer affordability)?

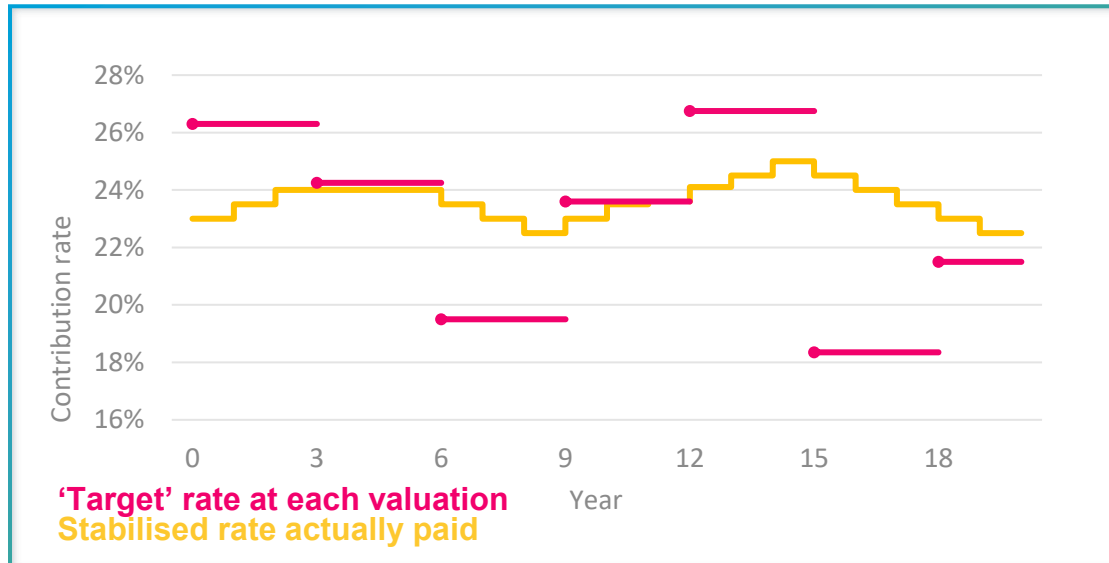
Reflects the circumstances of each employer and allows the Fund to manage risk

Setting risk-based contribution rates



Contribution rates aim for 80% chance of meeting the funding target at the end of the time horizon

Stabilised contribution strategy



General insights



The Fund set rates to achieve contribution stability for its long-term, secure employers.



Stabilisation takes a long-term approach to setting contribution rates.



Provide employers with budgeting certainty

Remove volatility from contribution rates for long-term open employers (government backed)

Funding themes at the 2025 valuation

Funding position



Improved funding positions
expected across all employers

Contribution rates



With downwards movement to
required future contributions

Funding position improvements and contribution changes will vary by employer

Thank you

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