

<b>Report Title</b>	Triennial Actuarial Valuation of the Lancashire County Pension Fund
<b>Meeting</b>	Executive
<b>Meeting Date</b>	19th February 2026
<b>Report Author</b>	Dean Langton, Chief Executive
<b>Directorate</b>	Resources
<b>Lead Executive Member(s)</b>	Cllr David Whipp Leader of the Council
<b>Wards Affected</b>	All
<b>Public. Part Exempt, or Fully Exempt</b>	Public
<b>Appendices (if any)</b>	None

## 1. Executive Summary

- 1.1 This report provides the Executive with details of the outcome of the latest actuarial valuation of the Lancashire County Pension Fund. As Councillors may be aware, all Local Government Pension Funds are subject to a triennial review, the outcome of which is used to inform the amount of pension contributions that Employers should make to the Fund.

## 2. Recommendations

**For the reasons set out in this report, the Executive is recommended to:-**

- 2.1 note the outcome of the 2025 actuarial valuation of the Lancashire County Pension Fund and the implications for Pendle Borough Council;
- 2.2 for the reasons set out in the report, agree to create an allowance for pension strain payments as part of the determination of the Employers Contribution Rate for 2026/27 to 2028/29;
- 2.3 note that subject to 2.2 above, that the Employers Contribution Rate will be 12.0% for each year, 2026/27 to 2028/29.

## 3. Information: the Rationale & Evidence for the Recommendations

### ***Background***

- 3.1 The Lancashire County Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is established by statute with the purpose of providing death and retirement benefits for all eligible employees. The Fund covers the county of Lancashire (including Pendle Borough Council) and Lancashire County Council act as the Administering Authority.

- 3.2 Within the LGPS, it is a statutory requirement for an actuarial valuation of the pension fund to be carried out every 3 years. The valuation is carried out by an Actuary appointed by Lancashire County Council as Administering Authority. The key aim of the valuation is to ensure that there are enough assets in the Fund to pay all members of the LGPS in the fund the benefits that they become entitled to as and when they become due for payment.
- 3.3 The Actuary looks at the assets held and the liabilities for all the individual members (each Principal Authority such as Pendle Borough Council plus any other scheduled or admitted bodies) that comprise the Fund and will make assumptions on future investment returns and inflation rates and how long benefits will be paid for. The Actuary then decides what level of employer contributions are required so that the fund remains able to pay member benefits into the future.

### ***Outcome of the Triennial Valuation 2025***

- 3.4 The last valuation of the Lancashire County Pension Fund was undertaken in 2022 and was used to inform employers contributions for the period 1st April 2023 to 31st March 2025 (the financial years 2022/23, 2023/24 and 2024/25). The outcome of the last valuation for Pendle Council was that:-
- the Council's share of the assets (£105.7m) was greater than the estimated liabilities (£96.8m) by £8.9m meaning a funding level of 109%, i.e. the fund was in surplus;
  - the primary contribution rate was 20.0% of salary costs.
- 3.5 The most recent valuation of the Lancashire County Fund, undertaken as at 31st March 2025, indicates that:-
- the Council's share of the assets (£110.9m) is more than the estimated liabilities (£90.3m) by £20.6m meaning a funding level of 123%, i.e. the fund remains in surplus;
  - the primary contribution rate would ordinarily be reduced to 17.5% of salary costs but in view of the surplus on the Fund, the Actuary has permitted a further deduction of 5.9% thereby giving a total contribution rate of 11.6% (excluding any allowance for pension strain – see below). This contribution rate will remain constant for the next 3 financial years, 2026/27 to 2028/29.

### ***Pre-Payment Option***

- 3.6 As with the previous valuation, the Pension Fund has offered the option of pre-paying the estimated employer contributions for the next 2 years in one lump sum at the start of the next financial year. The benefit of doing so would be a discount of c£107k on payments of c£2.136m.
- 3.7 However, given prevailing rates of interest, estimates indicate that the cost of funding the pre-payment of £2.031m would be c£124k (undiscounted), exceeding the proposed saving. On this basis, it is not considered prudent to make a pre-payment.

### ***Pension Strain Allowance***

- 3.8 A further option made available by the Pension Fund is to increase the Employers Contribution Rate to create an allowance for future pension strain payments.
- 3.9 Pension strain payments reflect the cost to the Pension Fund of paying unreduced pensions to those employees who are made compulsorily redundant before their normal retirement age (but are over the age of 55) so that they can have full access to their pension. Employers are required to meet this cost directly where any such staff are made compulsorily redundant (the Council's policy is that any staff seeking voluntary redundancy would have to take a reduced pension and therefore not incur any pension strain).
- 3.10 In normal circumstances, this option would not be considered. However, given the extent of surplus in the Pension Fund and with Local Government Reorganisation on the horizon, there is some merit in making an allowance to protect the Council (and any successor) from potential liabilities.
- 3.11 Broadly, for each 0.1% point, an allowance of £136k would be created. It is proposed that an amount of £544k is created which would increase the Employers Contribution to 12.0% (11.6% as outlined above, plus 0.4% for the Pension Strain Allowance).

### ***Budgetary Implications of the Valuation Results***

- 3.12 At previous meetings of the Executive, Councillors have received details of the Council's Medium Term Financial Plan. In the absence of the outcome of the valuation of the Pension Fund, it has been necessary to make estimates of the likely employers' contributions rates.
- 3.13 The estimates used to date were based on the provisional results of the valuation, a rate of 15.4% giving rise to savings of £359k. For clarity, this has been factored into the MTFP to date.
- 3.14 Table 1 below provides a comparison of the financial impact on the Council's Medium Term Financial Plan arising from the outcome of the valuation:-

**Table 1: Employers Pension Costs – Impact on Medium Term Financial Plan 2023/26**

	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Estimated cost in MTFP	1,390	1,422	1,453
Estimated cost as per Valuation	1,083	1,108	1,132
<b>Adjustment to MTFP</b>	<b>(307)</b>	<b>(314)</b>	<b>(321)</b>

- 3.15 As indicated, the cost of employers' contributions will be less than estimated and a total saving over the 3 year period of £942k will be factored into the next update of the Council's Medium Term Financial Plan for 2028/29.

**4. Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)**

4.1 The are no implications arising for the Council Plan arising directly from the contents of this report.

**5. Implications**

**Financial Implications**

5.1 The financial implications are as given the report.

**Legal**

There are no legal implications arising directly from the contents of this report.

**Climate and Biodiversity Implications**

5.2 There are no climate and biodiversity implications arising directly from the contents of this report.

**Human Resources Implications**

5.3 There are no Human Resources implications arising directly from the contents of this report.

**Equality and Diversity Implications**

5.4 There are no Equality and Diversity implications arising directly from the contents of this report.

**6. Consultation**

6.1 No consultation has been undertaken on this matter.

**7. Alternative Options Considered**

7.1 The development of the budget may involve considering budget options.

**8. Statutory Officer Sign off (please put an x in the relevant box below)**

Section 151 Officer	✓
Monitoring Officer	✓

## **9. Background Documents**

### **Contact Officers**

Karen Spencer, Director of Resources  
Karen.spencer@pendle.gov.uk