Accounting reporting as at

31 March 2026

Employer briefing note pre-accounting date

Barnett Waddingham LLP

9 February 2026

Contents

BARNETT WADDINGHAM
Part of HOWDEN

Introduction and executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2026 accounting exercise. This document is based on market conditions as at 31 January 2026. It sets out our recommended assumptions along with any key changes since the previous accounting date. Unless noted otherwise in this briefing note, or in the employer's results report, the approaches adopted as at 31 March 2026 are in line with the approaches set out in this briefing note and are consistent with that at the employer's last accounting date.

This briefing note assumes a previous accounting date of 31 March 2025. For employers whose previous accounting date was not 31 March 2025, this briefing note provides a summary of our recommended assumptions for 31 March 2026 only; should a summary of the key changes since an employer-specific previous accounting date be required then please let us know. Additional fees will apply.

This note complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100).

Barnett Waddingham prepare LGPS accounting disclosures in accordance with the IAS19 and FRS102 standards. The second periodic review of the FRS102 standard was completed in March 2024, with the resulting revised FRS102 standard effective for accounting periods beginning on or after 1 January 2026. FRS102 reports issued by Barnett Waddingham with a reporting date on or after 1 January 2026 will meet the new FRS102 standard.

In preparing accounting disclosures for employers who participate in the LGPS, we act as Management's Expert as defined by IAS(UK)500. The relevant LGPS fund's committee oversees the management of the fund. Where appropriate some functions are delegated to professional advisers or outsourced to third party providers.

Where can I get further information?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation of some of the jargon used here.

We also publish regular briefings and webinars on our website. You can keep up to date on the latest information by joining our mailing list here.

How has the balance sheet changed over the year?

The change in the balance sheet position over the year is dependent on the following key variables. In the table below we detail the approximate impact and each of these variables is discussed in more detail in this briefing note:

Variable/assumption	Impact on balance sheet?	Comments
Asset returns	↑	Actual returns will vary considerably between different LGPS funds. However, on average we might expect assets to have returned in excess of 10% in the 10 months to January. As this is significantly in excess of the assumed return this will improve the balance sheet position.
Discount rate	↓	Discount rates have decreased slightly for most employers which will worsen the balance sheet position.
Inflation	↑	Future inflation assumptions have reduced which will improve the balance sheet position.
Allowance for inflation experience	↔	CPI inflation observed between March 2025 and December 2025 has been broadly in line with the rate of CPI inflation assumed over the same period.
Mortality	↓	The mortality assumption will be updated in line with the assumptions used as part of the 2025 full actuarial valuation (for E&W only). This will include an update to the CMI 2024 improvements model, or CMI 2025 if available on the accounting date. We expect for most employers, average life expectancies will improve slightly which would lead to a worsening to the balance sheet position. However, this may vary between LGPS fund.
Overall	↑	**Overall, we expect the balance sheet position to improve compared with last year.**

Please note that these general principles are based on a typical employer in an average fund with a duration of 20 years. The actual effect of the change in these variables and assumptions will depend on each employer’s individual circumstances.

As a participating employer, what do I need to do?

The assumptions set out in this report are the standards that we intend to use unless instructed otherwise. We therefore recommend employers discuss this note with their auditors and agree whether the standard approach is appropriate. The salary increase assumption, for example, is often tailored by the employer to reflect their anticipated pay increase awards.

How much will my IAS19/FRS102 report cost?

The fund will communicate fees to employers. There may be additional fees if there are particular features or events for an employer which need to be taken into account including:

- where an employer chooses their own assumptions;
- if there are additional calculations to be carried out if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- allowance for actual inflation experience;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask queries following receipt of the report.

ACTION: Please get in touch with the fund or your usual Barnett Waddingham contact if you have any queries.

Valuation of the employer's assets

Asset performance

Asset returns can be very volatile from year to year and will vary by LGPS fund.

A typical LGPS fund might have achieved a return in excess of 10% for the period from 31 March 2025 to 31 January 2026. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy and depending on asset performance for the remaining two months to 31 March 2026.

If the actual asset return for the Fund over the year is higher than the previous discount rate, this will result in an actuarial gain on the assets, strengthening the overall position.

How are my assets valued?

To calculate the asset share for an individual employer, we roll forward the notional assets allocated to each employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

We also make an allowance for administration expenses which are paid in respect of the fund. For the purposes of our calculations, we distribute fund administration expenses amongst the employers in the fund in proportion to their individual asset shares.

For employers in England & Wales reporting at 31 March 2026, we expect to make an allowance for the results of the 31 March 2025 full valuation of the relevant LGPS fund. The results of the 2025 valuation are expected to be finalised on or before 31 March 2026. Where an allowance for the results of the valuation are made, there will be an experience item included in the reconciliation of the assets which captures any differences between the assets in the previous accounting report (rolled forward from the 2022 valuation results) and the actual 31 March 2025 assets from the new full valuation. Further details are set out in our [FAQs] document.

Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2026, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. For employers in England & Wales, this will involve an update this year to be based on the 2025 funding valuation.

The full actuarial valuation involved projecting future cashflows to be paid from the fund and placing a value on them. These cashflows include pensions currently being paid to members of the fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

The projected unit method (PUM) is used to calculate the future service cost. For accounting valuations, the control period is set to one year.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2026 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2026 should not introduce any undue distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Where members have been granted unreduced retirement on the grounds of redundancy or efficiency, an additional strain is placed on the liabilities. We request details of such events from the fund and calculate an additional strain which is then allowed for as a curtailment cost.

Where employees are known to have transferred their employment to or from the employer during the accounting period, an allowance is made for the transfer of assets and liabilities as a settlement event.

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.

We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 January 2026.

Discount rate

Under both the IAS19 and FRS102 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate).

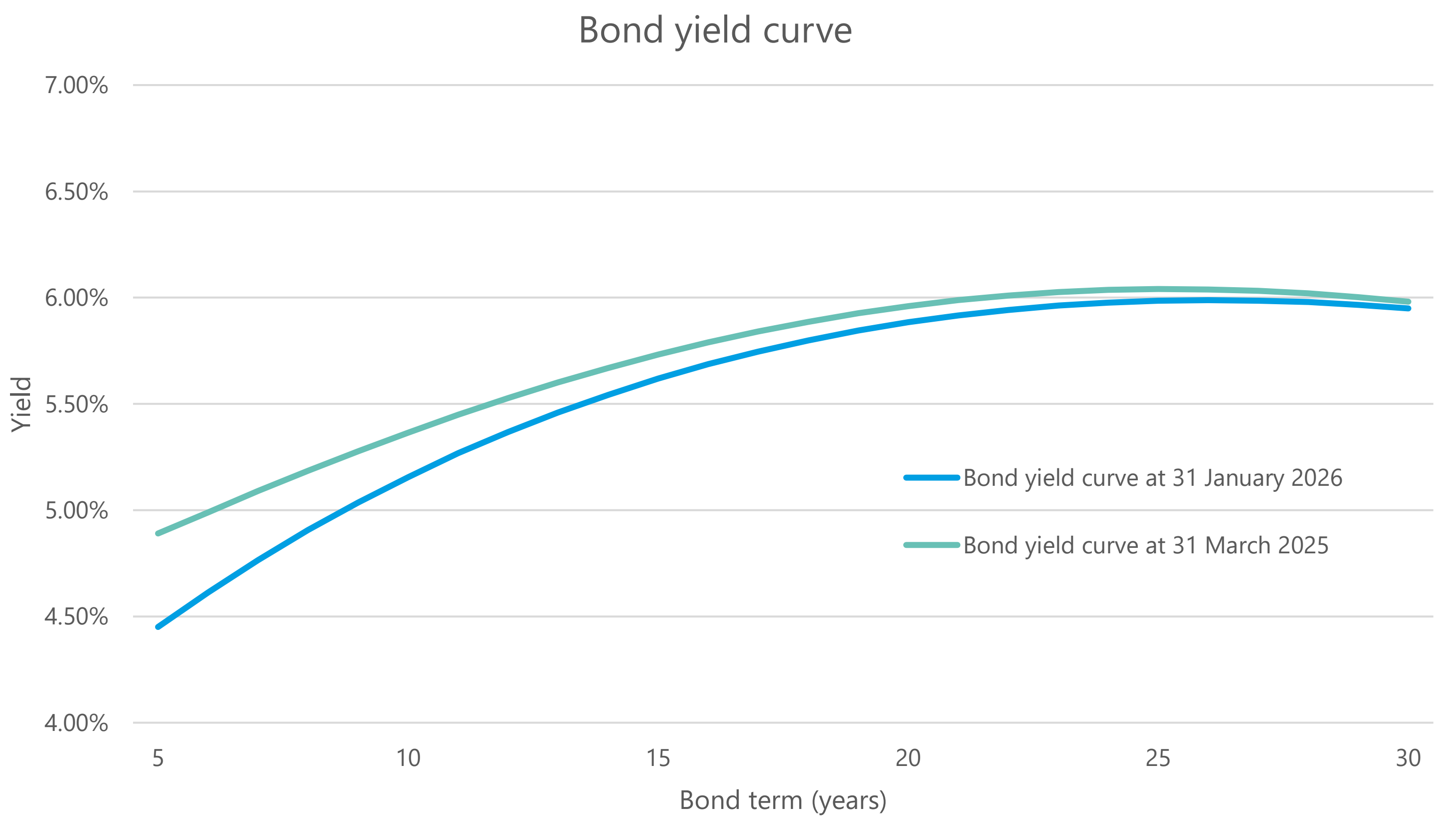
These sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.

In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.

The sample cashflows are used to set the assumption used, however when calculating the change in financial assumption item on the employer's balance sheet we discount the employer's unique cashflow profile with the new single equivalent discount rate. The impact of a change in the discount rate compared with the previous accounting date will therefore vary by employer depending on their own unique cashflow profile. Individual employer cashflow profiles were derived as at the last valuation date and are assumed to remain unchanged between triennial actuarial valuations.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 January 2026:



Source: Merrill Lynch

These curves reflect the yields that underlie the SEDR calculations and are not the estimates of the standard discount rate assumption. Sample SEDR assumptions are set out in the table overleaf.

You will see that the bond yield at 31 January 2026 is lower than the yield at the previous accounting date, resulting in a lower discount rate.

All else being equal, a lower discount rate will result in a higher value being placed on the defined benefit obligation and will worsen the overall position.

The impact of a change in the discount rate compared with the previous accounting date will vary by employer depending on their own unique cashflow profile. Cashflow profiles were derived as at the last full triennial valuation date and are assumed to have remained unchanged since then.

- Employers may be considered "Very Mature" if they have a liability duration under 10 years at the accounting date
- Employers may be considered "Mature" if they have a liability duration of between 10 and 20 years at the accounting date
- Employers may be considered "Immature" if they have a liability duration over 20 years at the accounting date

	Discount rate		Estimated impact of change on liabilities
Maturity	31 January 2026	31 March 2025	
Very Mature	4.75% to 5.40%	5.15% to 5.60%	Increase of 1% to 2%
Mature	5.40% to 5.80%	5.60% to 5.85%	Increase of 1% to 2%
Immature	5.80% to 5.85%	5.85% to 5.95%	Increase of 1% to 2%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the discount rate assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). To derive our CPI assumption we first make an assumption for the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point, and flat over the initial short-end period up to the 3 year point.

Our view remains that gilt-implied inflation rates are distorted by supply and demand factors. We allow for an IRP of 0.30% p.a. as a fixed deduction to the BoE implied inflation curve. This is a slight change from our approach at 31 March 2025, where we allowed for an IRP which varied by the term of the employer's liabilities, with the resulting assumption falling between 0.00% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years). The update is a refinement to the pension increase assumption to reflect a slight change to our house view of best-estimate inflation.

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 1 to 30 years) in deriving the assumptions for employers.

RPI assumptions under the three maturity scenarios are set out in the table below and based on market conditions at 31 January 2026, with the equivalent 31 March 2025 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI Inflation	
Maturity	31 January 2026	31 March 2025
Very Mature	3.00%	3.35% to 3.70%
Mature	3.00% to 3.05%	3.10% to 3.35%
Immature	3.05%	3.05% to 3.10%

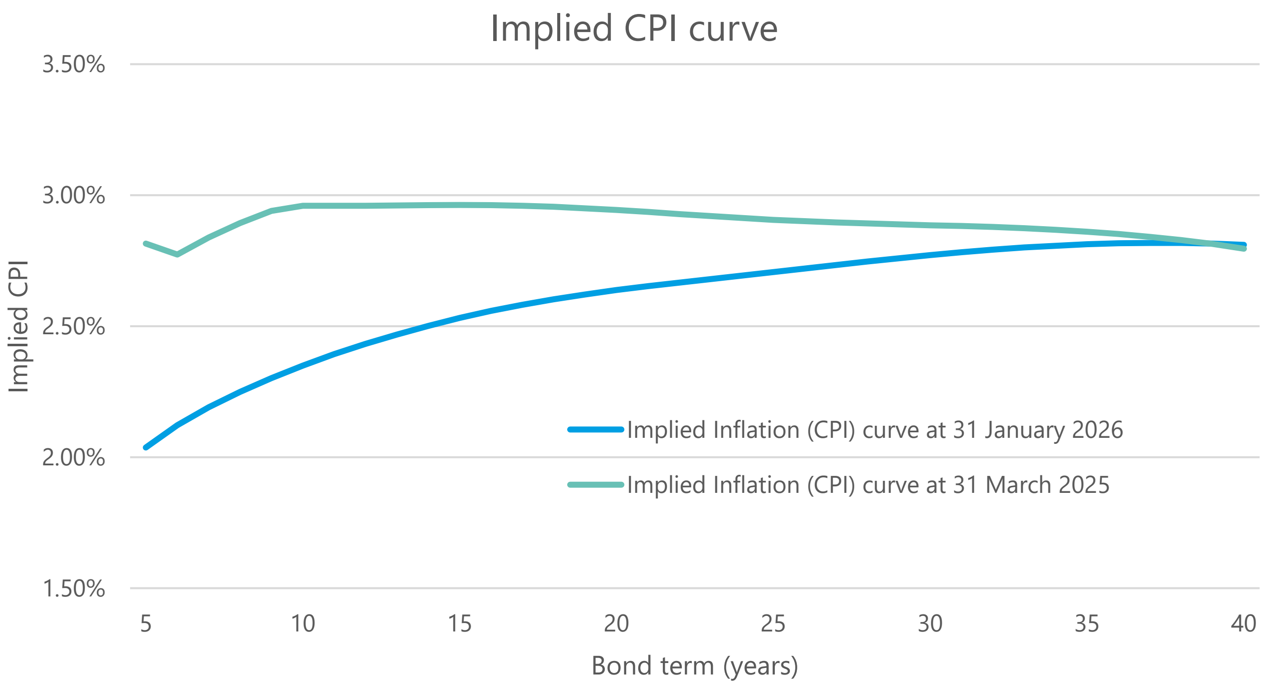
Difference between RPI and CPI

It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030. After the 2030 date, CPIH will become the index which is used. We recognise that CPIH inflation is, over the longer term, expected to exceed the rate of CPI inflation in the UK. We have therefore assumed a gap of 0.2% between market-implied inflation from the Bank of England inflation curve and CPI for the post-2030 period. This results in an assumed gap between the two inflation measures of between 0.35% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years). This has been updated from our assumption at 31 March 2025, where we took the post-2030 market implied inflation as our CPI assumption, to reflect our latest views of long-term inflation expectations, informed by recent market developments and evolving economic insights.

Consumer Prices Index (CPI) assumption

Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

The resulting implied CPI curve at 31 January 2026 is shown below along with the implied CPI curve at the last accounting date for comparison:



These curves reflect the yields that underlie the SEIR calculations and are not the estimates of the standard CPI inflation assumption. Sample SEIR assumptions are set out in the table overleaf.

As shown in the graph, the implied CPI curve at 31 January 2026 is lower than as at 31 March 2025 at shorter terms and in line at longer terms. As a result, the assumed level of future pension increases will be lower than assumed at the previous accounting date.

Source: Barnett Waddingham based on Bank of England data

All else equal, a lower future pension increase assumption will result in a lower value being placed on defined benefit obligation and improve the balance sheet position.

The tables below set out the assumed pension increase (CPI) assumptions under the three maturity scenarios, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

	CPI inflation		Estimated impact of change on liabilities
Maturity	31 January 2026	31 March 2025	
Very Mature	2.25% to 2.50%	2.90% to 3.00%	Decrease of 3% to 4%
Mature	2.50% to 2.70%	2.85% to 2.95%	Decrease of 3% to 5%
Immature	2.70%	2.85% to 2.90%	Decrease of 3% to 4%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the pension increase assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Salary increases

Where an employer has requested a bespoke salary increase assumption last year, if still appropriate, we will continue to use the same salary increase assumption adopted at the last accounting date. For all other employers, we will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report and Funding Strategy Statement.

ACTION: The employer must let the fund know if they want to adopt a different salary increase assumption. Please note that bespoke financial assumptions will incur additional fees.

Comparison to previous accounting date

Unless specified otherwise in the employer's results report, this approach is the same as at the previous accounting date.

Overall impact of changes to financial assumptions

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers based on assumptions derived as at 31 January 2026 under the three maturity scenarios:

Maturity	Estimated effect of change in financial assumptions on employer's liabilities
Very Mature	Decrease of 1% to 3%
Mature	Decrease of 2% to 4%
Immature	Decrease of 1% to 3%

Based on market conditions at 31 January 2026, employers will see the value of their defined benefit obligation decrease due to a significant increase to corporate bond yields since 31 March 2024. However, the extent of this will depend on the employer's membership profile, cashflows over the year, experience and any bespoke assumptions or approaches. The actual financial impact at 31 March 2026 may differ considerably from the results shown using an earlier date for market date.

ACTION: We are also happy to use bespoke financial assumptions. The employer must let the fund know if they want to adopt any different financial assumptions and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke financial assumptions will incur additional fees.

Demographic assumptions

Mortality assumption

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

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgment involved and we naturally have to refine our view on this over time.

Base table mortality

The base table mortality assumptions adopted for the funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting.

For employers participating in an English or Welsh LGPS fund, our standard approach is to update the mortality assumption to be based on those adopted for the fund's 2025 actuarial valuation.

For employers participating in a Scottish LGPS Fund, the next actuarial valuation of the Fund is as at 31 March 2026, with results and reports due to be finalised by 31 March 2027. Our standard approach for the 31 March 2026 disclosures is to continue using the fund's base table mortality assumption from the 2023 actuarial valuation.

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

For employers participating in an English or Welsh LGPS fund, the mortality assumption will be updated to align with the recent 2025 actuarial valuation assumption – CMI 2024. Our default approach to preparing 31 March 2026 accounting reports is to incorporate the most up-to-date information which is readily available. The CMI 2025 model is expected to be released in March 2026. If the CMI 2025 model is released on or before the accounting date, our default approach will be to allow for the new model update. Otherwise, if not released by 31 March 2026 we will use the 2025 valuation assumption unless the employer specifies otherwise.

For employers participating in a Scottish LGPS Fund, our default approach to preparing 31 March 2026 accounting reports is also to incorporate the most up-to-date information which is readily available. This means our default approach will be to update the improvements assumption to use either the CMI 2024 or CMI 2025 model, subject to whether the CMI 2025 model is released on or before the accounting date.

The CMI 2025 model is yet to be released so we cannot yet determine the direction of the impact to employers' balance sheets. When comparing CMI 2024 to CMI 2023, generally employers should expect to see a small increase to average life expectancies of their LGPS members and a worsening to the accounting balance sheet position.

ACTION: We are also happy to use bespoke assumptions. The employer must let the fund know if they want to adopt a different mortality assumption. We would suggest that these are agreed in advance with the employer's auditors.

Please note that any changes to demographic assumptions, including changes to be in line with the fund's latest actuarial valuation or the latest CMI model, will incur additional fees.

Other demographic assumptions

Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Assumption	Detail
Commutation	Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations
Normal retirement	Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
50:50 take up	The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

This is in line with the assumption adopted for the fund's latest actuarial valuation for both Scotland and England & Wales.

Additional requirements

Experience items allowed for since the previous accounting date

Full valuation update

For employers in England & Wales reporting at 31 March 2026, we expect to make an allowance for the results of the 31 March 2025 full valuation of the relevant LGPS fund. The results of the 2025 valuation are expected to be finalised on or before 31 March 2026. This update ensures the accounting results are based on the latest information available. The impact of this update will result in experience items on the liabilities and the assets and could be a positive or negative effect. The experience item reflects how experience over the intervaluation period has differed from that assumed as part of the roll forward approach.

For employers in Scotland, the next triennial valuation date is 31 March 2026. The results of the 2026 valuation will not be finalised at the time which 31 March 2026 accounting reports are prepared. The statutory deadline for completion of the 2026 valuation is 31 March 2027, after which time the results can be allowed for in employer accounting reports.

Further detail on the experience item can be provided on request and will incur additional fees.

Allowance for inflation experience

Our default approach is to allow for actual pension increases which will apply at the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2025 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

For most employers, an allowance for the 2025 pension increase was made when preparing their 2025 year-end accounting balance position. In addition, we would have allowed for actual ONS CPI inflation experience from September 2024 (the month that determines the 2024 pension increase order) to 31 March 2025, or the most recent available data at the time the 2024 year-end report was prepared.

The inflation experience to 31 March 2026 will allow for ONS CPI inflation observed over the year to 31 March 2026, or based on the latest data available when the report is prepared.

ACTION: Please note that additional fees will be incurred to incorporate an allowance for inflation experience. The employer must let the fund know if they do not wish to allow for inflation experience.

The CPI inflation observed from last time's accounting date up to the most recent information available has been generally in line with the long-term rate of inflation assumed over the same period for a typical LGPS employer.

Accounting modeller

Employers have an option to purchase our accounting modeller to help inform their decision on the financial and demographic assumptions used to produce their IAS19 or FRS102 pensions accounting report. For example, the modeller allows employers to change the 31 March 2026 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2026 and also on the Profit and Loss projections for the year to 31 March 2027. We would be happy to provide further information on the modeller features and the associated fees if required.

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Asset ceilings

The accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling". We strongly suggest that an employer wishing to recognise an accounting surplus obtains a detailed asset ceiling calculation from their actuary. More information on our approach to asset ceiling calculations can be found here.

Our default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on our interpretation of IFRIC 14 *"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*. For employers reporting under FRS102, the accounting standards are less prescriptive regarding the methodology underpinning an asset ceiling calculation, however in the absence of any other guidance we consider it reasonable to have regard to IFRIC 14 which applies under the international standard.

IFRIC 14 itself is open to multiple interpretations and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIPFA dated November 2023 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, we intend to adopt the below methodology as standard:

Asset ceiling methodology

Our calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:
  - If the employer is a scheduled body, and academy or an admission body which is open to new members with no anticipated contract end date, we will assume they will participate indefinitely. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'.
  - If the employer is an admission body which is closed to new members, the appropriate time horizon to consider will be the shorter of any anticipated contract end date and the average future working lifetime of active members. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, with reference to an annuity corresponding to this period.
- If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.

- Our default view is that administration expenses are assumed to grow in line with salary inflation and are considered part of any economic benefit when assessing whether an accounting asset can be recognised. We recognise that the primary rate, used to set employer contributions, itself makes an allowance for administration expenses.
- For employers reporting under IAS19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

If your auditor has a preferred approach which differs from that outlined above, this should be communicated to Barnett Waddingham, otherwise our default method will be used.

FRS102

In the absence of further guidance, our standard approach is to assume IFRIC14 applies to FRS102. If you report under FRS102 and have been provided with advice that IFRIC14 does not apply, we can prepare a disclosure using an alternative methodology. The methodology remains similar, however there is no requirement to value the minimum funding requirement (MFR) so the asset ceiling calculation is simplified to only include the present value of the future service cost. You should indicate to Barnett Waddingham if you would like an asset ceiling calculation performed using this methodology.

The current approach may differ from the approach which was used to prepare last time's accounts, however as above this largely reflects updated guidance which has been released since then.

Please get in touch if you or your auditor require any further details regarding our approach.

ACTION: Employers should consider which approach is most appropriate to use in the event a surplus is revealed on their 31 March 2026 position. Please note that additional fees will be incurred to allow for an asset ceiling calculation.

Valuation of unfunded benefits

Employers may need to include the value of unfunded benefits for their accounts.

The unfunded liability will continue to be based on a roll forward of the results at the previous accounting date. For employers in English or Welsh funds, where the unfunded benefits are included as part of the latest actuarial valuation data, the unfunded liability roll forward will be updated to be based on the fund's 2025 valuation. Where separate unfunded benefits are included in an employer's accounts, we will be in touch separately about the approach required.

New discretionary benefits awarded or recognised in the accounting period are allowed for as a past service cost.

ACTION: Our default approach is to carry out a full valuation of unfunded pension liabilities. We would be happy to provide further information and the associated fees around the valuation of unfunded benefits at the accounting date if required.

Pass-through admissions

There are many different types of employers who participate in the LGPS. It is common for tax-raising bodies (i.e. local councils) and academies to outsource some services to private contractors. Such contracts may be let with 'pass-through' arrangements. This is essentially a risk-sharing arrangement – the extent to which risks are shared between the contractor and the letting authority may vary slightly from case to case. Principally, the risk which is shared is the risk of a shortfall in funds at the point of pass-through contractor's cessation date. The extent that contributions made by the pass-through contractor prove insufficient to meet the cost of benefits as they fall due would represent an additional cost to the letting authority. Therefore in such cases, actuarial and investment risks ultimately lie with the letting authority.

In absence of further direction from the employer, we will include the pension assets and liabilities associated with members under a pass-through admission body within the letting authority's balance sheet. When the admission body with pass-through provisions ceases their participation in the LGPS, the responsibility to meet the benefit payments of the members will fall back to the letting authority and hence justification for their inclusion in the balance sheet.

In addition, to the extent that the accounting cost of accrual is not met by the contribution rate paid by the pass-through employer, the extra cost should be borne by the letting authority and shown in their P&L as a component of the letting authority's service cost. We do this in practice by calculating the total cost of accrual for all staff, deduct employee contributions (for the letting authority and pass-through employer) and then also deduct pass-through employer contributions. We describe this in our accounting reports as "*Contributions by scheme participants and other employers*". However, we accept that other approaches may also be perfectly acceptable.

Other considerations

McCloud/Sargeant judgments

Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Please see FAQs for further details.

Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlements IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor’s discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Employers accounting under the FRS102 standard

We note that the FRS102 standard is silent on the treatment of settlements and curtailments, and in particular there is no explicit requirement to adopt a similar approach to that set out above for the IAS19 standard.

ACTION: Our default approach for IAS19 reports is to assume that all events are material and therefore will adopt the approach set out in the IAS19 amendment. We provide each administering authority with a summary of the events we are aware of and these will be communicated to each employer. If the employer does not want to treat all the events in this way then we would strongly recommend that they engage with their auditor in advance of the preparation of their report to understand their materiality limit and establish which events fall outside of this.

Unless instructed otherwise we will proceed with our default approach and please note that additional fees will apply, details of which can be provided by the administering authority.

Our default approach for FRS102 reports is to not remeasure the net defined benefit liability at the event date, and this is consistent with the approach at the last accounting date. We are happy to adopt an approach in line with that set out above for the IAS19 reports if requested by the employer, but please note that this will incur additional charges.

Details of whether the remeasurement approach has been adopted at an event date or not will be set out in the employer's report.

Please see FAQs for further details.

Goodwin case

Prompted by the Goodwin case, the UK Government launched the Access and Fairness consultation on 15 May 2025 which closed on 7 August 2025. Draft LGPS regulation amendments have been published following the consultation, details of which can be found here. A summary of the outcomes from the consultation can be found here.

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. The Goodwin ruling identified that male survivors of members in same-sex relationships received less favourable pension benefits compared to their counterparts in opposite-sex relationships, contravening equality laws. The draft amendments seek to eliminate disparities in survivor benefits, ensuring that all eligible survivors, regardless of the member's or survivor's sex or the nature of their relationship, receive equitable treatment. This includes standardising the calculation of survivor pensions and death grants to reflect a uniform approach, thereby addressing past discrimination and fostering inclusivity within the LGPS.

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 are uncertain, because of the historical nature of these benefit awards to members. We are not provided with data which will allow us to make an assessment of the cost of the Access and Fairness changes to the Scheme. The overall costs are not anticipated to be significant, and we therefore expect that any such awards will not be material to an average LGPS employer.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values

The latest news on 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 LGPS. We await further guidance from CIPFA and MHCLG on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgment. Please see FAQs for further details.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

Our standard assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome. Please see FAQs for further details.

Virgin Media case

Court of Appeal's 25th July 2024 Ruling

In very broad terms, the background to this case is that 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).

For more details on the Virgin Media case, please see our in our blog on the original High Court Ruling.

September/October 2025 update

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.

You can find the new clauses in the Pensions Schemes Bill (as amended in the Public Bill Committee), in clauses 100 to 103. This section states that it is applicable to public service schemes, so the proposal is that it will apply to the LGPS. The bill is expected to receive Royal Assent in 2026.

On 23 January 2026 the FRC published technical guidance for scheme actuaries to help them apply the retrospective-validation process under the Pension Schemes Bill.

LGPS considerations

For the LGPS, the Scheme Actuary is the Government Actuary's Department (GAD). We understand that GAD was 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.

Employers may wish to include a narrative disclosure in their accounts to reflect the current position as outlined above.

Further information on the audit considerations can be found in the ICAEW's help sheet from 13 February 2025 here.

Appendix 1 - Associated risks of participating in a defined benefit scheme

In general, participating in a defined benefit pension scheme means that an employer is exposed to a number of risks:

Risk	Comment
Investment risk	The fund may hold investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
Inflation risk	All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
Longevity risk	In the event that the members live longer than assumed a deficit will emerge in the fund. This may be mitigated by a longevity insurance contract if held by the fund. There are also other demographic risks.
Climate risk	Climate risk can be grouped into two categories; Physical and Transitional risks. Physical risks are direct risks associated with an increased global temperature such as heatwaves and rising sea levels. Transitional risks are the costs of transitioning to a low carbon economy. These risks will manifest themselves in many of the other risks detailed above which the fund is exposed to, for example investment returns may be affected.
Regulatory risk	Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.
Data risk	There is a risk that member, cashflow, or asset data provided to the actuary is inaccurate resulting in an inaccurate balance position.
Orphan risk	As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund. Changes in the funding level of the LGPS fund's orphaned liabilities could result in asset experience passed on to the Employer following a full valuation update.

All of the risks above may also benefit an employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

For further details on the funding strategy please see the relevant LGPS fund's latest Funding Strategy Statement.