

Statement of Funding Principles for the BBC Pension Scheme

1. Introduction

This statement sets out the policy in relation to scheme funding and other related matters. It has been prepared by the Trustee

4. Method

The method chosen to calculate the technical provisions and the liabilities on the Journey Plan basis is known as the projected unit method⁶, which is the same as that used for the 2022 valuation. It aggregates the present capital value of prospective benefits on the effective date of the valuation for:

- pensioners, deferred pensioners and their dependants, allowing for future increases in pensions in payment and prospective pensions; and
- active members in respect of past service, allowing for increases in projected pensionable salaries up to their assumed exit date and for pension increases thereafter.

5. Assumptions

In choosing the assumptions the Trustee will take account of advice from the Actuary and, as required for the technical provisions basis, reach agreement with the BBC.

The main financial and demographic assumptions (including sample rates) adopted for the 2024 valuation are shown in the appendix to this statement.

Discount rate for technical provisions

The discount rates used to calculate the capital value of future cashflows will be prudent estimates at the effective date of the valuation of the investment returns expected to be achieved based on the Scheme's current and anticipated future investment strategy.

In setting the discount rates, the Trustee may assume that the Scheme will be able to capture part of the investment premium relative to gilts from the assets held by the Scheme. The Trustee and the BBC acknowledge that the additional return is not guaranteed, and it may be necessary to request further contributions if investment performance is worse than expected.

Discount rate for the Journey Plan basis

The Journey Plan basis currently uses a discount rate of Gilts + 0.5% pa, reflecting a number of factors, including \dots set by reference to the yields at the effective date of the valuation on a full fixed-interest gilt curve + 0.5% pa.

Other assumptions

Other than the discount rates, all assumptions (both financial and demographic) are common for the technical provisions basis and the Journey Plan basis.

The financial assumptions, in particular future price inflation, will take into account information available in respect of financial markets at the effective date of the valuation.

Demographic assumptions will have regard to an analysis of recent changes in the Scheme membership as well as relevant statistics applicable to similar pension schemes, and the views of the Trustee and the BBC about how these may change in future.

Funding strategy concerning discretionary benefits and discretionary increases

No allowance has been made for advance funding of discretionary benefits or increases, other than as detailed in the appendix.

⁶ The projected unit method is so called because it allows for all projected increases in benefits. The future service contribution rate relates to the average annual cost of accrual for three years following the valuation date (known as a three-year control period).

Longevity reserve

A longevity reserve is currently included to cover the estimated cost of securing a longevity swap for the pensioner liabilities not already covered by existing longevity swaps. This reserve will be reviewed at future valuations.

Expenses

Investment manager fees are assumed to be met out of future investment income. The valuation discount rates are therefore net of such costs.

Administrative and other expenses are met from the Scheme, including the insurance premiums that cover the provision of lump sum benefits for deaths in service and Pension Protection Fund levies. The cost of the insurance premiums is included in the normal future service contribution rate and the BBC reimburses the Scheme for the Pension Protection Fund levies. An expense reserve is included for the other expenses not reflected elsewhere. For the 1 April 2024 valuation, this reserve reflects estimated running costs for a number of years, but does not reflect the full expenses that may be incurred if the Scheme runs on indefinitely or is wound up.

Prudence of assumptions for technical provisions

- at any other time the Trustee judges it to be necessary.

The effective date of this statement is 13 December 2024.

Signed on behalf of the BBC

Appendix

Technical provisions and Journey Plan liabilities

Having taken into account the advice of the Actuary (which will be summarised in the formal report), the Trustee and the BBC have agreed the following assumptions for the valuation as at 1 April 2024⁸. Assumptions are the same for technical provisions and the Journey Plan basis unless stated otherwise.

Financial assumptions as at 1 April 202

Demographic assumptions

In service – specimen rates per 1,000 members at each age

Old and New Benefits active members

Age	Withdrawal Rates		Mortality Rates		Ill-health Retirement Rates	
	Men	Women	Men	Women	Men	Women
30	123	147	-	-	-	-
35	106	128	-	-	-	-
40	90	108	-	-	-	-
45	72	87	1	-	-	-
50	55	66	1	1	1	1
55	31	39	2	1	2	2
60	31	39	-	-	-	-

There is no allowance for Old and New Benefits active members to retire before age 55, other than due to ill-health.

There is allowance for early retirement before age 60, with the early retirement factors in force at the valuation date. The annual rates assumed are: 2% of members at ages 55 and 56, 3% at age 57, 4% at age 58 and 5% at age 59.

Career Average Benefits (2006 and 2011) active members

Age	Withdrawal Rates		Mortality Rates		Ill-health Retirement Rates	
	Men	Women	Men	Women	Men	Women
25	123	147	-	-	-	-
30	106	128	-	-	-	-
35	90	108	-	-	-	-
40	72	87	-	-	-	-
45	55	66	1	-	-	-
50	31	39	1	1	1	1
55	31	39	2	1	2	2
60	31	39	3	2	4	5
65	31	39	-	-	-	-

There is no allowance for Career Average Benefits active members to retire before age 65, other than due to ill-health.

Other members

All active members in service on or after Normal Retirement Age are assumed to retire immediately.

Deferred pensioners are assumed to retire as follows: 30% are assumed to retire 2.5 years early and 25% of members are assumed to retire 2.5 years late on average, with the remaining 45% assumed to retire at Normal Retirement Age.

An additional allowance is included for the value of the favourable early retirement terms available to some members who were made redundant.

