

BBC Pension Scheme

Actuarial report as at 1 April 2025

16 June 2025



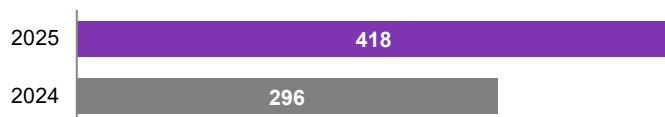
Summary

The main results of this actuarial report and those from the latest actuarial valuation are as follows:

- Technical provisions funding level as at 1 April 2025 is estimated to have increased to 103.4% over the year



- Surplus of assets relative to technical provisions is estimated to have increased over the year to £418 million



- Funding level on the journey plan basis as at 1 April 2025 is estimated to have increased to 102.1% over the year



- Surplus of assets relative to liabilities on the journey plan basis is estimated to have increased to £255 million over the year



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Throughout this report the following terms are used:

Scheme

BBC Pension Scheme

Trustee

BBC Pension Trust Limited

Trust Deed & Rules

The 55th Deed of Variation of the Scheme's Trust Deed and Rules dated 23 June 1949

Introduction

Scope

This is the actuarial report in respect of the BBC Pension Scheme as at 1 April 2025 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial report is required under Part 3 of the Pensions Act 2004 in years when a full actuarial valuation is not conducted; a copy of this report must be provided to the BBC within seven days of its receipt.

The main purpose of the actuarial report is to provide an approximate update of the development in the financial position of the Scheme relative to its statutory funding objective since the latest actuarial valuation. It should be considered in conjunction with the report dated 13 December 2024 on the actuarial valuation as at 1 April 2024, which forms a component communication for the purposes of this funding update.

This report and the work involved in preparing it are within the scope of and comply with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) published by the Financial Reporting Council. This confirmation is provided on the basis that no decisions will be made on the basis of this communication.

For TAS purposes, the sole “user” of this material is the Trustee of the BBC Pension Scheme.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, the outcome of this actuarial investigation within a reasonable period. Members may also request a copy of this report.

The financial position of the Scheme and the level of BBC contributions to be paid will be reviewed at the next full actuarial valuation, which is expected to be carried out as at 1 April 2026.

Debbie Webb
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited, a WTW company
16 June 2025

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Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated above. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Scheme for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the BBC who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

In particular, in relation to the assets, we have based our calculations on the audited Trustee Report & Accounts. We understand that the asset value has been assessed on an ongoing basis. It should be noted that if all of the Scheme's assets were to be realised at short notice, the amount raised may be lower than the value in the asset statement. This is particularly the case for the Scheme's illiquid assets.

This report has been based on data available to me as at the effective date of the actuarial report and takes no account of developments after that date except where explicitly stated otherwise.

Methodology

In carrying out the estimates of the updated financial position of the Scheme, I have not carried out full liability valuation calculations. Instead, I have estimated how the position may have moved over the year to 1 April 2025 using approximate methods.

The approach taken to calculate the estimates will not be as robust as the calculations performed as part of a full actuarial valuation, but should be sufficient, in normal circumstances, to obtain a reasonable indication of how the funding position might have moved since the last assessment.

It is not possible to determine the impact on the liability calculations of adopting a roll-forward approach compared with a full valuation without undertaking the full valuation calculations. We are not aware of any approximations within our liability calculations which would be expected to lead to a material difference from an accurate calculation using full member data. However, as we have not allowed for actual membership movements during the year, it is possible that a full valuation at the 1 April 2025 may lead to different liability calculations than are contained within this report.

The funding of the Scheme is subject to a number of risks and it is not possible to make an allowance for all such risks in providing our advice. Unless stated, no explicit allowance has been made for any particular risk. Risks were considered as part of the formal funding valuation; these have not been reassessed and you should refer to our report dated 13 December 2024 for more details. In particular, further information about how climate-related risks have been taken into account are set out in the report dated 13 December 2024 on the actuarial valuation as at 1 April 2024. We would be happy to extend the scope of our work so as to consider any further material matters or risks that you consider may be relevant.

In some cases I may have made non-material judgements, but these judgements do not warrant further commentary given their low materiality.

Funding

Statutory funding objective

The Trustee's primary formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions.

The method and assumptions for calculating the technical provisions as at 1 April 2024 were agreed between the Trustee and BBC and documented in the Statement of Funding Principles (SFP) dated 13 December 2024.

The tables below summarises the main financial assumptions used to estimate the Scheme's technical provisions for this actuarial report and the latest actuarial valuation.

The discount rate for each year is described as a margin in excess of the full nominal forward gilt yield curve. The discount rate margin over gilts varies by term and is assumed to be as summarised below:

Period	1 April 2025 % pa	1 April 2024 % pa
Up to 31 March 2027	1.0	1.0
1 April 2027 – 31 December 2028	0.8	0.8
1 January 2029 onwards	0.5	0.5

The single equivalent average discount rate adopted as at 1 April 2025 for the Technical Provisions basis, weighted by the liability cashflows at the valuation date, is 5.75% pa, or 0.6% pa above gilts.

The other key financial assumptions are summarised below. Single equivalent rates (other than pay increases, where a fixed rate is used) to the full term-dependent curve, weighted by the relevant liability cashflows at the valuation dates, are shown in brackets in the table below. In practice, the calculations are based on the full term-dependent curves.

Financial assumptions	1 April 2025	1 April 2024
	% pa	% pa
Price inflation (RPI)	WTW gilt-implied break-even inflation curve with no inflation risk premium (3.4)	WTW gilt-implied break-even inflation curve with no inflation risk premium (3.4)
Price inflation (CPI)	RPI less 1.0% pa up to 2030 and 0% below RPI thereafter	RPI less 1.0% pa up to 2030 and 0% below RPI thereafter
Pay increases (including promotional allowance)	1.0	1.0
Revaluation	CPI	CPI
- CAB 2006		
- CAB 2011 (CPI max 4%)	Based on the CPI curve with a minimum of 0% and a maximum of 4% on each year's forward rate	Based on the CPI curve with a minimum of 0% and a maximum of 4% on each year's forward rate
Pension increases		
- Old Benefits (RPI max 10%)		
- New Benefits (RPI max 5%)		
- CAB 2006 (RPI max 2.5%)	Based on the relevant inflation curve above, with caps and floors applied to each year's forward rate, as appropriate for each benefit type	Based on the relevant inflation curve above, with caps and floors applied to each year's forward rate, as appropriate for each benefit type
- CAB 2011 (CPI max 4%)		
Expenses	£160m	£160m

I have reviewed the financial assumptions as at 1 April 2025 and I regard the financial assumptions adopted for this actuarial report as consistent with those used for determining the Scheme's technical provisions at

1 April 2024, adjusted for changes in market conditions. In my view they are appropriate for the purpose of this actuarial report and consistent with the Scheme's Statement of Funding Principles (SFP).

The demographic assumptions used for the purposes of this update are also consistent with those adopted for the actuarial valuation as at 1 April 2024, as set out in the SFP dated 13 December 2024.

However, if the Trustee and BBC were to consider all the assumptions in detail as part of a formal valuation process it is possible that some of these assumptions would change.

There is no allowance in the assumptions underlying the technical provisions for any future discretionary increases to benefits other than those set out in the SFP.

I have included an allowance of 0.1% of the liabilities in my calculations for the potential cost of equalising GMPs. This is consistent with the approach adopted for the previous full actuarial valuation.

No allowance has been made in the valuation for the benefits being different from those described in the Scheme's governing documents due to execution risks such as those arising in the Virgin Media case or other conflicts with legislation.

Overall, in accordance with the Scheme Funding legislation, the assumptions underlying the technical provisions have been chosen prudently and consistently with the approach set out in the SFP.

The table below compares the estimated technical provisions as at the effective date of the actuarial report with the market value of the Scheme's assets and the corresponding figures from the latest actuarial valuation:

Valuation statement	1 April 2025 £m	1 April 2024 £m
Amount required to provide for the Scheme's liabilities in respect of:		
Defined benefits	11,872	13,203
Expenses	160	160
Longevity reserve	108	116
AVCs	65	71
Technical provisions	12,205	13,550
Market value of assets	12,623	13,846
Past service (deficit)/surplus (assets less technical provisions)	418	296
Funding level (assets ÷ technical provisions)	103.4%	102.2%

Developments since the latest valuation

The funding level is estimated to have increased to 103.4% from 102.2% at the previous valuation. The main factor contributing to this change is the strong performance of the return seeking assets over the period which has led to the assets outperforming the liabilities over the year. .

Secondary funding objective

The Trustee's secondary funding objective is for the Scheme to be fully funded on a measure of low dependency on the BBC, known by the Scheme as the Journey Plan.

The method and assumptions for calculating the value of the Journey Plan liabilities as at 1 April 2024 were agreed between the Trustee and BBC and documented in the SFP dated 13 December 2024. The assumptions are the same as those adopted for the technical provisions, with the exception that the discount rate margin in excess of gilt yields is 0.5% pa at all terms. The single equivalent average discount

rate adopted as at 1 April 2025 for the Journey Plan basis, weighted by the liability cashflows at the valuation date, is 5.65% pa.

The table below compares the estimated liability value on the Journey Plan basis as at the effective date of the actuarial report with the market value of the Scheme's assets and the corresponding figures from the latest actuarial valuation:

Valuation statement	1 April 2025 £m	1 April 2024 £m
Amount required to provide for the Scheme's liabilities in respect of:		
Defined benefits	12,033	13,438
Expenses	160	160
Longevity reserve	110	118
AVCs	65	71
Total value of liabilities on Journey Plan basis	12,368	13,787
Market value of assets	12,623	13,846
Past service surplus/(deficit) (assets less Journey Plan liability value)	255	59
Funding level (assets ÷ Journey Plan liabilities)	102.1%	100.4%

The funding level is estimated to have increased to 102.1% from 100.4% at the previous valuation. The main factors contributing to this change are similar to those set out above for the technical provisions basis.

Additional information

Data provided

Membership data

A summary of the data provided for the actuarial valuation as at 1 April 2024, which has been used for this actuarial report, is presented below. This data has been provided by the BBC Pension and Benefits Centre.

Number of members

Number	1 April 2024		
	Males	Females	Total
Active members	3,361	2,859	6,220
Deferred pensioners	10,939	13,961	24,900
Pensioners	13,343	9,292	22,635
Dependants	513	3,557	4,070
Children	165	246	411
Total	28,321	29,915	58,236

Annual salary or pension

£ million	1 April 2024		
	Males	Females	Total
Pensionable salaries	192.8	143.2	336.0
Deferred pensions	89.2	90.4	179.6
Pensioners' pensions	324.6	139.5	464.2
Dependants' pensions	5.1	64.5	69.5
Children's pensions	1.0	2.4	3.4

Notes on data tables:

- Figures in respect of dependants exclude children.
- Deferred pension amounts include revaluation to the valuation date.

Asset information

The accounts supplied as at 1 April 2025 show that the market value of the Scheme's assets was £12,623 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £65 million.

Longevity swap

The Scheme accounts as at 1 April 2025 include a net value for the 2020 longevity swap of -£147.5 million. This is assessed in accordance with the requirements of the accounting SORP.

Our calculations of the past service liabilities already include an allowance within the technical provisions for the net value of the swap (fixed leg and fees payable to the insurers, less the value of the floating leg payable by the insurers), on the technical provisions or Journey Plan assumptions as appropriate. To avoid any double counting, we have therefore also adjusted the past service liabilities as at 1 April 2025 by the same amount as the asset adjustment...

Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Scheme's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Demographic assumptions: Assumptions relating to social statistics for Scheme members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Scheme and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Scheme. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Scheme, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Scheme. See also statutory funding objective.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the Trustee to perform certain statutory duties for the Scheme.

Secondary funding target: The secondary funding target is a stronger target than the statutory funding objective, and one to which the trustees aspire over the longer term. Once 100%

funding on the technical provisions basis is reached, the secondary funding target may be expected to be achieved by a combination of investment returns and contributions. For the Scheme, this is the Journey Plan basis.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Scheme's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory funding objective: To have sufficient and appropriate assets to cover the Scheme's technical provisions.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Scheme.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.