

60-second summary

Local Authority contribution rates at the 2025 valuation



Robert Bilton
Head of LGPS Actuarial

The LGPS enters the 2025 valuations in a position of funding strength. However, uncertainty in the economic, demographic and political environment means it has been difficult to draw conclusions about what may happen to contribution rates at the 2025 valuation. To help complete the picture, we now have the provisional employer contribution rates for local authorities from a number of LGPS funds we advise.

Options, options and...more options

Long gone are the times of deficits in the 2010s when the only question was by how much should the contribution rate increase. Instead, with healthy funding positions in the LGPS, the 2025 valuations present a challenge of deciding which options to choose. Decisions will be needed in three key areas:

- **Investment strategy:** increase, decrease or keep investment risk the same?
- **Prudence levels:** change levels to reflect the current uncertainty in the wider environment?
- **Contribution rates:** how do you balance employer affordability, longer-term stability, solvency, inter-generational fairness, financial market uncertainty and potential local government re-organisations?

Making decisions

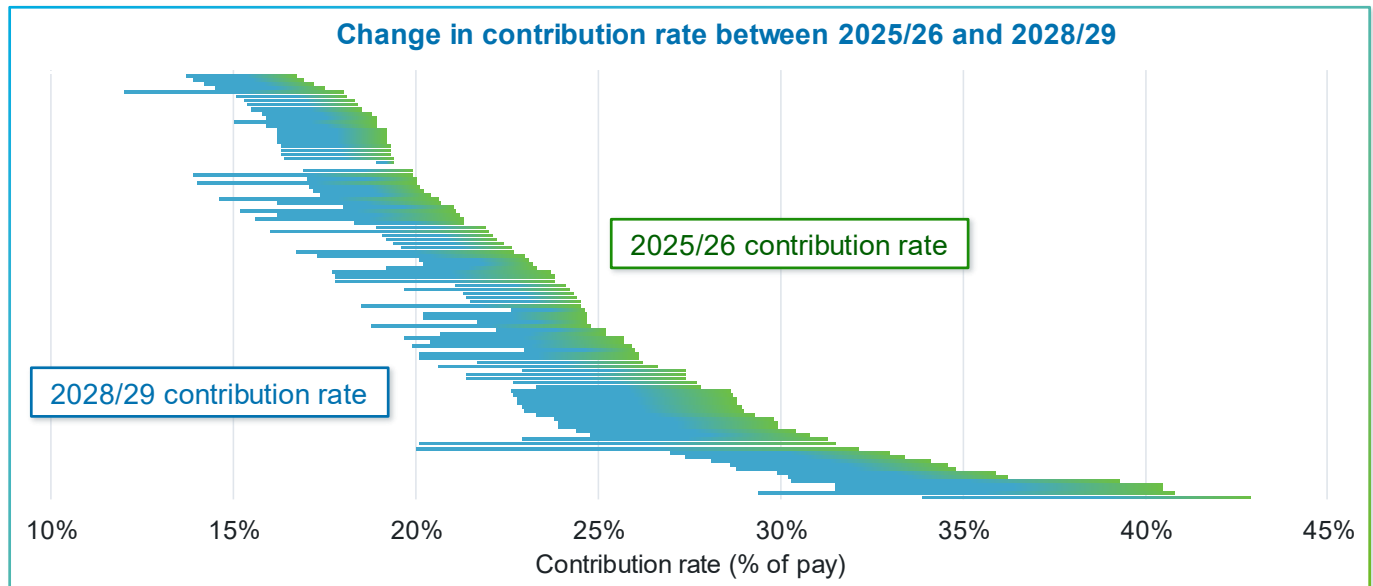
For long-term secure employers like local authorities, we can cut through some of the shorter-term 'noise'. Our modelling and analysis provide insights and perspective to make informed decisions. This means setting funding plans which aren't beholden to market conditions as at end March.

The additional advantage for many funds is that contribution analysis and discussions are already well underway. In our experience to date, we are seeing funds generally focus on recognising the strong funding position and employer affordability concerns, whilst not reducing contribution rates too quickly to avoid having to put them back up at the next valuation in 2028. Funds are also mindful of the uncertain environment and stress testing the robustness of their decisions under different future economic scenarios.

Outcomes

A high level of early engagement allows us to share the provisional results from over 100 local authorities across England and Wales that participate in LGPS funds advised by Hymans Robertson. This group

represents around a third of all English and Welsh local authorities. The chart below shows how provisional contribution rates are changing from current rates payable in 2025/26 (green end of each bar), to what will be paid in 2028/29, the end of the 2025 valuation cycle (blue end of each bar).



From this analysis we can see that:

- Nearly every bar has green at the right and blue at the left. This means that most authorities in the sample should see a reduction in contribution rates at the 2025 valuation, reflecting their strong funding positions.
- The magnitude of the reduction (length of each bar) generally increases as you move along the horizontal axis. In fact, 90% of authorities that are currently paying a rate of less than 20% of pay are seeing modest reductions of up to 3% of pay (ie 1% of pay pa) over the 2025 valuation cycle, whilst around 90% of authorities that are currently paying more than 25% of pay are seeing reductions of 6% of pay or more.

Overall, this analysis suggests good news for employers. Funds can provide employer contribution rate relief due to strong investment performance over the past couple of decades, but the pace of relief is being consistently managed to deliver long-term stability and solvency to the scheme.

As we work through the 2025 valuation year, we will continue to share more insights about the outcomes.

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