

# Briefing note

## Five ways to maintain control of your LGPS funding risks



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With the 2025 valuations in England and Wales complete, it may be tempting to pause until preparations begin for 2028. But the post valuation environment brings emerging funding risks that need early attention, proactive planning, and sustained engagement with employers.

The 2025 cycle showed that funds taking a forward-looking approach – early engagement, clear risk awareness, and close collaboration with their actuary – were better placed to secure strong outcomes.

Market conditions leading into 2025 were unusually challenging. Stakeholder views were divergent and some employers pushed for contribution reductions that could have increased funding risk. Despite this, most funds achieved balanced outcomes – helped by good planning and well-informed decisions.

### Maintaining momentum after the 2025 valuation

Change is already under way across the LGPS – investment advisory reforms, employer driven structural change, further legislative developments, shifting demographics and a need for robust cashflow management. Waiting until the next valuation cycle risks turning planned decisions into reactive ones.

#### Key reasons for maintaining momentum include:

- New risks are emerging quickly, particularly from reforms affecting academies and local authority delivery models.
- Employer behaviour is evolving, with some seeking greater contribution flexibility or restructuring their participation in the LGPS.
- Demographics and cashflow profiles are shifting, with benefit outgo exceeding contribution income for many funds.
- The inter valuation midpoint (September 2026) offers an early read on 2028 expectations – making 2026 a pivotal planning year.

Proactive planning, regular monitoring, and early engagement remain the best tools for managing risk across the funding landscape.

#### We have identified five priority areas for 2026/27:

## 1. Academy consolidation

The government's 'Access and Protections' [consultation](#) proposes that academy employers can consolidate their pension liabilities within a single LGPS fund. This presents one of the most significant actuarial risks for many funds in 2026/27.

### Why this matters:

- Consolidation could trigger rapid and material movements in assets and liabilities, potentially altering a fund's risk profile.
- Impacts may include changes to cashflow profile, investment strategy, administrative capacity, and employer engagement needs.
- Some funds may become net losers of academies if large MATs favour consolidation into other LGPS funds.

### What funds should do:

- Understand risk exposure now – including the size, structure, and MAT relationships of academy employers.
- Form a policy position on consolidation and articulate the rationale clearly.
- Assess administrative and governance capacity for potentially large inflows/outflows of academy employers.
- Engage early with academy employers to understand decision-making drivers beyond just contribution rates.

Early scenario analysis and engagement will be crucial to mitigate the potential for sudden and destabilising structural shifts in academy participation.

## 2. Local government reorganisation (LGR)

Several funds are progressing through various stages of local government reorganisation, with new unitary authorities expected to come into effect in 2028 (mainly).

### Why this matters:

- Asset allocation and the treatment of legacy council liabilities will need to be agreed for each new entity.
- Contribution reviews for new entities will need to occur in the months leading up to their establishment.
- Structural change can lead to staff rationalisation, early retirement strain costs, and adjusted employer cashflow profiles.
- Reorganisation may trigger changes in pension fund governance structures or the creation of dedicated single-purpose pension authorities.
- Roles and responsibilities of the administering authority may shift, requiring early clarification.

### What funds should do:

- Clean up legacy employer codes, historic guarantees, and old employer positions in advance to reduce administrative and actuarial complexity during the transition

### 3. The ‘actuarial solstice’ (September 2026)

On 30 September 2026, funds reach the midpoint between valuation dates – 18 months after 31 March 2025 and 18 months before 31 March 2028.

This is an ideal point to reassess funding positions and to project forward to 2028 using updated market, membership, and assumption information.

#### Why this matters:

- Provides early visibility of likely funding changes at the next valuation.
- Supports stable, sustainable contribution planning, avoiding reactive shifts based on short-term market movements.
- Creates a platform for early employer engagement, which was proven during the 2025 cycle to lead to the best outcomes.

#### What funds should consider in the review:

- Effect of recent market volatility and increasing inflationary expectations.
- Updated longevity trends, including weight loss drugs and robotic surgeries.
- Climate-related risks and how these may affect long-term funding and investment strategies.
- The scale and type of modelling likely to be required for 2028 and how this might influence employer communication strategies.

### 4. Gender pensions gap - insights and employer engagement

For the first time, the 2025 valuation required funds to comment on the gender pensions gap within their membership.

#### Key observations:

- A persistent gap exists across the LGPS, largely driven by the gender pay gap, career breaks, and part time working patterns.
- Encouragingly, the gap is smaller in CARE benefits than in final salary benefits - evidence that scheme design changes can improve outcomes.

#### Why this matters for 2026/27:

- The gender pensions gap signals a fairness and adequacy issue in retirement provision within LGPS funds.
- Questions may be raised about whether funds’ behaviours and communications are influencing equitable outcomes for all members.
- Employer demand for insights at employer level is expected to grow as they have direct influence on actions that impact the gap.
- Employers have a key role in supporting improved pension outcomes, particularly through education on the long-term impact of decisions taken, such as career breaks and part time work.

#### What funds should do:

- Explore ways to help improve awareness and support employers in closing the gap, such as targeted training for individuals at different stages of life.
- Review member communications to ensure they are appropriate for all audiences and consider ways to increase engagement.
- Engage with employers to provide insights on their own gender pension gap and provide support on ways they can directly influence the gap.

## 5. Governance, knowledge and skills (particularly for new councillors)

Following the recent local elections, new councillors are expected to be joining pension committees. There will therefore be a growing demand for high quality training and robust governance support. Additionally, the government has set clear expectations for knowledge standards across all committee members (including those already in place).

### Why this is a key risk area:

- The post 2025 environment has brought heightened scrutiny of LGPS funding strategies from politicians and external stakeholders.
- Fit for the Future reforms in England and Wales will require the preparation and publication of a training strategy for all stakeholders.
- New committee members may feel exposed without adequate training, particularly given recent media coverage and commentary on LGPS decision-making.

### Funds should:

- Ensure all members understand the rationale behind 2025 funding strategies.
- Provide structured and ongoing training in funding, investment, administration and governance.
- Reinforce the importance of long-term stability and risk management principles.
- Consider the use of our LGPS Online Learning Academy to help provide a framework and support training for all stakeholders.

### Other risks to monitor in 2026/27

Alongside the priority areas noted above, there are several emerging or continuing issues that funds should maintain visibility on. These may not require immediate action but could grow in significance over the post valuation period.

- **Universities and changing participation models:** Universities are increasingly establishing subsidiary entities that lead to closures to new entrants. This may necessitate tailored investment strategies or partial cessation discussions.
- **New Fair Deal developments:** Government deliberations continue, and while outcomes are not yet clear, any changes may require rapid actuarial and administrative responses.
- **Contribution rate reviews:** There is evidence of increased interest in contribution reviews following improvements in funding positions since 2025. Funds should prepare for engagement, while adhering strictly to regulatory guidance that short term funding improvements alone do not justify contribution reductions. Routine annual checks for short term employers (e.g. contractors with nil rates) will also be needed.
- **Funding Strategy Statement (FSS) updates:** Changes in investment strategy, academy consolidation, or employer participation models may necessitate updates to the FSS, including (light-touch) consultation with employers.
- **Increasing cashflow risks:** With benefit payments exceeding contributions in many funds, cashflow negative positions require close monitoring – especially where transfers, private equity calls, or structural employer movements add short term pressure.
- **Support for LGPS asset pools:** As asset pools expand their advisory roles, funds should ensure smooth collaboration, particularly around the provision of cashflow and actuarial data.

## Conclusion

The post 2025 period is as important as the valuation exercise itself. Structural change, demographic pressure, legislative developments, and heightened scrutiny are all shaping a faster-moving risk landscape.

A structured programme of monitoring, midpoint evaluation, employer engagement, and strong governance will help funds manage 2026/27 risks and build a stable platform for the 2028 valuation.

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