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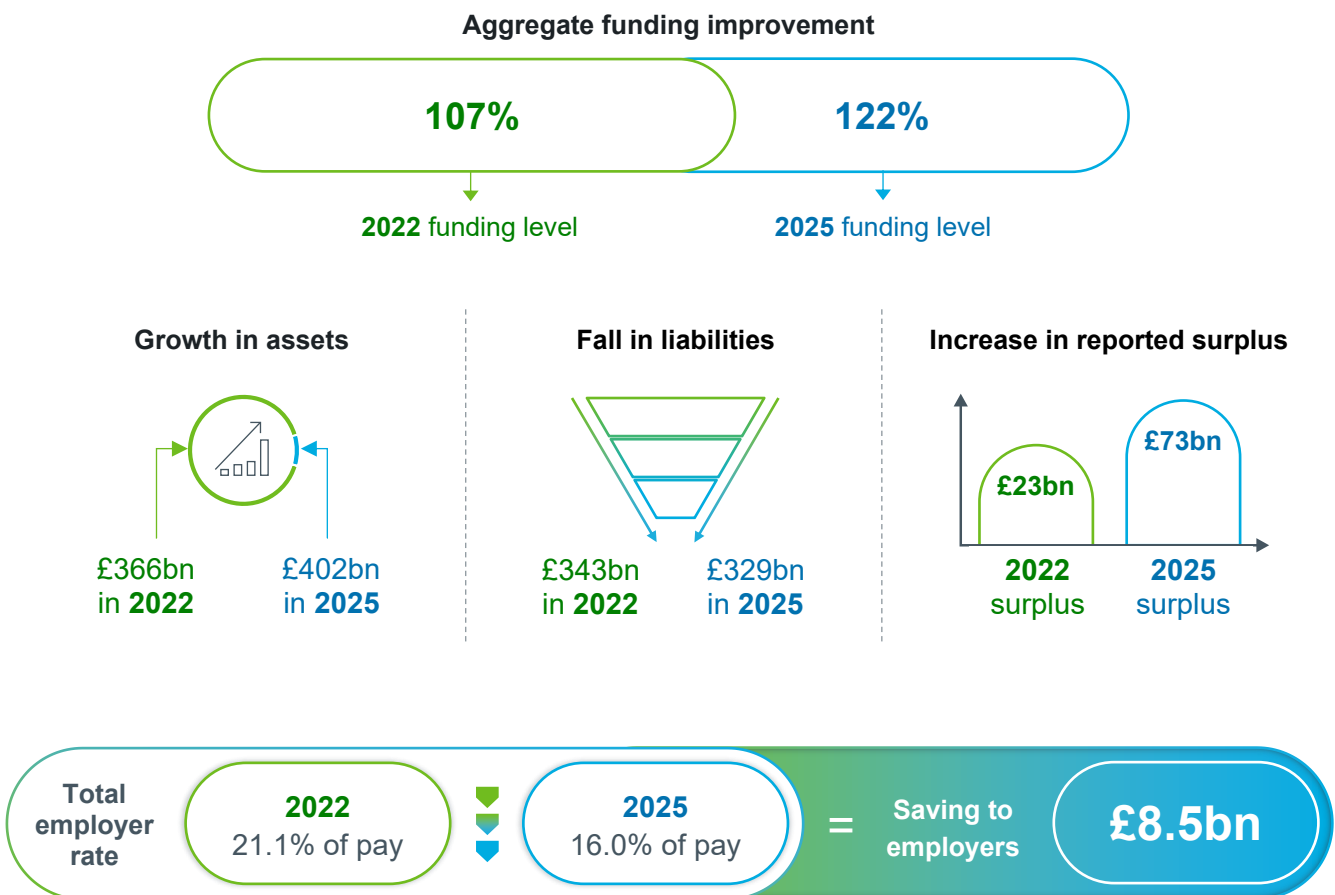
LGPS 2025 Valuations:
**The Big Picture in
England & Wales**

May 2026

Executive Summary

The 2025 actuarial valuations show the LGPS in England and Wales to be in a strong financial position. Aggregate funding has increased from **107% in 2022 to 122% in 2025**, with assets rising from £366bn to £402bn and liabilities falling from £343bn to £329bn, increasing the reported surplus from **£23bn to £73bn**. This improvement has been driven primarily by higher assumed future investment returns (increasing on average from 1.5% to 3.0% p.a. above CPI), rather than strong investment performance, with average returns of 3.3% p.a. over the period. As a result, **79 of the 86** LGPS funds are now reporting a funding level above 100%.

Improved funding has translated into lower employer contribution rates, with the average total employer rate reducing from **21.1% in 2022 to 16.0% of pay in 2025**, delivering around **£8.5bn of savings** to employers over the next three years.



Overview




The 2025 LGPS England & Wales valuations have attracted more attention than any other in recent memory. With the valuations concluded, we can now analyse the outcomes to understand the big picture and what the key themes mean about the current funding position of the LGPS.

For this paper, we have focussed on headline outcomes and metrics – looking at the change in past service **funding position** ([Section 1](#)), the impact on **employer contributions** ([Section 2](#)) and how the results meet the **regulatory requirements** of the valuations ([Section 3](#)).

We haven't carried out an analysis of every aspect of the valuation or LGPS funding, eg other funding assumptions, life expectancies, Gender Pensions Gap etc. These will be analysed as part of the LGPS England & Wales Scheme Advisory Board's review of the valuation, which is expected to be published in the summer.

As reported in our earlier [briefing note](#), recent commentary has focussed heavily on the size of the surplus and the expected impact on contribution rates. However, a deeper dive into the results shows that there are layers of complexity to pension funding beyond these headlines that funds must navigate to ensure the long-term success of the LGPS.

Key takeaways:

-  Funds have taken a measured approach to contribution reductions, recognising that funding improvements are driven largely by higher expected future returns that are not guaranteed.
-  The valuation results show greater variability in outcomes between LGPS funds, driven by differences in investment performance, assumed future investment returns and local funding strategies. This variation reflects the LGPS's local accountability framework and strong independent thinking, with funds adopting different funding paces and attitudes to risk in response to their own circumstances.
-  Through the regulatory lens of solvency and long-term cost efficiency, today's employers are benefiting from lower contributions, members and taxpayers have a scheme that is solvent and there has been no material transfer of cost to future generations.

Overall, the 2025 valuations highlight the ongoing success and continuing ability of the LGPS to balance affordability, solvency and long-term sustainability for its members and participating employers.

Tom Hoare
Head of LGPS Valuations



1. Past service funding position

National level

The aggregate funding level of the 86 LGPS funds in England & Wales increased from **107% in 2022 to 122% in 2025**, with assets growing from **£366 billion to £402 billion** and liabilities decreasing from **£343 billion to £329 billion**, leading to a surplus rise of **£23 billion to £73 billion**¹.

Funding level rise
107% to 122%

Unlike the last couple of previous valuations, investment returns are not the key driver of the improved funding position, with an average annual *nominal* return between 2022 and 2025 of **3.3% per annum**. Instead, the improvement has largely been driven by higher assumed future investment returns, with the LGPS average assumption being **3.0% p.a. above CPI inflation** (referred to as the *real* return in the rest of this report) versus **1.5% p.a. in 2022**. This increase has generally been a result of changes in the economic and financial market environment since 2022.

Chart 1 details this past service funding position picture, with the **blue** and **green** diamonds depicting the 2025 and 2022 valuation positions respectively. The **dashed blue** line shows how the 2025 funding position changes depending on the level of assumed future real investment returns. If the assumed real return had still been 1.5% p.a. at the 2025 valuations, then the aggregate funding level of the scheme would be around 98%, which is lower than the 2022 funding level of 107%.

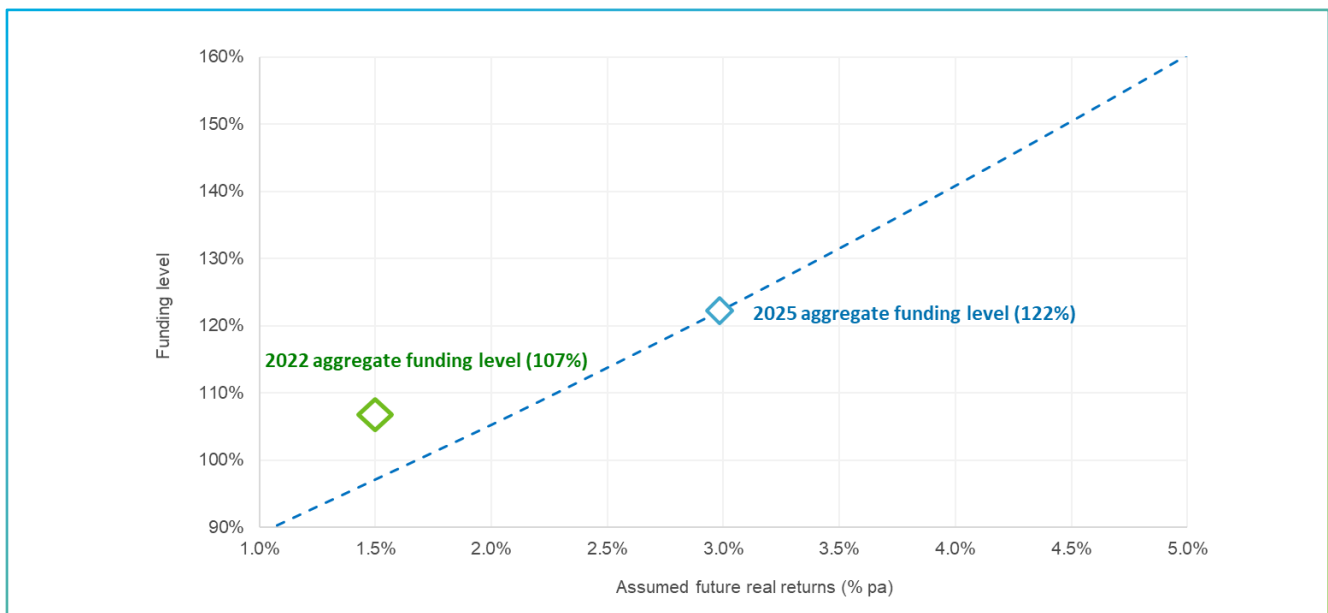


Chart 1 – aggregate LGPS funding level at 31 March 2025 vs assumed future real return

Key takeaway:

While funding positions look strong, the surplus is notional and based on future returns that are not yet earned. This means LGPS funds must think carefully about how much of any funding improvement to pass back via employer contributions.

¹ All figures based on each fund’s local funding assumptions

Individual fund level

Most individual funds reported funding level improvements similar to the national trend, though a few funds saw slight reductions (those marked with (*) in Chart 2 below). Click [here](#) to see the story of the 2025 valuation.

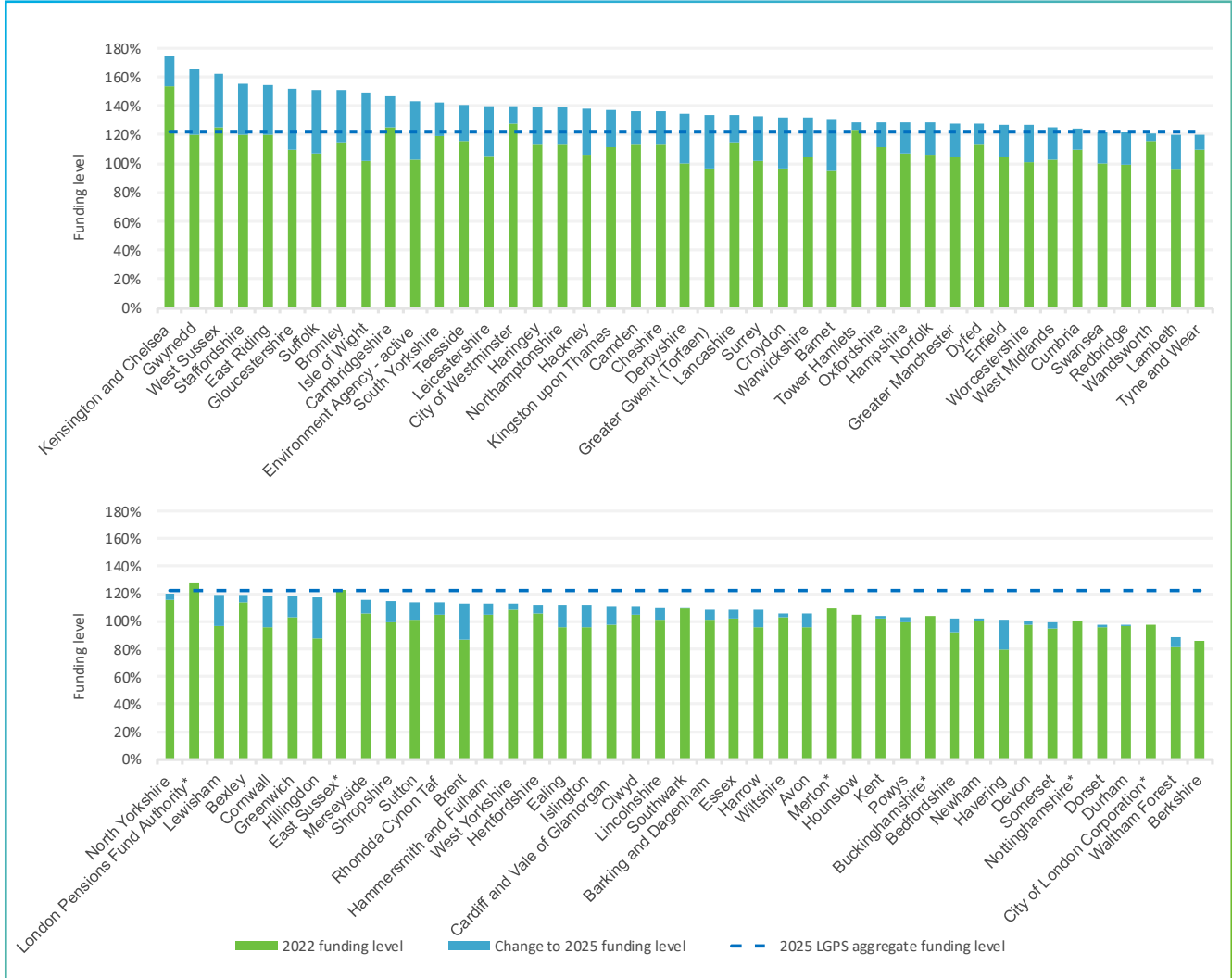


Chart 2 – Change in funding level for all 86 English & Welsh LGPS funds between 2022 and 2025 valuations (ordered by 2025 funding level)

*The funding level has reduced at this valuation for London Pension Fund Authority (by 8%), East Sussex (6%), Merton (4%), Buckinghamshire (1%), Nottinghamshire (2%) and City of London Corporation (2%).

The spread in local funding levels between the 2022 and 2025 valuations has increased from 80%-154% to 86%-175%. The increased variation in funding levels is due to differences in:

- 1. Investment performance over the inter-valuation period.**
- 2. The level of assumed future investment returns**

The impact of investment performance is detailed on Chart 3 (below), which compares the change in funding level (ignoring material changes in the underlying actuarial assumptions) and actual investment returns between 2022 and 2025.

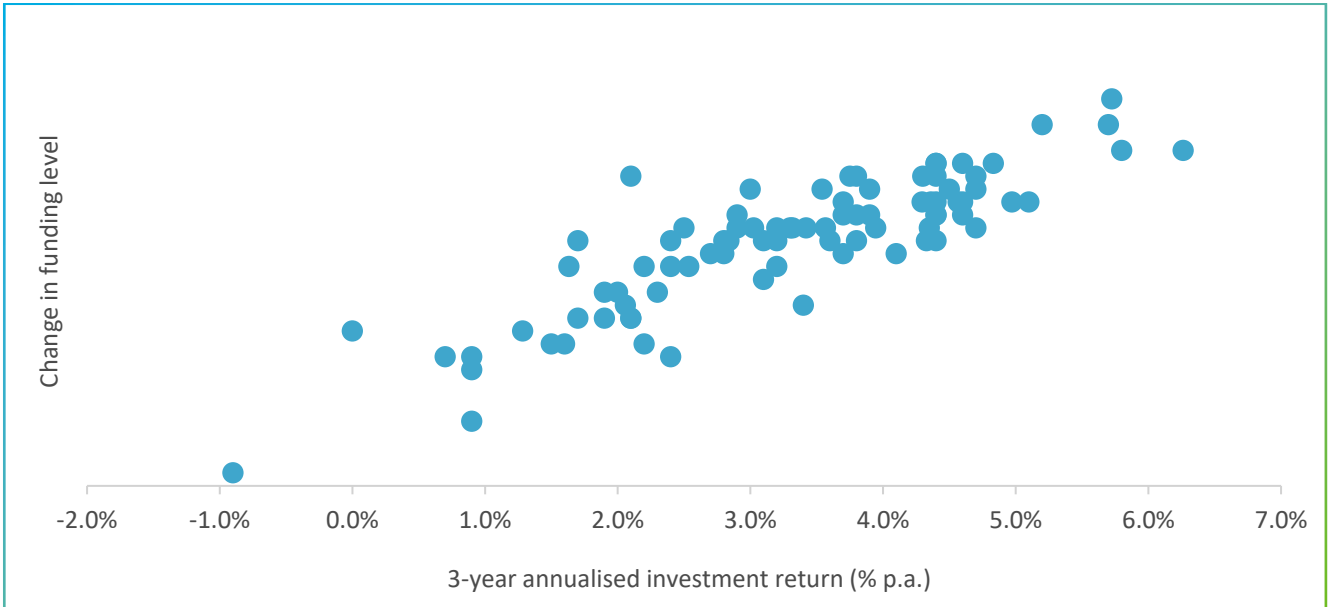


Chart 3 – Change in funding level (no change in underlying actuarial assumptions) vs 3-year annualised investment return between 2022 and 2025 valuations

The variation in returns should not be used as evidence of inefficiency by the LGPS or as a measure of fund performance. Each fund has its own investment strategy which will lead to variation in the short-term. Performance should be assessed over the long-term and against a fund’s investment beliefs and objectives.

As noted earlier in the report, assumed future real (above CPI) returns across funds have increased from a midpoint of 1.5% p.a. in 2022 to 3.0% p.a. in 2025. At an individual fund level, the range of the assumption adopted has increased, as shown in Chart 4 below.

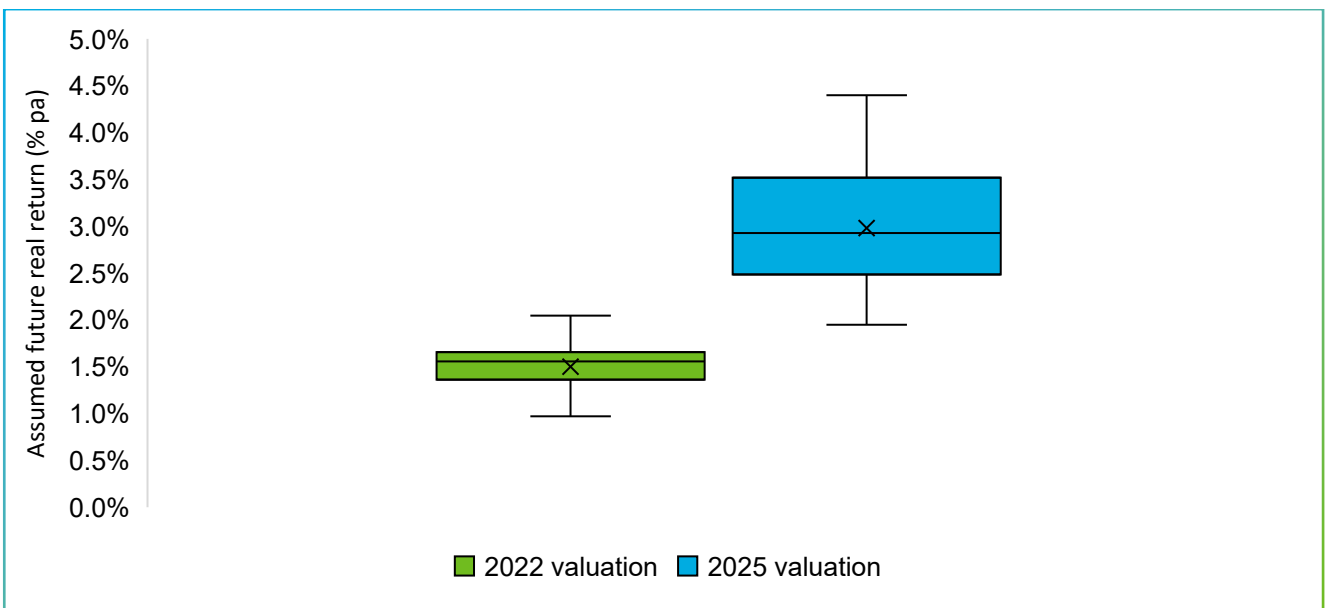


Chart 4 – range of assumed future real investment return for individual LGPS funds at 2022 and 2025 valuation. 50% of funds are within each box, with the line inside the box representing the median and “x” representing the average. The lines extending outside each box show the spread.

The increase in assumed future investment return at the 2025 valuation reflects a change in economic environment since the last valuation, typified by material increases in both short and long-term interest rates. The wider spread of this assumption at the 2025 valuation reflects the increased uncertainty in markets and views about what the change in economic environment means for future investment returns.

To understand the relative impact on local funding levels, Chart 5 shows the change in funding level against the change in assumed future real investment return.

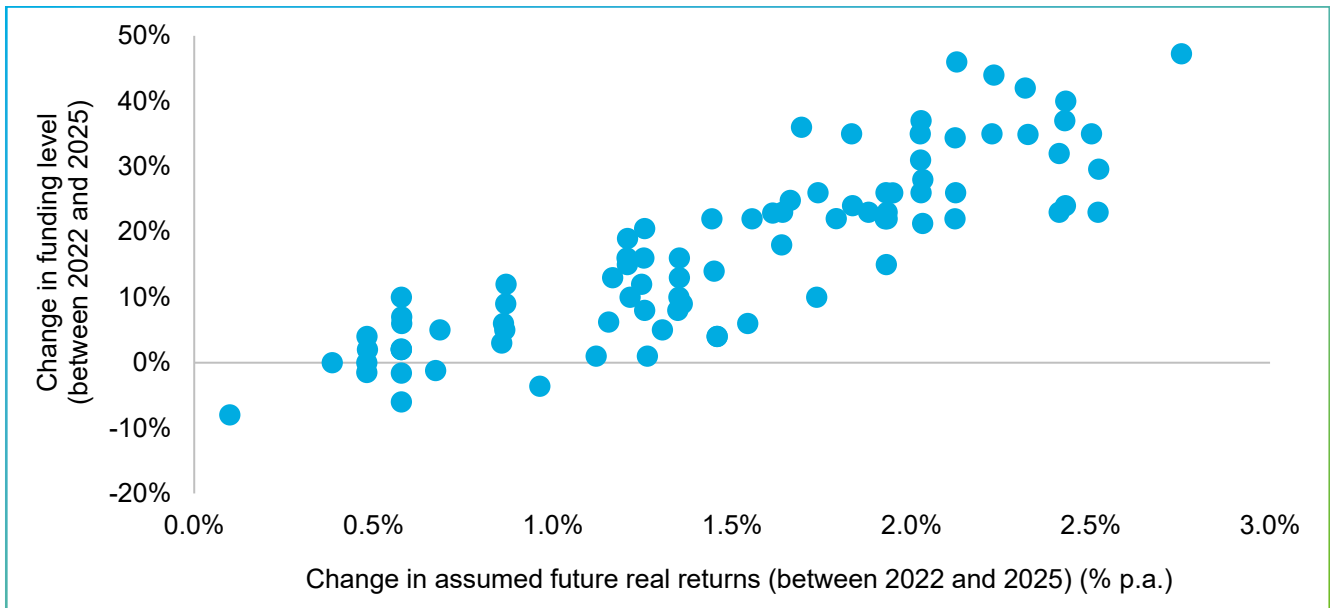


Chart 5 – change in funding level (on local assumptions) between 2022 and 2025 valuations relative to change in assumed future real returns

We can see that there are various instances of funds with the same change in assumed future real return but different changes in funding level, and vice versa. These instances are primarily caused by differences in actual investment performance over the 3 years.

Key takeaway:

Given the increased uncertainty about long-term market performance, and market dynamics between 2022 and 2025, it is not surprising to see an increase in the range of assumed future investment returns and local funding levels at the 2025 valuation.

2. Employer contributions

National level

The LGPS is an open scheme, with employer contributions composed of a Primary Rate (cost of future accrual) and a Secondary Rate (adjustments based on funding position and other factors such as stability and long-term cost efficiency). The average total employer contribution rate has decreased from **21.1% of pay in 2022 to 16.0% of pay in 2025**, with the Primary Rate falling from 19.8% to 17.4% of pay and the Secondary Rate shifting from +1.3% of pay to -1.4% of pay. This reduction translates to approximately **£8.5 billion in employer savings** over the next three years.

Overall decrease



from **21.1%** of pay in **2022**
to **16.0%** of pay in **2025**

Primary rate



falling from
19.8% to **17.4%** of pay

Secondary rate



shifting from
+1.3% to **-1.4%** of pay

Employer savings



Approx **£8.5 billion** savings
over next three years.

A major topic of discussion during the 2025 valuations was whether employer contribution rates should have reduced further, when considered solely in the context of the past service funding position. However, this framing overlooks that the surplus is notional: it exists on paper but relies on achieving the higher expected future investment returns. It also overlooks that contribution stability is a key funding objective for LGPS funds. For example, when deficits were present and increasing (eg during the 2010s), funds did not generally increase contribution rates to the full extent implied by the increase in the past service funding deficit. This is one of the key differences between the LGPS—as an open, long term pension scheme—and private sector defined benefit schemes, which are typically closed and focus more heavily on current funding levels and a specific end point.

Key takeaway:



Employers have benefitted from improvements in funding via lower contribution rates, with funds taking a measured approach to reductions given that the funding position is dependent on gains that have not yet been realised.

Individual fund level

Although it is the same benefit structure across England & Wales, employer contribution rates vary between LGPS funds. This can sometimes cause confusion given it is one scheme. However, it reflects different funding positions, investment strategies, risk appetites and other factors that combine to form each fund’s funding strategy.

Most individual funds saw a reduction in their overall average employer contribution rate at the 2025 valuation. Click [here](#) to see the story of the 2025 valuation.

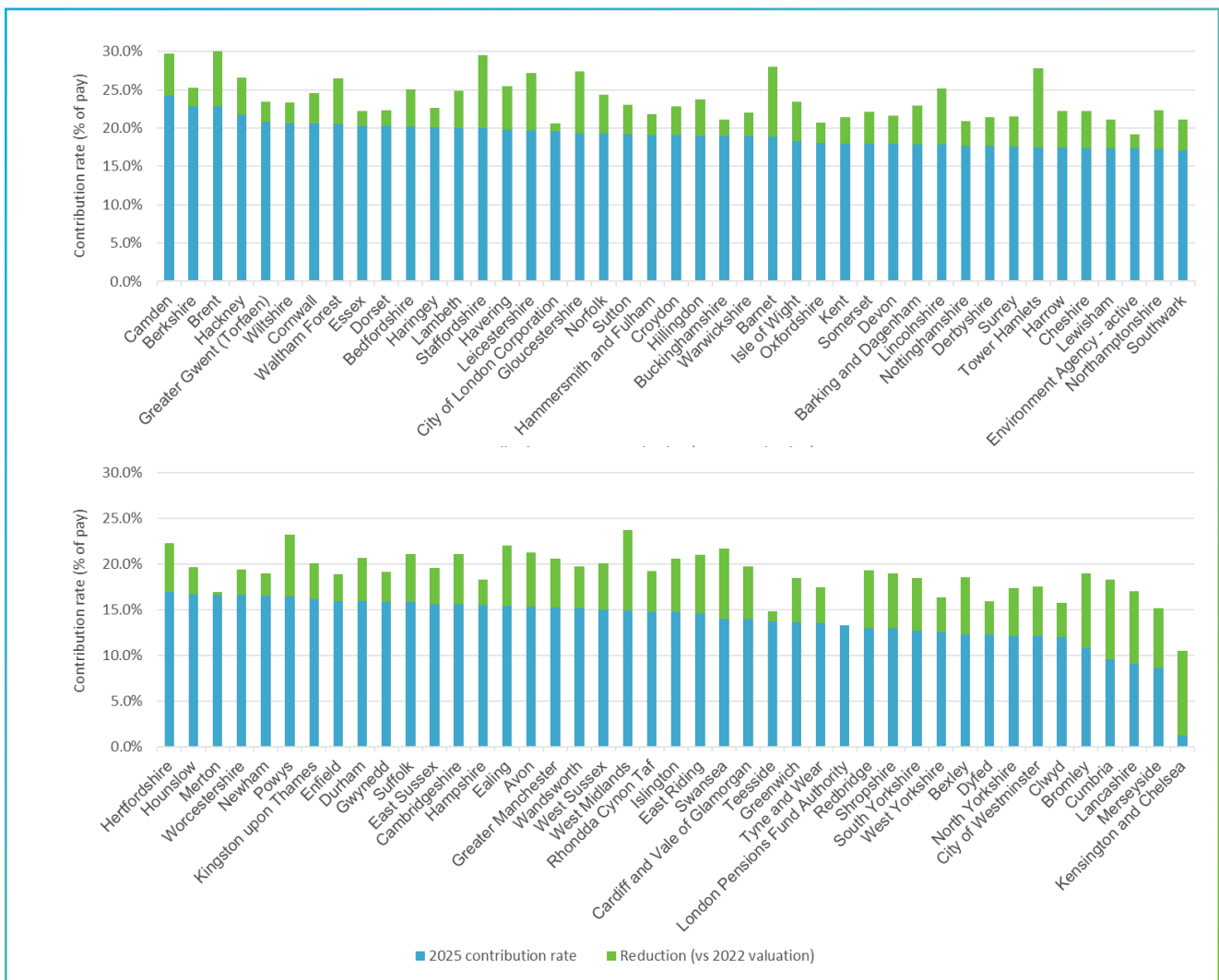


Chart 6 – Change in employer contribution rate for all 86 English & Welsh LGPS funds between 2022 and 2025 valuations (ordered by 2025 contribution rate)

Average employer contribution rates range broadly, with some funds as low as 1.3% and others as high as 24.3% of pay. Charts 7 and 8 below analyse the change in contribution rate against the three-year investment return and change in assumed future real return between 2022 and 2025.

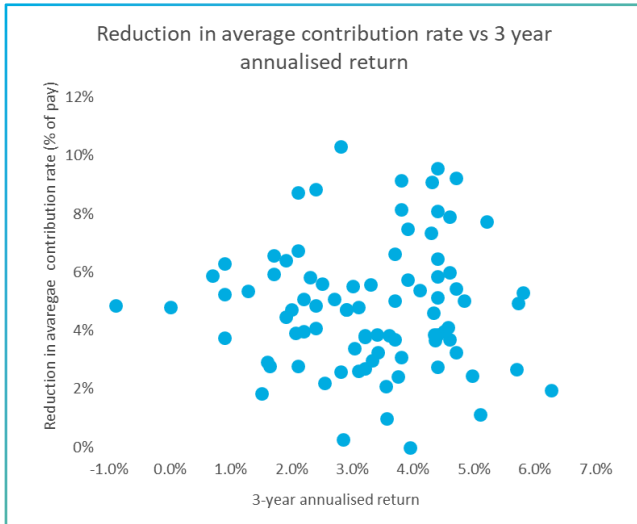


Chart 7 – reduction in average employer rate relative to 3-year annualised return

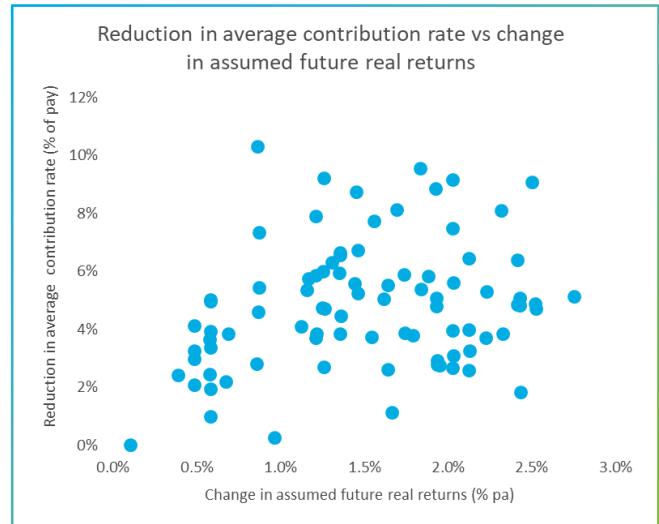


Chart 8 – reduction in average employer rate relative to change in assumed future real returns

Changes in employer contribution rates show limited correlation with funding or investment metrics, reflecting the influence of wider factors on longer-term funding strategy such as risk appetite or the desire for stability.

Key takeaway:



While benefits are set nationally, funding decisions are made locally, and the differences observed reflect varying approaches to risk and funding pace – noting there is no single ‘right’ answer to funding.

3. Achieving regulatory compliance

Two key regulatory requirements of the valuation are for each fund’s funding strategy to secure solvency and long-term cost efficiency. These elements will be assessed by the Government Actuary’s Department (GAD) as part of its Section 13 valuation.

Solvency

Solvency needs to be assessed over both the short and long term. In the short term, the aggregate funding level of 122% indicates that the LGPS has sufficient assets to meet pension payments - although this depends on the choice of assumed future investment returns. A more objective short-term measure is the future real return required to be fully funded at the valuation date (for context, the 2025 aggregate LGPS position requires 1.7% p.a. above CPI to be 100% funded, as detailed in [Chart 1](#)).

However, this measure alone is insufficient as it does not reflect that the LGPS is an open scheme, with ongoing benefit accrual and contributions. To assess long term solvency more appropriately, we have also considered the likelihood that each fund will be at least 100% funded in 20 years’ time (the “likelihood of success”), which combines funding position, contribution rate and investment strategy all within one metric.

Both measures are shown for each fund in Chart 9.

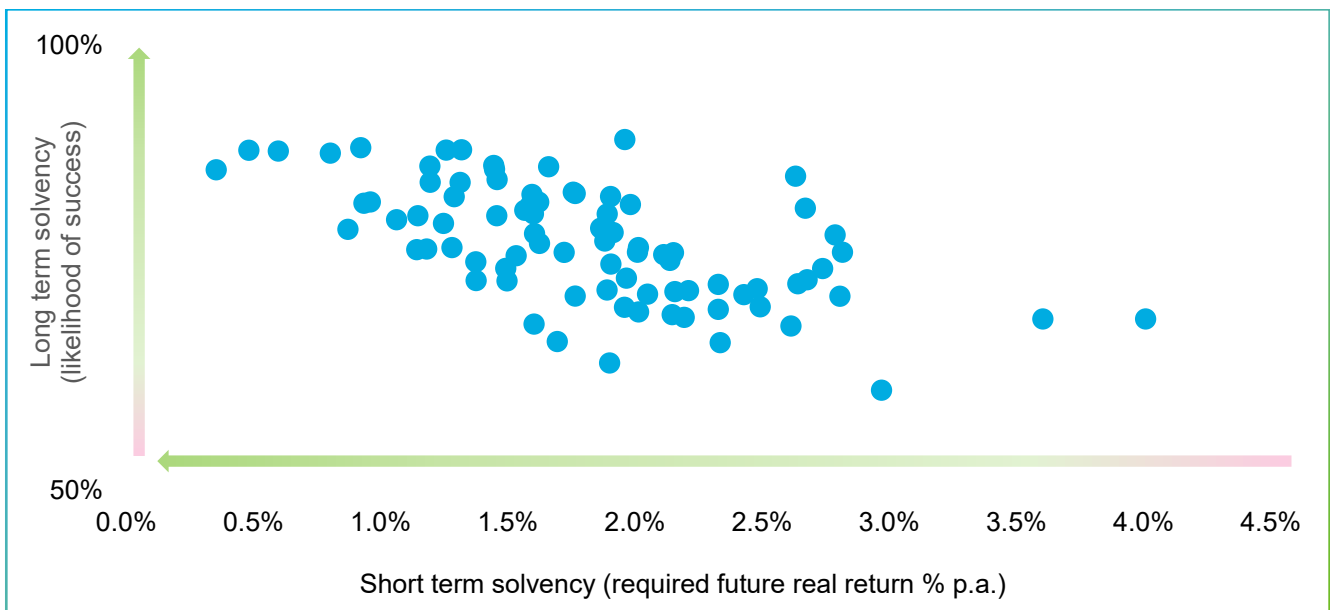


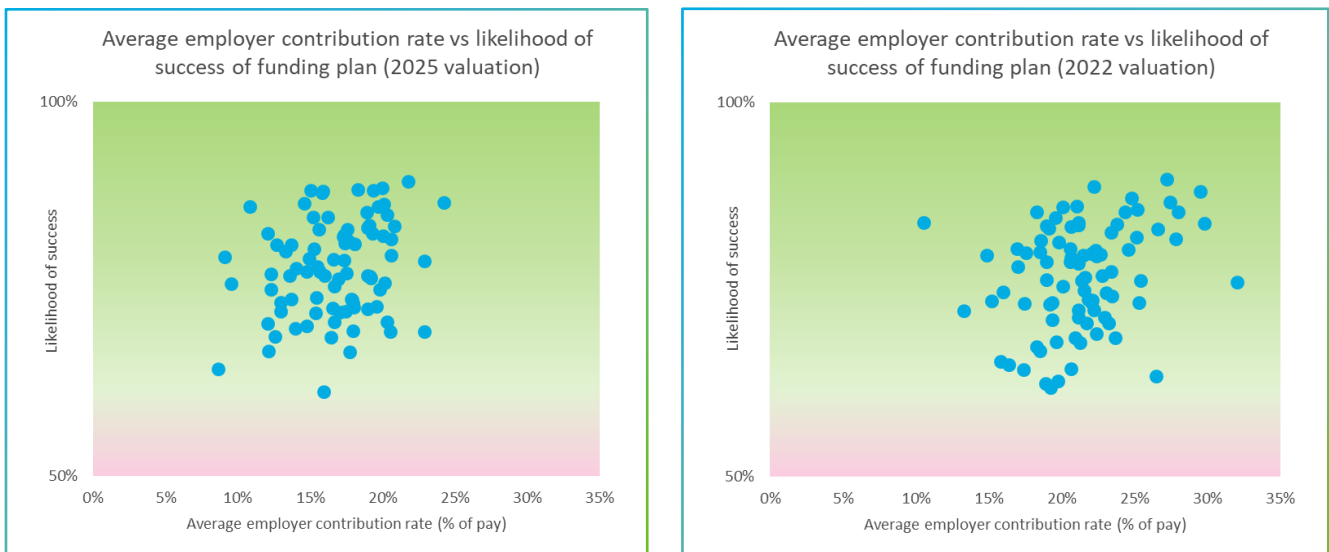
Chart 9 – analysis of short-term (required real return) and long-term (likelihood of success) solvency for each fund at 31 March 2025

This analysis shows that each LGPS fund has a funding strategy in place which secures the fund’s solvency. Even those with a high required future real return have a funding strategy which achieves a sufficiently high likelihood of being fully funded (greater than 50%) in the long-term.

Long-term cost efficiency

While solvency is relatively straightforward to evidence, with a clear objective of being fully funded over time, evidencing long-term cost efficiency (LTCE) is more complex and is driving significant debate across the LGPS. The scheme is currently reporting a surplus. This creates greater choice for funds and, in turn, wider variation in views on how that surplus should be managed over the long term for the benefit of both today’s generation and future ones.

To assess how LTCE is being approached in practice, we have compared the funding strategy adopted by each fund at the 2025 valuation with those in 2022, considering the relationship between long term likelihood of success and average employer contribution rates at both valuation dates.



Charts 10 – likelihood of success of funding plans set at 2025 valuation (left hand side) compared to 2022 valuation (right hand side)

The charts show a clear leftward shift in the cluster between 2022 and 2025, reflecting lower employer contribution rates at the 2025 valuation and evidence that today’s generation are benefitting from the strong funding position. However, there is no material change in the vertical position of the cluster, indicating that this reduction has not materially altered funding risk or transferred cost to future generations. Overall, the LGPS’s LTCE position appears broadly unchanged from 2022.

Key takeaway:



Each LGPS fund has a funding strategy that delivers solvency and long-term cost efficiency.

Final reflections

The 2025 valuations demonstrate that the LGPS is delivering strong outcomes for members and employers while managing risks responsibly. The scheme’s headline funding strength at 2025 depends on future investment returns that have not yet been earned and are not guaranteed. As a result, funds are carefully balancing affordability, stability and intergenerational fairness, while reflecting their own local circumstances and views.

Overall, the LGPS is well-positioned for long-term sustainability for the 7 million members and 20,000 employers who rely on it to provide adequate and fair pre- and post-retirement benefits.



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Analysis based on publicly available information for each LGPS fund: primarily the 2025 valuation final report, Funding Strategy Statement and Investment Strategy Statement. Charts 1, 3, 7, 9 and 10 use results calculated by Hymans Robertson. We have made necessary approximations in our calculations due to the data available, however we believe that these do not materially affect the key messages and conclusions. The likelihoods of success are calculated using Hymans Robertson's economic scenario generator calibrated to 31 March 2025 market conditions. Alternative economic scenario generators may lead to different results.

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