

Briefing note

LGPS 2025 valuations: a strong outcome in a complex environment



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The publication of the 2025 Local Government Pension Scheme (LGPS) valuations in England and Wales marks another significant milestone for the scheme – and one that deserves to be understood in its proper context.

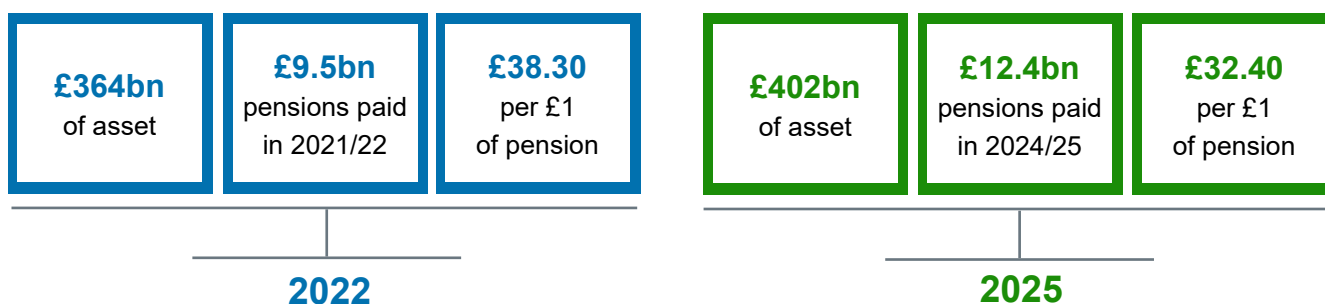
Recent commentary has focused heavily on the headline size of LGPS assets and the idea that the scheme is sitting on large, easily distributable surpluses. While eye-catching, this narrative risks missing the reality of what the valuations actually show.

The 2025 valuations demonstrate a scheme that has performed well through a period of exceptional economic uncertainty, delivering strong outcomes for members and employers alike, while continuing to manage risk responsibly.

Headline assets do not tell the full story

The LGPS is often described as holding “more money than ever before”. In absolute terms, that is true – but absolute figures alone are not a meaningful measure of funding strength.

When assets are viewed relative to the benefits the scheme is paying, the picture changes. Using pensions paid as a proxy for accrued benefits, the LGPS is not holding materially more money per pound of pension at 2025 than it did at the previous valuation¹. In fact, the amount held has fallen.



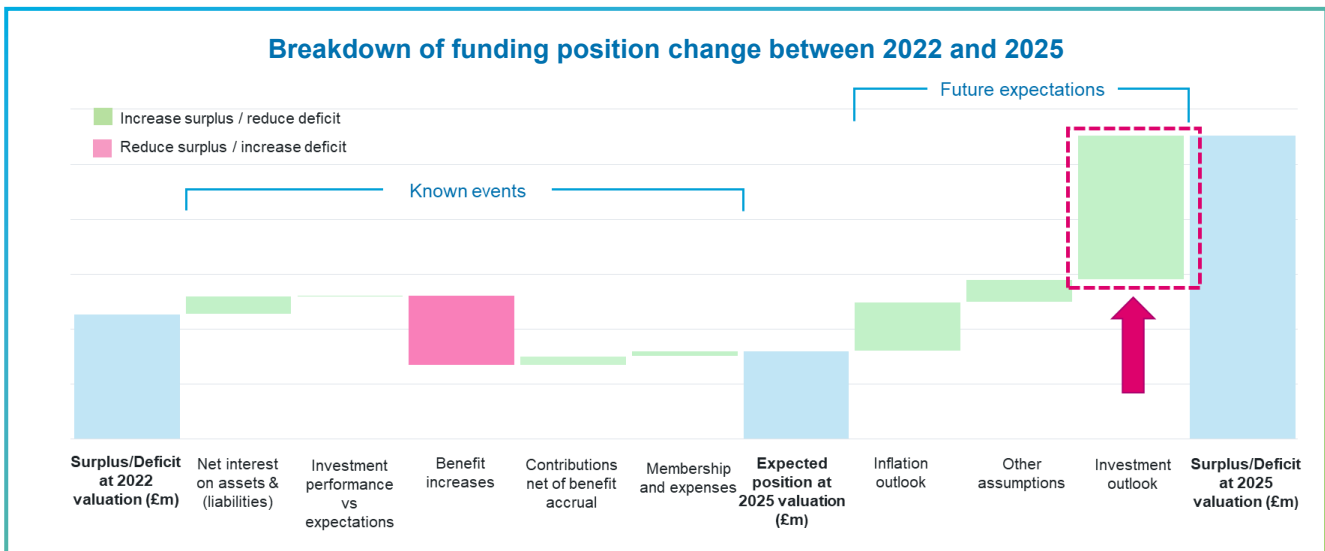
This reflects the reality of the last three years: investment returns broadly in line with expectations, combined with increases in benefits driven by high inflation.

¹ [MHCLG, Official statistics: LGPS funds for England & Wales 2024 to 2025](#)

Why past service surpluses are the hot topic of the 2025 valuations

Despite their name, the answers are not in the past, but in expectations for the future. Reflecting the changing economic environment, many funds have adopted higher long-term expected investment returns at 2025 compared to 2022. These higher expectations improve funding levels and generate larger surpluses.

The chart below shows the impact of actual experience since 2022 (under ‘Known events’) and views about the future (under ‘Future expectations’) on the 2025 valuation result – noting the change in investment outlook is the key driver of funding improvement.



Source: 2025 valuation results for a sample fund advised by Hymans Robertson.

It is important to be clear: these are **expected** returns, not guaranteed or already earned outcomes. LGPS funds have reflected this improved outlook in lower contribution rates for employers. **We estimate that the LGPS average contribution rate will fall from around 21% to 16-17% of pay following the 2025 valuations.** However, these reductions have been done with care, recognising that these expected returns must be delivered over the long term.

Prudence is about balance, not caution for its own sake

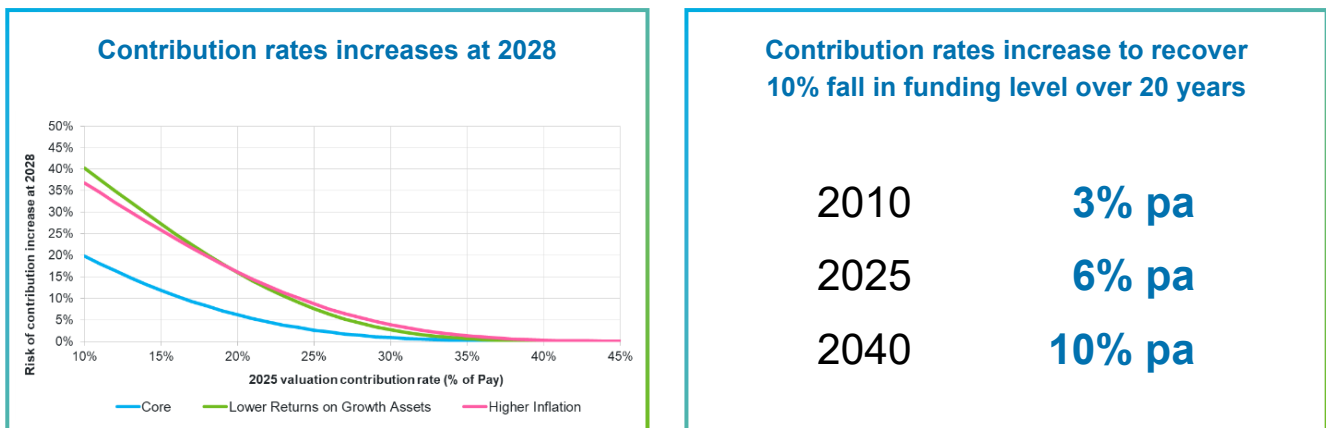
As a result of this careful approach, some external commentary has characterised the LGPS as being too prudent. This oversimplifies a far more nuanced set of decisions.

Prudence in the LGPS is not about locking money away unnecessarily. It is about balancing two equally important objectives:

- Keeping employer contributions affordable today; and
- Maintaining stability so that rates do not need to rise sharply in future.

Reducing contributions too aggressively now, based on optimistic future assumptions, risks creating exactly the kind of instability and regret employers want to avoid at the next valuation. As the LGPS matures over time, and the ratio of accrued benefits to payroll increases, the impact of funding shocks on employer contribution rates and budgets will only increase (see right-hand side table below), making this balance even more important.

For this reason, funds have tested their 2025 outcomes against a wide range of risks – including lower investment returns, persistent inflation, market volatility and geopolitical uncertainty – to ensure contribution decisions remain robust. The chart on the left below is a sample of such testing. It shows the risk, under three different economic scenarios, of contribution rates having to increase at 2028, with the risk increasing significantly where rates at the 2025 valuation move towards single digit levels.

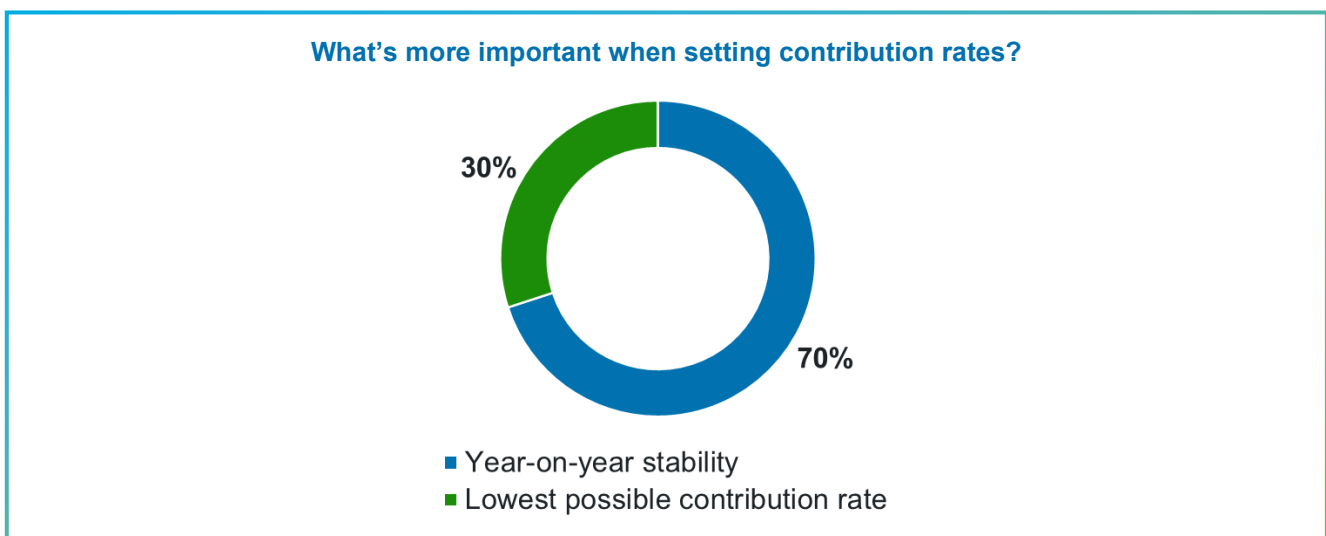


Source: Contribution modelling carried out by Hymans Robertson for a sample LGPS fund.

Different employers, different priorities

Another feature of the 2025 valuations is increased variation in outcomes between funds, and across employers. This is sometimes portrayed as a weakness. In fact, it is a strength.

Employers across the LGPS do not all want the same thing. Their priorities will vary, with some prioritising the lowest possible contribution rate, while others place greater value on year-to-year stability and predictability. In February 2026, we asked Local Government Finance Officers across the LGPS a series of questions about the 2025 valuation. The chart below is based on the results of the survey.



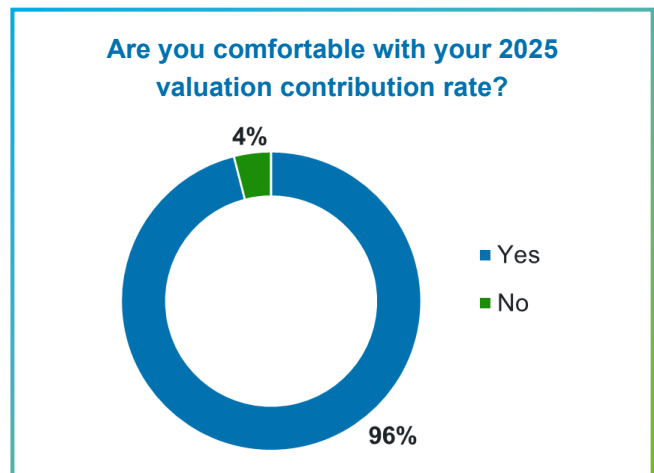
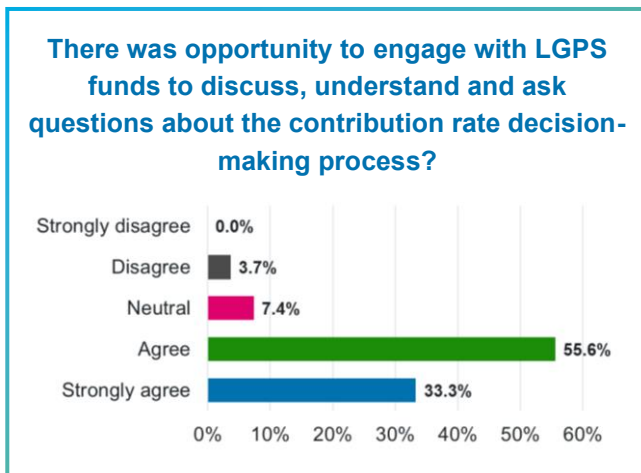
Source: Survey of Local Government Finance Officers who participate in funds advised by Hymans Robertson.

Funding positions, investment strategies and employer profiles also differ materially between funds. Uniform outcomes would imply uniform risks and uniform preferences – something that simply does not exist across a scheme of this scale and diversity.

Strong engagement and high confidence in outcomes

What matters most is whether employers understand and support the outcomes they have received.

Our survey suggests that the 2025 valuations perform strongly on this measure. Engagement between funds and employers has been extensive, reflecting the complexity of the environment and the importance of transparency of decision-making. Employers report high levels of comfort with both the process and the contribution rates set.



Source: Survey of Local Government Finance Officers who participate in funds advised by Hymans Robertson

A clear success story

Taken together, the 2025 valuations underline the strengths of the LGPS:

- nearly seven million members continue to receive benefits that deliver adequacy and fairness in retirement;
- between 2022 and 2025 and during a cost-of-living crisis, benefit levels have increased by almost 20%;
- around 22,000 employers rely on the LGPS to provide a pension provision solution that helps attract and retain staff to deliver public services; and
- employer contribution costs are reducing to levels not experienced for well over 20 years.

In a highly uncertain economic environment, that is not a story of excess or over-caution. It is a story of a scheme doing its job well – delivering for members, supporting employers, and planning responsibly for the long term.

More to follow

Over the coming weeks, we'll be sharing further reflections on the LGPS 2025 valuations. Keep an eye out for our 2025 Big Picture report, which will contain plenty of insights about the results across the scheme.

In the meantime, if you wish to discuss the contents of this note further, please contact Rob at robert.bilton@hymans.co.uk or your usual Hymans Robertson consultant.

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