

# You and your LGPS fund – time to work together?

## What's the opportunity for councils?

- Councils have **cut services and used reserves** to balance the books for the 24/25 financial year - they face even bigger challenges for 25/26.
- Their LGPS pension funds, on the other hand, **are much better funded** than they expected to be when contributions were set in 2022.
- Contributions won't change until 1 April 2026, but reducing them now would **help balance budgets** and make a **material difference**.
- Councils pay £7bn<sup>(2)</sup> of LGPS contributions a year. Using some LGPS surplus instead can **help bridge the local authority funding gap**.

Total LGPS estimated<sup>(1)</sup>  
low-risk pension surplus:



c.£30bn

Annual local authority  
funding gap<sup>(2)</sup>:



c.£3bn p.a.

→ A **small contribution reduction** for your council could help you make **significant revenue savings**.

## Can this be done?

- **Yes, LGPS funds have the power reduce contributions**, even between valuations. The LGPS regulations allow it and councils can ask for reductions.
- But the LGPS is not geared up to automatically offer help, so councils will have to be **proactive**, make a **convincing case** via a **formal request**.

Sources: (1) Isio's LGPS (England & Wales) Low Risk Funding Index – 30 April 2024, (2) BBC, Local Government Association reports – average annual for FY 24/25 and 25/26.

## Why will this work?

- A convincing case needs to reflect the **benefits for both parties**, for example:

### Materiality

Meaningful reductions for councils are small reductions for funds

### Cost efficiency

Every £ not tied up can prevent local service cuts and the knock-on impact of them

### Precedent – the private sector

During Covid, private sector trustees allowed employers to reduce contributions

### Precedent – forward thinking funds

Some councils have agreed contribution reductions with their fund

### Levelling up

Allow councils to build liquid reserves to support future local investment

- A meaningful pension contribution reduction for councils **will not affect benefit security.**
- And reductions can be structured to find **the best balance between council and scheme funding.**



**We think LGPS members might prefer extra money going towards local services if their fund has more than enough.**

**What do you think?**

## Get in touch

If you're a council, we'd love to hear what you could achieve with some help from your fund. **Isio has a track record** helping councils put their case to LGPS funds – we'd be happy to talk through your options.

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