

60-second summary

Employer engagement at the 2025 valuation



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Changes in the economic environment since the 2022 valuation have created greater uncertainty around market expectations of the future and, ultimately, where contribution rates will land for employers following the 2025 valuation. Employer expectations are likely to differ. Early engagement will help bridge the expectation gap and allow funds to start the 2025 valuation on a positive foot.

The expectation gap

Employers that have participated in the LGPS for a long time may have predominantly experienced increases to their contribution rates following each actuarial valuation. These employers may expect to see further increases in contribution rates at the 2025 valuation, as a continuation of their experience.

On the other hand, LGPS employers who are aware of the change in the economic environment since the 2022 valuation may understand that funding levels and surpluses have grown. They may also have observed surpluses in their accounting reports. These employers might expect large reductions in contribution rates at the 2025 valuation, to reflect growing surpluses.

It is therefore possible that a significant expectation gap could exist across LGPS employers as we approach the 2025 valuation.

Closing the gap

LGPS funds are working to bridge the expectation gap by commencing engagement with employers now (ahead of the valuation date), by facilitating the following:

- **Employer forums** – an excellent way of communicating to a large group of employers. The ability to facilitate online meetings creates opportunities for reassessing the format of these to increase engagement.
- **Early warning reports** – providing employers with an early indication of the 2025 valuation position. This is a powerful tool for reinforcing positive employer engagement.
- **Wider risk updates** – providing employers with important narrative around the new funding era we are in, and the risks being considered by the pension fund as it sets strategy at the 2025 valuation.

- **Early consultations on Funding Strategy Statements (FSSs)** – new [guidance](#), which is currently awaiting approval from MHCLG, is expected this winter. This will allow funds to commence early engagement around the FSS prior to the valuation date.

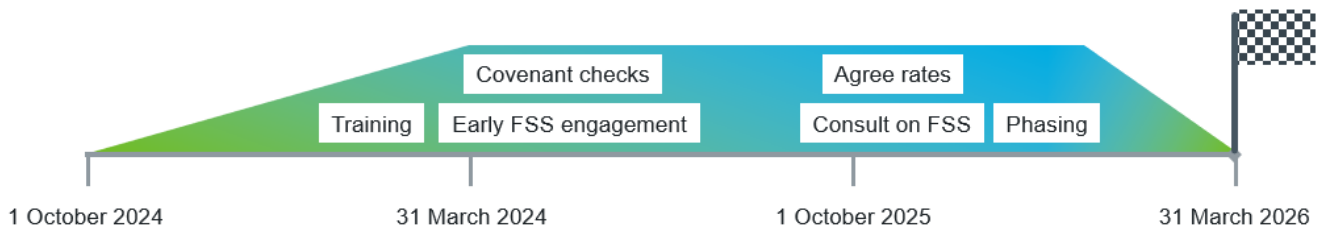
Engaged or unengaged

Having an engaged group of employers enables efficient risk management processes, as highlighted in the table below.

Engaged employers	Unengaged employers
Understand how rates are set	More likely to require one-to-one support
Have questions (and know where the answers are)	Complain about rates after the valuation
Read and understand fund policies	Seek advice from third parties
Suggest solutions (not just raise problems)	Raise unexpected objections
Provide accurate data on time	Fail to understand the importance of clean data

Setting your 2025 valuation employer engagement plan

The time is now for LGPS funds to set their employer engagement plans for the 2025 valuation. The diagram below summarises a model of early engagement, the implementation of which can help funds avoid potentially fraught and stressful consultations with employers in the autumn of 2025.



This model should lead to well informed consultations with employers in the autumn of 2025, with employers being better prepared and capable of engaging with funds in a sensible manner.

If you would like to discuss any of the topics in this summary, please do [get in touch](#).

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