



# 2022 LGPS valuation

Spotlight on continued improvement in market conditions

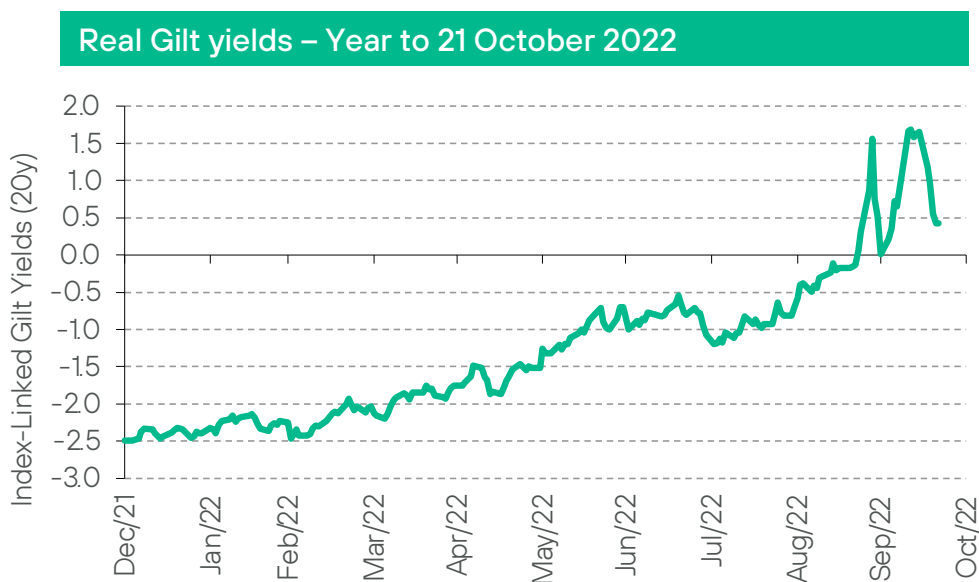


Our **third bulletin** in our LGPS valuation series showed how market conditions have improved since the 31 March 2022 valuation date, leading to an improvement in funding levels up to the end of July. Since July, the good news for LGPS funds has continued.

Isio estimates that, when looking at the national picture, the LGPS has been fully funded on a low risk basis at various points throughout September and October. **In other words, the LGPS could have moved all of its investments to gilts and removed the need for any future deficit contributions.**

The very significant improvement in LGPS funding has predominantly been driven by the increase in real gilt-yields (see below) since the 31 March 2022 valuation date.

### Interest Rates and Inflation – Update on Market Conditions



Whilst liabilities have fallen by as much as 50%, even after allowing for high short-term inflation, asset values have been quite stable leading to the much improved financial position. Importantly, LGPS funds have limited interest rate hedging which is why they will have performed particularly well in the current environment.



The current position for each local Fund and each underlying employer's notional sub-fund will be different. However, the improvement is across the board.

The improvement in market conditions requires actions and presents opportunities for both LGPS employers and Funds:

### **For employers:**

There is potential opportunity to lock in the good news to remove or reduce deficit contributions and the risk that they might increase in future. Employers may now have an affordable exit payment or even be in a surplus position on the exit basis, which is the low-risk basis. You don't necessarily need to change your pension provision in order to take advantage of this – our starting point is making your LGPS provision more sustainable.

In line with Bulletin 3, Employers can also seek to see this good news factored into their contributions from 1 April 2023, which could result in significant reduction in cash outlay.



We set out [here how Isio can help employers by undertaking a "look see" at the current position in the LGPS and setting out the options available for employers to de-risk and/or reduce contributions.](#)



### **For an LGPS fund:**

Current market levels are now significantly more attractive and could present an opportunity to efficiently de-risk by increasing allocations to Index-linked Gilts and/or Nominal Gilts and broader fixed income and credit – [read our paper that provides further detail.](#)



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## Contact

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Please contact Isio for further support using the details below.

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