

Current issues in the LGPS

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January was off to a flyer in the LGPS, with funds in England and Wales completing their final responses to the ‘Fit for the future’ consultation. The results of our LGPS National Knowledge Assessment are now available, and both actuaries and funds were I’m sure delighted to see the latest FSS guidance appear. Read on to catch up on these topics and many more!

‘Fit for the Future’ consultation

We fully understand the Government’s ambitions for the LGPS outlined in its “Fit for the Future” [consultation](#) and are strong supporters of the pooling initiative. We also see the potential for the scheme to make more investments that catalyse UK growth. However, the substantial changes in the scope and scale of the Pools represents a major undertaking, with a proposed timeline that is hazardously ambitious. This creates several risks and unintended consequences for the LGPS, which need greater scrutiny and thinking through. We’ve set out these concerns in a detailed [response](#) to each of the consultation questions.

Local investment in the LGPS

The Government has a clear aim of increasing the level of pension scheme investment into the UK. While a lot of the talk has been about financing large-scale infrastructure projects, for the LGPS, the Government’s consultation and pension investment review has focused specifically on encouraging “local” investment. This [Briefing Note](#) looks at what is proposed and pulls out our thoughts on the consultation questions.

The future of investment strategy advice in the LGPS

In addition to our consultation response above, we collaborated with LGPS funds, industry experts and service providers to co-produce a report to consider the future of strategic investment decision making in the LGPS in more detail. The report also presents a carefully designed alternative solution which better meets the needs of funds, pools and Government. To read the report please click [here](#).

SAB’s updated opinion on fiduciary duty

Although the ‘Fit for the future’ consultation (see above) has been dominating most investment agendas, January also saw the English & Welsh SAB publish its [updated opinion on fiduciary duty](#) from Nigel Giffin KC. The update captures the latest legal rulings, guidance and potential impact of the ‘Fit for the future’ consultation. This continues to be a complex issue and highlights that, whether it’s local, UK investments or

climate related factors, funds should be assessing financial factors, member support criteria and take proper advice.

Local Government – now with extra local?

In December 2024 MHCLG launched a [White Paper](#) covering its plans for the re-organisation of local government in England, with second tier Authorities – such as Borough Councils – being removed to drive efficiencies. More decision-making power is also expected to lie with local areas. This is expected to trigger extra activity for funds, such as members and assets/liabilities moving between employers and changes to Pension Board membership. Boundaries may also alter, opening the possibility of bulk transfers between funds as employers find themselves in different catchments. The devolution programme is at an early stage but worth keeping abreast of, particularly if your host authority is showing an early interest. Please keep your eyes peeled for our upcoming briefing note and webinar!

National Knowledge Assessment – the results!

On 27 January we launched our [2024 NKA National Report](#), containing the aggregated results from all participating funds. This latest NKA is our largest assessment to date, covering 22 LGPS funds and with over 250 participating members. A large cross-section of LGPS funds were represented, with English, Welsh and Scottish funds taking part. We hosted a webinar to launch the results which can be seen [here](#) on-demand.

New FSS guidance

The start of 2025 saw the release of [new guidance](#) for funds when preparing Funding Strategy Statements (FSSs). The timing of this release couldn't be better – LGPS funds can now prepare their FSSs early in the valuation process and use these to facilitate high quality consultations with employers. The guidance sets out a common structure for funds to follow, along with a helpful checklist. Its goal is to ensure that users of the FSS (principally, participating employers) understand exactly how funding strategy applies to them. Please click [here](#) to read more about what's changed since the prior guidance in 2016.

Government bond yields creep up again: what does this mean for my LGPS fund?

Long-dated government bond yields continued to increase over the last quarter of 2024 and sat above 5.0% throughout January. LGPS stakeholders may be wondering what this means for funding plans. For funds in England and Wales, the increase in interest rates is evidence of a significant shift in the economic environment since the last triennial valuation in 2022. How this change in economic environment feeds through to local funding positions and employer contribution rates will vary. The variation will reflect that LGPS funds are invested in a wide range of asset classes, not just government bonds, and that different funds will have different views about what the impact of the change in economic environment and current financial markets means for future investment returns. There is no correct answer when it comes to setting long-term funding plans; ensuring plans reflect each fund's beliefs, and supporting officers to explain outcomes clearly to employers, will be our primary focus through the 2025 valuations.

Navigating the 2025 LGPS accounting disclosures

Market conditions continue to be favourable, and therefore another year of accounting surpluses appears likely, with asset ceilings again being the hot topic for stakeholders to navigate successfully. Please get in touch with our specialists at LGPSCentralAccounting@hymans.co.uk for any assistance or questions about your disclosures or asset ceiling challenges. And the recent [consultation](#) on English local audit reform has just closed which is seeking to improve the audit system after significant backlogs arose in recent years. We keenly await the outcome and welcome the Government's aim to simplify financial reporting requirements to ensure they are proportionate.

Nothing is certain except death and taxes

On 21 January, we submitted [our response](#) to the Government's [consultation](#) on charging inheritance tax on pensions death benefits. The change is due to happen from 6 April 2027 and will affect death grants paid from the LGPS. In our response, we set out some practical concerns. In particular, we set out our view that the proposed six-month window for inheritance tax to be paid by pension scheme administrators was very short and in complex cases would be highly challenging to meet.

2025 valuation – climate scenario analysis

The English & Welsh SAB has published a [document](#) outlining the key principles for preparing climate scenario analysis as part of the 2025 valuation. In addition to comments about how the quantitative analysis should be undertaken, the principles suggest that a qualitative commentary should support the analysis. This qualitative commentary should consider the financial risks under each scenario (e.g. inflation) and how these may impact the funding level. It should also consider how a fund has identified, and managed, the financial risks it may be exposed to, along with any potential actions being taken in response to climate change.

Climate risk - levers of change

The low-carbon transition requires systemic economic change beyond individual company efforts. Asset owners can drive that change by influencing policy, engaging collaboratively and improving industry disclosures. But meaningful stewardship and engagement rely on specific, measurable and fit-for-purpose metrics. In this [article](#), our case study demonstrates a client's sector-specific approach, which used tailored metrics to align asset managers' climate goals with their own. The end result? Accountability and defined decarbonisation priorities, structured engagement and continuous monitoring to track progress.

Changes to the UK Stewardship Code

The FRC published a [consultation](#) late last year regarding its review of the UK Stewardship Code. Many LGPS funds and their asset managers or pools are signatories to the Code, which sets high standards for stewardship across the industry. The consultation includes a proposal to change the definition of Stewardship, which we'll cover in our response (the consultation closes on 19 February). The updated Code is expected to be published in the first half of 2025 and go live from 2026 – please ask our investment team about steps to transition reporting to the updated Code once this is available.

Capital markets newsletter

Our Winter [edition](#) dives into market trends for the final quarter of 2024. Sticky underlying inflation, strong US growth and expectations of an inflationary policy mix under (then) President-elect Trump made markets question how far – and how fast – interest rates will fall. Looking over all of 2024, the FTSE All World Total Return Index rose over 20% while credit spreads ended the year at historic lows.

Longevity – are we back on the pre-COVID trend?

As well as providing pension funds with Fund-specific longevity analysis, [Club Vita](#)'s experts issue a regular column with bitesize longevity analysis in the form of their favourite charts. In their latest 'Top Charts' edition, Nick Chadwick and Jill Jamieson answer the question 'Were 2024 mortality rates in England and Wales similar to the low levels seen in 2019?' The headline results suggest so, but the picture is not consistent across all age groups. Read the full article [here](#) to find out where the differences lie and how this could affect mortality projections.

Webinars and events

2025 LGPS Conference - Change of date

On **Wednesday 21 May 2025** at **Yotel, Edinburgh**. Please note the change of date. Our one-day conference is designed exclusively for LGPS officers, exploring the issues that matter to you and your stakeholders. While the Government focuses on the where and how of LGPS investments, we will shift the emphasis back to what truly matters for the LGPS - delivering positive outcomes. The event will centre around the needs of LGPS stakeholders (including officers, employers, pension committees and members) by building on the factors that make the scheme so successful. Spaces are limited. Register [here](#) to secure your place.

Upcoming webinar: Net-zero in LGPS: Articulating ambition and navigating the journey

Ben Farmer will be joined by Mhairi Gooch from Hymans Robertson as well as Mark Ingleby and Sian Eiles from Lewisham Council to discuss navigating the journey to net-zero. Join them for a focused discussion on how LGPS funds can set meaningful net-zero targets, reshape investment strategies, and take tangible steps toward progress. Register [here](#). Don't worry if you are unable to join us live, [sign up anyway](#) and you'll be able to watch on-demand at a time convenient to you.

Conference Highlights: LGPS Governance Conference – 30-31 January 2025

The LGPS rolled into sunny Bournemouth for the annual Governance Conference. There was much to discuss, including pensions adequacy, the ongoing administration challenges facing the LGPS (and the novel solutions being developed by practitioners), preparing for the 2025 valuation and the ongoing efforts to ensure that the LGPS continues to be the high-quality, well-run and affordable scheme we all know it to be. We've summarised the key points from each session in our [conference highlights](#).

In brief...

Inflation figures

The latest [ONS release](#) recorded annual headline CPI for the year to December 2024 at 2.5%, a slight reduction on the 2.6% recorded in the prior month. RPI for the same period was 3.5%.

FCA update:

- **'Regulatory perimeter':** A FCA [letter](#) to the Chair of the Treasury Select Committee includes a comment saying, '*We have been discussing whether **investment consultants** should be within our perimeter since the Liability Driven Investment crisis and we are keen to see a resolution on this soon*'. There's more on this in the FCA's updated [Perimeter Report](#).
- **Targeted support regime:** The FCA has issued a [consultation](#) setting out high level proposals for targeted support to consumers to help them to make effective, timely and properly informed decisions about their pensions.

McCloud

Following a prior consultation, new Scottish LGPS amendment [regulations](#) make a variety of changes '*to correct minor errors and to align with the policy intention*' for the McCloud remedy.

Broad comparability assessments

GAD has [updated](#) the actuarial assumptions used for broad-comparability assessments in transfers between public service schemes under the 'Fair Deal' policy. The new assumptions are in use for all cases signed off after 30 May 2024.

Pension dashboards:

- **Briefing paper:** The House of Commons library has updated its briefing paper on the subject.
- **Connection Guide:** LGA has published v1.1 of its Pensions Dashboards connection [guide](#) for LGPS funds.
- **Reporting standards:** The PDP has [said](#) that it doesn't expect to make significant changes to its draft reporting standards before asking the DWP to approve them, and that it expects to publish the final standards in the first quarter of 2025.
- **Systems testing:** The PDP has [published](#) responses to FAQs about the resources available for administrators and providers for system testing, ahead of connecting to the dashboards network.

Spring statement

The Chancellor has [announced](#) that she will respond to updated OBR economic and fiscal forecasts via a statement (not a Budget) on 26 March 2025.

Office for Local Government

The Government has [closed](#) the short-lived OFLOG.

WASPI outcome

The Government has [accepted](#) that it failed promptly to communicate increases to State pensionable age (SPA) affecting a group of women born during the 1950s. However, although it has issued a formal apology, it has decided against introducing a financial compensation scheme.

Virgin Media vs NTL case

LGA's understanding is that HM Treasury does not believe the above case expressly addresses whether actuarial certifications are required for relevant amendments to public service schemes. Such amendments are made by legislation and remain valid until revoked or repealed. HMT is due to issue an update once it has completed its assessment.

Pension orders on divorce

The Law Commission is [considering](#) whether there's potential for reform of pensions orders, and whether they're underused when dividing up matrimonial assets.

Pay in lieu of pensions

According to various press reports, the Cabinet Office is reviewing "*the balance between pay and pensions*" across public sector pension schemes. Pay rises could be granted in return for lower pensions. HM Treasury has not yet been consulted on the idea.

Scottish Club transfers

LGA has published a Club transfers out and McCloud [guide](#) and an associated calculator to help Scottish funds to process Club transfers for members protected by the McCloud underpin.

New pensions minister

[Torsten Bell](#) has taken on the dual role of Pensions Minister and Parliamentary Secretary to the Treasury (replacing Emma Reynolds, in a round of moves following the resignation of Tulip Siddiq).

Pension fund clearing exemption

HMT has [reported](#) on the outcome of its review of the 'temporary' exemption of pension funds from the obligation to clear certain derivative contracts through central counterparties. The exemption, which was due to expire on 18 June 2025, will be maintained, with legislation brought forward to that end.



SAB's annual review

The English & Welsh SAB has [published](#) its first annual review, covering the 2024 calendar year. It covers the key work undertaken by the Board, its committees and working groups, and how its budget has been spent.

LGPS priorities for 2025

And finally, if case you missed it, we dusted down our crystal ball to [predict](#) what funds will prioritise this year across different disciplines (actuarial, investments, governance, administration and projects).

Appendix

'Fit for the Future' consultation

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future>

<https://www.hymans.co.uk/media/gihnsyk5/lgps-fit-for-the-future-consultation-hymans-robertson-llp-response.pdf>

Local investment in the LGPS

<https://www.hymans.co.uk/media/pe0j5ug5/hymans-robertson-policy-briefing-note-local-investment-in-the-lgps.pdf>

The future of investment strategy advice in the LGPS

<https://www.hymans.co.uk/media/tathhm3d/the-future-of-investment-strategy-advice-in-the-lgps.pdf>

SAB's updated advice on fiduciary duty

https://lgpsboard.org/images/LegalAdviceandSummaries/Jan2025_Updated_opinion_on_fiduciary_duty_in_the_LGPS.pdf

Local Government – now with extra local?

<https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper>

National Knowledge Assessment – the results

<https://www.hymans.co.uk/media/rosfwc3/hymans-robertson-lgps-national-knowledge-assesment-2024-report.pdf>

<https://event.on24.com/wcc/r/4819745/D003BBD567526B2B5C49742EE46B7DDA>

New FSS guidance

https://lgpsboard.org/images/Guidance/FSS_guidance_Final_January_2025.pdf

<https://www.hymans.co.uk/insights/60-second-summary-guidance-on-preparing-the-funding-strategy-statement>

Navigating the 2025 LGPS accounting disclosures

LGPSCentralAccounting@hymans.co.uk

<https://www.gov.uk/government/consultations/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england>

Nothing is certain except death and taxes

<https://cms.hymans.co.uk/media/koaljtsm/hymans-robertson-inheritance-tax-consultation-response-2025.pdf>

<https://www.gov.uk/government/consultations/inheritance-tax-on-pensions-liability-reporting-and-payment/technical-consultation-inheritance-tax-on-pensions-liability-reporting-and-payment>

2025 valuation -climate scenario analysis

<https://www.lgpsboard.org/images/Guidance/Climate%20Risk%20Reporting%20Principles%20January%202025%20final.pdf>

Climate risk - levers of change

<https://www.hymans.co.uk/insights/levers-of-change-using-engagement-to-drive-meaningful-change?>

Changes to the UK Stewardship Code

<https://www.frc.org.uk/consultations/stewardship-code-consultation/>

Capital markets newsletter

https://www.hymans.co.uk/media/kbrbefhs/capitalmarketsupdate_winter2025.pdf

Longevity – are we back on the pre-COVID trend?

<https://www.clubvita.net/uk/events>

<https://www.clubvita.net/uk/news-and-insights/top-charts-25-01-were-2024-mortality-rates-in-england-wales-actually-similar-to-those-in-2019>

Webinars and events

<https://web.hymans.co.uk/hymanscouk-atwsv/pages/cbckxb0gee46aaismdqjw.html?PageId=c524177020bdef11b8e8002248c7508f>

<https://www.hymans.co.uk/insights/net-zero-in-lgps-articulating-ambition-and-navigating-the-journey>

<https://event.on24.com/wcc/r/4784224/74CEE3823D2BC2DB1B82C8968ED4BA4C>

<https://cms.hymans.co.uk/media/5wqkjgtp/conference-highlights-lgps-governance-conference-30-31-january-2025.pdf>

In brief...

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2024>

<https://committees.parliament.uk/publications/45928/documents/228193/default/>

<https://www.fca.org.uk/publications/corporate-documents/perimeter-report>

<https://www.fca.org.uk/publications/consultation-papers/cp24-27-advice-guidance-boundary-review-targeted-support-reforms-pensions>

<https://www.legislation.gov.uk/ssi/2024/374/contents/made>

<https://www.gov.uk/guidance/important-info-broad-comparability-assessments>

<https://lgpslibrary.org/assets/gas/uk/LGPS%20Pensions%20Dashboards%20connection%20guide%20v1.1%20clean.pdf>

<https://www.pensionsdashboardsprogramme.org.uk/publications/blogs/reporting-standards-what-they-are-whats-been-updated-and-next-steps>

<https://mailchi.mp/maps/faqs-system-testing-resources>

<https://questions-statements.parliament.uk/written-statements/detail/2024-12-16/hcws315>

https://assets.publishing.service.gov.uk/media/675c0e560fb02bbe4853eed6/Closure_of_the_Office_for_Local_Government_Oflog_.pdf



<https://assets.publishing.service.gov.uk/media/6761435126a2d1ff18253409/government-response-to-the-parliamentary-and-health-service-ombudsmans-investigation-into-womens-state-pension-age-and-associated-issues.pdf>

<https://lawcom.gov.uk/project/financial-remedies-on-divorce/>

https://lgpslibrary.org/assets/gas/uk/Club_TVOUT_guide_V1.pdf

<https://www.gov.uk/government/people/torsten-bell>

https://assets.publishing.service.gov.uk/media/677e986c6f01ae28ab5c0505/Pension_Fund_Clearing_Exemption_Call_for_Evidence_Response.pdf

[https://lgpsboard.org/images/Home/Annual review/SAB Annual Review 2024.25.pdf](https://lgpsboard.org/images/Home/Annual%20review/SAB%20Annual%20Review%202024.25.pdf)

<https://www.hymans.co.uk/media/fvygfcem/hymans-robertson-key-priorities-for-the-lgps-in-2025.pdf>



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