

Current issues in the LGPS

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It feels like a waiting game now in the LGPS. A raft of consultations is due, on stage 1 of the Pensions Review and as MHCLG tackles its backlog. You might like to use the current ‘spare time (!)’ to focus on your 2025 valuation and consider how to manage various risks. And help is at hand to get your fund fully compliant with the McCloud remedy.

Carden Park – conference highlights

Another lively and popular LGC Investment Seminar was held in Cheshire last week, as LGPS stakeholders met to discuss a host of topical issues. You can catch up on the highlights [here](#). As we enter the 2025 valuation year, our own Rob Bilton had a sneak peek at the challenges of managing the upsides and the downsides. Funding positions will be higher, but regret may be felt later if employer contribution rates are lowered too quickly. The prudence margin will be a key lever for funds to agree.

Spring Statement 2025

Despite some ‘pre-match’ speculation, the Chancellor’s [statement](#) on 26 March was a damp squib from a LGPS perspective. There was just a passing mention about pension reform. The response from the Pensions Minister to a [Parliamentary question](#) on 25 March said that the Government’s response to the ‘Fit for the future’ consultation would be provided in Spring 2025, with the second phase of the pensions review (covering adequacy of benefits) following ‘in due course’.

New Scottish exit credit regime

From 2 April 2025, new [Scottish amendment regulations](#) mean that Scottish LGPS funds must now exercise their discretion to determine the amount of exit credit due to be paid to any employers that leave with a surplus. The new regulations are almost a mirror image of those that have been in place in England and Wales since 2020. This [60 second summary](#) tells you everything you need to know about these new regulations and suggests some next steps. Please speak to your fund actuary if you need any implementation support.

Intervaluation contribution rate reviews

MHCLG recently [wrote](#) to administering authorities in England & Wales to reiterate that funding level improvements, due to favourable changes in market conditions, should not trigger intervaluation contribution rate reviews. As a reminder, new ‘employer flexibility’ regulations in 2020 allowed the review of employer



contributions between valuations under very limited circumstances. This was supported by MHCLG [statutory guidance](#), SAB [non-statutory guidance](#) and a further [statement](#) providing advice on managing surpluses. The letter concludes by saying that MHCLG intends to consult on changes that will align the regulations in this subject. We recommend that funds continue to engage with employers seeking a review and consider any requests in line with the available guidance and the Fund's own FSS.

2025 valuations have sprung

Signs of spring can only mean one thing...the 2025 valuation has arrived! Over the coming year, we will be working hard alongside officers to make the 2025 triennial valuations a huge success for all English & Welsh funds. Keep your eyes and ears open for further information and support over the coming weeks including the launch of our exciting new Valuation Hub. Please get in touch with your usual Hymans contacts with any questions in the meantime.

Tailored employer investment strategies

The funding environment for this year's LGPS valuations offers funds an opportunity to consider all the tools available to meet employer needs. Many funds are recognising the differing funding profiles and risk appetites of employers by operating a variety of investment strategies. For example, the objectives of a large local authority can be very different to those of a small charity that's, say, looking to manage an exit from the LGPS. Discussing options early in the valuation year with your actuary and investment consultant can allow time to align funding and investment strategies at employer level ahead of your FSS consultation in the autumn/winter.

Caution: check your HEAT

We're on the home straight with final data arriving for the year to 31 March 2025. Once employer cashflows are confirmed through the Hymans Employer Asset Tracking (HEAT) system we use them for, well, everything: accounting, triennial valuations, new or ceasing employers, or cross-checking member data. With our monthly verification of cashflows, there is little risk of surprises in this final quarter. Checking for consistency from month to month and reconciling one-off items like exit payments provides reassurance that all employers have an accurate and current asset position. Contact your actuary for more information about how HEAT frees up officer resource throughout the year.

March-ing onto the next accounting exercise

As we pass the 31 March 2025 accounting year end, market conditions continue to be favourable. This means that more LGPS employers than ever before are likely to be in a net asset (surplus) position. Auditors now typically expect asset ceiling calculations to be carried out, to help employers understand how much (if any) of their surplus can be disclosed on their year-end balance sheets. To find out more about asset ceiling calculations, reach out to our accounting specialists at LGPSCentralAccountingTeam@hymans.co.uk

Checking your RI health

Welcome to our new Responsible Investment (RI) Health Check tool! We collect initial data via an online questionnaire and use it to evaluate how well ESG/RI is integrated into your fund across four broad areas of the investment process: 1. Governance and education, 2. Policy and strategy, 3. Implementation and ownership, and 4. Monitoring and reporting. In addition, the interactive tool provides a holistic view of two key thematic areas (Climate and Stewardship). The results and recommended actions can help with stakeholder engagement and support further RI integration. Our [article](#) provides further detail.

Spotlight #1 - longevity:

- **Tackling metabolic health**

As well as providing pension funds with longevity analysis, Club Vita regularly host webinars to explore emerging trends in longevity risk. In their latest webinar, the panellists take a deep dive into metabolic health. The rise in sedentary lifestyles, obesity and poor metabolic health could be the largest obstacle for increasing future longevity for LGPS pensioners. The panellists explore the role that weight loss drugs can play in tackling this problem and the importance of lifestyle changes, especially nutrition. If you missed the episode, you can catch up [here](#).

- **Life expectancy changes - UK population vs LGPS**

The Office for National Statistics (ONS) has updated its [national life tables](#). Tables are published annually and set out [period life expectancy](#) by age and sex for the UK. Whilst life expectancy estimates for 2021 to 2023 are still below the pre-pandemic level for both males and females in the UK, [analysis from Club Vita](#) suggests that members of LGPS funds have been somewhat insulated from some of the health effects we've observed in the wider UK population. Further information can be found in the [LGPS Life Expectancy Index](#), where Club Vita have worked with the English & Welsh LGPS Scheme Advisory Board to communicate the evolution of life expectancy amongst LGPS pensioners in a simple and informative way.

Spotlight #2 – McCloud remedy

- **Determination deadline**

Before the end of August 2025, funds must consider if they wish to make a determination to extend the McCloud implementation phase for any of their members. It's a key decision and we have recently published a [blog](#) setting out the main things LGPS funds need to be thinking about before this deadline.

Launch of LGPS handbook

The blog above also provides details about our upcoming McCloud handbook. It's a detailed resource covering everything that you need to know about the remedy – calculations, retrospection, implementation, tax and more. We are launching this through two live demonstrations and would be delighted if you could join us:

LGPS England and Wales (11 April) – click [here](#) to register

LGPS Scotland (25 April) – click [here](#) to register

- **Delays in divorce calculations**

The [BBC reported](#) in late March that members of the Teachers' Pension Scheme (TPS) have commenced legal proceedings against the Department for Education over delays providing cash equivalent values for divorce proceedings. TPS has acknowledged that the delays are due to complex new requirements under the McCloud remedy. Whilst the LGPS has managed to avoid court cases on the McCloud discrimination ruling, this new challenge highlights the ongoing risk to public service pension schemes on this matter, and the need for administrators to have robust plans to implement the remedy.

Events, webinars and training

Together, focusing on LGPS stakeholders

We're delighted to be hosting our one-day conference '[Together, focusing on LGPS stakeholders](#)' on Wednesday 21 May at Yotel, Edinburgh. This conference is designed exclusively for LGPS fund officers,

exploring the issues that matter to you and your stakeholders. Spaces are limited so register [here](#) to secure your place.

In brief...

Inflation figures

The latest [ONS release](#) recorded annual headline CPI for the year to February 2025 at 2.8%, a slight reduction on the 3.0% recorded in the prior month. RPI for the same period was 3.4%.

Annual pension increase

The [Pensions Increase \(Review\) Order 2025](#) provides uplifts to LGPS pensions, with effect from 7 April 2025, by 1.7% (based on headline CPI over the year to September 2024).

Pension dashboards

The PDP has [confirmed](#) that 3 providers (including Heywood) have completed their connection stages to the dashboard ecosystem. It also released the latest set of FAQ's about integration testing and published Data, Technical and Reporting standards.

LGPS allocation to UK equities

The Local Government Minister confirmed, in response to a [Parliamentary question](#), that the LGPS invests around 9% of its total assets in UK equities, compared to over 20% a decade ago.

Fiduciary duty

It's been [reported](#) that legal advice from Natwest Cushon & Eversheds suggests that is reasonable for pension funds to take into account members' future standard of living in retirement when making investment decisions.

Identity verification

New legislation, outlined in a policy paper, will impose identify verification obligations on UK company directors (including directors of corporate trustees). It's expected to begin to take effect later this year.

Member contribution rates in unfunded schemes

Contribution rates paid by employees in some unfunded public service schemes are increasing from 1 April 2025. For further background, a [policy paper](#) covering changes to the Teachers' Pension Scheme is worth a read.

Regulatory systems

HM Treasury has published a [policy paper](#) on getting the regulatory system to support growth and innovation. The paper's Appendix includes a list of pledges from TPR that are implementable within the next 12 months. The Exchequer Secretary to the Treasury has also [announced](#) plans to modernise HMRC.

Scheme Advisory Board letter

The English & Welsh SAB has [written](#) to the Pensions Minister to request that the Government, 1) uses regulations to settle, retrospectively, the Virgin Media issue, 2) raises the limit on payments to small estates, without grant of probate, from £5,000 to £20,000 (and inflation-link it thereafter), and 3) urgently provide a timetable for phase 2 of its Pensions Review.

Investing in the defence industry

The Pensions Minister has responded to two Parliamentary questions – [here](#) and [here](#) - on the subject of pensions investment in the defence industry.

National Wealth Fund

The Government has issued a [policy paper](#) setting out its strategic priorities for the NWF, and [announced](#) the creation of a new forum aimed at fostering greater collaboration between public financial institutions and government departments.

Section 13 report for NILGOSC

The Government Actuary's Department (GAD) has [published](#) its section 13 report on the results of the 2022 valuation of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) fund.

Scottish LGPS event

A conference for Scottish funds was held in St Andrews last month. It was called 'Creating a Sustainable Future for Scottish LGPS', with discussion focused on how funds can achieve greater collaboration, especially around areas like infrastructure, local investment and green initiatives.

Professional trustees

TPR has [announced](#) plans for a '*framework for oversight of professional trustees*'. It also [published](#) a market oversight report based on work with 11 of the largest trustee firms.

Ethical investing

In response to a written Parliamentary [question](#), MHCLG has said that it won't reintroduce the *Economic Activity of Public Bodies (Overseas Matters) Bill*. The Bill would generally have prevented LGPS funds from making investment decisions indicative of political or moral disapproval of foreign-state conduct.

Pensions tax

New [regulations](#) covering public service pension make provision for the tax treatment of unauthorized payments, where issues arise from the remedy for McCloud discrimination. They also contain a part covering 'miscellaneous provisions'.

Appendix

Carden Park – conference highlights

<https://cms.hymans.co.uk/media/hrxji3hy/carden-park-2025-conference-highlights.pdf>

Spring Statement 2025

<https://www.gov.uk/government/collections/spring-statement-2025#spring-statement-2025-document>

<https://questions-statements.parliament.uk/written-questions/detail/2025-03-20/40109>

New Scottish exit credit regime

<https://www.legislation.gov.uk/ssi/2025/48/contents/made>

<https://www.hymans.co.uk/media/glifckc4/60-ss-new-scottish-lgps-exit-credit-regime.pdf>

Intervaluation contribution rate reviews

<https://lgpsboard.org/images/MinisterialLetters/10.03.25%20Letter%20from%20Michelle%20Warbis%20LGPS%20to%20LGPS%20Administering%20Authorities.pdf>

<https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-local-valuation-cycle-and-management-of-employer-risk/outcome/guidance-on-preparing-and-maintaining-policies-on-review-of-employer-contributions-employer-exit-payments-and-deferred-debt-agreements>

<https://www.lgpsboard.org/index.php/empflexm>

https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf

March-ing into the next accounting exercise

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Checking your RI health

<https://hymans.co/investmentperspectivesfebruary2025/takingstock/>

Longevity

<https://www.clubvita.net/uk/events/event-recordings>

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2021to2023additionaldata>

<https://www.clubvita.net/glossary/period-life-expectancy>

<https://www.hymans.co.uk/insights/managing-risk-in-the-lgps-a-spotlight-on-longevity-risk>

<https://lgpsboard.org/index.php/funding-2023>

McCloud remedy

<https://www.hymans.co.uk/insights/now-s-not-the-time-to-get-mccloud-fatigue>

<https://event.on24.com/wcc/r/4917538/FA1DA05DA0B1EA117EF11E524B8B2BCD>

<https://event.on24.com/wcc/r/4917547/D68126C7472A66AA71E9B8EAC253BB5D>

<https://www.bbc.co.uk/news/articles/c5y08v0n2jyo>

Events, webinars & training

https://www.hymans.co.uk/media/of0pbvdj/2025-lgps-event_agenda.pdf



<https://www.hymans.co.uk/insights/together-focusing-on-lgps-stakeholders>

In brief...

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

<https://www.legislation.gov.uk/ukxi/2025/343/made>

<https://www.pensionsdashboardsprogramme.org.uk/publications/news/first-pensions-dashboards-participants-complete-connection-journey-to-the-ecosystem>

<https://questions-statements.parliament.uk/written-questions/detail/2025-02-25/33719>

<https://www.pensionsage.com/pa/legal-opinion-provides-further-clarity-on-fiduciary-duty-rules.php>

<https://www.gov.uk/government/publications/the-teachers-pension-scheme-member-contribution-rate-changes-2025/teachers-pension-scheme-reasons-for-changes-to-the-member-contribution-rates-2025>

<https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth/new-approach-to-ensure-regulators-and-regulation-support-growth.html>

<https://www.gov.uk/government/speeches/exchequer-secretary-to-the-treasury-20-years-of-hmrc-reflections-and-looking-ahead>

https://lgpsboard.org/images/MinisterialLetters/07032025_Welcome_letter_Cllr_Phillips_to_MfP.pdf

<https://questions-statements.parliament.uk/written-questions/detail/2025-03-10/37005>

<https://questions-statements.parliament.uk/written-questions/detail/2025-03-10/36719>

<https://www.gov.uk/government/news/chancellors-national-wealth-fund-to-deliver-growth-and-boost-security>

<https://www.gov.uk/government/publications/launch-of-the-uk-strategic-public-investment-forum/launch-of-the-uk-strategic-public-investment-forum>

https://assets.publishing.service.gov.uk/media/67ea84579110281dc1056253/LGPS_Northern_Ireland_Section_13_31Mar2022_Report.pdf

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2025-press-releases/tpr-extends-its-oversight-to-professional-trustee-firms>

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/market-oversight-professional-trusteeship>

<https://questions-statements.parliament.uk/written-questions/detail/2025-03-14/38374>

<https://www.legislation.gov.uk/ukxi/2025/419/made>



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