

Current issues in the LGPS

March 2025



Richard Warden
Partner

With responses to the ‘fit for the future’ consultation out of the way, funds have been turning their attention to other matters. Our webinar about the English devolution programme is worth a listen. And our investment team has pulled together its outlook for 2025, highlighting the key themes facing the LGPS. Other topics include a new regime for exit credits in Scotland and fresh longevity projections (for the actuary in all of us..!).

LGPS investment outlook

Welcome to our [LGPS Investment Outlook](#) – a bit later than usual, as our focus at the start of the year was [responding](#) to the Government’s *Fit for the Future* consultation. This year’s outlook explores key investment topics as we move into the 2025 England & Wales actuarial valuation year. Elsewhere, political interest in the LGPS remains strong, with continued pressure to invest in UK growth, despite shifts in terminology. Other important areas of focus include defining ‘local’ investment, implementing Mansion House reforms, and advancing net-zero commitments within the LGPS.

A revolution in Local Government devolution!

Interest continues to grow around Local Government devolution and reorganisation in England. Regular pieces are appearing in the press, with the first Authorities to go through the re-organisation process being announced. On 28 February, we hosted a webinar, with input from Jeremy Hughes (LGA), to discuss what this means for LGPS funds. You can watch the webinar on-demand [here](#). Our accompanying [briefing note](#) explores the actuarial, governance and investment implications of devolution.

A new Scottish exit credit regime

Following a recent consultation, Scottish Minsters have [confirmed](#) the expected changes to the LGPS Regulations (Scotland) to allow funds to exercise discretion when making exit credit payments. The factors that funds should consider mirror the requirements for funds in England in Wales, with an additional requirement to follow any guidance provided by Scottish Ministers for this purpose (no guidance exists at time of writing). The required [amendment Regulations](#) have been laid and come into effect from 2 April 2025. They will apply retrospectively to cessation valuations from 1 June 2018 (except in the case of exit credits already paid on or before 1 April 2025).

InflationWatch

With [headline CPI](#) ticking up to 3.0%, and the Bank of England [expecting](#) further hikes this year, our latest [edition](#) of InflationWatch considers consensus forecasts and indicators around future inflation rates and where the balance of risk lies in the outlook for inflation and interest rates. Factors affecting the outlook include food and energy prices, upcoming increases to employer National Insurance contributions and potential increases to tariffs.

Accounting update:

Virgin Media ruling on pension benefit amendments

The Institute of Chartered Accountants in England and Wales (ICAEW) has published an [article](#) about the 2024 Virgin Media ruling. The case had raised concerns about the validity of past amendments to 'contracted out' pension benefits where the required actuarial certification was not in place. The article confirms it remains unclear whether remeasurement of the 'defined benefit obligation' will be necessary. Most employer accounts are therefore unlikely to recognise a change in accounting obligations meantime due to the ongoing legal and regulatory uncertainty. HM Treasury had stated previously that it does not believe that the ruling expressly addresses whether actuarial certifications are required for public service pension schemes such as the LGPS. We await the results of their assessment.

Market conditions yield further accounting surpluses

Corporate bond yields continue to drive high discount rate assumptions for year-end accounting purposes, meaning net asset (surplus) positions are expected to continue at 31 March 2025. Recent market conditions have led to more employers than ever before having accounting surpluses. If you want further information on how to deal with these, please reach out to our accounting experts at LGPSCentralAccountingTeam@hymans.co.uk.

Environmental, Social and Governance (ESG) update:

RI News & Views

Our [latest edition](#) covers the ESG backlash and what it means for investors. Companies and asset managers alike have stepped away from climate and DEI commitments, leaving investors to challenge whether these changes are in their best long-term interest. We believe stewardship is more important than ever in this environment. We also cover reflections on the previous proxy voting season as we look ahead to 2025 and include ESG snippets to bring investors up to speed on an already eventful year to date.

UK Stewardship Code (2020) review

The FRC published a [consultation](#) in November about 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 proposes a change to the definition of Stewardship, addressed in our [response](#) to the consultation. The updated Code is expected to be published in the early summer of 2025, and go live from 2026 – please speak to our team about steps to transition reporting to the updated Code once this is available.

Longevity update:

Climate change

The human impact of climate change is highly visible. Catastrophic fires, floods and other weather events regularly hit the news. However, the impact of climate change on our lives is much broader than the weather.

Club Vita's climate change longevity scenarios take a holistic approach to its impact on longevity. First published in 2018, Vita has revised and updated its scenarios to allow for subsequent events and to readily align with other frameworks that may be used in scenario modelling. Their new paper includes the potential impact on future life expectancy and LGPS pension fund liabilities under each scenario. It's available now to LGPS funds – please look out for an email from your Fund Actuary.

New projections from the actuarial profession

The profession's Continuous Mortality Investigation ([CMI](#)) has released a consultation on proposed methods and core parameters for 'CMI_2024', the next version of its Mortality Projections Model. As well as the usual updates to the calibration data, it proposes to make four changes to how it calibrates the model to historical data. These changes aim to provide a better fit to recent data across the age range during and after the pandemic. This [blog](#) from the CMI provides further details. The consultation is open until 25 March. The CMI intends to provide an update on its plans for CMI_2024, after considering consultation responses, in April.

Events, webinars & training

Upcoming events

2025 LGPS Conference, Yotel, Edinburgh, Wednesday 21 May: 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.

LGC Investment Seminar, Carden Park, 27 - 28 March: We're delighted to be supporting this event once again this year, with our own Rob Bilton participating on a panel discussion. We look forward to seeing you there!

Recent past events

Net-zero in LGPS: Articulating ambition and navigating the journey: Ben Farmer was 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. They discussed how LGPS funds can set meaningful net-zero targets, reshape investment strategies, and take tangible steps toward progress. Click [here](#) to watch on-demand at a time convenient to you.

In brief...

Changes to member benefits

MHCLG plan to consult shortly on several changes, including (notably) the introduction of 'new' Fair Deal into LGPS regulations after a delay of more than a decade. The last attempted Fair Deal [consultation](#) was in 2019.

Neonatal care and pension rights

The Government is, from 6 April 2025, introducing [new employee rights](#) to statutory leave and pay for parents of newborns requiring extended hospital stays. Employees will have the right to return from leave with their pension rights as if they'd not been absent, on terms no less favourable than if they'd remained at work.

Fiduciary duty

In reply to a written [ministerial question](#), Jim McMahon (Local Government Minister) stated, amongst other things, that the Government remains committed to fiduciary duty remaining with local LGPS funds, and that it is key to limiting political interference in investment decisions.

LGPS access to mayors and councillors

And responding to a different [ministerial question](#), Jim McMahon stated that, as part of MHCLG's regular review of access to the LGPS, he has been approached on the above issue by representatives of local government.

TPR communications

The Pensions Regulator has published two blogs – [one](#) about tackling pension scams and the [other](#) about how it intends to implement its vision of moving to a more prudential style of regulation this year. It's also published its [data strategy](#) which sets out a collaborative and adaptive five-year plan to drive adoption of the latest technologies and standards for data.

2025 pensions increase

HMT Treasury has [released](#) its pensions increase multiplier tables for public service schemes, including the LGPS, to apply from April 2025. Pensions which have been in payment for a year will be increased by 1.7%. The associated [Order](#) has also been laid.

New head of pensions at LGA

Clair Alcock has been announced as the replacement for Jo Donnelly's previous role at the Local Government Association.

Pensions dashboards

On 5 March the House of Commons Work and Pensions Committee is due to [question](#) industry representatives, regulators and the Money and Pensions Service on progress towards the launch of dashboards. The Pension Dashboards Programme (PDP) has also published its latest set of [FAQ's](#).

New combined authorities

Four new authorities (Devon and Torbay, Hull and East Yorkshire, Lancashire, and Greater Lincolnshire) have been established via statutory instruments. Amendments have been made to the LGPS Regulations 2013 to reflect the appropriate administering authority for employees of each of the new bodies.

Appendix

LGPS investment outlook

<https://www.hymans.co.uk/media/13lky43j/lgps-investment-outlook-2025.pdf>

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

A revolution in Local Government devolution!

<https://event.on24.com/wcc/r/4861250/800DE47F801C28E940A6608EDC74BB2A>

<https://www.hymans.co.uk/media/zvalv2m3/english-devolution-what-this-mgiht-mean-for-the-lgps.pdf>

A new Scottish exit credit regime

<https://pensions.gov.scot/sites/default/files/2025-02/SPPA%20Consultation%20Response%20-%20Changes%20to%20Exit%20Credits.pdf>

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

InflationWatch

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

<https://www.bankofengland.co.uk/monetary-policy-report/2025/february-2025>

<https://www.hymans.co.uk/insights/inflationwatch-february-2025>

Accounting update:

<https://www.icaew.com/technical/audit-and-assurance/pensions/virgin-media-pension-ruling-sponsor-entity-and-auditor-considerations>

LGPSCentralAccountingTeam@hymans.co.uk

Environmental, Social and Governance (ESG) update:

<https://www.hymans.co.uk/insights/responsible-investment-news-and-views-q1-2025>

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

<https://www.hymans.co.uk/insights/uk-stewardship-code-2020-review-response-to-consultation>

Longevity update:

<https://www.actuaries.org.uk/learn-and-develop/continuous-mortality-investigation>

<https://blog.actuaries.org.uk/cmi-proposes-significant-changes-to-the-cmi-model/>

Events, webinars & training

<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>

In brief...

<https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection#:~:text=Consultation%20description,employment%20of%20a%20service%20provider.>

<https://www.legislation.gov.uk/ukdsi/2025/9780348268034>

<https://questions-statements.parliament.uk/written-questions/detail/2025-01-28/26851>



<https://questions-statements.parliament.uk/written-questions/detail/2025-02-21/32139>

<https://blog.thepensionsregulator.gov.uk/2025/02/06/working-together-to-strengthen-our-defences-against-scams/>

<https://blog.thepensionsregulator.gov.uk/2025/02/17/implementing-our-vision-what-you-can-expect-from-us-this-year/>

<https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/tpr-data-strategy>

<https://www.gov.uk/government/publications/public-service-pensions-increase-2025>

<https://www.legislation.gov.uk/uksi/2025/252/made>

<https://committees.parliament.uk/committee/164/work-and-pensions-committee/news/205538/pensions-dashboards-mps-to-examine-progress-on-onestop-shop-for-pension-info/>

<https://mailchi.mp/maps/faqs-system-testing-resources-8811881>



London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk

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