HYMANS ROBERTSON

# Current issues in the LGPS


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Get in touch

Welcome to the latest edition of Current issues in the LGPS — **12 August 2026**

Lots happening on English devolution last month, with decision letters and the first piece of LGPS guidance landing on desks. And of course, Fit for the Future reforms continue apace in England and Wales.

### IGR's – prepare to succeed

The statutory requirement for English and Welsh funds to evidence their level of governance is now here via the Independent Governance Review (IGR). The first review must be completed by 31 March 2028. With so much changing in the LGPS governance landscape, funds are planning for this review now. Working with officers, we can assess your current governance position against the guidance, and offer independent support and challenge. Please get in touch if you would like to discuss and understand the benefits of this support.

### Spotlight on devolution:

**1. Decisions, decisions……LGR moves forward**

On 16 July decision letters for all but two of the areas affected by Local Government Reorganisation in England were published. The LGPS wasn't mentioned, but nonetheless funds can certainly begin planning for the future. Our blog considers the latest developments and the questions that funds can start to ask to get ready for the inevitable impacts of LGR.

**2. Funding implications**

LGR will create a range of funding challenges for LGPS funds. These include determining the starting asset allocations for unitary authorities, setting their contribution rates, the treatment of legacy and unfunded liabilities and the impact of workflow rationalisation and early retirement strain costs on cashflow positions. Developing funding principles, with supporting analysis and documentation, will be essential for evidence-based decisions. Please pick this up with your actuary to ensure a smooth transition process!

**3. The first LGPS guidance – stick or twist?**

MHCLG has issued guidance about selecting the administering authority's governance model ahead of LGR implementation in April 2028. It included deadlines for making proposals to government. Funds seeking to adopt the single purpose pensions authority approach must decide by February 2027. This might seem a long way off, but the clock is ticking. We explore this further in our latest blog.

## 2025 local valuation results

The Scheme Advisory Board (SAB) has published a report on the above subject. It summarises funding positions, contribution outcomes and membership statistics (including gender pension gaps) across all 86 individual fund reports. The information echoes the analysis carried out in our Big Picture Report. There continues to be significant interest in the outcomes of the 2025 valuation from wider stakeholders. Your actuary can provide a tailored fund-specific Big Picture report that shows your own fund's position relative to others.

## Spotlight on investments:

**1. Tackling human rights**

Human rights issues can often translate into financial risks for investors. In some cases, a company you're invested in could be linked to a specific issue, while in others, financial consequences may emerge after many years have passed. In this blog, we cover some examples and discuss how asset owners can engage with managers to mitigate the risks.

**2. Fit for the Future – Investment Governance**

The Pension Schemes Act 2026 introduced significant changes for pension schemes, including major developments for the LGPS. English and Welsh funds are likely to face a busy 6 to 12 months as they respond to the new requirements. From an investment governance perspective, this will include updating Investment Strategy Statements and related documentation, reviewing existing processes and procedures, assessing whether they remain fit for purpose, and preparing for pooling. To help funds focus their time and resources, our briefing note sets out practical action points and areas for early consideration.

**3. Monthly Market Brief**

Middle East tensions re-escalated in early July. Global equities fell 0.3% over the month, as higher oil prices and concerns about AI-related valuations and capital expenditure weighed on markets. Check out our briefing for a review of key market drivers and asset-class performance.

**4. Sustainability Snippets**

In this month's edition, we explore the actions that asset owners can take in response to rising temperatures – particularly relevant for those of us sweltering in the summer heatwave. We also explore the UK's latest carbon budget and the pros and cons of deploying AI in proxy voting.

## New early retirement factors

The Government Actuary's Department (GAD) has released its second batch of updated factors following changes to the SCAPE rate. New early retirement factors are included in the release and determine the reduction to apply to member benefits where early retirement applies on a fully reduced basis. The factors have increased leading to members receiving bigger reductions to their benefits. The new factors take effect for all members retiring early from 1 August 2026.

## Summer accounting exercise

A key theme for many employers is understanding how the strong funding outcomes from the English & Welsh 2025 valuations translate into pension accounting disclosures. Education entities are engaging early on likely results, looking at the impact of market conditions and asset ceilings. In general, strong asset returns over the year and higher corporate bond yields have improved balance sheets compared to the prior year. Please feel free to share the recording of our recent webinar with your fund's academies and direct any queries to LGPSCentralAccountingTeam@hymans.co.uk.

## A strong start to 2026 for longevity

Club Vita has been monitoring mortality rates in England & Wales during the first half of 2026. The latest data shows that mortality rates among 65- to 95-year-olds have been lower than in both 2025 and the last pre-pandemic year of 2019, continuing the recent trend of improving life expectancy. If this trend persists for the rest of the year, it could point to stronger future longevity expectations, with implications for LGPS assumptions and liabilities.

### Artificial Intelligence and accountability

In part 2 of his blog series on AI in pensions, our digital expert Chris Varley discusses what he sees as the major tentpole of the regulator's AI plan. Human accountability.

### Events, Webinars & Training

**LGC Investment & Pensions Summit, Birmingham**

We're looking forward to attending the Investment & Pensions Summit from 9-11 September and hope to see many of you there. If you want to find out more or register your place you can do so here: https://investmentsummit.lgcplus.com/lips2026/en/page/home

**The LGPS – a success story**

The LGPS has a powerful story to tell beyond reform and scrutiny. In this special podcast episode, recorded live at our Pensions and Retirement Conference in London, we explore the strengths, impact and legacy of the LGPS.

**LAPF Investments Awards**

We're proud to be shortlisted for LGPS Service Provider of the Year at the 2026 LAPF Investments Awards. Congratulations to all other finalists and best of luck at the awards ceremony on 30 September.

# In brief…

**Inflation figures**

The latest ONS release recorded annual headline CPI for the year to June 2026 at 2.6%, down 0.2% from the prior month. Transport, and food and non-alcoholic beverages made the largest downward contributions to the monthly change.

**Fiscal risks and sustainability**

The Office for Budget Responsibility (OBR) has published its latest report on the sustainability of public finances, which includes projections around GDP growth, the impact of demographic changes and net expenditure on public service pensions.

**Ministerial appointments**

Following Andy Burnham's cabinet reshuffle, Torsten Bell has been reappointed as the Pensions Minister. Jim McMahon is returning to his prior role as Parliamentary Under-Secretary of State at MHCLG. A full list of the appointments is here.

**Updates from the Scheme Advisory Board (England and Wales):**

- 2025 actuarial valuations – a report summarising the results of the recent local fund valuations. Further comments on this are included within our 'Spotlight on valuations' article above.
- Autumn events – a programme of SAB's upcoming events to support collaboration, knowledge sharing and discussion across the LGPS.
- Code of Transparency – a final notice about the closure of the Byhiras data system on 28 August.

**Pensions dashboards**

The Pensions Dashboards Programme (PDP) has reported that the MoneyHelper Pensions Dashboard is on course and is expected to launch during 2027/28. Around 85% of personal and workplace pension records are now connected, alongside the State Pension.

**Stewardship Code**

In its latest update, the Financial Reporting Council (FRC) confirmed that there are now 290 signatories to the Code. The signatory list can be found here and includes LGPS funds and asset pools. The FRC plans to support signatories by providing feedback on their reporting, as it transitions across to the 2026 Code.

**The Pensions Ombudsman**

TPO's annual report 2025/26 reveals that it was a record year for productivity, with 14% more cases resolved than during the preceding year. However, new applications also went up by 14%, and by more than had been forecast. It has been promised extra DWP funding with which to hire additional caseworkers.

**Updates from The Pensions Regulator (TPR):**

- Growth goals – aligned with the growth focus of the Pension Schemes Act 2026, the DWP had set goals for TPR on 1) workplace pension reforms, 2) unlocking of surplus/capital, 3) supporting productive investment, and 4) promoting the responsible and safe use of AI technologies.
- Corporate Strategy – a new 5-year strategy, accompanied by a 2026/27 plan and regulatory roadmap, setting out how TPR will support the implementation of the government's pensions reform agenda.

**Pension Schemes Act 2026**

The DWP has published several documents in connection with the Act, including a roadmap giving implementation timelines and an evaluation strategy for the reforms, detailing the metrics that will be used. Our 60-second summary provides further detail.

**Parliamentary reports:**

- Transition to State Pension age – the Work and Pensions Committee (WPC) backs measures to prevent hardship as the State Pension age rises to 67.
- Preparing for an ageing society – the Lords Economic Affairs Committee urges the government to address the economic challenges of an ageing society, arguing that the greatest impact would come from supporting those in their mid-50s to mid-60s to remain in or return to work.
- SCAPE discount rate change – a Commons Library research briefing with background about the SCAPE discount rate and why it has increased from CPI + 1.7% pa to CPI + 2% pa.

**Pensions in a warming world**

A thought leadership paper from the Society of Pension Professionals (SPP) warning that climate change is becoming a defining factor in pension outcomes, funding strategies and retirement security across the UK. It includes a section about the LGPS.

**General levy**

The government's consulting on a proposed reform of the general levy paid by UK pension schemes. The proposals include a 5% pa increase for DB schemes, effective from 2027/28. The levy applies to LGPS funds but is paid in practice by the DWP. The consultation closes on 8 September.

**Stamp Duty Land Tax**

HMRC has published a policy paper and draft legislation on changes to SDLT for purchases made by LGPS pools. The legislation introduces time-limited relief from SDLT for transfers of certain land and property assets from LGPS funds to pools, where the effective date lies between Budget Day 2026 and 31 March 2032.

**Pensions and inheritance tax (IHT):**

- Registered Pension Schemes (Provision of Information) (Miscellaneous Amendments) Regulations 2026) – these cover communication of information related to the new pensions-IHT rules and are due to come into force on 6 April 2027.
- Problems with the reforms? – the Chartered Institute of Taxation has called the government's attention to problems that it has identified with the pensions-IHT reforms, such as the six-month tax-settlement deadline. It suggests that further, urgent changes are necessary.

**McCloud remedy**

HM Treasury has made *'minor technical amendments*' to the Directions given to public service schemes about the exercise of powers related to the McCloud discrimination remedy.

**Mansion House**

The Pensions Minister delivered a speech on 13 July about pension reform. It focused on the DWP's implementation roadmap (see above) and highlighted reasons for optimism around policy progress on workplace pensions.

**Investing in UK science and technology**

The government has announced the formation of a consortium of large pension providers (including LGPS funds/pools) that is contemplating the launch of a 'UK Scale-up Fund' to invest in science and technology companies. The British Business Bank is working alongside the pension providers as part of the initiative.

**Budget 2026**

The next Budget will be delivered by Chancellor John Healey on 28 October 2026.

**Normal minimum pension age (NMPA)**

HMRC is consulting on draft Regulations to cover the transition to a NMPA of 57 on 6 April 2028. The intent is to prevent cases arising where people reach the current NMPA (55) before the change, becoming entitled to benefits, and then after the switch find that payments are unauthorised because they're not yet 57. The consultation closes on 28 September.

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