

# Current issues in the LGPS

May 2025



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The US ‘Liberation Day’, pooling developments, 2025 valuations and local investing are just some of the things that are occupying LGPS minds at the moment.

## **Pool developments**

April was another key staging point in the evaluation of the LGPS pooling landscape in England and Wales. The Government issued formal letters in response to each pool’s proposals about how they would meet the new requirements set out in the “Fit for the future” [consultation](#). While the Government’s response to the consultation has yet to be seen, the letters set out its views on the pooling plans and triggers action for pools and partner funds to either progress plans or revisit options. This may result in a significant shake up of the pooling landscape as we know it; whatever pool your fund is in, a lot of hard work lies ahead. Following the release of the letters, the Chair of the Scheme Advisory Board met with HMT and MHCLG officials to discuss the Government’s decisions, and then issued a [statement](#).

## **Spotlight on 2025 valuations:**

### **The importance of data**

Good data quality is key to a successful valuation and LGPS funds have been working hard to cleanse data in time for data submission next month. Equally, our dedicated valuations team have been making upgrades to systems and processes to make data submission as smooth as possible at 2025. Please look out for more information this month to guide you through the process, with communications about data requirements, data help guides and videos.

### **Contribution trends and market volatility**

LGPS funds aim to have a longer-term strategy that cuts through shorter term ‘noise’. Bearing this in mind, provisional contribution rates for local authorities have already been set for many of the funds that we advise. Our [60- second summary](#) covers these early contribution trends, noting that most funds are striking a balance between providing contribution relief to employers now, while keeping a careful watch on longer-term stability. This ability for long-term funding plans to withstand short-term volatility has been immediately put to the test, with US trade tariffs causing significant market disruption throughout April. Two of our actuaries, Tom Hoare and

Rob Bilton, were joined by our capital markets expert, Chris Arcari, on a webinar to discuss the impact on LGPS funds and 2025 valuations. The recording is available on-demand [here](#).

### Is investment mandation coming?

There is expected to be an announcement from the Government that it has agreed further voluntary minimum allocation targets with large pension funds to boost private market investment, particularly focusing on the UK. This initiative, dubbed the “Mansion House Compact II”, is part of broader financial reforms expected to be announced by the Chancellor during her Mansion House address on 15 July. Reports (such as in the [Financial Times](#)) suggest that the Government might consider enforcing more UK investment if the desired progress is not achieved. Mandating investment would be a significant step, and there was similar speculation ahead of the Chancellor’s November Mansion House speech. Our policy [briefing note](#) at that time explored how funds might increase UK allocation rapidly.

### Spotlight on local investment:

#### A conversation with GMPF

Check out the [latest episode](#) of *Hymans Robertson On... Investment* podcast, where host Ben Farmer was joined by Iain Campbell and guest Paddy Dowdall, Assistant Executive Director at Greater Manchester Pension Fund (GMPF). The trio engaged in a discussion about local and impact investing, exploring: why local investment is more important than ever, what it means to invest with impact, how to strike a balance between risk and return and the importance of due diligence. The podcast’s a great opportunity to discover GMPF’s local investment journey, listen to lessons learned and gain practical tips to help funds make a meaningful local difference through investment strategies.

#### Building the link between local growth and local investment

While local investment isn’t a new concept for LGPS funds, it’s been brought into greater focus in recent months as the Government continues its drive for UK growth. Local investment is nuanced. It brings into question, for example: the definition of “local”, how strongly a fund wants to aim for positive impact in its local area, how local might fit within broader investment strategies, or how different types of investment might support specific local growth plans. The latest [blog](#) from our RI consultant, Sanjay Joshi, explores how LGPS funds can consider building a stronger link between local growth and local investment.

### Liberation Day

You may have noticed that it’s been rather choppy in financial markets following the introduction of ‘Liberation Day’ tariffs on 2 April from the US administration. The new-look Spring 2025 [update](#) from our investment research team considers what this means for markets and macroeconomic factors, including the impact of tariffs on consumer and business sentiment and what might happen to inflation. The team has also prepared a [market brief](#) with a review of the economy and markets during the first quarter of 2025.

### Seeking clarity on fiduciary duty?

The knotty subject of fiduciary duty continues to be debated across the LGPS, with the legal position reflecting the latest rulings, judgements and regulations. As a result, the SAB in England and Wales requested updated legal advice from Nigel Giffen KC ([published](#) in January this year). While this response was well received it was extensive, running to 36 pages, reflecting on many of the concepts and intricacies of the legal position. The SAB have recently provided a very helpful summary [note](#) on the main conclusions of the latest legal advice including distinguishing between financial and non-financial factors and what to do about them.

## Pension scams

In April, the Pensions Regulator highlighted that its [research](#) shows only 11% of trustees in private sector occupational schemes understand their reporting duties when pension scams are identified. Failure to report live scam activity drastically increases the risk for members. It's more difficult to recover losses once the scammer has fled. Scams aren't just a threat to the private sector. A successful scam leaves public service schemes at risk of not only having to reconstitute the lost pension, but also the regulatory and reputational risks of failing to protect members. Please speak to us if you're concerned about your Fund's exposure in this area.

## Accounting update

### Reforming local audit

In April, MHCLG [published](#) the outcome of its recent consultation on English local audit reform. Its key message for LGPS funds is the commitment to separate pension fund accounts from administering authority accounts. This strategy aims to reduce any future backlogs from occurring and improve the overall efficiency of local audits, ensuring that local bodies are held accountable for their financial practices. The response proposes establishing a Local Audit Office (LAO) to provide greater oversight of local audits, whilst implementing more structured processes to improve auditor capacity and increase transparency of public reporting. In response, the LGPS Scheme Advisory Board has established an audit working group to discuss the implications of this change and develop any additional guidance on the separate preparation and publication of fund accounts.

### Accounting for recent market volatility

Immediately following 31 March 2025, the market experienced a period of significant volatility. The financial market conditions (on which the accounting assumptions are based) and asset values may have changed materially since the reporting date. As employers finalise their financial statements, it may be necessary to include additional narrative and/or estimated monetary impacts as a disclosure note. Our dedicated accounting team are available to assist you on this emerging issue or with any additional disclosure requirements and can be contacted at [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk).

## Responsible Investment update

The corporate world has witnessed a backlash against environmental, social and governance (ESG) initiatives, with profound implications for diversity, equity and inclusion (DEI) efforts. In this quarter's [RI News and Views](#), we look at navigating the anti-DEI backlash. We also examine how the pushback against DEI initiatives relates to shareholder resolutions, which are critical stewardship tools investors can use to communicate their expectations for a company. We consider how asset owners can engage with their managers to establish how they've voted on DEI resolutions – and to make sure their approaches are aligned.

## Longevity news

### Club Vita's latest webinar on metabolic health

As well as providing pension funds with longevity analysis, [Club Vita](#) regularly host webinars to explore emerging trends in longevity risk. In the most recent episode of its popular "The Risk of Living Longer" webinar series, the panellists take a deep dive into metabolic health. If you missed the episode, you can catch up [here](#). You can also find the recording of a bonus Q&A session [here](#), where the panellists returned to answer questions around metabolic health, obesity levels, diet, behavioural change and weight loss drugs.

### New actuarial projections

The actuarial profession's Continuous Mortality Investigation (CMI) recently consulted on proposed changes to this year's mortality improvements projection model, CMI\_2024. As well as the usual updates to the calibration

data, the CMI propose to make two fundamental changes: (1) a new “fitted overlay” mechanism to directly allow for pandemic-era mortality data, and (2) the introduction of “multiple period terms” to the model. Further explanation of the proposed changes can be found in Club Vita’s latest [blogs](#). The CMI expect to release the model in June 2025 and will provide their responses to the results of the consultation at the same time.

### **The LGPS McCloud handbook**

During April we launched our LGPS McCloud handbooks, with two live demonstrations. If you missed the live demonstrations, you can register and watch the recordings for [England & Wales](#) and [Scotland](#). With more than 550 interactive and easy-to-read pages, the handbook is a ‘one-stop shop’ for all things related to McCloud. It includes step-by-step breakdowns of all the main calculations (including retrospective ones), as well as chapters on implementation, compensation, tax and 30 practical examples. For more information about the handbook, please contact [Con Hargrave](#).

### **Events, webinars & 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 issues across all of the areas (agenda [here](#)) that matter to you and your stakeholders. Spaces are limited so please [register](#) to secure your place.

### **In brief...**

#### **Inflation figures**

The latest [ONS release](#) recorded annual headline CPI for the year to March 2025 at 2.6%, a slight reduction on the 2.8% recorded in the prior month. RPI for the same period was 3.2%.

#### **National Wealth Fund**

The House of Commons Treasury Committee [announced](#) an inquiry into the NWF and kicked things off with a [call for evidence](#). The deadline for responses was 25 April 2025.

#### **Alternative Investments**

The [Treasury](#) and the [FCA](#) are separately seeking comments on proposals intended to improve the regulation of alternative investment fund managers. In both cases, responses should be submitted by 9 June 2025.

#### **Taxation papers**

The House of Commons Library has issued two briefing papers about pensions taxation, [one](#) covering changes to the lifetime and annual allowance and the [other](#) about inheritance tax changes from 2027.

#### **Climate risk**

The Pensions Regulator has published its [Climate Adaptation Report \(2025\)](#) in which it highlights the relevant pension-scheme risks and its attempts to improve governance standards.

#### **Parliamentary Q&A’s**

- **LGPS specific**

Two written answers to questions about the LGPS were raised in the Commons. [One](#) covers the impact of devolution and the [other](#) comments on timings around the ‘Fit for the future’ reforms.

- **Fiduciary duty and climate risks**

Answers to four questions from the same MP ([here](#), [here](#), [here](#) and [here](#)!) were given. One of the answers said that the Government is '*not currently considering any change to the law*' on trustees' fiduciary duties.

### **Sustainable finance**

The UK Sustainable Investment and Finance Association (UKSIF) has published a [report](#) which includes recommendations to ensure the UK pensions system can drive long-term, sustainable growth.

### **Dashboards**

The Pensions Regulator has published a [series of short films](#) highlighting the difference that pensions dashboards will make to savers.

### **Regulatory initiatives**

The FCA has [published](#) an updated 'Regulatory Initiatives Grid'. It sets out the regulatory pipeline for the next couple of years, and includes input from the Pensions Regulator.

### **Market volatility**

The Regulator has published a [report](#) setting out details of how schemes are being affected by recent market volatility. It lays out some guidance on best practice, separately for DB and DC schemes.

## Appendix

### 2025 valuations

<https://www.hymans.co.uk/insights/60-second-summary-local-authority-contribution-rates-at-the-2025-valuation>  
<https://event.on24.com/wcc/r/4938993/B3168B8AF00CEAC1F36F885CA5A563DD>

### The lowdown on local investment with GMPF

<https://www.hymans.co.uk/insights/investment-local-investment-with-impact>

### Seeking clarity on fiduciary duty?

[https://www.lgpsboard.org/images/LegalAdviceandSummaries/20250325\\_SAB\\_Summary\\_of\\_Advice.pdf](https://www.lgpsboard.org/images/LegalAdviceandSummaries/20250325_SAB_Summary_of_Advice.pdf)

### Pension scams

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2025-press-releases/pension-scam-fighters-stand-united-as-artificial-intelligence-takes-the-fight-to-the-fraudsters>

### Accounting update

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

[LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk)

### RI news & views

<https://www.hymans.co.uk/insights/responsible-investment-news-and-views-q2-2025>

<https://www.clubvita.net/uk/events/risk-of-living-longer-bonus-q-a>

<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>

### The LGPS McCloud handbook

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

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

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### Events, webinars & training

[2025-lgps-event\\_agenda.pdf](#)

[LGPS - 2025 Conference - Email registration form](#)

### In brief...

[Consumer price inflation, UK - Office for National Statistics](#)

[National Wealth Fund - Committees - UK Parliament](#)

[Call for Evidence - Committees - UK Parliament](#)

[Alternative Investment Fund Managers Regulations consultation - GOV.UK](#)

[Call for Input: Future regulation of alternative fund managers | FCA](#)

[Pension tax relief: The annual allowance and lifetime allowance - House of Commons Library](#)

[Pensions tax - House of Commons Library](#)

[Climate adaptation report 2025 | The Pensions Regulator](#)

### Parliamentary Q&A's

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

[Written questions and answers - Written questions, answers and statements - UK Parliament](#)

### Sustainable finance

[UKSIF report: Unlocking UK pension capital for sustainable growth- Recommendations from UKSIF's pensions review – UKSIF](#)

### Dashboards

[Pension savers call on schemes to get dashboard-ready in new video | The Pensions Regulator](#)

### Regulatory initiatives

[Regulatory Initiatives Grid | FCA](#)

### Market volatility

[Market oversight: Market volatility and what trustees should do | The Pensions Regulator](#)





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