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Current issues in the LGPS

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Get in touch

Welcome to the latest edition of Current issues in the LGPS — **10 September 2026**

With funds continuing to implement ‘Fit for the Future’ reforms, the LGR ‘pause’ may offer welcome relief (for a short while at least). Our roundup this month includes a bundle of articles on investments and some Scottish surplus bingo!

The NKA is live!

Our latest National Knowledge Assessment (NKA) launched on 1 September. With an increased focus on knowledge and understanding, new training expectations for Committee members, and a requirement to undertake annual training needs assessments, the NKA is a useful tool for your training inventory. It takes the form of a multiple-choice assessment covering 9 key topics, with instant results sent to each participant. It aligns closely to our LGPS Online Learning Academy (LOLA) and provides benchmarked fund-level results against all other participating funds. For further details please contact alan.johnson@hymans.co.uk.

Are you fit for your first IGR?

Top of the governance cornerstones under the ‘Fit for the Future’ reforms is the Independent Governance Review (IGR). While discussions remain ongoing over its ‘final shape’, its scope will be vast and cover items such as business planning, performance, internal controls and fund policies. Our team will be unable to complete most IGRs (due to existing engagements). However, we can support your preparation for your first IGR, via either a desktop review by our consultants or an IGR checklist document to support officers’ self-assessment. Please contact us to discuss either option for your fund.

Rain delays the start of LGR play…

After a long hot summer, alongside the autumn rain is a delay in Local Government Reorganisation (LGR) proceedings. MHCLG has announced that decisions taken previously are to be reviewed. The LGPS guidance issued in July will inevitably see changes. We believe this is a pause rather than a hard stop; with perhaps a silver lining for officers who will gain time to consider how they want to proceed and get the required governance changes over the line. Read more in our blog.

Scottish valuations – playing surplus bingo

The Scottish 2026 valuations continue to progress with funds submitting data and constructing funding strategy. Early results indicate that the scheme remains in a position of strength. As we begin to consider outcomes, our latest briefing note explores the key themes. While every fund is different, we expect funds will all be ticking off the same things on their 2026 valuation ‘bingo cards’ including the debate on surplus management, increased employer engagement, and a spotlight on governance.

Spotlight on investments:

1. Active versus passive equities

What are the merits of active and passive equities amid changing market dynamics? Passive strategies can cost effectively capture market returns. And active management can offer greater flexibility and the potential to create alpha. But both have their associated risks. Rather than treating active and passive as binary choices, our blog explores blending the two to help build a balanced portfolio.

2. Private equity mid-year outlook

As we enter the second half of the year, the private equity outlook is rife with inflation and interest-rate volatility, alongside the effects of geopolitical conflicts and AI as a disruptor. Read more in our forward-looking perspective.

3. Making an impact

Impact investing is gaining traction as investors focus on sustainability objectives. But how do you have a valuable conversation about it? We’ve identified some key questions that asset owners can ask impact managers, including how do you assess impact? What are the weaknesses in your approach? And how do you compare the impact of different investments? The answers should allow investors to see whether their capital is creating meaningful change. This article was originally published in *Net Zero Investor*.

4. InflationWatch

Our latest edition discusses how inflation has moved closer to the Bank of England’s (BoE) 2% target level. But recent increases reflect an uncertain environment, as the conflict in the Middle East continues to affect energy prices, supply chains and labour costs. Our heatmap shows recent inflation indicators relative to their long-term levels, illustrating that domestic inflationary pressures appear to be easing. Meanwhile, we expect BoE policymakers to stay cautious until the outlook becomes clearer.

5. Sustainability Snippets

Our latest blog provides a reminder of how climate risks – both physical and nature related – can span natural systems, supply chains and the wider economy. Wildfires and drought have swept across Europe and the UK, while winter flooding and storms have caused widespread damage in Chile. In this highly unpredictable climate, asset owners should ask their managers how they assess and mitigate risks. We also talk about a package set out by the European Commission that seeks to accelerate industrial decarbonisation, reduce Europe’s fossil-fuel reliance and strengthen the region’s competitiveness.

6. Market brief

Our capital markets team considers August's market highlights. Markets were underpinned by resilient global economic data, despite tensions in the Middle East. Global equities regained their footing during the month, with Japan and the US outperforming, while Europe and the UK lagged. Bond markets in the US and UK yields were broadly stable but rose in mainland Europe and Japan.

7. Global credit allocations

Is it time to rethink global investment-grade (IG) credit from an LGPS perspective? The benchmark has recently shifted in the 'hyperscaler-concentrated' market. We believe the broad IG index looks less attractive, with tight spreads, heavier tech exposure and longer duration. English and Welsh funds may want to ask pools for their views on IG credit and how it affects the strategic asset allocation. And for Scottish funds, factor IG credit into your strategic asset allocation reviews, consider your bond allocation's design and challenge managers on their IG credit views. More details here.

Spotlight on accounting:

1. Back to school

With the summer sunshine dwindling and darker nights setting in, attention turns to the 31 August 2026 FRS102 exercise for academies in England. Following the results of the 2025 funding valuation, academies will have different reporting options available to them. For Multi-Academy Trusts (MATs), reporting can be at individual academy or combined MAT level within a fund – which may be a change versus prior years. Academies and MATs will be able to request additional information from their actuary to support auditor queries and minimise delays. Our accounting specialists can be contacted at LGPSCentralAccountingTeam@hymans.co.uk.

2. Consultation on the 2027/28 Code

CIPFA/LASAAC has launched its annual consultation on its Code of Practice on Local Authority Accounting, with responses due by 27 September. The consultation considers a wide number of developments, including proposals for additional disclosure requirements and longer-term financial reporting reforms. These proposals could shape the future of local authority financial reporting and may have implications for preparers, auditors, and users of accounts. Stakeholders are encouraged to review the consultation and provide feedback to help shape the final Code.

Hotter days, shorter lives?

In its interim report, the UK Health Security Agency (UKHSA) estimates that almost 2,900 heat-associated deaths occurred in England during the May and June 2026 heatwaves. The final total for 2026 is likely to be higher, as the prolonged July heatwave is not yet included. In its latest blog, Club Vita explores how this compares with previous years, explains how heat-associated deaths are measured, and consider the extent to which these deaths may represent additional mortality or deaths that have been brought forward.

Regulating AI – imperfective assurance

In part 3 of his blog series on TPR's AI Strategy, our Head of LGPS Digital explores why assurance cannot be treated as a one-off exercise. Drawing on the idea of "*Trust. But verify*", he discusses the need for ongoing testing, monitoring and governance as AI systems, data and supplier arrangements evolve over time. Good governance should not slow innovation down, but rather create the confidence needed for safe, effective AI adoption and better member outcomes.

Events, webinars & training

Upcoming events

Webinar: Fit for the Future: preparing for your Independent Governance Review (IGR). Join us on 14 September as we explore what effective preparation looks like for your IGR, including our pre-IGR assessment approach, roadmap and governance checklist. Register here.

Conference: LGC Investment & Pensions Summit, Birmingham. This popular event finishes on 11 September. If you were unable to attend or just need a summary to take back to the office, look out for our upcoming Conference Highlights!

Awards

LGC Investment Awards: we're proud to be shortlisted in 4 categories: Consultant / Actuary of the Year; Local Investment Service Provider; Rising Star (Laura Guest); Outstanding Individual Contribution (Michael Burton and Robbie McInroy). Congratulations to all other finalists and best of luck at the awards ceremony on 27 November.

In brief…

Inflation figures

The latest ONS release recorded annual headline CPI for the year to July 2026 at 2.9%, up 0.3% from the prior month. Housing, household services and (of all things!) furniture made the largest upward contributions. Lower increases in transport costs mitigated the overall rise from last month.

Pension Schemes Act 2026

The DWP has now published explanatory notes. They're designed to explain what each part of the Act will mean in practice and provide additional background information on the development of policy and how the Act affects existing legislation.

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

New investment working groups - groups are being formed to develop common principles in relation to the recent statutory guidance on the 'Fit for the future' reforms. Any interest to join the groups was to be noted by 25 August.

Investment in conflict areas – a statement following further correspondence from the Palestine Solidarity Campaign, and an alternative legal view from the UK Lawyers for Israel. SAB remains concerned that individual funds may be expected to shoulder significant legal, financial and reputational risk arising from uncertainty over the legal position. It's sent a letter to the new MHCLG minister, Jim McMahon, seeking an urgent meeting on the subject.

New administration working group – another new group is being formed with the objective of developing new statutory guidance for the Pension Administration Strategy. Interest is being sought from funds, third-party administrators and software providers.

LGPS purpose and governance – a statement explaining the purpose of the LGPS, the role of funds and asset pool companies under the new statutory framework, and the duties that apply when managing pension fund assets.

Inheritance Tax (IHT) and pensions

HMRC has published a second technical note containing further information about the treatment of IHT on pensions, expected to be effective from April 2027. Its first technical note is here.

Pensions dashboards:

Member queries – FAQ's developed by PASA's Engagement and Communication Working Group on how to respond to member enquiries. It says that the aim is to provide factual explanations whilst managing member expectations.

Maintaining connection to the ecosystem – a blog from the Pensions Dashboards Programme (PDP) explains what pension providers and schemes need to do to remain connected to the dashboards ecosystem.

Post use behaviour - a guidance toolkit from PASA, developed with support from the Pensions Regulator, to help administrators and governing bodies prepare for members' responses to dashboards, and to think about the sort of operational data that they may wish to gather to illuminate those behavioural effects.

Regulating for growth

According to Treasury minutes (see page 10), on the back of a recommendation from the Public Accounts Committee, the government accepts that it should give regulators guidance on its risk appetite. It acknowledges that a balancing act is required and that regulatory actions should articulate how they contribute to economic growth. It appears that the initiative will include the Pensions Regulator. The government also reaffirmed its intention to bring forward a Regulating for Growth Bill.

LGPS impact and value

Pensions UK has published a report explaining why the LGPS is a 'British success story'. It concludes that the challenge now is not to fundamentally redesign a successful model, but to build on its strengths.

Restructure of Scottish local authorities

The Scottish Government's programme for the next 5 years sets out a major overhaul of the country's public services, including plans to restructure local government. There are currently 32 local authorities in Scotland.

Guaranteed Minimum Pensions (GMP)

The DWP is proposing to hold fixed-rate revaluation of GMP at 3.25% p.a. for the period 6 April 2027 to 5 April 2032. The consultation period runs until 29 October 2026.

Parliamentary Q&A's (paraphrased):

Foreign Influence Registration Scheme – a question about whether FIRS captures foreign donations to UK sources that seek to influence local council actions, include divestment policies in the LGPS. The response said that local councils may be in scope of FIRS, where directed by Russia or Iran.

Contribution rates – the question asked for various statistics on employer and employee rates. The response mentions the SAB's analysis of the 2025 LGPS valuations, which states a mean employer rate of 16.5% of pay over the next 3 years, and a current mean employee rate of 6.5% of pay.

LCIV divestment policies – the response referred to the recent statutory guidance on Investment Strategy Statements and mentioned that strategies should not set exclusions for investments in individual countries, investment styles or companies.

LGPS divestment policies – on a similar vein to the above one, with the question focused on divestments linked to firms from Israel or involved in the Trident renewal. The response was also similar and mentions that the government does not collect data on specific RI policies held by funds or pools.

Existing asset disposals – the response mentions that LGPS pooling regulations do not require funds to sell off existing investments when they join or participate in an asset pool.

Joining a LGPS pool – the question asks if any LGPS fund has been blocked from joining a pool. The response says that all funds must join a pool, with the decision on which pool to join being a local matter.

Corporate reporting

The Department for Business, Innovation, Science and Trade is seeking views on modernisation of the corporate reporting framework. It's planning on keeping reporting on pensions as a component of directors' remuneration, though there's likely to be some tweaking of the calculation of the total-remuneration figure. The consultation closes on 30 November.

Government consultations

The Government wants to see fewer consultation exercises and has asked ministers to exercise their own judgements and take more risks.

Enforcement powers

The Pensions Regulator has published its revised approach to enforcement, following last year's consultation exercise. It has also responded to the comments submitted during the exercise. It plans to '…*introduce a more focused, agile and outcomes-driven model that is better aligned with the changing risks in the pensions landscape, with a stronger emphasis on delivering real-world results*'.

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