

Current issues in the LGPS

December 2024



Richard Warden
Partner

In our last edition of 2024, we look back at the year's themes, alongside our usual round-up of current hot topics, such as the Mansion House consultation and the DfE guarantee for FE bodies. Current Issues will return in February but look out for our LGPS 2025 priorities next month. We'll predict the big-ticket items across funding, administration, governance and investments that could affect funds in the coming months. Until then, we wish you and your family a very happy Christmas and New Year.

The most wonderful time of the year

2024 has been particularly busy for those involved in running the LGPS. This has been reflected across our communications, with a whopping seven Sixty Second Summaries, 26 briefing notes or similar publications, and 12 webinars being run over the last 11 months. Our [festive lookback](#) provides a quick reminder of the key themes in 2024. And, if you need a challenge, we invite you to complete the LGPS wordsearch in under 5 minutes!

Unpacking the Mansion House speech and Autumn Budget

[Watch our webinar on-demand](#) where our multi-discipline panel share their thoughts and key takeaways from Chancellor Rachel Reeves' first Budget, delivered on 30 October, and their immediate (within 12 hours!) thoughts on the Mansion House speech. The webinar also covered two items in the Budget of particular interest to LGPS funds – the consultation to bring unused pension benefits and death grants into scope for inheritance tax purposes, and the switch in the measure of public debt for its fiscal targets, which now includes the LGPS. Please click [here](#) and [here](#) respectively for further details.

LGPS consultation – fit for the future?

Mansion House speeches have increasingly become nerve racking occasions for the LGPS. This one was a case in point, with the government's announcement of "megafunds" setting hares in advance. As widely expected, the speech saw the Chancellor delivering announcements impacting the LGPS in England & Wales, covering pooling, UK investment and, at last, the Good Governance review. They also released the interim Pension Investment Review [report](#), providing support for their plans. A 'fit for the future' [consultation](#) has now

launched with a deadline of 16 January 2025. Our [briefing note](#) explores how we got to this point, what the consultation covers, how this develops the issue and what's next.

DfE guarantee for FE bodies

The UK Government, via the Department of Education (DfE), is now providing a [LGPS guarantee](#) to certain further education (FE) bodies in England. It doesn't extend to universities. The guarantee is structured in a similar way to the existing one that covers academy trusts and is subject to an annual limit. The wording encourages FE bodies to engage with LGPS funds about how the guarantee will affect their funding strategies, with the DfE expecting the lowest risk employer funding strategies to apply, on a par with academies and local authorities. Some funds are likely to be contacted by affected employers to seek 'inter-valuation' contribution rate reviews ahead of the 2025 valuation. That aside, and given the change in the covenant of these employers, funds themselves may want to be on the front foot and initiate a review of rates payable in 2025/26. Please agree a plan with your Fund Actuary.

How do we make productive finance a success?

In the second [publication](#) of our productive finance series, we take a deeper dive into the governmental and historical challenges faced in this area and consider the key success factors and actions that need to happen for it to be a force for good in the UK. The first publication in the series – available [here](#) - introduced the concept of productive finance.

COP29

The Conference of the Parties of the UNFCCC met at COP29 in Azerbaijan last month to negotiate global agreements for addressing climate change. The COP faced criticisms around lobbying and the absence of key decision-makers. However, agreements included \$300bn per year in climate financing (albeit less than the target \$1.3trn). Rules were also agreed to harmonise carbon-credit markets globally, but without the usual consultation, which raised concerns about their rigour. Nevertheless, these decisions will drive capital to climate solutions. The shortfall in scale of action (alongside diminishing US support) highlights the role of asset owners in driving change through capital allocation and stewardship.

A bundle of presents from our 2025 valuations team...

Just like Santa's elves, we've been busy producing lots of goodies for LGPS funds in the lead up to the festive period...

- Those of you who tuned in to (or watched [on demand](#)) our October webinar on *Employer engagement through the 2025 LGPS valuation* will have been eagerly anticipating some further insights on this topic. Two written pieces are now available – a [briefing note](#) explaining the importance of employer risk monitoring with sector-specific risks for LGPS funds to be aware of, and a [60 Second Summary](#) outlining the crucial steps for bridging expectation gaps amongst employers and fostering effective collaboration among stakeholders.
- In November we held the third webinar in our 2025 valuation series, this time on *Considering climate and longevity risks in your LGPS funding valuation*. If you missed it, the recording is now available to watch [on demand](#).
- Many LGPS funds have now begun exploring changes to actuarial assumptions ahead of the 2025 valuation with their actuaries. Setting assumptions is an important part of the process that you don't have to wait to do – speak to your actuary about reviewing them now if you want to get ahead!

Responsible Investment - news and views

Our latest quarterly [newsletter](#) considers if RI has kept pace with the rapid advancement of artificial intelligence, and how governance can play an important role to mitigate the environmental impact and control security risks. The update also shines a light on modern slavery and how active stewardship can help to address human rights violations, before finishing with some 'ESG snippets', including the recent launch of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

New FSS guidance

On 27 November, the Scheme Advisory Board in England & Wales [recommended](#) that its new [Funding Strategy Statement guidance](#), produced in conjunction with CIPFA, be approved by MHCLG. It looks like this guidance will be available prior to the 2025 valuation. The requirements of the new guidance largely reflect the changes we made to FSSs at the 2022 valuation, and so updating these documents at the 2025 valuation should be relatively straight forward. This will allow funds to concentrate on reviewing supplementary funding policies, such as those covering cessations or academies.

Club Vita's latest webinars

As well as providing pension funds with longevity analysis, [Club Vita](#) regularly host webinars to explore emerging trends in longevity risk. In its most recent episodes of the popular "The Risk of Living Longer" webinar series, the panellists explored the impact of behavioural change on longevity outcomes (click [here](#)) and the possibilities for preventing dementia (click [here](#)).

InflationWatch

Our latest quarterly [update](#) looks at key indicators that provide clues to the direction of travel on future inflation. It also considers other factors that may have an impact, including the US election result, measures announced in the UK's Autumn Budget, interest rates cuts by the Bank of England and energy prices.

Events, webinars & training

Upcoming Webinar: Pension scams in the LGPS

[Join our webinar](#) on Friday 6 December, as Ian Colvin and Michael Burton discuss the 2021 governmental changes to transfer rules and new powers to protect members from bad actors. They'll explore why now is the perfect time for funds to revisit their processes to make sure they are providing the best possible service for members. Don't worry if you're unable to join us live. [Register anyway](#), and you'll receive access to the on-demand recording to watch at a time convenient to you.

LGPS Pension Managers Conference, Torquay, 19-20 November 2024

Mid-November saw the annual trip to Torquay for the LGPS Pension Managers' Conference to focus on the key issues facing administrators. We had the opportunity to have an update from the Pensions Ombudsman as well as sessions such as the impacts of cyber-attack and the uses of AI in the pension administration. Download our conference highlights [here](#).

In brief...

Inflation figures

The latest [ONS figures](#) recorded annual headline CPI for the year to October 2024 at 2.3%, an increase on the 1.7% recorded in the prior month. RPI for the same period was 3.4%.

Chartered Actuary

The UK's actuarial profession has launched new [Chartered Actuary designations](#) to its associates and fellows. You may see 'C.Act' appearing after the author's name in future actuarial reports!

US election

Our [article](#) explores the investment market reaction to the US election win with some thoughts on the potential impacts.

Employee contribution rates

You may have spotted that several unfunded public service schemes (e.g. Teachers', Police, Firefighters) are consulting over changes to these rates to achieve the expected yield in the cost management mechanism. We understand that there are no current plans to do this in the LGPS. A link to the Teachers' consultation is [here](#) if you need more detail.

LGPS accounts

The Scheme Advisory Board in England & Wales has [written](#) to MHCLG to restate its previous recommendation that English LGPS fund accounts should be separated from the administering authority's main accounts.

Stewardship Code

The FRC has [launched](#) a consultation on significant updates to the UK Stewardship Code, designed to support economic growth and investment and deliver increased transparency for UK investors, savers and pensioners.

Finance Bill

The [Finance Bill 2024/25](#) contains three pensions clauses (32 - 34) relating to overseas transfers, changes to the conditions for overseas pensions schemes and a requirement for scheme administrators to registered pension schemes to be UK-resident, from 6 April 2026.

Consumer Duty

A [joint statement](#) has been released by the ICO, TPR and FCA about how communications guidance and Consumer Duty regulations interact with direct-marketing rules. The statement says that scheme members can be sent neutral, factual information to support their decision-making, provided data-protection law is observed.

Dashboards

The PDP has [updated](#) its Data and Reporting Standards, as well as the Code of Connection.

The Pensions Regulator

TPR has [announced](#) a change of posture toward '*a more prudential style of regulation*', in light of market and policy changes.

Data scoring

PASA has published member data scoring [guidance](#), with approval from TPR quoted in the accompanying [press release](#).

Appendix

The most wonderful time of the year

<https://hymans.co/5145624/>

Unpacking the Mansion House speech and Autumn Budget

<https://event.on24.com/wcc/r/4766611/8A8666405DF9EE8EF6FF6D4551C4CE40>

https://www.hymans.co.uk/media/uploads/Autumn_Budget_2024_%E2%80%93_Implications_for_the_LGPS_from_inheritance_tax_changes.pdf

https://www.hymans.co.uk/media/uploads/Autumn_Budget_2024_%E2%80%93_LGPS_inclusion_in_fiscal_targets_%E2%80%93_what_might_it_mean.pdf

LGPS consultation – fit for the future?

<https://www.gov.uk/government/publications/pensions-investment-review-interim-report>

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future>

https://www.hymans.co.uk/media/pudf0swm/lgps_consultation_-_pooling_-_local_investment_and_good_governance.pdf

DfE guarantee for FE bodies

https://assets.publishing.service.gov.uk/media/672cdb59cc61d0a714ffda0e/Further_education_FE_bodies_Local_Government_Pension_Scheme_LGPS_guarantee_.pdf

How do we make productive finance a success?

<https://www.hymans.co.uk/insights/unwrapping-productive-finance-how-do-we-make-productive-finance-a-success>

<https://www.hymans.co.uk/insights/unwrapping-productive-finance-what-is-productive-finance-and-why-should-you-care-about-it>

A bundle of presents from our 2025 valuations team...

<https://www.hymans.co.uk/insights/employer-engagement-through-the-2025-lgps-valuation>

<https://www.hymans.co.uk/media/ouhm2swt/employer-risk-management-briefing-note.pdf>

<https://www.hymans.co.uk/media/erfnnyf/60-second-summary-employer-engagement-at-the-2025-valuation.pdf>

<https://www.hymans.co.uk/insights/considering-climate-longevity-risks-in-your-lgps-funding-valuation>

Responsible Investment - news and views

<https://www.hymans.co.uk/insights/responsible-investment-news-and-views-q4-2024>

New FSS Guidance

<https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Teresa%20Clay%20FSS%20guidance%20November%202024%20.pdf>

https://lgpsboard.org/images/SABMeetings/25112024_Item11PaperH_CRCReportandDraftFSSGuidance.pdf

Club Vita's latest webinar

<https://www.clubvita.net/uk/>



<https://www.clubvita.net/uk/events/the-risk-of-living-longer-s02-e03-behavioural-change>

<https://www.clubvita.net/uk/events/the-risk-of-living-longer-s02-e04-preventing-dementia>

InflationWatch

<https://www.hymans.co.uk/insights/inflationwatch-november-2024>

Events, webinars & training

<https://event.on24.com/wcc/r/4764291/DA18DB9FD985673BA3EB2BD0AF5A5103>

<https://cms.hymans.co.uk/media/qnvbyz2f/conference-highlights-sw-councils-pension-managers-conference-19-20-november-2024.pdf>

In brief...

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

<https://actuaries.org.uk/chartered-actuary-for-members?>

<https://www.hymans.co.uk/insights/us-election-reaction>

https://consult.education.gov.uk/teachers-pension-scheme-team/the-teachers-pension-scheme-amendment-regulation24/supporting_documents/Teachers%20pension%20scheme%20miscellaneous%20regulations%20consultation.pdf

<https://www.lgpsboard.org/images/MinisterialLetters/1311204%20Board%20Secretary%20to%20Jim%20McMahon%20MP%20-%20Audit%20Separation.pdf>

<https://www.frc.org.uk/news-and-events/news/2024/11/frc-launches-consultation-on-updates-to-uk-stewardship-code/>

<https://publications.parliament.uk/pa/bills/cbill/59-01/0125/240125.pdf>

<https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/11/joint-statement-from-the-fca-ico-and-tpr-for-retail-investment-firms-and-pension-providers/>

<https://www.pensionsdashboardsprogramme.org.uk/standards>

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2024-press-releases/tpr-is-changing-as-pension-schemes-move-towards-systemically-important-size>

<https://www.pasa-uk.com/guidance/data/nov-24-data-scoring-guidance-final/>

<https://www.pasa-uk.com/press-release-pasa-releases-data-scoring-guidance/>

London | Birmingham | Glasgow | Edinburgh

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

This communication has been compiled by Hymans Robertson LLP® (HR) as a general information summary and is based on its understanding of events as at the date of publication, which may be subject to change. It is not to be relied upon for investment or financial decisions and is not a substitute for professional advice (including for legal, investment or tax advice) on specific circumstances. HR accepts no liability for errors or omissions or reliance on any statement or opinion. Where we have relied upon data provided by third parties, reasonable care has been taken to assess its accuracy however we provide no guarantee and accept no liability in respect of any errors made by any third party.

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

© Hymans Robertson LLP 2024. All rights reserved.