



## LGPS Pulse

**December 2024**

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We're proud to have been named '**Consultant / Actuary of the Year**' at the 2024 LGC Investment Awards



## Welcome...

... to the December edition of BW's LGPS Pulse, our monthly news round-up. We hope you all enjoyed a bit of a break over the festive period.

The purpose of this note is to provide you with a summary of what has been going on in the LGPS community over the past month.

The note is written to be shared with all stakeholders so please do share it with other team members, Committee members and Board members. We hope you find it useful.

For more information on any topic please get in touch with your usual contact, or the team member mentioned in the relevant piece of news. An accessible version of this document is available on request.

Any feedback is welcome.



## What has happened in the LGPS this month?

### Fit for the Future consultation

In our last edition of Pulse we outlined the [Fit for the future consultation](#) which runs from 14 November 2024 to 16 January 2025. We circulated our draft consultation response but please let your usual BW contact know if you did not receive a copy and would like one. We would be more than happy to discuss the issues with you.

In general, we are supportive of Government's aims to improve efficiency and governance of the LGPS but believe there are improvements which could be made to the consultation proposals, in respect of both the implementation plan and the timescales set out to achieve the overall aims given that accountability for funding and asset holdings remains with the Funds. We also believe that whatever form the final changes take, it is crucial that Government uses the opportunity to reform and modernise the LGPS to help deliver a quality service for members and employers for a long time to come.

Our draft response outlines our thoughts on pool structures, local investment and governance together with some improvements which we believe would benefit the proposals in the consultation.

On 4 December, the Scheme Advisory Board (SAB) hosted an episode of LGPS Live, a monthly webinar series looking at topical issues within the LGPS. The December episode covered the consultation and included a presentation from the Head of Local Government Pensions at the Ministry of Housing, Communities and Local Government (MHCLG), Teresa Clay.

LGPS Live can be watched in full [here](#) or alternatively the slides are [here](#).

## Further Education Guarantee

In our last edition of Pulse, we highlighted the new guarantees put in place for further education (FE) bodies.

We have had further clarification from ESFA (Education and Skills Funding Agency, an executive agency of the Department for Education) that the guarantee extends to subsidiary employers on standard pass-through arrangements (closed admissions where LGPS assets and liabilities remain on the FE's balance sheet).

For other outsourcings and particularly cases where the FE body might cease with the admission body still active, there is currently no default approach. In such cases application of the guarantee will need to be decided on a case-by-case basis and LGPS funds/employers should get in touch with the ESFA if information on a particular case is required.

The guarantee was discussed on a call between the four actuarial firms, SAB, GAD (Government Actuary's Department) and ESFA on 19 December 2024.

Another topic discussed on that call was managing expectations around contribution rates following the 2025 valuation in England and Wales - read on for a summary of what was discussed.

## Managing expectations around 2025 contribution rates

As some of you have already flagged, the diverging funding levels of LGPS funds is potentially unhelpful.

With some very healthy surpluses being reported (particularly for funds where the discount rate has increased since 2022 in line with gilt yields), there could be some employers anticipating significant contribution reductions. This is also an area where employer advisers are currently taking a close interest.

At BW our approach to setting discount rates is not directly linked to gilt yields and so the funding levels we report tend to be smoother over time, particularly for long-term taxpayer-backed employers.

We didn't get the impression from the call on 19 December 2024 that other actuarial firms intend to fundamentally change their approach to setting the discount rate. So, there may be some very high funding levels being reported at the 2025 valuations unless a more cautious view is taken on other factors that are included within the discount rate. That may lead to some quite tricky contribution rate discussions, noting that although there will be variation by employer and by LGPS fund, the general consensus across all four firms was that contribution stability remained a priority.

However, it is still expected there would be cases where it is appropriate to reduce contributions, with these being agreed on a case-by-case basis.

## Climate principles agreed

In preparation for the 2025 valuation in England and Wales, the climate principles have been agreed between the four actuarial firms providing funding advice to the LGPS. The climate principles have been drafted at the request of GAD, to support the preparation of climate scenario analysis as part of the 2025 valuation (in England and Wales) to ensure a consistent basis is used by LGPS funds to assess climate risk.

At BW, we are currently in the process of finalising our approach for the 2025 valuations and have enlisted the help of external climate specialists and members of our internal Sustainable Investments Team at BW. More information will follow but in the meantime, if you would like a copy of the climate principles, please get in touch with your usual BW contact or [Melanie Durrant](#).



## English Devolution White Paper

On 16 December 2024, the Government published the [English Devolution White Paper](#) proposing to widen devolution across England via a defined framework. Proposals include new powers and budgets for Mayors, reconfiguring national agencies and arm's length bodies and facilitating local government reorganisation.

The paper invites proposals for reorganisation in areas where there are two tiers of local authority - smaller district and larger county councils - creating new unitary councils, with a population of 500,000 or more to "achieve efficiencies, improve capacity and withstand financial shocks".

The establishment of new employers, e.g. combined authorities and unitary councils, and changes to national agencies and arm's length bodies which participate in the LGPS may, depending on timing, need to be considered as part of the 2025 valuation.

As with all things, it is important to ensure the pensions-related implications are raised as part of any project planning so that they are not forgotten when changes are being implemented.

We are keen to discuss the potential impacts and options for funding and contribution setting as part of our planning for the 2025 valuation and can provide wider governance support if that would be useful.

## Accounting update

During December 2024 there have been a number of accounting related meetings and activities to note.

On 9 December 2024, SAB held the latest meeting of local authority audit stakeholders on 9 December 2024 which was attended by BW's [Garry Smith](#) and [Barry McKay](#). The agenda covered dealing with objections to pension fund accounts, the Virgin Media Section 37 case (covered in previous editions of Pulse and our accounting briefing notes) and completion of outstanding audits.

Outstanding audits has been a recurring issue for some time now and MHCLG launched an open consultation setting out proposals for overhauling the local audit system in England. The consultation, [Local audit reform: a strategy for overhauling the local audit system in England](#), closes on 29 January 2025.

On 19 December 2024, BW met with PwC and the National Audit Office along with representatives from the other actuarial firms to discuss the March 2025 accounting exercise in the LGPS. The call also covered the March 2025 accounting exercise for the Fire and Police authorities. The group discussed the Virgin Media case and whether employers need to make any additional allowance for McCloud.

All information employers need for the 31 March 2025 year-end accounting exercise will be covered in full in our briefing note issued in advance of the accounting date.

Given the backlog in audit sign-offs for recent years, should further support be needed on the implications for historic March, July or August year-ends, please contact your usual BW contact.



## Latest LGPC Bulletin

The LGPC have released their monthly news bulletin for December 2024, which can be found [here](#).

This bulletin contains updates for all LGPS stakeholders on topics such as the Extension of New Fair Deal to FE colleges with effect from 14 November 2024, further details of various transfer resources and guidance, including Club transfers and McCloud protection, updated regulations in LGPS Scotland and more on Pension Dashboards. It also includes updates from the Scheme Advisory Board and Pensions Regulator activity.

## LGPS Future Events

### Burns Night Conference 2025 – 23 January 2025

Our famous Burns Night Conference will be taking place on 23 January 2025 at our London office. Our agenda includes:

- BW's [Jeff Houston](#), [David Moreton](#) and [Pete Smith](#) will discuss the 'Fit for the Future' consultation and the next steps that LGPS funds will need to consider.
- BW's [Steph Gold](#) and [Liam Mayne](#), experts from our specialist communications team DrumRoll, will provide tips on how to improve employer engagement.
- Jeremy Hughes and Lorraine Bennett from Local Government Association will bring us up to speed with the latest LGPS news.
- BW's [Melanie Durrant](#) and [Barry McKay](#), supported by BW's LGPS longevity expert [Katherine Fossett](#), will explore the expected themes and outcomes from the 2025 valuation. Members of our specialist systems team will also be on hand to detail our latest LGPS-focussed technology solutions.

And of course, the conference will be followed by the address of the Haggis, so grab your chance to enjoy engaging talks from industry experts whilst savouring traditional Scottish cuisine.

We'd love to see you there so please register [here](#).

## LGPS Governance Conference 30 – 31 January 2025

The annual LGPS governance conference will be taking place in Bournemouth, hosted by LGA. The conference will cover key LGPS issues and will be host to a range of expert speakers. [Melanie Durrant](#) will be on an actuarial panel and [Gavin Paul](#) and [Alison Murray](#) will also be in attendance. Sign up for the event [here](#).

## Planning for 2025/26

At the end of March 2025, it will be a year since the Pensions Regulator's Code of Practice came into force. Most of you will hopefully have already carried out an analysis of compliance and identification of any gaps but for any funds which haven't, and would like some help, please get in touch with your usual BW contact or [Gavin Paul](#).

Funds will also be in business planning mode, with Committees approving plans for 2025/26 onwards at their February or March meetings. Whilst some of the good governance recommendations on business planning don't feature in the Fit for the Future consultation, they are best practice nonetheless. If you would like any help with your business planning please get in touch with your usual BW contact or [Alison Murray](#).



## BW resources

### New valuation training module - Enlighten

We are pleased to announce the launch of a new course on our online training platform, [Enlighten](#). The new module, **Triennial Valuations**, covers:

- Valuation timeline & roles
- Importance of good data & impact on funding
- BW funding model
- Setting mortality assumptions
- Pooling of employers
- Analysis of surplus
- 2025 Valuation considerations

We hope you have found Enlighten to be a helpful resource so far and that this additional course is useful. We welcome any feedback you might have.

If you would like more information about Enlighten, please click [here](#). Or if you would like to enrol more students, please get in touch with your usual BW contact.

## BW Public Sector Team News

### Actuarial exam passes

We would like to congratulate all the actuarial students in the team who passed their actuarial exams this month. These passes recognise months and months of hard work outside of the day job. Congratulations to everyone!

## New publications

### LGPC Pensions Dashboards Connection guide

On 19 December 2024, an updated version of the LGPC Pensions Dashboards Connection guide was published by the Local Government Association [here](#).

The guide has been written to help administering authorities identify the steps needed to connect to the pensions dashboards ecosystem. With a 'connect by' date of 31 October 2025, administering authorities will need to create a project plan to implement dashboards and this guide helps with that. It sets out the necessary actions and decisions as well as possible timings to work to.

### Updated transfer guidance

MHCLG has published updated guidance [here](#) on Individual Incoming and Outgoing Transfers. The guidance sets out the general method for assessing:

- Statutory (non-Club) Cash Equivalent Transfer Values (CETV);
- Club transfer values;
- The benefits to be provided in respect of incoming CETVs; and
- The benefits to be provided in respect of incoming Club transfer values representing either or both final salary pension rights and CARE benefits

The LGA have also published new resources for administering authorities to use when processing a transfer out for members protected by the McCloud remedy [here](#). This includes a Club transfer calculator.





<https://www.barnett-waddingham.co.uk/comment-insight/public-sector/>

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