

Current issues in the LGPS

July 2024



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With the country going to the polls on 4 July, what will the next UK Government bring to the LGPS table? We examine the party manifestos for clues. In other articles, we consider nature-related investing and analyse the results of the 2023 Scottish valuations.

General Election 2024

With election fever reaching its zenith on 4 July, we've been examining the manifestos of the main political parties (including Count Binface). Our [summary](#) outlines the commitments that are most relevant to the LGPS and local authorities, in the words of each party. The minister in the new government with responsibility for local government and the LGPS will have plenty to ponder over. We wait to see how the policy direction unfolds and what impact it has on topics such as Good Governance, pooling, fund consolidation and UK investments.

And the survey says...

A big thank you to everyone who responded to our survey about how they like to consume our communications. We'll be using the helpful feedback to shape our approach going forward, and make sure we're sharing in a format that you enjoy! We'll continue to bring you our regular webinars, as well as 60-second summaries and reactive communications that are as timely as possible. If you use LinkedIn please do feel free to connect to our firm-wide [account](#) to receive regular LGPS posts. We'll be in touch shortly with those who participated.

Scottish 2023 valuations – Big Picture report

Following the completion of the 2023 valuations, we have completed our [Big Picture in Scotland](#) report. This covers the overall funding position of the LGPS in Scotland and provides some insight into the funding plans adopted across the 11 regional funds. With many Scottish funds reporting large surpluses at whole fund level, funds in England and Wales may find this an interesting read as they head towards their own actuarial valuations in 2025.

Looking ahead to the 2025 valuations

With the Scottish valuations now complete, our valuation team have started 2025 valuation preparations in earnest! Last week we held our first webinar in the 2025 valuation webinar



series. This focused on the outlook for the 2025 valuation and what funds can do now to get ahead with their valuation preparations. Those that missed out can watch the recording [here](#).

New Scottish exit credit regime delayed

Proposed [regulations](#), affecting employers in Scottish funds that cease in surplus, have been delayed until later this year, with the Scottish Government now in summer recess. The regulations create a discretion for funds to determine the amount of any exit credit (currently funds are required to pay out the full surplus). The SPPA has confirmed that it received a larger than expected number of comments during the consultation. It intends to have further dialogue with stakeholders, with the Scottish SAB creating a sub-group to work on accompanying guidance. The effective date of the new regime is likely to remain as 29 June 2024, despite the 'in-force' date being delayed.

Climate affected futures?

Over the last 18 months, the role and use of climate scenario analysis has been heavily scrutinised. Last month, the Institute & Faculty of Actuaries contributed to the discussion via a [Risk Alert](#). This reminds actuaries of the need to ensure that scenarios are appropriate for the objectives set, that assumptions are tested, and that the outcomes of modelling exercises are clearly communicated. Climate scenario analysis is a tool that we use to help clients frame their funding and investment strategies and asset resilience to risk and uncertainty. It's also an area where we have continued to develop our [approach](#), and something we'll be [addressing](#) as part of the 2025 valuations.

Using AI to improve and advance healthcare

In addition to providing pension funds with longevity analysis, Club Vita regularly host webinars to explore emerging trends in longevity risk. Its latest webinar series considers the impact of achieving significantly longer lifespans. Its final webinar in the series is on 9 July and provides insights on a range of longevity-related AI use-cases: preventative medicine, accelerating drug discovery, establishing new genetic connections, and improving operational efficiency in health delivery. You can register for the session [here](#) and watch recordings of historic sessions [here](#).

A summery accounting summary!

With the dust almost settled on the March 2024 accounting disclosures, the July (colleges & universities) and August (academies) exercises begin. We expect many employers will continue to have a net asset in their accounting disclosure this year. With no single 'correct' approach, employers will need to confirm with their auditor how they plan to derive an asset ceiling at their financial year end, and even consider how to account for last year's asset ceiling (if at all). Please [contact](#) our accounting specialists if you need any support.

Addressing local authority reporting backlogs

Following its [February 2024 consultation](#), CIPFA LASAAC have now announced that the proposed exceptional updates to the 2023/24 and 2024/25 Code of Practice will not be implemented, mainly due to the dissolution of parliament. CIPFA LASAAC will now shift its focus towards long-term enhancements to the Code. Further details can be found in their press release of 3 July 2024 [here](#).

Events, webinars & training

PLSA Local Authority Conference – Strategies for a New Funding Era

We were delighted to support this event in the Cotswolds again this year. The agenda was filled with lots of interesting topics and had a great line-up of speakers, including our very own Catherine McFadyen. In our session, chaired by Nick Buckland from Kent Pension Fund, Catherine was joined by Rachel Wood from West Sussex County Council for a discussion on Strategies for a New Funding Era. The Conference Highlights are available [here](#). We've also summarised the session in our blog [here](#).

Factoring nature into your investment strategy: why, how and what next?

Our recent webinar on factoring nature into your investment strategies is available to [watch on-demand](#). Iain Campbell was joined by André Ranchin and Christina Williams to explore nature and biodiversity, the key nature-related opportunities and risks for investors and what actions to take now. You can also read our [blog](#) here, which summarises the key points from our webinar. If you have any questions or would like to discuss in more detail, please [get in touch](#).

In brief...

Inflation figures

The latest [ONS figures](#) recorded annual CPI for the year to May 2024 at 2.0%, down from 2.3% in the prior month. RPI for the same period was 3.0%.

Lifetime allowance (LTA)

Media reports suggest that Labour will not reintroduce the LTA if elected to form the next UK Government, to avoid layers of complication and uncertainty for savers.

Yet more on McCloud!

[Tax calculations](#) – with HMRC's 'Calculate your public service pension adjustment' service currently suspended, its latest [newsletter](#) introduces some improvements to the service, and outlines plans for others. The plan is to re-activate the service in mid-July, although certain planned changes won't be online until September.

[Statutory LGPS implementation guidance](#) – following a closed consultation, this DLUHC guidance is now available [here](#).

[Trivial commutation actuarial guidance](#) – DLUHC guidance is now available [here](#) (no new factors, but it contains additional information about how the McCloud remedy affects trivial commutation calculations).

Pensions Ombudsman (PO)

The PO has posted a [blog](#) about a review of its operating model. With complaint volumes exceeding its handling capacity, the PO wants members to firstly use their funds' Internal Dispute Resolution Procedure (IDRP) before accepting any cases for investigation. The PO has also updated its ['Signposting' factsheet](#).

Scheme Advisory Board (E&W) publications

The SAB, in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW), has published an [informer document](#) to explain the timeline and information flow for



the triennial valuation and accounting/audit purposes. It has also published its 2022/23 annual [report](#), covering aggregate information across 86 LGPS funds.

Capital markets

Our latest [brief](#) reviews the economy and markets over the month of May.

Broad comparability assessments

The Government Actuary's Department (GAD) has issued a [note](#) on the actuarial assumptions that it will use for these assessments for staff transferring between public service pension schemes under Fair Deal, for cases processed from June 2024 onward.

TNFD

The Taskforce on Nature-related Financial Disclosures (TNFD) has [announced](#) a 30% increase in adopters of their corporate reporting recommendations. Their adopter list includes 2 LGPS pools.

Appendix

General election 2024

[https://www.hymans.co.uk/media/uploads/60-second_summary - LGPS -
_2024 General Election pledges .pdf](https://www.hymans.co.uk/media/uploads/60-second_summary_-_LGPS_-_2024_General_Election_pledges_.pdf)

And the survey says...

<https://www.linkedin.com/company/hymans-robertson>

Scottish 2023 valuations – Big Picture Report

[https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-2023-valuations-
the-big-picture-in-scotland/](https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-2023-valuations-the-big-picture-in-scotland/)

Looking ahead to the 2025 valuations

[https://www.hymans.co.uk/insights/webinars/preparing-for-your-2025-valuation-what-can-you-
do-now-to-get-ahead/](https://www.hymans.co.uk/insights/webinars/preparing-for-your-2025-valuation-what-can-you-do-now-to-get-ahead/)

New Scottish exit credit regime delayed

[https://pensions.gov.scot/sites/default/files/2024-
05/The%20Local%20Government%20Pension%20Scheme%20%28Scotland%29%20%28Ame
ndment%29%20%28No.%20%29%20Regulations%202024%20consultation.pdf](https://pensions.gov.scot/sites/default/files/2024-05/The%20Local%20Government%20Pension%20Scheme%20%28Scotland%29%20%28Ame
ndment%29%20%28No.%20%29%20Regulations%202024%20consultation.pdf)

Climate affected futures?

<https://actuaries.org.uk/media/ue4hdq3l/risk-alert-climate-change-scenario-analysis.pdf>

[https://www.hymans.co.uk/media/uploads/Achieving_Net_Zero - Building_Narrative-
driven_Climate_Scenarios.pdf](https://www.hymans.co.uk/media/uploads/Achieving_Net_Zero_-_Building_Narrative-
driven_Climate_Scenarios.pdf)

[https://www.hymans.co.uk/insights/webinars/managing-risk-in-the-lgps-a-spotlight-on-climate-
risk/](https://www.hymans.co.uk/insights/webinars/managing-risk-in-the-lgps-a-spotlight-on-climate-
risk/)

Using AI to improve and advance healthcare

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

<https://www.clubvita.net/uk/events/event-recordings>

A summery accounting summary!

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Addressing local authority reporting backlogs

[Consultation on short term England only measures in the Code | CIPFA](#)

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-lasaac-announces-decisions-to-support-local-authority-reporting-recovery>

Events, webinars & training

https://www.hymans.co.uk/media/uploads/Conference_highlights_-_PLSA_Local_Authority_Conference_11-13_June_2024.pdf

<https://www.hymans.co.uk/insights/blogs/blog/navigating-the-new-funding-era-for-the-lgps/>

<https://event.on24.com/wcc/r/4597786/4F51D90F7F0D8F4D30CE369D37BA62E3>

<https://www.hymans.co.uk/insights/blogs/blog/factoring-nature-into-your-investment-strategy-why-how-and-what-next/>

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In brief...

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

<https://www.gov.uk/government/publications/public-service-pensions-remedy-newsletter-june-2024/newsletter-on-the-public-service-pensions-remedy-june-2024>

<https://lgpslibrary.org/assets/statgui/ew/202406McCloud.pdf>

<https://lgpslibrary.org/assets/actgui/ew/Triv20240613.pdf>

<https://www.pensions-ombudsman.org.uk/news-item/operating-model-review-blog-dominic-harris>

<https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/Signposting%20factsheet.pdf>

<https://lgpsboard.org/index.php/foreword-2023>

https://www.hymans.co.uk/media/uploads/MarketBrief_May24.pdf

https://assets.publishing.service.gov.uk/media/667d7eb17d26b2be17a4b434/Actuarial_assumptions_for_broad_comparability_assessments_for_staff_transferring_between_PSPSs_June_2024.pdf

<https://tnfd.global/tnfd-adoption-now-over-400-organisations-and-new-sector-guidance-released/>

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