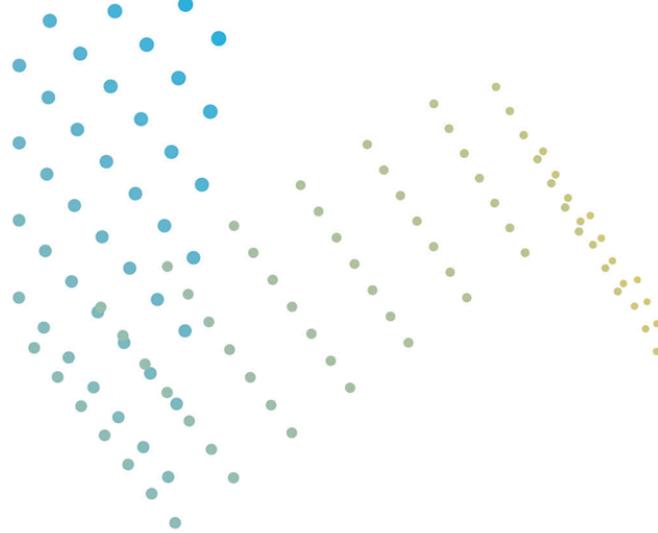


Current issues in the LGPS



December 2023



Richard Warden
Partner – Actuarial Public

We won't be issuing a January edition of Current Issues. However please keep your eyes peeled for our LGPS 2024 priorities. Our crystal ball gazers will be selecting items across funding, administration, governance and investments that are likely to keep funds busy next year. Until then, we wish you and your family a very happy Christmas and New Year.

In 2023, the LGPS gave to me...

With the curtains drawing on another busy calendar year, we've selected some hot topics from our monthly Current Issues as a reminder of the many things that affected the LGPS during 2023. And we couldn't resist the temptation to bury a festive word within the text for each month. Click [here](#) to see if you can spot them.

The Autumn Statement bumper pensions package:

Part 1 - the path ahead for pooling

As part of the Autumn Statement, the Government announced that it had concluded its [consultation on LGPS Investments](#) in England and Wales, covering a wide range of important issues such as pooling, Levelling Up and private equity. Whilst it could be summarised as the Government going ahead with their original plans (despite them noting negative feedback on several matters) there are a number of important details to be aware of, which we summarise in this [60-second summary](#). We now await a vast swathe of guidance.

Part 2 - new LGPS training milestone

Though it wasn't the headline news from the Government's recent England & Wales pooling consultation [response](#), a sizeable training milestone has been reached in the LGPS. The Government confirmed that they will require all funds to publish formal training policies, report training undertaken and (what has been relative long in the making), align expectation for Committee members with those from the Pension Board. Susan Black, Iain Campbell and Andrew McKerns will be discussing this news in our [upcoming webinar](#) and providing our thoughts on where this now takes training, and more widely, governance expectations at LGPS funds.

Part 3 - all other announcements about pensions!

Pooling aside, there were plenty of other pensions-related items to chew over in the Statement. Consolidation was a key theme for both defined contribution and defined benefit private sector schemes. Other topics included the creation of new investment vehicles to support high-growth UK companies, a [policy paper](#) about the repeal of the lifetime allowance (LTA) from 6 April 2024

and formal confirmation that State benefits will be uplifted by 6.7% from April next year (which will presumably apply to the 2024 LGPS Pension Increase Order too despite speculation that it may be lower). These are all covered in our [60-second summary](#).

Have you checked your fund's liquidity?

It's no secret that recent high levels of inflation, leading to a pension increase of 10.1% in April 2023 and an expected pension increase (see above) of 6.7% in April 2024, have significantly shifted the cashflow position of LGPS funds in a short space of time. The net cashflow position is also sensitive to other factors. Our recent risk management [webinar](#) discusses this in more detail, including the current market outlook and future inflation forecasts and their impact on the liquidity of LGPS funds.

The Scottish valuation reporting season

An early Christmas present for many Scottish LGPS employers will be the arrival of their contribution rate results. Following changes in the economic environment over the last three years, many employers will feel the benefit of contribution rate reductions. As always, communication is key, and we encourage funds to consider how best to engage with employers as we move towards the final quarter of this valuation year. Funding strategy statements will also be going out for consultation. Your Hymans actuary will be happy to offer any help on all employer communications.

Welcome guidance on navigating accounting surpluses

CIPFA have recently published their bulletin on [Reporting of pensions surpluses and IFRIC 14](#) – a welcome read for practitioners across the Local Authority space. The article provides some guidance on the application of IFRIC 14, in particular around whether or not there is a minimum funding requirement in the LGPS. For any queries on the application of asset ceilings on accounting surpluses, please reach out to our accounting specialists at LGPSCentralAccountingTeam@hymans.co.uk.

Six degrees of governance and administration

The Pensions Regulator released its [latest research](#) on governance and administration of public sector pension schemes. It surveyed 191 out of 204 schemes in the early months of 2023. The study examined six key performance indicator processes:

- Managing conflicts of interest.
- Risk assessment and management.
- Access to knowledge, understanding and skills.
- Procedures around reporting breaches of the law.
- Resolving contribution payment issues.
- Monitoring accuracy and completeness of records.

LGPS funds were found to be most likely to have all six processes in place (81%), ahead, ironically, of the Police who were in 2nd place at 73%. This research is a valuable read for those interested in evaluating and enhancing the governance and administration of their fund.

Growth, growth and growth

With economic growth in the UK moving at a snail's pace, our Head of Capital Markets, Chris Arcari, digs deeper into the latest Gross Domestic Product (GDP) figures. Why has growth been stagnant, and what does the future hold? Please click [here](#) to read the blog.

Net zero glossary

The world must go through systemic change if we're to protect our environment, societies and economy from climate change and biodiversity loss. Asset owners, including the LGPS, have been investing to support the transition to a net zero economy. But there's a lot of specific vocabulary and terms associated with net zero, which can be off-putting to some. To help you get to grips with all things net zero, we've created this [handy glossary](#).

Events, webinars & training

Conference Highlights – Room 151 – LGPS Investment Forum 8 Nov 2023

This annual Forum was expertly chaired by Aoifinn Devitt and covered a wide range of investment-related issues for LGPS funds, including asset allocation, investing in sustainable infrastructure and inflation & interest rates. Read our conference highlights [here](#).

Conference Highlights – Pension Managers' Conference 21-22 Nov 2023

Mid-November means the annual trip to the seaside for the LGPS Pension Managers' Conference in Torquay to focus on the key issues facing administrators. It was an opportunity to hear from the new Pensions Ombudsman as well as hearing from officers on how they're coping with challenges such as recruitment and retention, communication and managing expanding workloads. Download our conference highlights [here](#).

Managing risk in the LGPS – a spotlight on climate risk

For the latest webinar in our risk management series, Greer Flanagan was joined by Peter MacRae and Sanjay Joshi for a discussion on climate risk. We explored how climate scenarios are currently used, what the next step might look like as we develop the modelling, and the actions funds can take in response to climate risk. Watch on-demand [here](#).

LGPS Committee training – has the LGPS reached a new training milestone following the pooling consultation response?

Please join Susan Black, Iain Campbell and Andrew McKerns as they discuss the impact of the [recent Government response](#) to the England and Wales investment pooling consultation on LGPS training requirements. We will discuss why we believe training requirements were added to the consultation, what 'appropriate' Committee training could look like, how this response could change existing training conversations and the challenges for funds and what this means for training strategies, plans and method. You can register your place [here](#).

In brief...

New ministerial appointments - following a reshuffle, the new Minister for Pensions at the DWP is [Paul Maynard](#) whilst the Local Government Minister at DLUHC is now [Simon Hoare](#).

Pensions dashboards – the LGA has published a [draft guide](#) for LGPS funds about the steps needed to connect to dashboards. On the same subject, live dashboards have been in place in Sweden for some time. Please click [here](#) to listen to our on-demand 'fireside chat' about the Swedish experience so far and learnings for the UK programme.

Levelling Up – as the Autumn Statement demonstrated, the Government continues to focus on this subject. Recent articles from Iain Campbell - a Room151 [blog](#) about the pros and cons of LGPS funds investing in social housing and a [piece](#) about renewable infrastructure – have links to the Levelling Up agenda.

Derivatives – HMT has launched a [call for evidence](#) about the exemption that UK pension funds currently have from the obligation to clear, through a central counterparty, their derivative transactions. The current exemption expires in June 2025.

Liability Driven Investment (LDI) - the Government's [response](#) to the Work and Pensions Committee's June 2023 report on the LDI inquiry has been published.

Inflation – the latest [ONS data release](#) for the year to October 2023 showed that CPI fell to 4.6% (from 6.7% in the prior month).

Cost disclosure – the FCA is [allowing](#), pending legislative change, investment firms to provide a breakdown of their cost disclosures. They're concerned that current disclosure obligations are producing unhelpful cost information for consumers.

Pensions tax relief – the House of Commons library has published a [briefing paper](#) about changes to the lifetime and annual allowances that will be captured via the [Finance Bill 2023-2024](#) that is currently winding its way through parliament.

Appendix

In 2023, the LGPS gave to me...

<https://hymans.co/4517518/>

The Autumn Statement bumper pensions package:

Part 1 - the path ahead for pooling

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response>

https://www.hymans.co.uk/media/uploads/60-second_summary_-_Results_of_the_consultation_on_LGPS_investments_-_next_steps.pdf

Part 2 - new LGPS training milestone

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response#transparency-and-accountability>

<https://www.hymans.co.uk/insights/webinars/lgps-committee-training-has-the-lgps-reached-a-new-milestone-following-the-pooling-consultation-response>

Part 3 - all other announcements about pensions!

<https://www.gov.uk/government/publications/abolition-of-the-lifetime-allowance-from-6-april-2024/abolition-of-the-lifetime-allowance-lta>

https://www.hymans.co.uk/media/uploads/Autumn_statement_60ss_1.pdf

Have you checked your fund's liquidity?

<https://event.on24.com/wcc/r/4366370/2A1C3FA73A9FAA7EB4E7A03F3C23E599>

Welcome guidance on navigating accounting surpluses

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-15-reporting-of-pensions-surpluses-and-ifric-14>
LGPSCentralAccountingTeam@hymans.co.uk

Six degrees of governance and administration

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2023.ash>

Growth, growth and growth

<https://www.hymans.co.uk/insights/blogs/blog/overview-latest-gdp-figures/>

Net zero glossary

https://www.hymans.co.uk/media/uploads/Net_Zero_Glossary_December_2023.pdf

Events, webinars & training

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_Room_151_-_LGPS_Investment_Forum_8_Nov_2023.pdf

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_Pension_Managers_Conference_21-22_Nov_2023.pdf

<https://event.on24.com/wcc/r/4406880/BF529419D3B0C2F32F47FE6F5FB81B68>

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response>

<https://event.on24.com/wcc/r/4429442/2D60EAF8724F8927A50A3F5B43E73E8A>

<https://researchbriefings.files.parliament.uk/documents/SN05901/SN05901.pdf>

<https://bills.parliament.uk/bills/3514/publications>

In brief...

<https://www.gov.uk/government/people/paul-maynard>

<https://www.gov.uk/government/people/simon-hoare>

<https://lqpslibrary.org/assets/gas/uk/PDv0.1.pdf>

<https://www.hymans.co.uk/insights/webinars/talking-all-things-pensions-dashboards-the-european-experience/>

<https://www.room151.co.uk/blogs/housing-a-solid-foundation-for-levelling-up/>

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

https://assets.publishing.service.gov.uk/media/654a6d0bb9068c00130e74ff/Call_for_evidence_-_pension_fund_clearing_exemption.pdf

<https://committees.parliament.uk/publications/42194/documents/209682/default/>

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

<https://www.fca.org.uk/news/news-stories/forbearance-measures-investment-company-cost-disclosure>