

Current issues in the LGPS

April 2021



UK Stewardship Code deadlines

The initial deadline for asset managers and service providers to apply to be signatories of the new 2020 UK Stewardship code passed on 31 March 2021. Hymans Robertson have submitted an application which evidences the efforts we are making to engage on response investment and stewardship issues. We will make this available in due course while we await the outcome of our submission in early summer. For asset owners looking to meet the initial round of signatories the closing date is 30 April with applications received after the appropriate deadline being processed following the next application deadline - 31 October 2021. Look out for a “Keeping the LGPS Connected” session on this on 12 May.

Finding RI in your A to Z

March saw the first meeting of the Scheme Advisory Board’s new Responsible Investment Advisory Group. The meeting covered a range of issues but included discussions on the new responsible investment focussed A to Z website. The website content is being finalised and should go live in April. It will also provide authorities with the opportunity to populate the website with their own case studies.

LAUNCHING SOON! LGPS Online Learning Academy

In preparation for local elections, we’re excited to introduce our [LGPS Online Learning Academy](#) for committee and board members, and officers too. The learning plan consists of a series of short video presentations with supplemental learning materials and quizzes; these cover all aspects of the high level knowledge which CIPFA and TPR require for committee and board members. Automatic reporting is available to track progress and evidence training to scrutineers. The LGPS Online Learning Academy will go live in May.

The Pensions Regulator’s Single Code of Practice

TPR is consulting on the first phase of its [Single Code of Practice](#). The new code will become the single code relevant for LGPS funds, replacing Code of Practice 14 and the parts of other codes that currently apply. The consultation concludes on 26 May and, as ever, we’ll be issuing our response well in advance of the deadline to help you with your own submission.

On 1 April Ian Colvin spoke with Nick Gannon, Policy Lead with TPR as part of our [Keeping the LGPS connected](#) webinar series. The topic was this new code and what it means for LGPS funds. Nick discussed the legalities, the new elements of the code and how the consultation process works.

Cyber risk in the LGPS

With significant cyber breaches hitting the headlines almost daily and the Pension Regulator’s growing expectations, cyber risk has become an increasingly topical issue for the LGPS. This is particularly so now, with increased reliance on home-working, and greater sharing of sensitive information across the internet. The need for officers and elected members to be cyber-aware has never been so great. Our [60 Second Summary](#) considers this emerging threat in more detail and sets out some of the steps you should be taking to ensure you are cyber-resilient.

60ss - Top tips from the Ombudsman

At our recent “Keeping the LGPS Connected” webinar we were joined by Mairi Dearden and Tony Attubato who provided attendees with some insights into how to stay on the right side of the Pensions Ombudsman. You can read all the top tips from the Ombudsman [here](#).

Get on up, like a Section 13!

The Government Actuary's Department (GAD) recently released draft results for the 2019 Section 13 exercise, intended to ensure LGPS valuations satisfy criteria on compliance, consistency, solvency and long-term cost efficiency. Most funds received clean bills of health, and the general picture across the LGPS is one of improved funding positions and higher funding levels compared to the previous exercise in 2016. However, some funds received ‘amber’ warnings because they reduced overall contributions at the 2019 valuation but kept the same reported funding time horizon. We don't agree that either of these factors is a cause for concern: it's perfectly possible for contributions to reduce when there is a substantial improvement in funding position, and for an open scheme like the LGPS it makes sense to use a rolling time horizon. We will continue to liaise with GAD in this area to make sure that the good reasons for funds' decisions in 2019 are taken into account in the final analysis.

We are the 2%

The NAO recently published its [review of public service pensions](#) focussing on their increasing cost (2% of GDP in 2019/20) and the impact of the 2014/15 reforms. Its conclusions are not positive: costs will continue to rise for years to come, and it criticises benefits as being inflexible and ineffective as a recruitment tool. Their first two recommendations are more immediate though: sort out the administrative challenge of McCloud and resolve concerns about the Cost Cap mechanism. It's difficult to argue with either of those – and while we don't know the outcome of the Cost Cap yet we can help you tackle McCloud so get in touch with your usual Hymans contact if you'd like to learn more.

2021 Budget – a lifetime (allowance) ago

It seems like a distant memory now but the chancellor delivered his 2022 budget at the start of March, focussing predominantly on the response to Covid-19. There was little of direct relevance to the LGPS, with the main pensions news being the freezing of the lifetime allowance until 2026. Read our [sixty second summary](#) for more detail.

GMP indexation consultation – government response

Not unexpectedly, the [Government](#) has announced that there isn't the time or inclination to carry out a full conversion of GMPs to normal scheme benefits. As a result LGPS funds will continue to apply full indexation to any member with a GMP who reaches state pension age after 5 April 2021.

Command Paper on Tax policies and consultations

On 23 March the Government issued a [Command Paper](#), supported by a series of discussion papers and consultations, designed to deliver its strategy of ‘Building a trusted, modern tax administration system’. The papers and accompanying documentation cover every imaginable aspect of taxation; of most direct relevance to LGPS funds is a commitment to make technical amendments to the tax rules in order to make Annual Allowance Scheme Pays more straightforward.

Key priorities for employers in the LGPS

We recently got in touch with LGPS employers to share our views on the [key priorities of 2021](#). Firstly, for English and Welsh employers, they may be considering what next year's valuation may mean for their contribution rate. For any employers who are experiencing financial difficulty, we would encourage early liaison with their LGPS fund. Secondly, we also expect growing interest in employers wishing to use the new flexibilities and we can support employers in understanding the options and associated risks. Finally, we understand the complexities of the LGPS and we'd encourage employers who need further help in understanding their own obligations or their participation in the LGPS to speak to one of our [Employer Services team](#).

A long-term perspective

To mark Hymans Robertson's 100th birthday, John Dickson, Senior Partner, and Shireen Anisuddin, Managing Partner, were recently interviewed by the editor of Professional Pensions about our heritage in pensions and our plans and hopes for our firm's future. Did you know that we were first established in Glasgow in 1921 to help local authority pension schemes carry out their first valuation? You can read the full interview [here](#).

Appendix

LAUNCHING SOON! LGPS Online Learning Academy

<https://www.hymans.co.uk/services/lgps-online-learning-academy/>

The Pensions Regulator's Single Code of Practice

[Single code of practice consultation | The Pensions Regulator](#)

[Keeping the LGPS connected on Vimeo](#)

Cyber risk in the LGPS

<https://www.hymans.co.uk/insights/research-and-publications/publication/cyber-risk-in-the-lgps>

60ss - Top tips from the Ombudsman

[Top tips from The Pension Ombudsman - Hymans Robertson](#)

We are 2%

[Public service pensions - National Audit Office \(NAO\) Report](#)

2021 Budget – a lifetime (allowance) ago

[Sixty Second Summary - Budget 2021 - Hymans Robertson](#)

GMP indexation consultation – government response

[23.03.2021 Response to GMP consultation final_002 .pdf \(publishing.service.gov.uk\)](#)

Command Paper on Tax policies and consultations

[Tax policies and consultations - Spring 2021 \(publishing.service.gov.uk\)](#)

Key priorities for employers in the LGPS

[key_priorities_for_employers_in_the_lgps.pdf \(hymans.co.uk\)](#)

A long-term perspective

[Hymans Robertson at 100: Taking a long-term perspective \(professionalphensions.com\)](#)