

# Current issues in the LGPS

December 2020

## 95,000 rocks and a hard place

So many questions for LGPS funds in England and Wales. For example, which set of Regulations do you break for members over 55 being made redundant from local authorities (and other public sector employers)? (On the day the £95k cap was brought in, our “Keeping the LGPS Connected” webinar focused on the legal perspectives: you can see the summary [slides](#) and [watch the full recording](#)). Are your early retirement strain cost funding factors fit for purpose when they could affect members’ benefits? What does the future hold for wider exit pay reform (the [consultation](#) on the draft Regulations runs until 18th December)? We can confidently say that this whole topic won’t all be over by Christmas...

## What’s the link?

On 25 November the Government and the UK Statistics Authority [confirmed](#) that the Retail Prices Index (RPI) inflation measure will be aligned with the Consumer Prices Index including housing costs (CPIH) from 2030 with no compensation being paid to index-linked gilt holders. As outlined in our [60 Second Summary](#), while the immediate impact on index-linked gilts values was actually relatively muted, the long term impact for LGPS investors holding these bonds and other RPI linked assets will undoubtedly be negative.

## 2020 GAD data request

Funds in England and Wales should have submitted membership as at 31 March 2020 to GAD for the purpose of their national scheme level valuation by 23 November. This data may also be used for the 2020 Cost Cap valuation that, under current Regulations, is still due to be carried out. The initial results of the 2016 Cost Cap exercise indicated a saving and benefit improvements for most public service pension schemes, including the LGPS. The final results are eagerly awaited after the process was ‘un-paused’ following the release of the proposed McCloud remedy. We also await news about the review of the Cost Cap mechanism that was announced by the Government after the (presumably unanticipated) initial results were published.

## Is the LGPS on TPR’s naughty list?

Apparently not, based on the findings of the ‘[Public service governance and administration survey 2019](#)’. The results suggest that the LGPS generally stacks up well against other public service schemes, with historical issues around annual benefit statements being largely addressed and funds spending more time on their data. LGPS funds are relatively confident that McCloud won’t stop them delivering the service but the ability to recruit enough skilled staff is a concern. The survey is over 60 pages long – if you’d like a synopsis please read our [60 Second Summary](#) instead.

## Club Vita COVID-19 case watch

As we look towards the Christmas period, with the hope that a relaxing of social distancing will allow us to enjoy a “closer to normal” festive break, Club Vita have continued to analyse the latest data on the spread of COVID-19. Their [weekly blog](#) tracks virus-related deaths, cases and hospitalisations across the UK. Although COVID-19 deaths continue to tick upwards, there are some encouraging signs that the spread of cases across the population may be beginning to slow.

## GMPs - the latest twist to the ongoing Lloyds equalisation saga unfolds

The latest judgment relating to the [Lloyds Banking Group](#) litigation originating from the 1990 European Court of Justice ruling against the Group has been announced. Pension schemes now appear faced with the unenviable task of revisiting historic transfers paid out over the last 30 years and topping up the payments accounting for differences attributable to GMPs where required. While this might be good news for some members, it's yet another headache for hard pressed administrators in trawling back over historic transfers, and for employers when reporting accounting figures under IAS19 or FRS102.

## More on GMPs! - equalisation in the LGPS

It seems it's a busy time for GMPs, with HM Treasury [consulting](#) again on options for the equalisation and indexation of GMPs in public sector schemes, following the introduction of the new State Pension in April 2016. With the current interim solution due to expire next year, Government are consulting on a further extension to the interim arrangements (this would be the second such extension), possibly to 2024 or even 2030, as well as the option of simply making it the permanent solution. We will shortly be sharing our response to this consultation, which ends on 30 December.

## The lowdown on LGPS statistics

Number crunchers will be excited by the latest [statistical release](#) from MHCLG on LGPS expenditure, income, and membership in England and Wales during 2019/20. Highlights include active membership numbers crossing the 6 million threshold for the first time, employer contributions increasing by an inflation busting 7.7% compared to 2018/19 and assets being valued at around £270bn at end March 2020, a drop of 5% over the year (and perhaps reassuring as values have seen some recovery since then). Net cashflow, after excluding investment income, was negative at around £2bn and broadly unchanged from the prior year.

## Reasons to be cheerful?

The accepted wisdom is that COVID-19 has led to financial anxiety, a focus on the here-and-now and a disproportionate impact on the young. Our communication partners at like minds recently commissioned research, surveying 1,000 employees of large businesses, to unlock insights on their attitudes and behaviour towards money and pensions. The results of the research are surprising; they reveal how the pandemic could be a catalyst for changing attitudes to saving. You can download a copy of the research [here](#).

## Webinars past and present

Did you miss our recent webinar on tackling the LGPS administrative challenge? Fear not! You can now [catch this on demand](#). Experts from our Governance, Administration and Projects (GAP) team discussed administration planning, resourcing and solutions for: £95k cap and exit payment reform (England and Wales only); COVID-19 backlogs; McCloud; and Goodwin.

**Keeping the LGPS connected:** the next webinar in our series is taking place on 9 December. For this session, we'll look back on the highs and lows of 2020, we'll then look ahead to 2021 – what are the priorities for the LGPS next year? [Register your place here](#).

## Appendix

### 95,000 rocks and a hard place

[https://www.hymans.co.uk/media/uploads/Keeping\\_the\\_LGPS\\_connected\\_Webinar\\_Slides.pdf](https://www.hymans.co.uk/media/uploads/Keeping_the_LGPS_connected_Webinar_Slides.pdf)

<https://vimeo.com/475451586/adcc72b4fe>

<https://www.gov.uk/government/consultations/reforming-local-government-exit-pay>

### What's the link?

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938008/RPI\\_Response\\_FINAL\\_VERSION\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938008/RPI_Response_FINAL_VERSION_.pdf)

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-rpi-reform/>

### Is the LGPS on TPR's naughty list?

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-governance-and-administration-survey-2019.ashx>

<https://www.hymans.co.uk/insights/research-and-publications/publication/public-service-governance-and-administration-survey-2019/>

### Club Vita COVID-19 case watch

<https://www.clubvita.co.uk/news-and-insights/covid-19-the-latest-picture-as-at-24th-november-2020>

### GMPs - the latest twist to the ongoing Lloyds equalisation saga unfolds

<https://www.hymans.co.uk/insights/research-and-publications/publication/gmp-equalisation-obligation-extends-to-historical-transfers/>

### More on GMPs! - equalisation in the LGPS

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924807/02\\_10.2020\\_GMP\\_indexation\\_consultation\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924807/02_10.2020_GMP_indexation_consultation_final.pdf)

### The lowdown on LGPS statistics

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/932430/LGPS\\_England\\_and\\_Wales\\_2019-20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932430/LGPS_England_and_Wales_2019-20.pdf)

### Reasons to be cheerful?

[https://www.hymans.co.uk/media/uploads/Like\\_Minds\\_Reasons\\_to\\_be\\_cheerful\\_thought\\_piece\\_v2\\_1311201.pdf](https://www.hymans.co.uk/media/uploads/Like_Minds_Reasons_to_be_cheerful_thought_piece_v2_1311201.pdf)

### Webinars past and present

<https://www.hymans.co.uk/insights/research-and-publications/publication/webinar-replay-tackling-the-lgps-administrative-challenge/>

<https://register.gotowebinar.com/register/5213330396421672973>