

Current issues in the LGPS

November 2020

Local government exit pay reform and £95k cap

With the £95k cap in force from 4 November, confusion continues to reign over how employers and LGPS funds in England and Wales (subject to Welsh Government policy) should deal with the contradiction between The Restriction of Public Sector Exit Payments Regulations 2020 (which prevent employers making exit payments over £95k) and the LGPS Regulations 2013 (which require LGPS pensions to be paid in full to members aged 55 or over retiring on redundancy). This is a fast moving area and the Scheme Advisory Board's [website](#) provides an excellent source of update and information. In addition, all of our actuarial clients will have been contacted separately with advice on the use of pension strain factors during this period. As mentioned below, we're running a webinar on 16 November on tackling the LGPS administrative challenge, [see here](#) for more info and to register.

On 4 November, we were joined by Kirsty Bartlett from Squire Patton Boggs for the latest webinar in our "keeping the LGPS connected" series. Kirsty shared the legal perspective of the exit pay reform proposals. You can catch the recording [here](#).

McCloud update

The closing dates for the two McCloud consultations (one [LGPS specific](#) and the other on [wider public sector schemes](#)) have now passed. McCloud will remain one of the most significant tasks facing LGPS funds and it is important that the process of planning and resourcing receives appropriate priority. Our 60ss "[McCloud – Act Now](#)" provides a summary of some of the key tasks that need to be done now in order to stay on track with this project and avoid storing up problems for later.

LGPS Employer update

We held a webinar (replay [here](#)) on 3 November to support employers with recent regulation changes i.e. McCloud remedy, Goodwin case, the £95k cap and also the new employer management regulations introduced in September. We expect the impact of the £95k cap and the outcome of the compensation regulations consultation to have far-reaching implications on many LGPS employers. We are considering ways in which we can provide support to employers currently considering redundancy exercises and are keen to hear views from employers on how this may impact on their organisation. And finally, on a separate topic, we are seeing increased interest from Multi-Academy Trusts who operate across funds and would like to consolidate their pension provision into a single fund.

GAD update factors

With effect from 1 November 2020 new GAD factors have been issued for divorce cases, incoming and outgoing transfers and trivial commutation. The new factors along with details on transitional provisions can be found [here](#).

Resilience and the new economy

Equities continue to play a key part in the asset allocations of all LGPS funds. The current crisis has seen significant volatility but also dispersion of performance of perceived new economy and old economy stocks, as outlined in our recent [note](#). For us this highlights the importance of understanding the factors investors are seeking to capture to help ensure equity allocations are resilient in times of significant market volatility.

2020 valuation: getting ready for employer results

Scottish funds will be starting to consider employer results over the next couple of months. In advance of this stage, we hosted a webinar discussing how funds can manage employer risk via funding plans and ensure the valuation results are clearly communicated and explained to employers. A recording of the webinar is available [here](#). The valuation will also likely bring McCloud back into everyone's minds, our response to remedying McCloud in LGPS Scotland is available [here](#).

GMP indexation – Kicking the GMP indexation can further down the road

The saga of indexing GMPs for public sector pension schemes following the introduction of the new state pension from April 2016 continues, with a [further consultation](#) exercise on a long term solution being launched by HM Treasury in October. The options set out below suggest a kicking of the can down the road again, to the point where the current interim solution effectively becomes “the solution”. The options currently under consideration are:

- extend the interim indexation solution to cover those reaching SPa up to and including 5 April 2024;
- extend the interim solution to cover those reaching SPa beyond 5 April 2024, to say March 2030; or
- discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes

The deadline for responses is 30 December 2020. We aim to complete our response by end November and will share this with you.

September CPI gives indication of April 2021 revaluations.

The Office for National Statistics (ONS) recently published the September inflation figure as 0.5%. This will form the basis for many of next year's statutory increases, including public sector pensions, CARE pot revaluation and pension input opening values. This should also mean that the lifetime allowance is uplifted from its current £1,073,100 level to £1,078,900 or thereabouts from 6 April 2021.

Upcoming webinars

Responsible Investment in the LGPS - making progress and demanding accountability (10 November) -

We're delighted to be joined by Cllr Mark Ingleby, Chair of the Lewisham Pension Fund and Claudia Chapman, Financial Reporting Council for this webinar. [Join us on 10 November](#) where we'll explore how the responsible investment agenda can be developed within the LGPS.

Tackling the LGPS administrative challenge (16 November) – LGPS funds have never had to look very far to

find administrative challenges. In this [webinar](#), experts from our Governance, Administration and Projects (GAP) team will discuss administration planning, resourcing, practical tips and solutions for:

- £95k cap and exit payment reform (England and Wales only)
- COVID-19 backlogs
- McCloud
- Goodwin

Appendix

Local government exit pay reform and £95k cap

<http://www.lgpsboard.org/index.php/structure-reform/public-sector-exit-payments>

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

<https://www.hymans.co.uk/insights/events/tackling-the-lgps-administrative-challenge/>

McCloud update

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

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

<https://www.hymans.co.uk/insights/blogs/blog/mccloud-act-now/>

LGPS Employer update

<https://vimeo.com/475520872/5d0ce98898>

GAD update factors

<http://www.lgpsregs.org/schemeregs/actguidance.php>

Resilience and the new economy

https://www.hymans.co.uk/media/uploads/Equity_investing_-_applying_discipline_and_resilience_in_current_times_final.pdf

2020 valuation: getting ready for employer results

<https://www.hymans.co.uk/insights/research-and-publications/publication/webinar-replay-2020-valuation-employer-risk-management-and-engagement/>

https://www.hymans.co.uk/media/uploads/201006_-_Hymans_Robertson_-_SPPA_Consultation_Response.pdf

GMP indexation – Kicking the GMP indexation can further down the road

<https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>

Upcoming webinars

<https://register.gotowebinar.com/register/2848615135813774862>

<https://register.gotowebinar.com/register/4606270234874162189>