

Current issues in the LGPS

June 2022



2022 valuation: first 100 results

Less than 100 days into the English and Welsh valuation season, and we have already helped funds set the first 100 council contribution rates. A couple of our fund actuaries sat down to [discuss the results](#) and what they may mean for those councils yet to set rates for the 2022 valuation. An [accompanying note](#) is also available for you to share with any interested stakeholders.

State Pension age review

The latest [State Pension age review](#) will consider whether the intended rise to an SPA of 68 should be brought forward from 2046 to 2039. Baroness Neville-Rolfe called for [evidence for her independent report](#) which will provide recommendations to the Government about how to implement any changes to SPA. The Government must publish its review by 7 May 2023 so it will be some time before any legislative changes; meanwhile, we offer [some thoughts](#) about how the LGPS specifically is affected by any changes in the SPA.

Special Severance Payments

On 12 May DLUHC published [statutory guidance](#) on making and disclosing Special Severance Payments, which are additional payments, over and above statutory and contractual requirements, that may be made when someone leaves employment. The guidance applies only to [Best Value Authorities](#) in England and confirms the Government's position that Special Severance Payments are not good value for the tax payer and should only be made in exceptional circumstances. Following responses to the consultation on this topic in July 2021, the new guidance makes clear that a LGPS pension strain paid by an employer when an LGPS member is made redundant is not a Special Severance Payment.

Making sure you are 'dashboards ready'

The recent Government [consultation](#) on pensions dashboards proposes the LGPS connects to the dashboards by 30 April 2024. Given other priorities, like McCloud, as well as the technical changes required to get systems ready, it will be challenging for administering authorities to be 'dashboards ready' within that timeframe. There are though steps you need to take in order to be prepared, even if the timeframe is extended, which we explore in our [60 Second Summary](#) on the topic.

Forestry - the answer to your Net Zero questions?

With Net Zero ambitions and carbon footprint reduction targets being increasingly adopted by investors, many are now considering investments in forestry. It's an asset class with low carbon intensity that also has the potential to remove carbon from the atmosphere to make up for emissions elsewhere in a portfolio, whilst earning a return. This makes it a potentially attractive investment; a fund can achieve climate-related aims without challenging its fiduciary duty. [This article](#) explores these considerations and raises some areas investors will need to consider before making an investment in forestry.

Greener finance

The Government has issued a [call for evidence](#) to support an update to the UK's [Green Finance Strategy](#). The questions focus on four key objectives: capturing the opportunity of green finance; mobilising finance for the UK's energy security, climate and environmental objectives; greening the financial system; and leading internationally.

Although there is no direct reference to the LGPS, the Green Finance Strategy acknowledges the important role local authorities can play in supporting the UK's climate and environmental objectives. The consultation is an opportunity for all market participants to comment on what could be regarded as a "back to basics" review of green finance in the UK. The closing date for responses is 22 June 2022.

New longevity 'curves' now available!

Part of an actuary's role is to set appropriate baseline longevity assumptions that take account of the specific demographic characteristics of a fund's membership. At Hymans, we use Club Vita tables (called [VitaCurves](#)) that are tailored to fit each individual member of a fund. These are updated annually to capture the most up-to-date experience, with the tables used for the 2022 valuations calibrated to data spanning 2018-2020. We are working closely with the longevity experts at Club Vita to make appropriate adjustments to recent data to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021, and to monitor the impact of the pandemic on pensioner longevity going forward.

Scottish Amendment Regulations

New [regulations](#) that affect the Scottish LGPS are effective from 1 June 2022. Our [60 Second Summary](#) outlines the key changes, including employer flexibility regulations that bring Scottish regulations broadly in line with those already in place in England and Wales. Funds will now have the power to formally review employer contributions between triennial valuations where there has been a 'significant change to liabilities or covenant', and employers will have the right to request a review of their rates under similar circumstances. Deferred Debt Agreements (DDA's) and the regulatory power to spread exit payments have also been introduced. Please speak to your fund actuary about how these new powers can be applied via your Funding Strategy Statement.

Aftermath of Covid-19: New ways of working for the LGPS

It is during times of crisis that we often see the innovation that drives through change and new ways of working. So, as we emerge from the coronavirus pandemic with growing confidence in a new environment for pensions, Catherine McFadyen shares her thoughts with [Pensions Expert](#) on the lasting impact of Covid-19 on the LGPS.

LGPS Governance, Cagney and Lacey style

Susan Black's latest [article for Room151](#) manages the seemingly impossible feat of linking the LGPS with detective duo Cagney and Lacey. Susan examines LGPS governance, with DLUHC as Cagney and The Pensions Regulator (TPR) as Lacey. The article contains some tips on what funds can do now to prepare for upcoming regulations on TPR's new Single Code of Practice and the Scheme Advisory Board's Good Governance project (in England and Wales).

Upcoming events, webinar & training

The LGPS Success Story

Wednesday 8 June marked our first in-person LGPS event in over two years. Not only that, but it was also our first ever Governance, Administration and Project management event since our team was formed in 2020. Our event was the perfect opportunity to celebrate; share; and think about the next challenges for the LGPS. We pre-recorded our sessions, [catch them on-demand now!](#) Our Head of GAP, Susan Black, shared some thoughts before the day [here](#).

PLSA Local Authority Conference 2022

A reminder that we're attending the PLSA Local Authority Conference in Gloucestershire on 13-15 June. Susan Black will be joined by Carolyn Morgan from Avon Pension Fund, and together they will share the life-changing magic of tidying up your governance arrangements. [Click here to register](#) - we hope to see lots of you there!

Setting your Funding Strategy at the 2022 Valuation

Join us on Monday 20 June for the fourth webinar in our LGPS 2022 Valuation series. This session will focus on topical areas of your funding strategy and how to effectively manage these risks, including setting a strategy which

is clear and transparent for your employers; getting the most out of your Funding Strategy Statement; and reviewing and optimising your investment strategy. [Register your place here.](#)

Committee Induction training and LGPS Employer training

Sitting alongside our LGPS Online [Learning Academy](#) for new Committee and Board members is our support with **Induction** training for new members. If you would like Hymans to provide a high-level induction session on the key elements of the LGPS (including some specific elements of your own Fund), then please get in touch with your usual contact. Beyond that, we can also support with additional induction documentation, 1-2-1 sessions and adjustments to training plans and strategy.

We are also providing training sessions to LGPS employers on 10 June (TUPE/Outsourcing), 20 June (Employer Discretions) and 30 June (APP - examples only). Please [get in touch](#) if you would like to sign up your employers to these sessions.

In brief...

- Saving for Later Life – the House of Commons Work and Pensions Committee has issued a [second call for evidence](#), targeted at employers and trade unions. It closes on 8 June.
- [Queen's Speech](#) – upcoming legislation that may impact the LGPS includes the Schools Bill (lots of new academies?), Procurement Bill (which might simplify fund tender processes), Data Reform Bill & the Boycotts, Divestment and Sanctions Bill (which continues to be a hot topic for LGPS investments).
- Lothian and Falkirk funds– it has been [announced](#) that the funds are targeting completion of a merger in 2023, subject to final approval from both the City of Edinburgh and Falkirk councils, regulatory clearances and legislative process.

Appendix

2022 valuation: first 100 results

<https://vimeo.com/712014903>

<https://www.hymans.co.uk/insights/research-and-publications/publication/first-100-results-for-local-authority-contributions/>

State Pension Age review

<https://www.gov.uk/government/news/second-state-pension-age-review-launches>

<https://www.gov.uk/government/consultations/second-state-pension-age-review-independent-report-call-for-evidence/second-state-pension-age-review-independent-report-call-for-evidence>

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-lgps-impact-of-state-pension-age-review/>

Special Severance Payments

<https://www.gov.uk/government/publications/special-severance-payments>

<https://www.legislation.gov.uk/ukpga/1999/27/section/1>

Making sure you are 'dashboards ready'

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-preparing-for-the-pensions-dashboard/>

Forestry - the answer to your Net Zero questions?

<https://www.hymans.co.uk/insights/research-and-publications/publication/forestry-the-answer-to-your-net-zero-questions/>

Greener finance

<https://www.gov.uk/government/consultations/update-to-green-finance-strategy-call-for-evidence/update-to-green-finance-strategy-call-for-evidence-accessible-webpage#:~:text=The%20UK%20government%20is%20issuing,for%20publication%20in%20late%202022>

<https://www.gov.uk/government/publications/green-finance-strategy>

New longevity 'curves' now available!

<https://www.clubvita.net/glossary/vitacurves>

Scottish Amendment Regulations

<https://www.legislation.gov.uk/ssi/2022/153/made>

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-scottish-lgps-amendment-regulations-2022/>

Aftermath of Covid-19: New ways of working for the LGPS

<https://www.pensions-expert.com/Special-Features/CPD/Aftermath-of-Covid-19-New-ways-of-working-for-the-LGPS>

LGPS Governance, Cagney and Lacey style

<https://www.room151.co.uk/local-government-pension-scheme-investment/lgps-governance-cagney-and-lacey-style/>

The LGPS Success Story

<https://www.hymans.co.uk/insights/events/the-lgps-success-story/>

<https://www.hymans.co.uk/insights/blogs/blog/the-lgps-success-story-nearly-here/>

PLSA Local Authority Conference 2022

<https://www.plsa.co.uk/Events/Conferences/Local-Authority-Conference>

Setting your Funding Strategy at the 2022 Valuation

<https://event.on24.com/wcc/r/3818755/423F477B74B3E19D9C0ECC5C0A93E285>

Committee Induction training and LGPS Employer training

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

<http://web.hymans.co.uk/hymanscouk->

<atwsv/pages/nlbjwl2weeypjwaisbsmta.html?PageId=c249b034965dec118f8f0022481b0cb4>

In brief....

<https://committees.parliament.uk/call-for-evidence/2626/>

<https://www.gov.uk/government/publications/queens-speech-2022-background-briefing-notes>

<https://www.lpf.org.uk/about/news/2022/may/merger/>