

Current issues in the LGPS

December 2022

With the festive season fast approaching, what better time to relax with an eggnog and read our [Christmas Communications Carol!](#) A trio of ghosts help an actuary to look at the past and consider how advances in technology may continue to change the way in which we currently engage...

We won't be issuing a Current Issues in January. However please do look out for our LGPS 2023 priorities, where we'll be selecting the 'hot topics' across funding, administration, governance and investments that are likely to keep funds busy next year. In the meantime, we wish you a very happy Christmas and New Year.

2022 valuations – the beginning of the end

For most, December signals the beginning of the end/light at the end of the tunnel/the home straight all wrapped up into one for the 2022 valuations. After a lot of data, calculations, discussions, results schedules and draft FSS's, employers will now start to have the important information (contribution rates) available to them, along with a better understanding of their funding strategy. Although that doesn't mean we can put down tools and relax – GAD recently finalised its set of climate change risk principles which they expect all LGPS funds to be able to evidence compliance with (your actuary can provide further details) and DfE have just [confirmed](#) that further education institutions have been reclassified into the central government sector. But these aren't surprises and they can be easily managed within your existing strategy and governance frameworks – speak to your usual Hymans Robertson contact for further information.

Scottish valuations are approaching

As the end of the year is rapidly approaching, our attention is turning to the 2023 Scottish LGPS valuations. From a global pandemic in 2020 to a cost-of-living crisis in 2023 – no two valuation seasons are ever the same! We expect that there will be inflationary pressures on the cost of benefits but also the potential for larger surpluses, but as ever, every fund will have to consider its own circumstances. Planning is well underway – look out for some communications over the coming weeks to help you work with your own actuary to consider what 2023 may bring for you.

LDI in the LGPS

The recent turmoil in gilt markets brought Liability Driven Investment (LDI) to the front pages of mainstream news. The extreme challenges this presented LDI investors raised the question of why UK pension schemes used this investment technique and whether the risks were truly understood. [In this note](#) we discuss the potential future of LDI for the LGPS and the risks that need to be considered along with any potential benefits.

COP27: Progress or procrastination?

The end of [COP27](#) in Egypt brought progress on the establishment of a 'loss and damage' fund, an implicit acceptance of the adverse impacts of climate change, although the provision of finance for the fund has yet to be agreed. This adds to the demands on developed countries to provide financial support, with commitments to provide funding for mitigation action also not yet met. It is however the ongoing silence on fossil fuels - the underlying cause of emissions that drive climate change - that is the ongoing failure. Until consensus is reached on this issue then policy uncertainty, which does little to help investors, remains. You can read more in Simon Jones' [blog](#).

Government consultation on McCloud remedy tax proposals published

On 24 November the Government published a technical consultation on the tax treatment of rectification payments resulting from the McCloud remedy. The draft proposals can be found in [The Public Service Pensions Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023](#). The draft legislation covers all public service schemes and so is limited in terms of specific application to the LGPS, where the remedy will be different from the unfunded schemes. Some of the provisions, therefore, will have limited or no effect on the LGPS, but we recommend you consider the detail ahead of the consultation closing on 6 January 2023.

Conferences & webinars

Effective Business Planning in the LGPS

Last month we hosted our first of two webinars focused on the successful implementation and delivery of a business plan. In case you missed it, the webinar is now available on-demand, which you can [access here](#). Our second webinar is taking place on 15 February where Kate Dickson will talk us through objective setting, prioritisation, and implementation of your business plan. [Click here](#) to register.

Room151's LGPS Investment Forum

We were delighted to once again sponsor Room 151's LGPS Investment Forum which took place in London on 2 November. Our very own Chris King took part in a strategic asset allocations panel discussion. If you weren't able to attend the event, you can download our [Conference Highlights](#) for a summary of each session.

The Pension Managers' Conference, Torquay

During November attention turned to the English Riviera for the annual Torquay Pension Managers' Conference. The attendees were treated to presentations on a range of current administration and governance issues affecting the LGPS as well as a series of interactive workshops. You can read our full [Conference Highlights](#) as well as Ian Colvin's [thoughts](#) on proceedings.

Round 3 of LGPS employer training

Our next set of scheme employer training will commence in January 2023 (13th, 20th and 30th). Session topics are understanding how the LGPS works, the importance of data, and pensions terminology and historic issues (protections). Employer knowledge has been identified as one of the main challenges for LGPS Fund administration and consultants will provide both a training session and lots of time for Q&A. All participants will receive a certificate of participation. Click [here](#) to register interest.

Fund administrator training

Following the popularity of our employer training sessions earlier this year, we will be launching a series of administrator training sessions, focused on delivering entry level training to new or recent joiners or as a refresher for existing staff. If this is of interest, please look out for the formal launch in the New Year. In the meantime if you would like to know more in advance, please contact [Peter Riedel](#).

In brief...

- DLUHC has issued its **annual summary of LGPS statistics**, [SF3](#), for 2021/22. Among some big numbers the figures show that the total value of LGPS funds on 31 March 2022 was £364 billion and that there are 6.3 million LGPS members. Retirement numbers also shot up by 14% compared to the prior year – maybe part of the 'Great Resignation'?
- More **ministerial appointments** confirmed at DLUHC, with [Lee Rowley](#) having responsibility for the LGPS and [Michael Gove](#) as Secretary of State. [Laura Trott](#) is the new Minister for Pensions at the DWP.
- Speaking at a recent conference, a TPR spokesperson said that its **new Single Code of Practice** will be laid in parliament "towards the end of this year or the beginning of January".

- TPR/FCA/MaPS have joined forces to issue a [warning](#) to pension schemes and savers about the **increased risk from scammers** seeking to cash in on economic uncertainty. It includes a list of the common signs of a pension scam.
- The Government's [Autumn Statement](#) confirmed that the 'triple lock' on State pensions would be maintained, with next year's increase being 10.1%. This probably means that the LGPS Pension Increase Order that applies to benefits in April 2023 will also be 10.1%. It was also confirmed that the outcome of the State pensionable age (SPA) review will be published (as required by legislation) by May 2023.
- And finally, lots of things related to **dashboards**:
 - The Pensions Dashboards Programme has [finalised](#) the standards that will govern the operational practicalities of dashboards. It has also issued a [consultation](#) on the mandatory standards for how pensions dashboards data will be presented.
 - The [Pensions Dashboards Regulations 2022](#) were 'made' on 21 November and will come into force on 12 December 2022.
 - TPR is [consulting](#) on its proposed policy for policing compliance with and enforcing the forthcoming pensions dashboards obligations.
 - The FCA is consulting on [CP22/25: Proposed regulatory framework for pensions dashboard service firms](#), on the standards that will apply to firms that wish to operate pensions dashboards.

Appendix

Christmas communications carol

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

2022 Valuations – the beginning of the end

<https://www.gov.uk/government/publications/further-education-reclassification/further-education-reclassification-government-response>

LDI in the LGPS

https://www.hymans.co.uk/media/uploads/Briefing_Note_-_LDI_in_the_LGPS.pdf

COP27: Progress or procrastination

<https://www.un.org/en/climatechange/cop27>

<https://www.hymans.co.uk/insights/blogs/blog/cop27-progress-or-procrastination/>

Government consultation on McCloud remedy tax proposals published

<https://www.gov.uk/government/publications/the-public-services-pension-schemes-rectification-of-unlawful-discrimination-tax-regulations-2023>

Conferences & webinars

<https://event.on24.com/wcc/r/3974511/22753AB46F6AC8226EAE27AAAD2BF570>

<https://event.on24.com/wcc/r/3997159/04B519A5C7A2606279810F518DCA14E0>

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_Room151_LGPS_Investment_Forum_2_Nov_2022.pdf

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_Pension_Managers_conference_15-16_Nov_2022.pdf

<https://www.hymans.co.uk/insights/blogs/blog/we-do-like-to-be-beside-the-seaside/>

Round 3 of employer training

<http://web.hymans.co.uk/hymanscouk-atwsv/pages/nlbjwl2weeypjwaisbsmta.html?PageId=c249b034965dec118f8f0022481b0cb4>

In brief....

<https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-and-wales-2021-to-2022/local-government-pension-scheme-funds-for-england-and-wales-2021-to-2022#membership-and-employers>

<https://www.gov.uk/government/people/lee-rowley>

<https://www.gov.uk/government/people/michael-gove>

<https://www.gov.uk/government/ministers/parliamentary-under-secretary-of-state--205>

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-press-releases/scam-fighting-bodies-tell-pension-savers-to-stay-on-guard-and-get-guidance>

<https://www.gov.uk/government/publications/autumn-statement-2022-documents/autumn-statement-2022-html>

<https://www.pensionsdashboardsprogramme.org.uk/2022/11/16/dashboards-standards-released-following-consultation/>

<https://www.pensionsdashboardsprogramme.org.uk/2022/12/01/pensions-dashboards-design-standards-consultation-launched/>

<https://www.legislation.gov.uk/uksi/2022/1220/made>

<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/dashboards-compliance-and-enforcement-policy/dashboards-compliance-and-enforcement-policy-consultation-document>

<https://www.fca.org.uk/publication/consultation/cp22-25.pdf>