

# Current issues in the LGPS

February 2021

## DWP PCRIQ TCFD – MHCLG ETA TBC

The DWP has published [its response to its recent consultation](#) on climate-related TCFD governance and reporting for private sector pension schemes, along with [guidance from PCRIQ](#) – we've prepared a [summary of the key updates from both](#). A similar consultation will be launched by MHCLG shortly and is expected to result in the same requirements applying to LGPS funds. It's not too early to start thinking about this (and many LGPS funds already have) – speak to your Hyman's contact to see how we can help.

## A just transition to net zero

The All-Party Parliamentary Group (APPG) for Local Authority Pension Funds recently launched an [inquiry](#) into 'Responsible investment for a Just Transition' with the aim of publishing its findings ahead of the UN climate change conference in Glasgow in November 2021. The call for evidence is focused on the contribution that LGPS funds and other institutional investors can make towards achieving a just transition, considering how policies and practices of investors can help decarbonise the economy in a way that protects beneficiaries from a transition to net zero. The deadline for submissions to this call for evidence is 30 April 2021.

## Guidance on new employer flexibility regulations

New regulations for managing employer rates and exits came into force in September 2020 in England and Wales. The accompanying SAB guidance is subject to consultation - our [response](#) to the [draft guidance](#) is here. Changes to your Funding Strategy Statement and Administration Strategy will be needed to set out your fund's approach and processes when handling these new powers - something to add to the 'to do' list for discussion with your Actuary if you haven't already kicked this off!

## Exit pay reforms and the £95k cap - delays due to judicial reviews

On 22 December last year, three separate judicial reviews concerning The Restriction of Public Sector Exit Payment Regulations 2020 were given permission to be heard on 24 and 25 March 2021. As a result, we understand that MHCLG will refrain from publishing regulations on further exit reform in the LGPS until the legal position becomes clear. The Judicial Reviews also mean that the issue is 'sub judice' and The Pensions Ombudsman will not be able to give a judgment on any cases concerning the exit cap. All of this means that the current uncertain position will continue until the legal dust has settled.

## National valuations eagerly awaited

Whilst Scotland starts the homeward leg of the 2020 valuations, and England & Wales start to look at the 2022 valuations, there are still some national valuations outstanding. Initial results of the 2019 Section 13 valuation of E&W are expected to be communicated to Fund Actuaries in the coming weeks with the process of engaging with any funds following thereafter.

Alongside that, an announcement on how McCloud is to be allowed for in the 2016 (E&W) and 2017 (Scotland) Cost Cap valuations is expected in early February. This will allow GAD to complete these valuations and for the LGPS to understand if any benefit changes are required. Interesting, if not controversial, times ahead.

### The latest news from Club Vita

Although we have turned the corner into 2021, Club Vita continue to monitor the evolving pandemic situation. Their latest [weekly COVID-19 blog](#) finds that increasing deaths linked to COVID-19 and a corresponding fall in non COVID-19 related deaths mean that total death levels remain steadily high in the early weeks of the year. This month, Club Vita have also done some digging in the archives and have produced some [interactive charts](#) looking at mortality throughout history. We have not seen a year with as large a percentage of excess deaths as 2020 since 1918 - a year hit by the Spanish Flu and the Great War.

### Introducing Hymans Robertson LGPS podcast series

Last month, we launched our LGPS podcast series and have two episodes available for you to download. In [our first episode](#), Catherine McFadyen welcomes Councillor Waters from Norfolk Pension Fund to discuss the role of Councillors on LGPS Pension Committees. And, for our [second episode](#), Catherine is joined by David Walker and Ian Colvin to share this year's [key priorities](#) for the LGPS. Make sure you subscribe to the podcast series through your smartphone - you'll find us on Apple podcasts, Spotify and Amazon. If you have any suggestions for future topics, please [get in touch](#) – we'd love to hear from you.

### Nearly there

The Pension Schemes Bill 2019/21 has cleared its final stage of Parliamentary scrutiny and will eventually make it on to the statute book once it receives Royal Assent (any time now). Secondary legislation will be required to bring its provisions into force and add the necessary details. To allay any concerns about its rejection of the amendments made by the House of Lords, the Government has given various assurances, in particular around the revamped funding regime for private sector defined benefit schemes. The Pensions Minister has also confirmed that none of the new regulatory powers and criminal offences will be retrospective; the new criminal sanctions and information-gathering powers will apply where the act (or first of a series of acts) occurs after the powers come into force. Despite the ink not yet being dry on this Bill, the Minister has already indicated that he expects there to be a further Pensions Bill in this Parliament.

### Erasing our legacy

We're celebrating our 100<sup>th</sup> birthday this year with – among other things – the launch of our [Climate Pledge](#). By 2025 we will [halve our ongoing carbon footprint](#) and reach 'lifetime net zero', meaning that we'll have offset the legacy of historic emissions back to 1921 (the only legacy we're not proud of). As well as cleaning up our act we will also make [climate risk](#) an integral part of the research, services and advice we offer our clients – look out for more on this from us over the year.

### PI doesn't always equal 3.14159265....

And finally, the annual [PI \(Pension Increase\) Order](#) this year that will be applied to LGPS benefits in April is 0.5%. This reflects the increase in CPI over the 12 months to September 2020.

## Appendix

### DWP PCRIG TCFD – MHCLG ETA TBC

<https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations>

<https://www.gov.uk/government/publications/aligning-your-pension-scheme-with-the-taskforce-on-climate-related-financial-disclosures-recommendations>

<https://www.hymans.co.uk/insights/research-and-publications/publication/climate-risk-tcfd-reporting-and-governance-requirements/>

### A just transition to net zero

<https://lapfforum.org/engagements/responsible-investment-for-a-just-transition-lapff-backed-inquiry-is-seeking-your-views/>

### Guidance on new employer flexibility regulations

<https://www.hymans.co.uk/insights/research-and-publications/publication/sab-consultation-guidance-on-new-employer-flexibilities/>

### The latest news from Club Vita

<https://www.clubvita.co.uk/news-and-insights/covid-19-the-latest-picture-as-at-28th-january-2021>

<https://www.clubvita.co.uk/news-and-insights/top-charts-23-excess-deaths-in-england-wales-2020-compared-to-history>

### Introducing Hymans Robertson LGPS podcast series

<https://www.hymans.co.uk/insights/podcasts/lgps-the-role-of-a-councillor-episode-19/>

<https://www.hymans.co.uk/insights/blogs/blog/key-priorities-for-the-lgps-in-2021/>

<https://www.hymans.co.uk/insights/podcasts/key-priorities-for-the-lgps-in-2021/>

### Erasing our legacy

<https://www.hymans.co.uk/hymans-100-years/#climatevision>

<https://www.hymans.co.uk/insights/blogs/blog/the-story-behind-our-carbon-footprint-pledge/>

<https://www.hymans.co.uk/insights/blogs/blog/helping-our-clients-manage-climate-risk/>

### PI doesn't always equal 3.14159265....

<https://www.gov.uk/government/publications/public-service-pensions-increase-2021>