

Current issues in the LGPS

August 2020



The waiting is finally over...

Thursday 16 July 2020 saw the publication of the long-awaited [consultation](#) on how MHCLG proposes to remedy the McCloud age discrimination in the LGPS. A Scottish [consultation](#) has also now been launched by the SPPA. Our initial thoughts on the consultations are available [here](#). Our formal response to these consultations will be completed by mid-August and we will share them with you straight away.

Just like buses...

...you wait for ages and then two consultations come along at the same time. As well as the MHCLG and SPPA consultations (which focussed solely on the LGPS), HM Treasury also published its own [consultation](#) on 16 July on possible methods for remedying McCloud in all other public sector pension schemes. Due to the nature of the protections in these schemes, the remedy is less clear with two options being considered. Alongside the consultation, an [announcement](#) was made that the 2016 Cost Cap process will be 'unpaused' and the cost of resolving McCloud will be included in the assessment of scheme costs. A decision which may well be to the ire of Trade Unions.

Public exit payment cap moves a step closer

Toward the end of July the UK Government published its [response](#) to the Public Sector Exit Payment consultation that had taken place all the way back in April 2019, also issuing a set of [draft overriding Regulations](#). Unsurprisingly the Government is continuing with the introduction of the cap across the public sector, which will have implications for those LGPS employers listed in the schedule to the draft regulations. We expect changes to the LGPS Regulations in due course to cater for the cap (we understand that it remains a devolved matter for Scottish and Welsh Governments). For now administering authorities should bring the latest developments to the attention of scheme employers, who will no doubt be interested in the implications for any workplace management programs.

Exit credit calculation of the 'value of employer contributions'

When determining an exit credit, administering authorities must have regard to the size of the surplus, the proportion of the surplus that arose due to the value of employer contributions, representations by interested parties and any other relevant factors. The proportion of surplus due to employer contributions can be interpreted in a number of ways. For instance, is it the value of all employer contributions paid or just secondary rates? Should it include investment returns earned or not? Should it include strains? Or is it something else entirely such as contributions in excess of the cost of accrual over an employer's entire participation in the Fund. Given the variance in employer situations (i.e. contractors or charities, employers participating for 3 months or 50 years), a single method is not likely to be appropriate. As a result, administering authorities may wish to consider and discuss this item on a case-by-case basis with their actuary.

Employer management

LGPS funds have been rightly focusing on the impacts on their people, administration and investments, due to the coronavirus pandemic. Our recent webinar and [note](#) looks at a crucial fourth impact, how to manage the potential effect on employer covenant and contributions. The note looks at how different sectors have been impacted by the pandemic and helps funds to consider pre-emptive actions.

Relief for low earners on pensions tax?

In a busy few days for the UK Government it also published a [call for evidence](#) on the administration of pension tax relief in the UK. This has been a perennial issue, raised ahead of most budgets. While there is acceptance that the current system has its flaws, agreeing on what any changes should be introduced hasn't proved easy to do. This consultation aims to get opinions on how different tax relief models might improve the position for lower paid employees and make pension savings more attractive to them.

2020 valuation webinar

The latest webinar in the 2020 valuations series was held on 24 July. This webinar considered the funding implications of McCloud and the Cost Cap on the 2020 Scottish LGPS valuation. In Scotland, the Cost Cap is expected to have much more of an impact than in England & Wales and funds will need to consider best how to allow for it when setting contribution rates. A recording of the webinar is available in our [2020 Valuation Hub](#).

NKA Webinar – National results to be announced!

Join our [Webinar](#) on 18 August where our experts will provide the results of the first ever National Knowledge assessment for Committee and Pension Board members. With over 20 funds now taking part, the webinar will tell you – among other details – what the highest performing topics were, how Chairs fared versus other participants and what was the toughest question! We will also provide our advice on the best way we believe training should be delivered to gain that ever important target of engaging Committee and Pension Board members.

Climate change - PCRIG consultation response

Earlier this year, the Pensions Climate Risk Industry Group (PCRIG) published draft guidance on how pension funds can use the TCFD framework to approach climate risk management. The guidance is directly relevant to LGPS funds, setting out a number of steps that can be taken which include setting beliefs, scenario modelling, engaging with asset managers and carbon footprinting. Consultation on the draft is now closed (our response is [here](#)) with final guidance expected in a few months as industry and regulatory focus on how asset owners are dealing with this systemic risk continues.

SAB concern over cancellation of LPB meetings

On 27 July the SAB in England & Wales issued a [statement](#) expressing concern over the cancellation of local pension board meetings as a result of the Covid-19 restrictions. SAB accepts that pension boards are not local authority committees and so not expressly covered by provisions to hold remote meetings set out in the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Crime Panel Meetings) (England & Wales) Regulations 2020. It does believe, however, that the LGPS Regulations themselves already give pension boards sufficient powers to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. As a result, it believes pension boards can and should make use of virtual meetings and encourages them to do so.

Getting on Board

Local lockdowns, amid fears of second waves of the virus, continue to cause issues with any planned large-scale face-to-face gatherings. However your very own [virtual LGPS conference](#) - our "Keeping the LGPS Connected" webinar series – continues on Thursday 13 at 11am. And the "local" theme continues in this session, as independent adviser and former Fund CEO Clare Scott discusses the roles and responsibilities of Local Pension Boards during COVID-19. Register [here](#) and take part in the discussion.

Creating positive change

Turning the focus on ourselves just for a moment ... you might want to take a look at Hymans Robertson's [Corporate Social Responsibility Report for 2019/20](#)? This highlights what we're doing in areas such as Diversity & Inclusion, environmental impact, helping our communities, and putting our money where our mouth is. We know these areas are key to local government too, so please let us know how these compare to your own initiatives.

Appendix

The waiting is finally over...

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901173/Condoc_-_amendments_to_LGPS_underpin_-_FOR_PUBLICATION.pdf

<https://pensions.gov.scot/local-government/scheme-governance-and-legislation/consultations>

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

Just like buses...

<https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901141/Update_on_the_Cost_Control_Element_of_the_2016_Valuations.pdf

Public exit payment cap moves a step closer

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902087/Public_sector_exit_payments_Consultation_response.pdf

<https://www.legislation.gov.uk/ukdsi/2020/9780348210170>

Employer Management

<https://www.hymans.co.uk/insights/research-and-publications/publication/employer-management-in-the-lgps/>

Relief for low earners on pensions tax?

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902338/Pensions_tax_relief_administration_CfE_docx.pdf

2020 valuation webinar

<https://www.hymans.co.uk/services/lgps-2020-valuation/>

NKA Webinar – National results to be announced!

<https://www.hymans.co.uk/insights/events/lgps-national-knowledge-assessment-the-results/>

Climate change - PCRIG consultation response

<https://www.hymans.co.uk/insights/blogs/blog/pcrig-guidance-to-help-trustees-align-with-tcdf-our-consultation-response/>

SAB concern over cancellation of LPB meetings

https://lgpsboard.org/images/Guidance/SAB_statement_on_local_pension_board_meeting_cancellations.pdf

Getting on Board

<https://www.hymans.co.uk/insights/blogs/blog/keeping-the-lgps-connected/>

<https://register.gotowebinar.com/register/6622681099589050126>

Creating positive change

<https://www.hymans.co.uk/why-hymans/corporate-social-responsibility/>