

Current issues in the LGPS

June 2020

Monitoring COVID-19 mortality statistics

Club Vita has continued to monitor the [COVID-19 mortality statistics](#) this month. Despite some fluctuations due to the bank holiday at the end of May, the direction of travel remains positive, as both total deaths and those mentioning COVID-19 continue to trend downwards. Of course, it remains too early to see the effect of the recent easing of some of the lockdown restrictions. As such, we will all be keeping a close eye on the figures over the next few weeks.

We'll be inviting Club Vita to our upcoming *Keeping the LGPS connected* webinar on 18 June to discuss how COVID-19 may alter the longevity risk that public sector pension funds are exposed to. Do watch out for the invitation which will be issued soon with all the relevant details.

COVID 19 – unintended consequence of new legislation?

On 20th May the Government published far-reaching reforms to UK insolvency through the emergency [Corporate Insolvency and Governance Bill](#). The Bill aims to ensure that otherwise viable companies can survive the current pandemic situation – however, there are also consequences for LGPS funds. The Bill allows companies to enter into a “pre-insolvency” position, meaning statutory demands (e.g. for unpaid contributions) and winding-up petitions are prevented. As funds are already (in most cases) unsecured creditors, where debts are amongst the last to be paid, this prospect will make it even more difficult for funds to recover debts and by the time action can be taken, it may be too late. This unintended consequence, alongside the already increased focus on understanding employer covenant in the current environment, puts even more onus on funds to boost employer engagement, improve covenant information and consider pre-emptive action.

COVID 19 – managing net cash flow

LGPS funds face a number of challenges when it comes to managing their net cashflow position. With the added volatility that the COVID-19 outbreak brings, now more than ever, LGPS funds should be getting to grips with managing cashflow. Our [60 Second Summary](#) explains why liquidity concerns have increased and what steps can be taken to mitigate the risk.

COVID 19 - communicating in a crisis

Effective communication requires advance planning to ensure messages are understood, especially in challenging, changing or uncertain times. Our [Briefing Note](#) provides a framework that can help you to understand your fund's stakeholders and the role they play, and their specific communication requirements. We also outline some ‘top tips’ to help to achieve the best results if you are chairing or facilitating remote meetings.

Ongoing transfer concern during COVID-19 restrictions

As the current lockdown continues concern remains over the payment of CETVs out of the LGPS at this time. The risk remains that individuals desperate for cash could make poor decisions or fall victim of a scam. While TPR acknowledge neither they nor funds can prevent an individual pursuing their right to a statutory transfer they have updated their [guidance on pension scams](#), which Funds should familiarise themselves with. This is in addition to the [TPR funding and investment guidance](#) and its [warning letter](#) highlighting the risks associated with transferring pension rights during the pandemic.

Keeping the LGPS Connected ... with MHCLG

Do you want to know what other LGPS funds are doing these days? Would you like to hear directly from Fund officers how they are tackling current issues across the whole spectrum of investment, funding, administration and governance? Then sign up [here](#) for our fortnightly webinar series “Keeping the LGPS Connected”.

For this week’s session (Thu 4th June, 3pm) we are delighted to be joined by Con Hargrave of MHCLG, so register [here](#) – remember, these are Chatham House, and so there are no recordings or summary notes produced afterwards: if you don’t listen in, you’ve missed it!

2020 valuations: allowing for McCloud

All Administering Authorities in Scotland will have received a letter from SPPA discussing the treatment of McCloud and the Cost Cap at the 2020 valuation. SPPA’s clear guidance on how they expect funds to make allowance for McCloud at the valuation is helpful and welcomed, especially as it requires no extra valuation data. Although the 2017 Cost Cap valuation is suspended, we hope GAD will be able to provide some information about the results to help funds manage this significant risk. Your usual Hymans Robertson contact will be happy to discuss this further.

2020 valuations: getting ready for data submission

The latest webinar in our 2020 valuation series was held at the end of May and focussed on the data required to complete the valuation. Our two experts, Laura McInroy and Paula Picken, discussed what data items we need and top tips for ensuring the data submitted is accurate and complete. The [recording](#) of the webinar is available in our [2020 Valuation Hub](#), along with our [valuation toolkit](#) which has been updated to include a guide on the impact of Covid-19 on the 2020 valuations.

Merger between Northumberland and Tyne & Wear

The Government announced that it will proceed with the merger of these two LGPS funds. Amongst other reasons, it stated that the merger should lead to lower administration costs per member and was the “next logical step” following the shared pensions administration service that is currently in operation.