


# Current issues in the LGPS

July 2023

## Scottish 2023 valuations

### Data submission

Scottish funds will now be in the full throes of finalising their valuation data, ready for submitting to their actuarial team. With that in mind, we've set out a reminder of how we can help.

- The Data Portal manual is available via the  icon on the Data Portal.
- You should have received data guides covering the review of the employer database and cashflow requirements. If you would like these to be re-sent, please contact your actuarial team who will be happy to provide these.
- Please listen to our [Valuation Data webinar](#) from 9 May 2023 covering the data submission process, updates since the 2020 valuation and some hints and tips.

And, of course, your Hymans Robertson team is on hand to help in any way they can!

### Valuation toolkit

We've added the final chapters to our LGPS 2023 Valuation [toolkit](#) and it's now available for you to download. This toolkit serves as a useful reference tool throughout the 2023 valuation. It contains information on operational issues such as preparing for the valuation and technical issues such as funding methodology and assumptions. You can also find lots of useful content, along with the toolkit, on [our 2023 Valuation hub page](#).

### Setting your funding strategy at the Scottish 2023 valuations

Catch up on our [webinar](#) as we turn our attention to setting an optimal Funding Strategy for employer contributions at the Scottish 2023 valuations. Funds need to understand their employer expectations and objectives, and clearly communicate how the contributions have been through a robust decision-making process. It's a good time to think about optimising investment strategies too. A high-level strategy suits the "average" employer, but individual employer investment strategies can benefit employers at different stages in their LGPS journey. We can offer reassurance that setting them up isn't as daunting as you might think.

### Opportunistic de-risking

Many LGPS funds have seen significant improvements in their funding position in recent years. At the same time, the lower-risk assets commonly used to protect portfolios by providing some degree of funding stability are looking much more attractive. Is now a good time to de-risk portfolios? Our Head of LGPS Investment, Philip Pearson, [explores](#) the factors that feed into decision making and some shares hints and tips for de-risking success!

### Digital delivery

In the [third blog](#) of his mini-series, our Head of LGPS Digital, Chris Varley, turns his attention to the real-world experiences of building our new Funding Risk Monitoring (FRM) solution. He looks at some of the practical challenges around how we deliver high-quality digital solutions and the success that a multidisciplinary team can bring to the table.

## What to do with an accounting surplus?

The majority of LGPS employers at the March year-end will have received IAS19/FRS102 reports showing a net asset position. It's looking likely that July/August employers will soon be in the same boat. What needs done next to potentially limit this net asset has generated lots of debate over recent months. The accounting standards (ie IFRIC 14) set out a broad approach that could be followed but are open to wide interpretation, leaving individual employers and auditors to come to their own and often different conclusions. Unsurprisingly, we are receiving many questions on this complex topic and would be happy to help assist employers and auditors. Please get in touch with [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk) if you would like to arrange a call with one of our accounting specialists.

## Scottish Regulations - 'technical' consultation

SPPA launched the above consultation in June (not in the public domain and now closed) to Scottish funds on proposed amendments to Regulations 60-61A. The amendments focus on resolving limitations connected with the ability of funds to guarantee an indicative cessation valuation for 90 days (instead of basing the exit debt/credit on a 'full' valuation at the actual date of exit). We've raised some concerns about these amendments directly with SPPA and shared our thoughts with funds. On a related note, we've again asked SPPA to review Regulation 60 (6A) which requires funds to show individual liabilities for all employers, on both an ongoing and cessation basis, in the Rates and Adjustments certificate. We would rather see the Regulations requiring funds to communicate the cessation position to appropriate employers only as part of their valuation communications (with the fund having discretion over how this communication is done).

## Events, webinars & training

### Managing risk in the LGPS - a spotlight on holistic risk management

Last month, we hosted the second webinar in our LGPS Risk Management series. Susan Black and Andrew McKerns were joined by Neil Mason from Surrey Pension Fund to discuss holistic risk management and how good risk management can make life easier and help with decision-making. You can watch the webinar [on-demand](#). Our next webinar will focus on employer investment strategies – look out for the invite coming soon. We've also launched our [risk management hub page](#)! We'll update this hub page throughout the year with our webinars, insights and useful resources.

### Making your LGPS training a success

In case you missed it – Andrew McKerns, alongside Ian Colvin and Lorna Paton, delivered a webinar recently on how to make your LGPS training a success. We shared details about the comprehensive training support that we're providing to LGPS funds, how our solutions have been implemented, and the training methods we have seen succeed. If you couldn't join us live, you can now [watch on-demand](#).

### LGPS Online Learning Academy (LOLA) – transitions and interviews

Following on from our first LOLA interview, Andrew McKerns was joined by Jo Stone from South Yorkshire Pension Authority for a discussion on how the fund utilises our LGPS Online Learning Academy and why this has aided their core training requirements. You can catch the interview [here](#). In case you missed our first interview, Andrew was joined by Ian Howe from Leicestershire Pension Fund and can be viewed [here](#).

### PLSA Local Authority Conference 26-28 June

This popular LGPS conference in the Cotswolds covered a broad range of topics, including ESG, pooling, tackling administration pressures and helping members and employers through a cost-of-living crisis. Please click [here](#) to read the Highlights.

## A New Funding Era

Catherine McFadyen, alongside Richard McIndoe from Strathclyde Pension Fund, ran a session on the above subject at the PLSA conference. With many LGPS funds now reporting a funding surplus – see the [Hymans Big](#)

[Picture report](#) - how might funding strategies evolve? Employer contributions rose to repay deficits, so may now reduce, but it's important to consider stability and long-term sustainability. It could be affordable to de-risk the investment strategy into less return-seeking assets or further diversify into assets with a more visible return profile and more certain income streams. Funds may rebuild prudence margins that have been eroded during challenging funding years, and explicitly retaining surplus can help to build funding resilience. It's also important to think about the impact of surpluses on exiting employers, new employers and bulk transfers.

And on the subject of funding, catch up on [our latest episode of Hymans Robertson On...](#) where Catherine welcomes Damien Pantling from The Royal County of Berkshire Pension Fund and Victoria Plackett from Greater Manchester Pension Fund. During the podcast, we discuss LGPS Funding, and where different funds have found themselves after the 2022 valuation exercise.

### LAPF investment awards

We're delighted to be shortlisted for LGPS Service Provider of the Year and Investment Advisory Service of the Year at the 2023 LAPF Investments Awards! Winners will be announced on 14 September – we look forward to seeing some of you there. Good luck to all of the other nominees!

### Another month, another McCloud consultation...

DLUHC launched a further [consultation](#) asking key stakeholders for their views on changes to the LGPS in England and Wales relating to the McCloud remedy. In this [article](#), Ian Colvin and Kate Dickson summarise the key points and highlight the importance of effective project management. The consultation closed on 30 June. You can find our formal consultation response [here](#). A [similar consultation](#) for the Scottish LGPS was launched by SPPA with a closing date of 31 July.

### Ban on boycotts against foreign countries

The Government has [announced](#) the introduction to Parliament of the [Economic Activity of Public Bodies \(Overseas Matters\) Bill](#). This contains long-promised legislation to stop public bodies (including the LGPS) from pursuing boycott, divestment and sanctions campaigns against foreign states. The SAB in England and Wales subsequently posted a [statement](#) saying that funds take their statutory and fiduciary responsibilities on investments seriously, and that it is not aware of any LGPS fund implementing politically motivated boycott or divestment policies. The SAB will be considering the Bill further at its meeting on 17 July.

### Post-pandemic mortality

The actuarial profession's 'CMI 2022' longevity model has recently been released. In the prior two core versions of the model, no weighting was placed on 2020 or 2021 data (although users of the model could choose to adjust the core parameters to make some allowance if they felt it was appropriate). This was due to mortality being unusually high in the pandemic years. In the core CMI 2022 model, there is a 25% weight on 2022 data (while maintaining the zero weight on data from 2020 and 2021). The impact of this is a reduction of 6-7 months in life expectancy for a current 65 year old, when compared to the core CMI 2021 model. This implies an expectation that the UK's 'excess deaths' seen in 2022 and the start of 2023 might continue in the short to medium term.

### In brief...

- **Inflation** – the latest [ONS data](#) shows that CPI for the year to May 2023 was 8.7%. The equivalent RPI figure was 11.3%.
- **Lump sum tax treatment** – the Government has [tabled](#) an amendment (see 'Gov 14' on page 6) to the lifetime-allowance-charge abolition measures in the Finance (No. 2) Bill 2022/23. It allows the lump sum up to the 5/4/23 level to still be paid tax-free, with any excess taxed at the member's marginal rate.
- **Dashboards** – despite the recent [deadline slippage](#), TPR has issued a [blog](#) urging funds to prepare now and get their data 'dashboards-ready'.
- **Transfer regulations** - the DWP has [reviewed](#) the Conditions for Transfer Regulations. It concludes that the original policy intention remains appropriate, but acknowledges the industry's concerns about some of the

- 'warning flags' (eg around transfer incentives and overseas investments). It intends to work with the pensions industry and TPR to consider if changes could be made without undermining the policy.
- **Gender Pensions Gap** – the DWP has published [statistics](#) on the gap in private pensions. We [explored](#) the gap in the LGPS last year.
- **Tackling fraud** – TPR has [told](#) the Work & Pensions Committee that it's discussing with the Home Office the creation of a Fraud Sector Charter for the pensions industry. This would be a voluntary agreement between the industry and the Government to improve counter-fraud efforts.
- **Climate risk disclosures** - Lee Rowley, the Local Government Minister, has [said](#) that DLUHC won't impose any requirements on the governance or disclosure of climate-related financial risks in the LGPS for 2023/24.
- **PLSA publications** – the PLSA has updated its [best practice guide](#) for employers in the LGPS, and released a [mapping report](#) to help external stakeholders understand and navigate the complexities in which the LGPS operates.
- **Investment in the UK** – Chancellor Jeremy Hunt is expected to announce plans in his upcoming Mansion House speech this month to use UK pension assets to invest in British companies and boost economic growth.
- **Annual LGPS report** – the English and Welsh SAB has [published](#) its 10<sup>th</sup> annual report, covering 2021/22.
- **New actuarial factors** – following the recent change in the SCAPE rate, GAD (via LGA) has released its 2<sup>nd</sup> batch of new factors and guidance to LGPS funds covering non-Club transfers in, pension debits, early retirement, and late retirement. Apart from late retirement (1 September), they're effective from 3 July 2023

## Appendix

### Scottish 2023 Valuations

<https://www.hymans.co.uk/lgps-2023-valuation/>

<https://www.hymans.co.uk/insights/webinars/setting-your-funding-strategy-at-the-2023-valuation/>

[https://www.hymans.co.uk/media/uploads/60-second\\_summary\\_-\\_Setting\\_funding\\_strategy\\_at\\_the\\_2023\\_valuation.pdf](https://www.hymans.co.uk/media/uploads/60-second_summary_-_Setting_funding_strategy_at_the_2023_valuation.pdf)

### Opportunistic de-risking

<https://www.hymans.co.uk/insights/research-and-publications/publication/opportunistic-de-risking-in-the-lgps>

### Digital delivery

<https://www.hymans.co.uk/insights/blogs/blog/the-magic-of-a-multi-disciplinary-team/>

### Managing risk in the LGPS - a spotlight on holistic risk management

<https://www.hymans.co.uk/managing-risk-in-the-lgps/>

<https://event.on24.com/wcc/r/4247598/8BF4C95C8B994DE7411CCFD96FD14E7D>

### Making your LGPS training a success

<https://event.on24.com/wcc/r/4241878/FAC89482910DCEBC7025BAE2321F3E28>

### LGPS Online Learning Academy (LOLA) – transitions and interviews

<https://vimeo.com/838586085>

<https://vimeo.com/833390841>

### PLSA Local Authority Conference 26-28 June

[https://www.hymans.co.uk/media/uploads/Conference\\_Highlights\\_-\\_PLSA\\_Local\\_Authority\\_Conference\\_26-28\\_June\\_2023.pdf](https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_PLSA_Local_Authority_Conference_26-28_June_2023.pdf)

### A new funding era

<https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-2022-valuation-the-big-picture/>

<https://www.hymans.co.uk/insights/podcasts/hymans-robertson-on-lgps-funding/>

### Another month, another McCloud consultation...

[https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations-consultations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations-consultations - GOV.UK (www.gov.uk))

[https://www.hymans.co.uk/media/uploads/60-Second\\_Summary\\_-\\_McCloud\\_Update.pdf](https://www.hymans.co.uk/media/uploads/60-Second_Summary_-_McCloud_Update.pdf)

[https://www.hymans.co.uk/media/uploads/Consultation\\_Response\\_-\\_%E2%80%98McCloud%E2%80%99\\_remedy\\_in\\_the\\_LGPS\\_%E2%80%93\\_supplementary\\_issues\\_and\\_scheme\\_regulations.pdf](https://www.hymans.co.uk/media/uploads/Consultation_Response_-_%E2%80%98McCloud%E2%80%99_remedy_in_the_LGPS_%E2%80%93_supplementary_issues_and_scheme_regulations.pdf)

<https://pensions.gov.scot/sites/default/files/2023-06/Local%20Government%20Pension%20Scheme%20%28Scotland%29%20-%20Consultation%20on%20the%20Implementation%20of%202015%20Remedy.pdf>

### Ban on boycotts against foreign countries

<https://www.gov.uk/government/news/uk-public-bodies-banned-from-imposing-their-own-boycotts-against-foreign-countries>

<https://publications.parliament.uk/pa/bills/cbill/58-03/0325/220325.pdf>

<https://www.lgpsboard.org/index.php/welcome>

## Appendix

### In brief...

<https://www.ons.gov.uk/economy/inflationandpriceindices>

[https://publications.parliament.uk/pa/bills/cbill/58-03/0276/amend/financen2\\_rm\\_rep\\_0613.pdf](https://publications.parliament.uk/pa/bills/cbill/58-03/0276/amend/financen2_rm_rep_0613.pdf)

<https://www.legislation.gov.uk/ukdsi/2023/9780348248661>

<https://blog.thepensionsregulator.gov.uk/2023/06/14/make-time-to-get-your-data-dashboards-ready/#more-2667>

<https://www.gov.uk/government/publications/conditions-for-transfers-regulations-2021-review-report/review-of-the-occupational-and-personal-pension-schemes-conditions-for-transfers-regulations-2021-si-20211237#conclusions>

<https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions>

<https://www.hymans.co.uk/insights/webinars/a-spotlight-on-the-gender-pensions-gap-in-the-lgps/>

<https://committees.parliament.uk/publications/40522/documents/197653/default/>

[https://lgpsboard.org/images/Responses/LetterfromMinister\\_ClimateRiskReporting15062023.pdf](https://lgpsboard.org/images/Responses/LetterfromMinister_ClimateRiskReporting15062023.pdf)

<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2023/Best-Practice-Guide-for-Employers-Participating-in-the-LGPS-June-2023.pdf>

<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2023/LGPS-Regulatory-Mapping-June-2023.pdf>

<https://lgpsboard.org/index.php/scheme-annual-report-2022>