



Current issues in the LGPS

August 2023

Summer accounting exercises

As (hopefully) the March accounting exercise wraps up, the July (colleges) and August (academies) exercises begin. With the current high yield on UK corporate bonds, we expect a large number of employers will have a net asset in their accounting disclosure and will need to discuss its treatment with their auditor. Further information on this subject, and other aspects of the accounting exercise, are set out in the correspondence that we've recently shared with funds and employers. Please get in touch with LGPSCentralAccountingTeam@Hymans.co.uk if you have any queries in relation to the accounting exercises.

Working together to improve year-end accounting

During July we attended the second meeting of the SAB's working group on year-end accounting. The group, which comprises of audit firms, fund actuaries, regulators and fund officers, is looking at ways to streamline the year-end accounting process in relation to LGPS employer positions. Discussions were positive with commitment to further explore areas that may reduce the number of LGPS-related queries during the preparation and audit of accounts.

Introducing OFLOG

The [Office for Local Government](#) (Oflog), a new performance assessment government body, has been established to support the improvement of Local Government. Oflog aims to

- improve the transparency of local government performance through use of the new Local Authority Data Explorer.
- seek improvements across the sector through a greater use of data interpretation and the streamlining of how, and how much, data is collected.
- be the authoritative source of information on Local government performance.

At present, there has been no indication if this new departments reach will also extend to the LGPS.

Training skills, capability and culture – a call for evidence

With the expected upcoming release of both Good Governance (E&W only) and TPR's General Code of Practice, there has never been a more pertinent time for funds to assess the skills and knowledge of their Committee and Board members. Furthermore, a call for [evidence](#) has been launched by the Department for Work and Pensions and HM Treasury to support the development of policy options for improving the skills and capability of pension trustees. Please get in touch with [Andrew McKerns](#) if you would like to discuss your training strategy, plans and support options.

Scottish McCloud consultation

The [Scottish Public Pensions Agency's \(SPPA\) further consultation](#) asking key stakeholders for their views on changes to the LGPS in Scotland, relating to the McCloud remedy closed on 31st July. We responded to the consultation, with our responses in line with those given for the recent consultation on the McCloud remedy in England and Wales. You can read the consultation response [here](#).

Accessing the latest longevity data insights

In order to set appropriate baseline longevity assumptions, we use Club Vita life expectancy tables (known as VitaCurves). VitaCurves are tailored to fit each individual member of the fund and therefore, take account of the specific demographic characteristics of a fund's membership.

The latest edition of VitaCurves, based on the most recently available DB pensioner longevity data, is now available. This is the second edition of VitaCurves to include the Covid-19 pandemic period, calibrated to mortality data spanning January 2019 to December 2021. You can see what this means for longevity in your area by using [Club Vita's interactive longevity map](#).

Digital update

This month, our digital team have continued to deliver Data Portal improvements for the Scottish valuations whilst laying the groundwork for further automated testing. We've also delivered some reporting improvements to the FRM application based on client feedback.

InflationWatch – August 2023

Inflation has risen further and stayed higher than many people expected. Where is inflation likely to go from here, and what does that mean for investors? In [InflationWatch](#), you'll find an update on the latest position on inflation, as we explore these questions and more. Our focus is on the UK and the outlook over the next 2–3 years – plus we've added a glossary to help you decode key inflation indicators.

Events and webinars

Understanding LGPS academy accounting disclosures

[On 23 August](#), Craig Alexander and Adrian Loughlin are running a webinar to help academies fully understand their upcoming 31 August 2023 LGPS accounting disclosures. Our accounting experts will cover the differences between funding and accounting valuations, how accounting figures are determined and what's changed in the accounting environment since 31 August 2022. Please do [share details](#) with your academy contacts who would be interested in attending.

Managing risk in the LGPS – a spotlight on employer investment strategies

The third webinar in our risk management series is [available to watch on-demand](#). Robbie McNroy and Julie Baillie were joined by Alex Younger from Norfolk Pension Fund, for a discussion on employer investment strategies. During the webinar, we discussed how funds can use employer investment strategies to manage their risk, how Norfolk Pension Fund optimised their employer investment strategies and debunked some myths around setting up individual investment strategies. Our next webinar will focus on longevity risk – 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.

In brief

Inflation

The latest [ONS figures](#) over the year to June 2023 show 7.9% for CPI and 10.7% for RPI.

Pensions tax

- The [Finance \(No. 2\) Act 2023](#), which includes the abolition of the lifetime allowance (LTA) charge and increases to annual allowances with effect from 2023/24, is now in force.
- [Draft Finance Bill measures](#) cover upcoming changes to the pensions tax regime, including the abolition of the LTA on 6 April 2024. Broadly speaking, it would create two new limits on the payment of tax-free lump sums; 1) a 'lump sum allowance' of £268,275, and 2) an overarching 'lump sum and death benefit allowance' of £1,073,100. More detail is in an accompanying [policy paper](#) and [explanatory note](#).

- HMRC has published a [policy paper and draft regulations](#) to modernise the way registered pension schemes, using relief-at-source arrangements, claim tax relief on members' pension contributions from 6 April 2025.

Dashboards

TPR has revised its [initial guidance](#) in light of the connection-staging 'reset'. It contains a section that explains how schemes will be expected to demonstrate how they have had regard to the forthcoming guidance on staging timelines (failing to do so will be a breach). The [Pensions Dashboards \(Amendment\) Regulations 2023](#) come into force on 9 August and confirm a single, 31 October 2026 connection deadline. If you want to learn more about dashboards, an updated [briefing paper](#) is available at the Commons Library.

Scottish Care Service

The Scottish Government has [announced](#) that an initial agreement has been reached with the NHS and local government over accountability arrangements for its new National Care Service (NCS). It mentions that staff will continue to be employed by local authorities, which suggests that they will retain eligibility for the LGPS, although further detail is awaited.

New actuarial factors

Following the recent SCAPE rate change, the Government Actuary's Department has released its third batch of updated factors for use by funds in England and Wales. These cover commutation (trivial and inverse respectively) and Scheme Pays (AA and LTA respectively) and are effective from 28 July 2023. Guidance on the transition from old to new factors is [here](#).

Appendix

Introducing OFLOG

<https://www.gov.uk/government/organisations/office-for-local-government>

Training skills, capability, and culture – a call for evidence

<https://www.gov.uk/government/consultations/pension-trustee-skills-capability-and-culture-a-call-for-evidence/pension-trustee-skills-capability-and-culture-a-call-for-evidence>

Scottish McCloud consultation

<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>

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

Accessing the latest longevity data insights

<https://maps.clubvita.co.uk/>

Events and webinars

<https://event.on24.com/wcc/r/4303494/D05F6FAA1FC0DE7A7BF01121B88568B1>

<https://event.on24.com/wcc/r/4286820/7AE45E6A33EC5905E7D4557D8E3F8539>

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

In brief...

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

https://www.legislation.gov.uk/ukpga/2023/30/pdfs/ukpga_20230030_en.pdf

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1171549/Draft_1_egislation_-_abolishing_the_pensions_lifetime_allowance.pdf

<https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance/abolition-of-the-lifetime-allowance>

<https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance/explanatory-note-accessible-version>

https://www.gov.uk/government/publications/pensions-tax-relief-amendments-to-the-relief-at-source-legislation?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=e5ec79a4-345f-4484-993a-7d1ae0de45d2&utm_content=immediately

<https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance>

<https://www.legislation.gov.uk/uksi/2023/858/made>

<https://commonslibrary.parliament.uk/research-briefings/cbp-8407/>



<https://www.gov.scot/news/partnership-on-national-care-service/>

<https://lgpslibrary.org/assets/bulletins/2023/236EWSCAPE.pdf>

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