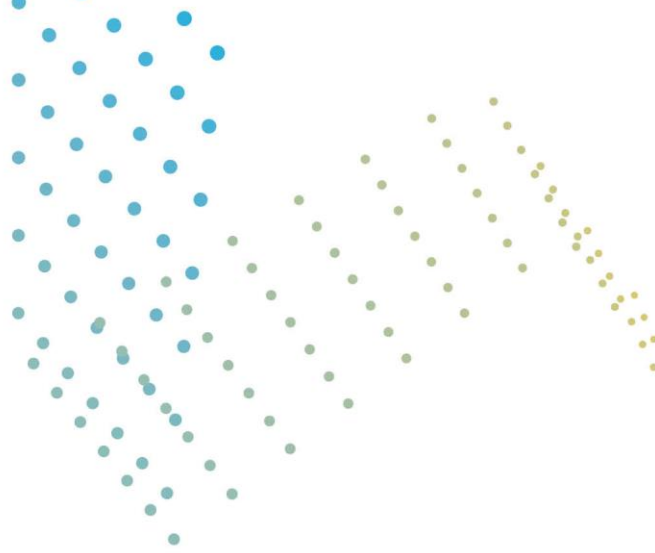


# Current issues in the LGPS



August 2024



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Despite the summer holiday period, it's been a busy month following the General Election result. Happy reading!

## Election and new government special

Pensions and the LGPS has been in the spotlight in the first month of the new Labour government. We've summarised the activity below:

### The King's Speech

There was no explicit mention of the LGPS in the [King's Speech](#) on 17 July but the below areas were of note:

- *National Wealth Fund Bill* – central to the new Government's mission to deliver growth and a greener economy. Mentions the £7.3bn capital injection although no specific reference to where it's coming from, other than a nod to the UK Infrastructure Bank.
- *Pension Schemes Bill* – the role of pension schemes supporting the UK economy, with measures in the Bill to 'enable consolidation and more productive investment of funds'. No mention of LGPS fund/pool mergers but instead focuses on private pensions market consolidation, including commercial Superfunds for closed legacy DB schemes.
- *Draft Audit Reform and Corporate Governance Bill* – FRC is being replaced by a new regulator called the Audit, Reporting and Governance Authority, with a regime to oversee the audit market.

See our summary note [here](#) for wider details.

### Pension and retirement savings review

A [joint press release](#) continued the agenda of previous government on productive finance and pooling, including Rachel Reeves reiterating her commitment to see all listed LGPS assets pooled by March 2025 (a deadline set by the previous government).

It's also pleasing to see a commitment to undertake an in-government pension and retirement savings review, and that the review will work with the new Ministry of Housing, Communities and Local Government (MHCLG) Minister, Jim McMahon. The first stage of the review will "examine actions to support greater productive investment and better retirement outcomes, including through further consolidation and encouraging at-scale



schemes to increase returns through broader investment strategies”. The first stage of the review will report “in the next few months”.

### **Ministerial appointments and the return of MHCLG**

A summary of key ministerial appoints most notable for the LGPS include:

- Angela Rayner MP as Secretary of State for Levelling Up, Housing and Communities.
- Rachel Reeves MP as Chancellor of the Exchequer.
- Emma Reynolds MP as a Parliamentary Secretary in His Majesty’s Treasury and the Department for Work and Pensions (DWP) (the first joint ministerial role across both the DWP and HM Treasury).
- Jim McMahon MP as a Minister of State in the Department for Levelling Up, Housing and Communities (DLUHC).

Appointments were closely followed by the announcement of DLUHC returning to its former name, MHCLG.

### **Piecing it all together**

It’s been a busy LGPS regulatory and policy year since the “Mansion House” speech last year. To help summarise and bring you up to today’s position, we’ve [prepared a summary note](#). Over the coming weeks we will provide further insight on specific policy areas and comments on emerging information.

### **Preparing for the 2025 valuation**

Did you catch our recent webinar on ‘Preparing for your 2025 valuation: what can you do now to get ahead’? If you missed it, fear not: the recording is available on demand [here](#). Or, if you have only a few moments to spare, this [task list](#) summarises the main things funds can do in the pre-valuation year to ensure their 2025 valuations are a big success. Agreeing a plan with your actuary for the year ahead, with informed decision making and effective stakeholder engagement at its core, is key.

### **National Knowledge Assessment 2024**

In mid-September we’ll be launching our National Knowledge Assessment (NKA). This online assessment for Committee and Board members has been designed to measure both individual and collective knowledge levels across 8 key topics, as well as complementing Hymans’ LGPS [Online Learning Academy](#).

The purpose of the NKA is to check on how knowledge levels are progressing, see if the focus of your next year’s training plan feels right, to measure engagement and to provide Funds with a tangible way to demonstrate they’re regularly assessing committee and Board members knowledge levels and training needs, in line with the Pensions Regulator’s expectations. You can find out more in our recent [NKA blog](#).

### **Focus on Responsible Investment**

#### **Factoring nature into your investment strategy**

Nature has become a critical issue for investment, with topics like climate change, biodiversity, natural capital and the TFCF/TFND requirements filling up meeting agendas and being discussed at conferences. But how do all these nature-related topics fit together? [Read our short article](#) where we explore considerations for investors, how to get started and why to factor nature into your strategy.

#### **Achieving Net Zero: Five steps to building a net zero strategy and Climate Transition Action Plan**

The world must undergo a period of systemic change to protect our environment, societies, and economy from climate change. Asset owners need to effectively plan the actions that they’ll take to achieve their climate



ambitions and realise positive real-world change. When it comes to fiduciary duty, systemic risks such as climate risk must be taken into consideration, irrespective of scheme or fund size. To read more about our ABC approach, and five steps to building a net zero strategy, click [here](#).

### **Our 2023 Stewardship Code report**

At Hymans, we encourage – and challenge – our clients to be better stewards. Each year, the Financial Reporting Council (FRC) offers organisations the opportunity to become signatories to its Stewardship Code. We're signatories to the Code, but we don't take this position for granted: we strive for ongoing improvement to earn our accreditation each year. We're delighted to remain signatories to the Code and proud to share our stewardship report for 2023 [here](#).

### **Club Vita's webinar series: The risk of living longer!**

Over the first half of 2024, Club Vita hosted a series of webinars entitled "The Risk of Living Longer". Chaired by friend of Club Vita, Uli Stengele (Nationwide Financial) and Club Vita's Douglas Anderson, the series featured a range of industry experts all exploring different areas contributing to the possibility of significant extensions to future lifespan or health span. Whether you missed an episode, want to catch up on the whole set or are looking to re-watch a particular episode, all session recordings are now available [here](#).

### **Virgin Media / Section 37 legal case**

Where specific actuarial 'section 37' certificates cannot be found, the June 2023 legal ruling has the potential to invalidate historic scheme benefit changes dating all the way back to 1997. Pension practitioners were awaiting the outcome of an appeal, but this has now (July 2024) been dismissed by the Court of Appeal and the original ruling stands.

LGPS practitioners are not currently making additional liability allowances within funding and accounting valuations, as there is significant uncertainty about whether this ruling will impact the LGPS. We understand HM Treasury are currently looking into whether section 37 certificates exist for prior LGPS benefit changes, and pension bodies have written to DWP to ask for a pragmatic solution (eg legislation that would allow retrospective section 37 certificates to be produced now to validate historic changes). If you have any further questions on this, please [get in touch](#).

### **Market updates**

Our [Capital Markets update](#) for Summer 2024 considers economic indicators, global themes and asset classes, with plenty to digest for those with an interest in macroeconomics or involved in managing investments. And, if that's not enough, our latest [Market Brief](#) reviews the economy and markets over the month of June. It considers the key developments for growth, inflation, interest rates and their impact.

### **Events, webinars & training**

#### **Upcoming webinar – Academies accounting**

[Join our webinar](#) on Thursday 22 August, where we'll help make sense of the upcoming 31 August 2024 LGPS accounting disclosures. The webinar is designed specifically for academies in the LGPS. Our accounting experts will explore the differences between your LGPS funding and FRS102 accounting valuations, how your accounting figures are determined and what's changed in the accounting environment since 31 August 2023. You can register your place [here](#).

## In brief...

### Inflation figures

The latest [ONS figures](#) recorded annual CPI for the year to June 2024 at 2.0%, which was unchanged compared to the prior month. RPI for the same period was 2.9%.

### Digital administration

The Pensions Administration Standards Association (PASA) has published a [white paper](#) with commentary about pension schemes' penetration into digital administration.

### Updated actuarial guidance

MHCLG (or DLUHC in old money!) has issued [updated guidance](#) on individual transfers, pension debits (post April 2014) and CETVs on divorce, and a new guidance note on applying the McCloud remedy to retrospective cases.

### New government

The English & Welsh SAB held a webinar on 10 July to discuss what impact the new government might have on the LGPS. The recording is available [here](#).

### Minimum pension age (MPA)

The House of Commons Library's updated [briefing paper](#) considers the rules and measures around the move in the MPA from age 55 to age 57 in 2028.

### Budget date

Chancellor of the Exchequer, Rachel Reeves, will deliver her first Budget on [30 October 2024](#).

### Nature-related disclosures

The Taskforce on Nature-related Financial Disclosures (TFND) and Global Reporting Initiative (GRI) have teamed up to produce a [mapping tool](#) that aligns TFND recommendations and metrics with GRI standards.

### ESG report

The Pensions Regulator (TPR) has published a review of how pension schemes are complying with their ESG duties, including climate change.

### TPO corporate plan

The Pensions Ombudsman (TPO) has published its [corporate plan](#) for 2024/25. It includes plans to reduce waiting times and build up expertise.

### 2020 cost cap valuation (England & Wales)

The SAB has [decided against](#) recommending scheme changes based on [GAD's assessment](#) of costs at 20.5% of pensionable pay (1% above the target overall cost). Its letter also implores Central Government practices on funding local authority obligations toward the LGPS to fully abide by the 'New Burdens Doctrine'.

### Pensions dashboards

LGA have published – [here](#) for England & Wales or [here](#) for Scotland - first versions of the LGPS Pensions Dashboards Connection Guide and the AVCs and Pensions Dashboards Administrator Guide.



**Gender pension gap**

The House of Commons Library's updated [briefing paper](#) outlines progress to address the gender pensions gap, and proposals for reform.

## Appendix

### Election and new government special

[https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The\\_King\\_s\\_Speech\\_2024\\_backgroud\\_briefing\\_notes.pdf](https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_backgroud_briefing_notes.pdf)

<https://www.hymans.co.uk/insights/research-and-publications/publication/taking-brakes-off-pensions-kings-speech/>

<https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings>

<https://www.hymans.co.uk/insights/research-and-publications/publication/central-government-policy-impacting-the-lgps>

### Preparing for the 2025 valuation

<https://event.on24.com/wcc/r/4622865/0063351345D4B840CEB714F92B28338B>

[https://www.hymans.co.uk/media/uploads/Preparing\\_for\\_your\\_2025\\_LGPS\\_valuation\\_-\\_what\\_can\\_you\\_do\\_now\\_to\\_get\\_ahead.pdf](https://www.hymans.co.uk/media/uploads/Preparing_for_your_2025_LGPS_valuation_-_what_can_you_do_now_to_get_ahead.pdf)

### National Knowledge Assessment 2024

[LGPS Online Learning Academy - Hymans Robertson](#)

<https://www.hymans.co.uk/insights/blogs/blog/lgps-national-knowledge-assessment-2024/>

### Focus on Responsible Investment

<https://hymans.co/factoringnatureintoyourinvestmentstrategy/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/five-steps-to-building-a-net-zero-strategy-and-climate-transition-action-plan>

<https://www.hymans.co.uk/insights/research-and-publications/publication/being-better-stewards/>

### Club Vita's webinar series: The risk of living longer!

<https://www.clubvita.net/uk/events/event-recordings>

### Virgin Media / Section 37 legal case

[Craig.alexander@hymans.co.uk](mailto:Craig.alexander@hymans.co.uk)

### Market updates

[https://www.hymans.co.uk/media/uploads/Capital\\_Markets\\_Update\\_-\\_Summer\\_2024.pdf](https://www.hymans.co.uk/media/uploads/Capital_Markets_Update_-_Summer_2024.pdf)

<https://www.hymans.co.uk/insights/research-and-publications/publication/market-brief-june-2024/>

### Events, webinars & training

[Understanding your 2024 LGPS accounting disclosures \(on24.com\)](#)

### In brief...

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

<https://www.pasa-uk.com/wp-content/uploads/2024/07/Digital-Admin-Whitepaper-June-2024-FINAL.pdf>



<https://www.lgpsregs.org/schemeregs/actguidance.php>

<https://lgps-live.com/seriessofar/10th-july-2024/>

<https://commonslibrary.parliament.uk/research-briefings/sn05847/>

<https://hansard.parliament.uk/commons/2024-07-29/debates/45E1221B-F210-4132-8A8E-711B96F4D503/PublicSpendingInheritance#contribution-8E63FB47-0754-4AB5-A08D-9209440440E4>

<https://tnfd.global/publication/interoperability-mapping-between-the-gri-standards-and-the-tnfd-recommended-disclosures-and-metrics/>

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/market-oversight-esg>

<https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/Corporate%20Plan%202024-25.pdf>

<https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Jim%20McMahon%20from%20Cllr%20Phillips%20-%20SCA.pdf>

<https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Jim%20McMahon%20from%20Cllr%20Phillips%20-%20SCA.pdf>

<https://lgpsregs.org/resources/guidesetc.php>

<https://www.scotlgpsregs.org/resources/guidesetc.php>

<https://commonslibrary.parliament.uk/research-briefings/sn05847/>

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