

Current issues in the LGPS

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All LGPS eyes are on the first phase of the government's Pensions Review, which continues at pace - a call for evidence is now open until 25 September. Catch up on the background in our policy series. And there's plenty to digest around the likes of pooling, ESG and longevity, and some tips on improving your fund's resilience ahead of the next major IT outage.

Leadership changes within our LGPS team

We're delighted to announce that Rob Bilton has been appointed as Head of LGPS Actuarial and Robbie McInroy as Head of LGPS Client Consulting. Rob and Robbie will work alongside Susan Black as Head of Governance, Administration and Projects, and Iain Campbell as Head of LGPS Investment to deliver all of the services we provide to the LGPS. Catherine McFadyen has been promoted to Head of Pensions, covering the whole pensions market at Hymans Robertson. As Catherine takes on her new role, she will be retaining her LGPS clients and presence in the LGPS market.

New government: LGPS policy series

The new Labour Government has acted quickly to shine the spotlight on the LGPS since coming into power. It's disappointing that the premise of the recently launched Pensions Review is tackling "fragmentation and inefficiency". However, considering the costs and structure of the LGPS within the review is perhaps only a means to an end, with the key aim being to boost UK growth. For the LGPS, this begins and ends with more investment in UK-based "productive assets", and at pace. To support you in navigating this environment, we'll be sharing a series of publications over the next few months. We've produced three publications so far – a [summary](#) of central government policy initiatives that impact the LGPS, an [explainer](#) on the 'Canadian model' and a [note](#) about how the Terms of Reference for Phase 1 of the Pensions Review affect the LGPS in England and Wales. And hot off the press, it's just been announced that HMT/DWP/MHCLG have issued a [call for evidence](#) to inform the first phase of the Pensions Review. It closes on 25 September. Look out for our briefing.

Preparing for pooling...

With the 31 March 2025 deadline to pool assets fast approaching, we [discuss](#) the work that funds in England and Wales should undertake to ensure they're in as strong a position as possible for the subsequent required reporting. Funds should have clarity over what is pooled, what the plans are for assets yet to be pooled, and strong justifications for assets where there is no plan to pool

.. and preparing for your 2025 English & Welsh valuation!

Your fund's triennial valuation is an important risk management exercise, requiring a lot of your time and resource. Our recommended [task list](#), and accompanying [blog](#), explains the major valuation-related tasks you can carry out now to help make 2025 your best valuation yet.

Annual benefit statements and McCloud

England and Wales

MHCLG have laid the anticipated [regulations](#) removing the requirement for McCloud to be reflected in 2023/24 annual benefit statements (ABS's) for LGPS members. With the ABS deadline now past, the regulations came close to the wire(!) but, importantly, prevented large scale breaches of the law, which would have needed to be reported to the Pensions Regulator. The regulations also give crucial flexibility for next years' ABS's. Administering authorities will be able to determine that for specific members (or classes of members) McCloud does not need to be reflected in their 2024/25 ABS's either. This may be useful for members where there are challenges in implementing the McCloud remedy. An issue for funds to think about carefully before next summer.

Scotland

On 2 September, SPPA commenced a [consultation](#) on making similar ABS changes for Scottish LGPS funds. The consultation also includes proposals to make several other small technical amendments to the McCloud regulations. It closes on 8 October 2024.

Reacting to an IT outage

In a world increasingly reliant on digital infrastructure, the global IT outage on July 19 served as a stark reminder of the vulnerabilities we face. Our Head of Digital, Chris Varley, [discusses](#) the critical lessons the LGPS can learn from this event and how funds can bolster resilience against future disruptions.

Section 13 valuation – the 2022 results

The Government Actuary's Department (GAD) recently published its [report](#) of the 2022 LGPS valuations in England & Wales under the requirements of Section 13 of the Public Services Pensions Act 2013. The 'Section 13 valuation' is a national benchmarking exercise, with GAD reviewing each LGPS fund in England & Wales against four criteria – compliance, consistency, solvency and long-term cost efficiency. Overall, the results for the LGPS were very positive. GAD's report includes some recommendations for the E&W Scheme Advisory Board to consider ahead of the upcoming 2025 valuations. Our thoughts and summary of the report can be found [here](#).

Complying with GCOP

Ahead of the launch of the General Code of Practice, TPR stated its expectation that all pension schemes would have engaged with it and have a plan for compliance in place within 6 months. Crucially, this means that by the end of September each LGPS fund is expected to have:

- Reviewed the GCOP
- Identified areas of non and partial compliance
- Developed a plan, with reasonable timescales, for ensuring all the mandatory requirements of the Code are fulfilled.

We recognise that reviewing the Code is a time-consuming activity, which is why we developed our checker tool. However, please get in touch if you need a hand with either assessing or meeting TPR's requirements.

Assessing your fund's knowledge

Our latest National Knowledge Assessment will be launching in September, with almost 20 funds already signed up to take part. The multiple-choice assessment should take Committee and Board members around 30 minutes to complete and helps satisfy the requirement to assess and report on their knowledge and skills. It also provides benchmarking against the results of all other participating funds, allows you to identify any gaps in knowledge, and helps you to develop targeted training plans for the next 12-18 months. More information can be seen in this short [video](#). Please contact alan.johnson@hymans.co.uk if you wish to join in.

InflationWatch

With headline CPI falling recently to the Bank of England's 2% target for the first time in almost 3 years, what's the outlook for future inflation? Our quarterly [publication](#) considers the latest economic indicators and explains why inflation is expected to pick up slightly in the second half of 2024.

Focus on Responsible Investment

60% of LGPS funds want to do more on managing climate risk

The results are in. Our "climate risk and the LGPS" survey issued at the start of summer saw replies from a quarter of all funds across the UK, and the results paint an interesting picture of how funds are managing climate risk. From knowledge and understanding, to net zero targets and activism, we asked several questions to help understand how funds are responding to this risk. Please [read on](#) to find out more, bearing in mind that the funds responding to our survey were likely those more engaged with the subject.

Responsible Investment News and Views Q3 2024

In this quarter's [RI News & Views](#), we look at the Taskforce on Nature-related Financial Disclosures (TNFD), exploring if, and when, the taskforce might become mandatory. We also look at climate change and the recent pushback to collective climate action, exploring ExxonMobil's lawsuit against two shareholder activism groups. In our ESG Snippets, we cover the recent boycotting of financial service providers given their position on fossil fuels, an issue that highlighted the 'divest versus engage' debate in a slightly different context.

UK biodiversity – a credit to the nation?

As biodiversity faces significant challenges in the UK, there are also notable strides being made to address this critical issue. In our recent [publication](#), written in collaboration with CreditNature, we explore the state of play for UK biodiversity, biodiversity net gain, UK biodiversity credit markets and key actions for UK investors.

Investment – Taking the dive – how can investors tackle marine issues?

In this [podcast](#), our host Amy Sutherland is joined by André Ranchin, an Investment Consultant at Hymans, and Will Oulton, Trustee Director, Marine Conservation Society, for a discussion on marine biodiversity. Our experts take a deeper dive into all things marine biodiversity, explore the blue economy and discuss implications for investors.

Longevity risk– from preventative care to vaping!

In addition to providing pension funds with longevity analysis, Club Vita regularly host webinars to explore emerging trends in longevity risk. After strong engagement with their first series, Club Vita are back with the second series of their “Risk of Living Longer” webinars. This season will focus on the role of preventative care and medicine in achieving significantly longer lifespans. The first episode “*Longevity science – advancing from cure to prevention*” takes place on Tuesday 10 September at 4pm. Register [here](#). And, if you’ve ever wondered about the impact of vaping, we recently teamed up with a medical researcher to [explore](#) the subject.

All things accounting

We’re in the thick of the 2024 accounting season with LGPS employers at different stages of their exercises. March employers are in the middle of audit and July employers will just be receiving their FRS102 results. We hosted a webinar for academies ahead of their August year end (available on demand [here](#)). A results-focused academies’ webinar is to come in mid-October too; look out for details on that shortly. Asset ceiling considerations remain the number 1 hot topic for employers and auditors. Please continue to get in touch with our accounting specialists at LGPSCentralAccountingTeam@hymans.co.uk for help with this or anything else.

Events, webinars & training

Upcoming event - DG Publishing – DB Strategic Investment Forum, 17-18 September 2024

We’re delighted to be attending and speaking at the DG Publishing’s DBSIF at Loch Lomond this month. Elaine Torry, Co-head of Trustee DB Investment, will be joining the pre-conference discussion, ‘*The evolving role of the consultant*’, and Robbie McInroy, Head of LGPS Client Consulting, will be on the panel, ‘*Bringing it all together – what the changing landscape means for schemes and scheme investments*’.

Awards

We’re proud to have been shortlisted for industry awards in September and wish all of the nominees good luck!

- LAPF Investment Awards: Investment Advisory Service of the Year; LGPS Service Provider of the Year
- LGC Investment Awards: Consultant/actuary of the Year; Rising star – Iain Campbell

In brief...

Inflation figures

The latest [ONS figures](#) recorded annual CPI for the year to July 2024 at 2.2%, which was slightly higher than the 2.0% in the prior month. RPI for the same period was 3.6%.

Capital markets

Our latest [briefing](#) reviews activity in the economy and markets over the month of July.

Pensions tax

HMRC’s [Pension Schemes Newsletter 161](#) confirms the Government’s intention to introduce fixes for problems in the LTA-abolition legislation ‘as soon as *the parliamentary timetable permits after the summer recess*’.

ESG ratings

The Chancellor, Rachel Reeves, has asked HM Treasury to respond quickly to an industry [consultation](#) on a new regulatory regime for ESG rating providers and bring forward legislation next year.



Flexible retirements

MHCLG has issued updated [guidance](#) (but not factors) to cover how the McCloud remedy affects flexible retirement calculations, and to cover the death grant calculation where a member dies after taking flexible retirement.

Dashboards

The Pensions Dashboards Programme has updated its [Code of Connection](#) and its [draft technical standards](#) (including [FAQ's](#)) that providers will need to apply in their interactions with the dashboards system.

Appendix

New government LGPS policy series

https://www.hymans.co.uk/media/uploads/Policy_briefing_note_-_Central_Government_policy_impacting_the_LGPS.pdf

https://www.hymans.co.uk/media/uploads/Policy_briefing_note_-_the_Canadian_model.pdf

https://www.hymans.co.uk/media/uploads/LGPS_Briefing_Note_-_Pensions_review_-_Terms_of_Reference_for_Phase_1.pdf

<https://www.gov.uk/government/calls-for-evidence/pensions-investment-review-call-for-evidence>

Preparing for pooling

<https://www.hymans.co.uk/insights/research-and-publications/publication/preparing-for-pooling/>

.. and preparing for your 2025 English & Welsh valuation!

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/insights/blogs/blog/navigating-the-new-funding-era-for-the-lgps/>

Annual benefit statements and McCloud

<https://www.legislation.gov.uk/ukxi/2024/880/contents/made>

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

Reacting to an IT outage

<https://www.hymans.co.uk/insights/blogs/blog/what-can-the-lgps-learn-from-a-global-it-outage/>

Section 13 valuation – the 2022 results

https://assets.publishing.service.gov.uk/media/66bcc70bc32366481ca490bd/LGPS_E_W_2022_Section_13_Report_Review_of_LGPS_Fund_Valuations.pdf

https://www.hymans.co.uk/media/uploads/60-second_summary_-_The_2022_Section_13_report_-_What_does_it_mean_for_my_Fund.pdf

Assessing your fund's knowledge

<https://vimeo.com/1003723295?share=copy>

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InflationWatch

<https://www.hymans.co.uk/insights/research-and-publications/publication/inflationwatch-august-2024/>

Focus on Responsible Investment

https://www.hymans.co.uk/media/uploads/Climate_Risk_and_the_LGPS_-_Survey_Results.pdf

https://www.hymans.co.uk/media/uploads/05082024_Q3_RI_News_and_Views.pdf

https://www.hymans.co.uk/media/uploads/UK_Biodiversity_-_a_credit_to_the_nation.pdf

<https://www.hymans.co.uk/insights/podcasts/hymans-robertson-on-investment-taking-the-dive-how-can-investors-tackle-marine-issues/>



Longevity risk– from preventative care to vaping!

<https://bit.ly/3XxKOgz>

<https://www.hymans.co.uk/insights/podcasts/understanding-longevity-vapes/>

All things accounting

<https://event.on24.com/wcc/r/4660564/B58C0228A84132C71A5B2CED6155B7E1>

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In brief...

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

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

<https://www.gov.uk/government/publications/pensions-schemes-newsletter-161-august-2024>

<https://www.gov.uk/government/consultations/future-regulatory-regime-for-environmental-social-and-governance-esg-ratings-providers>

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

<https://www.pensionsdashboardsprogramme.org.uk/standards/code-of-connection>

<https://www.pensionsdashboardsprogramme.org.uk/standards/technical-standards>

<https://mailchi.mp/maps/pdp-sep-24-faq-newsletter-2>

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