

Current issues in the LGPS

April 2023

Spring Budget – impact on LGPS

The Chancellor launched his [Spring Budget](#) on 15 March. Big changes to pensions tax allowances (which are being captured via the [Finance \(No. 2\) Bill 2022/23](#)) made national headlines, but other important announcements concerning pools and asset classes will also be of great interest to LGPS funds. Please click [here](#) for more detail and our thoughts on what these mean for the LGPS.

How does the change to the SCAPE rate affect the LGPS?

The SCAPE rate is the discount rate used to value unfunded public sector schemes. There have been two recent announcements about the rate. Firstly, on 30 March, the UK Government [confirmed](#) that it will continue to use long-term GDP growth as the basis for setting the rate. Secondly, alongside this news, the Government also [confirmed](#) that the rate will reduce in line with the OBR's lower UK GDP growth forecasts. Our [60 Second Summary](#) explores how this affects the LGPS (a damp cloth for your forehead is recommended when reading the 'cost control mechanism' section!).

2022 valuations – done and dusted

The whole of the LGPS in England & Wales will have breathed a big sigh of relief on 31 March 2023 as the 2022 valuations were formally completed. It's tempting to quickly move on to the next thing, but it's always useful to sit down with your actuary and reflect on what went well and what do you wish you could or should have done during the valuation. This will be really helpful for making the 2025 valuations (only 2 years away!) even more of a success.

GAD's Scottish Section 13 report

The Government Actuary's Department (GAD) has recently completed and published its section 13 report on the 2020 Scottish valuations. The report and appendices are available [here](#). There are no significant changes to the report from the draft version that was shared with us earlier in the year. Despite the close publication to the 2023 valuation date, the contents of the report will not affect any plans or discussions that have already taken place. However, if you do have any questions on the contents of the report, please get in contact with your usual Hymans consultant.

Building fit-for-purpose digital systems

In a previous [article](#), our digital expert, Chris Varley, discussed why a great user experience (UX) is crucial to helping the LGPS and its stakeholders, such as pension officers and pension scheme members, to achieve their goals. It would be easy to think that this was all we need to consider... but this is just the start of the process. In this [follow up](#), Chris expands on what happens behind the scenes to create the systems that deliver that great user experience.

Are Long Term Asset Funds applicable to the LGPS?

Long Term Asset Funds (LTAFs) have been launched with great fanfare in the financial press, opening up the advantages of illiquid investments to DC pensions savers, with the wealth management market likely to soon follow. But does this fund structure, with its built-in liquidity and regular pricing, offer potential benefits to LGPS investors also? We discuss the potential use of LTAFs in the LGPS in this short [60 Second Summary](#).

TCFD disclosures

TPR has published [its review](#) of the first wave of TCFD disclosures produced by pension schemes. The review covers key findings, what has been done well and what could be improved. The improvements suggested by TPR largely have an overarching objective of increasing ease of understanding for members who may be reading the disclosures. These suggestions include ensuring appropriate background information, clarity between different scheme sections and ensuring reports met accessibility checks. Thankfully, the review has been published with enough time for the second wave of reports to begin integrating these recommendations.

Conferences & webinars

Pensions tax changes webinar - what is the impact on LGPS administrators and members?

Following the recent pension tax changes announcement, Andrew McKerns and Ian Colvin discussed the impact this would have on LGPS administrators and members. If you weren't able to join the session live, you can now catch it [on-demand](#). You'll hear how we got to this latest pension tax position, the main budget news and the immediate, medium and long-term impacts for LGPS administrators.

LGC Investment Seminar, 30-31 March

The annual LGC Investment Seminar took place in Carden Park, Cheshire, on 30-31 March. A record turnout at Carden Park saw discussions of a wide range of investment and governance topics including pooling, ESG and better collaboration across the LGPS. We've summarised each of the sessions in our [conference highlights](#).

Upcoming LGPS 2023 Scottish Valuation webinar

Keep your eyes peeled for our next 2023 valuation webinar, which will focus on the very important topic of data and what funds can do around cleansing and submitting data for the valuation.

LGPS administrator training – off and running!

We recently completed the first couple of 14 LGPS administrator training sessions and were very pleased with participant feedback and engagement. Intended for new members of your administration team or those that need a refresher, these training sessions also include a participant assessment and certificate of completion. The remaining 12 sessions (details [here](#)) are still available for bookings and you can register your interest [here](#). Alternatively, please get in touch with either [Peter Riedel](#) or [Lorna Paton](#) to discuss your requirements and costs.

In brief...

- **McCloud** – STOP PRESS - we have just heard that DLUHC has now formally [responded](#) to its consultation on the McCloud remedy.
- **McCloud and cost control** - the High Court has [dismissed](#) the judicial review applications from the FBU and BMA about HMT's inclusion of McCloud costs in the cost control mechanism. The unions are seeking permission to appeal.
- **Data** - the Government has reintroduced the [Data Protection and Digital Information \(No. 2\) Bill](#) to Parliament. It aims to 'cut down pointless paperwork', by introducing a 'New common-sense-led UK version of the EU's GDPR'.
- **Inflation** – The [2023 Pension Increase Order](#) applied to LGPS benefits in April is 10.1%. Current inflation remains high; CPI and RPI were 10.4% & 13.8% respectively for the year to Feb 2023.
- **Investment research** – HMT has [announced](#) that Rachel Kent will chair its [Investment Research Review](#), part of the Chancellor's 'Edinburgh Reforms', following suggestions that the UK has lower levels of investment research capability than other jurisdictions.
- **Pensions dashboards** - the Pensions Minister has '[initiated a reset of the Pensions Dashboards Programme](#)' that will postpone the current staging profile in

accordance with which schemes must connect to the dashboards infrastructure. The extent of the delay is not yet known.

- **Pension scams** - the Pension Scams Industry Group (PSIG) has published an [Interim Practitioner Guide](#) to its Code of Good Practice.
- **Gender pensions gap** - the English & Welsh SAB's recently published [report](#) shows similar results to those discussed in [our webinar in October 2022](#), and highlights the increasing focus on this topic. Please contact us if you'd like analysis on the gap for your own fund.
- **LGA annual update** – a LGPC [bulletin](#) summarising new 2023 rates and bands that are used for a variety of purposes.
- **Equality, diversity and inclusion** - TPR has published [guidance](#) designed to help pension scheme governing bodies to improve on this area.
- **State Pension age** – The Government's announced that a decision on whether to bring forward the date when the SPA rises to 68 has been postponed until after the next General Election. Click [here](#) for a link to the full 2023 SPA review.
- **Divorce** - the Law Commission in England and Wales has [announced](#) a review of financial remedies on divorce. The issues it plans to look at include the treatment of pensions in the division of the divorcing parties' assets, and whether they tend to be overlooked.

Appendix

Spring Budget – impact on LGPS

<https://www.gov.uk/government/speeches/spring-budget-2023-speech>

<https://publications.parliament.uk/pa/bills/cbill/58-03/0276/220276.pdf>

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-spring-budget-2023-impact-on-the-lgps/>

How does the change to the SCAPE rate affect the LGPS?

<https://www.gov.uk/government/consultations/public-service-pensions-consultation-on-the-discount-rate-methodology>

<https://questions-statements.parliament.uk/written-statements/detail/2023-03-30/hcws697>

<https://www.hymans.co.uk/insights/research-and-publications/publication/60-second-summary-scape-rate-and-its-impact-on-the-lgps/>

GAD's Scottish Section 13 report

<https://www.gov.uk/government/publications/local-government-pension-scheme-scotland-section-13-report-as-at-31-march-2020>

Building fit-for-purpose digital systems

<https://www.hymans.co.uk/insights/blogs/blog/why-improving-user-experience-ux-matters/>

<https://www.hymans.co.uk/insights/blogs/blog/component-based-architecture/>

Are Long Term Asset Funds applicable to the LGPS?

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-are-long-term-asset-funds-applicable-to-lgps/>

TCFD disclosures

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/review-of-climate-related-disclosures>

Pensions tax changes webinar - what is the impact on LGPS administrators and members?

<https://event.on24.com/wcc/r/4163127/EA47BF289DA22BDE85D34ED19629BBC6>

LGC Investment Seminar, 30-31 March

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_LGC_Investment_Seminar_30-31_March_2023.pdf

LGPS administrator training – off and running!

https://www.hymans.co.uk/media/uploads/LGPS_Administrator_Training_Session_Overviews.pdf

<https://analytics-eu.clickdimensions.com/hymanscouk-atwsv/pages/qfsuqiaee2q0qaisbtesg.html?PageId=fe14fb4180a8ed11aad10022481b5eb2>

In brief...

<https://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin/outcome/amendments-to-the-local-government-pension-scheme-statutory-underpin-government-response#executive-summary>

<https://www.bailii.org/ew/cases/EWHC/Admin/2023/527.pdf>

<https://bills.parliament.uk/bills/3430>

<https://www.legislation.gov.uk/ukxi/2023/338/made>

<https://www.gov.uk/government/publications/investment-research-review>

<https://www.gov.uk/government/publications/investment-research-review/draft-terms-of-reference-investment-research-review>

<https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594>

<https://pensionscamsindustrygroup.co.uk/the-code-of-good-practice/>

https://lgpsboard.org/images/Reports/2023/GADGenderPensionGapReport_Jan2023.pdf

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

<https://lgpslibrary.org/assets/bulletins/2023/235.pdf>

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2023-press-releases/guidance-launched-to-help-improve-pension-schemes-equality-diversity-and-inclusion>

<https://www.gov.uk/government/publications/state-pension-age-review-2023-government-report/state-pension-age-review-2023>

<https://www.lawcom.gov.uk/project/financial-remedies-on-divorce/>