

# Current issues in the LGPS

March 2023

## The finish line is in sight for England and Wales...

With less than a month to go to the statutory deadline, the 2022 valuations in England & Wales are nearing a close. Hopefully now it is just a case of dotting i's and crossing t's (also known as dealing with the last few 'complex' employers). We've also just received confirmation of the format of the SAB/GAD dashboard which will be included in every valuation report. It's amazing to think that preparations for the next valuation are likely to start in about 18 months' time. With this in mind, we will be in touch with all our funds to set up a feedback meeting so we can take all the learnings and experiences from the 2022 valuations and build them into plans for 2025.

## ... whilst the Scottish valuations are underway

The first of our 2023 valuation forums took place on 22 February. This generated some interesting discussion around the funding decisions that Scottish funds will be considering this year. The session centred around the information set out in this note: [What do the 2023 valuations have in store?](#) It was great to have attendees across all of our Scottish funds and we look forward to the year ahead! We have also launched our [LGPS 2023 Valuation hub page](#) and [LGPS 2023 Valuation Toolkit](#).

## LGPS consultation responses

### Consultation on CARE revaluation

DLUHC recently closed a lightning quick [consultation](#) on moving the date on which CARE benefits are revalued from 1 April to 6 April. The consultation is designed to align the CPI value used to increase CARE pensions with the value used to uplift the value of pension benefits at the start of the Pension Input Period as part of the Annual Allowance calculation. While the move makes sense, the last-minute nature of any changes is likely to cause administrative headaches. You can read more about what the changes mean [here](#).

### SAB cost cap consultation response

At end January a [consultation](#) was launched setting out proposed amendments to how the England & Wales SAB's cost management process operates. These changes are in response to changes already being made to HMT's cost management mechanism. The proposals are largely technical in nature and designed to ensure that the SAB process can still input into the HMT mechanism. However there are a couple of points where more detail would be helpful. We set these out in our formal response to the consultation which can be [found here](#).

## Increasing focus on the Gender Pension Gap

With reporting on the Gender Pay Gap now common amongst most businesses, the focus is starting to shift to the Gender Pension Gap (GPG). Recently, the Minister for Pensions (Laura Trott) confirmed that the Government is considering [reporting regularly](#) on the GPG. We spent some time at the end of 2022 [focussing](#) on the magnitude and causes behind the GPG in the LGPS and how it can be reduced. If you want to be on the front foot in this space, we can carry out analysis of your membership similar to that discussed in our webinar (please ask your usual Hymans Robertson contact for more information).

## Evolving funding risk monitoring - No more valuation – now what?!

As the dust settles on the English & Welsh valuations, funds are gearing up for the inter-valuation period. With high inflation, higher interest rates and turbulent markets since the valuation, there's an increased demand on funds to keep stakeholders informed. In addition, new employer flexibility regulations open up the possibility of DDAs and contribution reviews, and suddenly three years starts to feel like an eternity. To help our funds stay on the front foot and have all these answers at their fingertips, we've overhauled our funding risk monitoring digital solutions. Launching on 1 April, our on-demand, self-service, daily funding and risk analytics will be available via Frontier. More details to follow - watch this space!

## Delayed audits and the 2023 LGPS accounting exercise

Preparations are gathering pace as we approach the 31 March 2023 accounting year-end. In our discussions with auditors, it has become apparent that 2021/22 accounts have not yet been signed off in several cases. All 2023 reports will be prepared on the basis that the 2022 accounts have been approved and so it is important that any revisions required to the 2022 accounts (given audit delays) are requested and approved before work commences on the 2023 reports. Please direct any questions in respect of this to [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk)

## LGPS Online Learning Academy (LOLA) – just got bigger and better!

Following the successful launch of our [LGPS Online Learning Academy](#) in June 2021, we have been listening to feedback and added improvements throughout our new version 2.0 learning plan. The key changes will see shortened and refreshed modules (new videos, jargon busters and knowledge checks) and see it mirror the same 8 topics of our [National Knowledge Assessment](#). This means you can have easy alignment between your assessment tools and your training platform – much easier for filling in those knowledge gaps! Funds will also now be able to add their own training documents or fund policies to LOLA, allowing their users to have a 'one-stop' shop for key training material, alongside the introduction of gamification, improved user experience and much more! Please contact [Andrew McKerns](#) if you have any questions or would like a demo.

## Introducing our Administrator Training

March sees the launch of our [administrator training](#) modules covering all elements of the administration and management of the LGPS, with the first session providing an introduction to the scheme and taking place on 22 March. If you haven't already registered your interest you can do so [here](#), reserving spaces for members of your administration team for any specific sessions of interest.

## Conferences & webinars:

### Effective Business Planning in the LGPS

Last month, we hosted the second webinar in our two-part series focused on Effective Business Planning in the LGPS. Kate Dickson talked us through key success measures, creating a plan for implementation and delivery, and monitoring and reporting. If you weren't able to join live, you can now catch the session [on-demand](#).

### LGC Investment Seminar, 30-31 March

We're looking forward to once again supporting the annual LGC Investment Seminar at Carden Park. Our very own Susan Black will be joining Euan Miller, Denise Le Gal and David Vallery to discuss the latest in the Good Governance project, workforce issues and training and development. [Click here](#) to book your place.

## Hymans Robertson On....

Catch up on our [latest episode](#) of Hymans Robertson On... where Susan Black, our Head of LGPS Governance, Administration and Projects, and Ian Colvin, our Head of Benefits Consultancy, discuss workforce planning with Dan Chessell and Amanda Crawford from Essex Pension Fund. Amanda and Dan share their good news story on the success they've had in restructuring their team and what skills they believe are necessary for LGPS funds in the future.

## InflationWatch – what lies ahead?

Ongoing easing in input price inflation from high levels supports the idea that recent falls in headline inflation may be sustained. Year-on-year inflation looks to have peaked in Europe and is well past its peak in the US. Forecasters are confident that headline inflation will come down over the next few quarters, given falls in energy prices. At an underlying level – excluding food and energy – easing supply-chain pressures should contribute to a more general fall in goods inflation. Against that, tight labour markets are leading to strong wage growth on both sides of the Atlantic, and service-sector inflation is likely to be stickier. Against that backdrop, we consider the inflation outlook and the balance of risks around that outlook. You can read our latest quarterly update [here](#).

## Deforestation – what does it mean for investors?

Globally, we lose over ten million hectares of forest each year. This contributes to climate change and biodiversity loss as well as having wider economic and social implications. Institutional investors have a key role to play by understanding their exposure to deforestation and engaging with investment managers on this topic. Together with Global Canopy, we have identified the main actions which asset owners can take to understand deforestation and address this issue in their investment portfolios. You can read our paper [here](#). We have also published related articles for investors on the [COP15 biodiversity conference](#) and on [Biodiversity](#).

## Excess deaths during 2022

2022 was another unusual year for UK mortality. We again saw more deaths in the UK than expected under pre-pandemic projections. However, the number of deaths mentioning COVID-19 was relatively low. A panel of experts at a recent Club Vita [webinar](#) discussed what may be causing the excess deaths, if the patterns will continue and how the 2022 data might feed into pension fund longevity assumptions. As emerging trends continue, we'll be watching the Club Vita analysis closely to ensure our clients have access to the latest insights on post-pandemic longevity risks.

## In brief....

- Pension Increase Order 2023 – a [Written Ministerial Statement](#) confirmed that an increase of 10.1% will be applied in the LGPS in April to inflation linked benefits including CARE pots. The accompanying [Order](#) has now been laid.
- TPR's Code of Practice – the long-awaited new Code has been delayed further. It's currently sitting with the DWP and might become effective during May (but don't hold your breath).
- ESG - the statutory definition of 'greenhouse gas' is being [amended](#) to include nitrogen trifluoride, or NF<sub>3</sub> for the chemists amongst us (it's used in electronics manufacture). This won't immediately affect LGPS climate-risk governance obligations although that may change on review.
- Saving for later life – the House of Commons Work and Pensions Committee has [published](#) the Government's response to its 'Saving for later life' recommendations.
- New Memorandum of Understanding - the DWP and Pensions Regulator have entered into a [MOU](#) about their prosecution of the new offences introduced by the *Pension Schemes Act 2021*. In general, TPR will initiate prosecutions, and the DWP won't (barring 'exceptional circumstances') pursue someone if TPR has decided against it.
- Review of TPR – the DWP has [announced](#) that Mary Starks has been appointed to undertake the scheduled review, with delivery in May this year.
- Transfer checks - the FCA is [encouraging](#) funds to provide it with details of transfer checks that have raised concerns. It hopes to gather intel on things like unauthorized advisers, suspicious numbers of cases involving the same adviser, unsolicited contacts, and so on, via dedicated email addresses for DB-to-DC and DC-to-DC transfers respectively.
- UK asset management regime – the FCA has issued a [discussion paper](#) on updating and improving the aforementioned regime. Comments are welcomed by 22 May.
- McCloud data guidance – the SAB in England and Wales has produced [guidance](#) to help LGPS funds to recreate notional final salary membership for the McCloud remedy period.

## Appendix

... whilst the Scottish valuations are underway

[https://www.hymans.co.uk/media/uploads/What do the 2023 valuations have in store.pdf](https://www.hymans.co.uk/media/uploads/What_do_the_2023_valuations_have_in_store.pdf)

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

[https://www.hymans.co.uk/media/uploads/LGPS\\_2023\\_Valuation\\_Toolkit.pdf](https://www.hymans.co.uk/media/uploads/LGPS_2023_Valuation_Toolkit.pdf)

### Consultation responses

<https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps>

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-what-a-difference-5-days-makes-dluhc-consult-on-changing-the-date-on-which-care-benefits-are-revalued-in-the-lgps/>

<https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process>

[https://www.hymans.co.uk/media/uploads/Consultation\\_response\\_-\\_Local\\_Government\\_Pension\\_Scheme\\_-\\_Changes\\_to\\_the\\_Scheme\\_Advisory\\_Board\\_cost\\_management\\_process.pdf](https://www.hymans.co.uk/media/uploads/Consultation_response_-_Local_Government_Pension_Scheme_-_Changes_to_the_Scheme_Advisory_Board_cost_management_process.pdf)

### Increasing focus on the Gender Pension Gap

<https://committees.parliament.uk/publications/33859/documents/185243/default/>

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

### LGPS Online Learning Academy (LOLA) – just got bigger and better!

<https://www.hymans.co.uk/services/lgps-online-learning-academy/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/2022-lgps-national-knowledge-assessment-report/>

### Introducing our Administrator Training

[https://www.hymans.co.uk/media/uploads/LGPS\\_Administrator\\_Training.pdf](https://www.hymans.co.uk/media/uploads/LGPS_Administrator_Training.pdf)

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

### Conferences & webinars

<https://www.hymans.co.uk/insights/webinars/effective-business-planning-in-the-lgps-session-2/>

<https://investmentseminar.lgcplus.com/investment2023/en/page/book-now>

### Hymans Robertson On....

<https://www.hymans.co.uk/insights/podcasts/good-governance-in-the-lgps-part-2/>

### InflationWatch – what lies ahead?

<https://www.hymans.co.uk/insights/research-and-publications/publication/inflationwatch-february-2023/>

### Deforestation – what does it mean for investors?

<https://www.hymans.co.uk/insights/research-and-publications/publication/deforestation-what-does-it-mean-for-investors/>

<https://readymag.com/u43676151/4132193/biodiversityconference/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-biodiversity/>

## Excess deaths during 2022

<https://www.clubvita.net/uk/events/what-happened-in-2022-the-uk-excess-mortality-conundrum-what-caused-it-and-will-it-continue>

### In brief....

<https://questions-statements.parliament.uk/written-statements/detail/2023-02-20/hcws566>

<https://www.legislation.gov.uk/uksi/2023/252/made>

<https://www.legislation.gov.uk/ukdsi/2022/9780348239713>

<https://committees.parliament.uk/publications/33625/documents/183629/default/>

<https://www.squirepattonboggs.com/-/media/files/insights/publications/2023/02/pensions-weekly-update-15-february-2023/memorandum-of-understanding-between-the-dwp-and-tpr.pdf?rev=242a300dfe444015b5656acbc38361c1&hash=73B99E869DCD6EF001EED3B139580EB2>

<https://www.gov.uk/government/news/mary-starks-appointed-to-lead-review-of-the-pensions-regulator>

<https://www.fca.org.uk/firms/defined-benefit-pension-transfers/reporting-transfer-requests>

<https://www.fca.org.uk/publication/discussion/dp23-2.pdf>

[https://lgpslibrary.org/assets/gas/ew/McC\\_data\\_v1.0.pdf](https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf)