



Current issues in the LGPS

November 2023

2024 Pension Increase Order

The Office of National Statistics has [published](#) the latest Consumer Prices Index (CPI) which rose by 6.7% in the 12 months to September 2023. LGPS benefits can therefore expect a 6.7% increase in April 2024 (subject to the possibility of political intervention) which may significantly shift the cashflow position of LGPS funds in a short space of time. Our [recent webinar](#) discusses the current market outlook for inflation and the impact on the future cashflow position of LGPS funds.

Keeping a watch on inflation

With inflation remaining at 6.7% year-on-year in September, recent data encouraged the Bank of England (BoE) to leave interest rates unchanged at 5.25% pa. at their September and November meetings. Indeed, inflation is expected to fall below 5% year-on-year in October as the energy price cap falls relative to last autumn's large increase. With the easy wins from moderating energy and foods price inflation largely played out, our latest [InflationWatch](#) considers how cautious the BoE may be as attention shifts from how high rates might go, to how long they will stay there.

Update on the Scottish valuations

Our [video](#) highlights that plenty of work is still to be done, around drafting funding strategy statements (FSS) and calculating employer results. Discussions are ongoing on striking a balance between reducing contributions and retaining some surplus as a future buffer, with most funds hoping to meet both aims. However, the general trend of contributions is downwards, with many employers expected to receive the benefit of improved funding positions. FSS's are being complemented by associated policies, setting out each fund's approach to dealing with specific areas of funding policy. Expect draft FSSs to be landing in inboxes before the end of the year!

Evolving our climate scenario modelling

When it comes to investing to combat climate change, we need quality data and information. And by using models to simulate future climate scenarios, we can analyse how assets and portfolios might fare and test their resilience. We're changing [how we approach climate scenario modelling](#), to help our clients to recognise the systemic nature of climate risk and better understand its inherent uncertainty. A clearer picture of the risks from climate change can help institutional investors make crucial decisions like the following: to what extent should you be an 'impact' investor? How should you allocate your assets in light of climate risks?

TPR General Code - compliance made easy?

We're expecting the imminent release of the Regulator's General Code of Practice (GCOP). To help you prepare for this and assess your current level of compliance for each section of the Code, we have created a self-service compliance checker tool (final touches will be made with GCOP's release). Our checker allows a fund to score itself against the key areas of compliance set out in the Code. A summary report can be produced at the touch of a button, with progress tracked and a scorecard generated for each section. This will make it easier for officers to communicate a fund's GCOP position to their Committee and Board. Please get in touch if you'd like further details.

Events, webinars & training

Managing risk in the LGPS

If you've been following our risk management webinar series, you will have seen that we hosted two webinars during October. Both are now available on-demand:

- **Cash flow risk** - Robbie McInroy was joined by Chris Arcari and Reece Notman for a discussion on cash flow risk, and the impact of the ONS announcement (see earlier article) on the September CPI figure. Watch on-demand [here](#).
- **Administration risk** - In this [session](#), Susan Black was joined by Ian Colvin and Kate Dickson to shine a spotlight on administration risk. We looked at key administration risks and how funds can address, monitor and mitigate these risks.
- **Climate risk** - [Join us on 29 November](#) for the next webinar in our LGPS risk management series, where Greer Flanagan will be joined by Peter MacRae and Sanjay Joshi for a discussion on climate risk. We'll explore how climate scenarios are currently used, our latest thinking on climate scenarios and what the next step might look like, what actions funds can take in response to climate risk.
- You may also recall that we ran a [webinar](#) during September about **longevity risk**. Jill Jamieson, Head of Pensions at Club Vita UK, shared Club Vita's latest insights into whether there have been excess deaths among LGPS pensioners. The results were perhaps surprising. A [publication](#) is now available to accompany the webinar.

Conference highlights - LGC Investment Seminar Scotland, 19-20 October

The [LGC Investment Seminar Scotland](#) took place 19-20 October, and the programme was packed full of insightful sessions. Our very own Iain Campbell chaired the conference, and Steven Scott delivered a session on what the valuation data is telling us about the LGPS. You can download our [conference highlights](#) for more on each session.

Pensions Managers' Conference – Torquay, 21-22 November

The ever-popular Pension Managers' Conference is in Torquay again this month. Steve Law will be there to share an actuarial update. We also have several of our Governance, Administration and Projects team attending. In addition, Brenda Kite from our DC team will be at our stand to share details on the Additional Voluntary Contribution reviews she's carried out recently with funds. We hope to see lots of you there! Register your place [here](#).

Market brief

Growth has confounded downbeat expectations in 2023 as consumers continue to spend, particularly in the US. But as the lagged impact of higher borrowing costs increasingly weighs on consumers and businesses, what is the macroeconomic outlook for growth, inflation, and interest rates? In this [update](#), we consider the fundamental implications for the major asset classes, and how current valuations look against this backdrop.

New SAB academy guidance

Over 10,000 academies and free schools in England now participate in the LGPS, with each fund having its own policies around new academies. The Scheme Advisory Board has compiled helpful [guidance](#) that explains the most common terminology and actuarial approaches in use across the 77 relevant funds. The guidance was prepared collaboratively with input from the LGPS actuarial firms, LGPS officers and academy representatives, among others. It will be particularly useful for multi-Academy trusts who may have to contend with different approaches across multiple LGPS funds.

Academy accounting

With the majority of academies reporting at 31 August 2023 now in receipt of FRS102 disclosures, we hosted another [webinar](#) to discuss the emerging picture at this year-end. Our accounting specialists talked through a set of example academy figures, highlighting the trends we're seeing across the LGPS and considering the very hot topic of net asset position disclosure.

In brief...

PLSA paper – the PLSA has published a [paper](#) outlining policy recommendations to the Government to encourage further pension asset investments to drive growth in the UK economy.

Pension dashboards – the Local Government Association (LGA) has published a [draft guide](#) for LGPS administering authorities about connection to pensions dashboards.

Social investing - the DWP-established Taskforce on Social Factors has released a [guide](#) for consultation on how the industry can incorporate social factors into investment decision-making. Feedback is sought by 1 December.

Triple lock - the House of Commons Library has [published](#) information about the state pension triple lock, including a summary of the debates around its sustainability.

Interfund payments – the LGA has sent a message to LGPS funds in E&W about upcoming GAD guidance covering transfers affected by McCloud. Certain transfer calculations are currently on hold.

Public sector exit payments – the [Second Reading](#) of the Public Sector Exit Payments (Limitation) Bill resumed on 20 October, after a seven-month hiatus. As a Private Member's Bill, it needs Government support to proceed.

LGPS statistics – DLUHC has published [2022/23 statistics](#) for the LGPS in England and Wales.

Climate analysis – the Government Actuary's Department (GAD) has published a [news story](#) about the climate-change analysis that it has performed in public service pension scheme valuations.

King's Speech – the anticipated pensions bill, which would have included the Chancellor's [Mansion House reforms](#) and their impact on the LGPS, was not mentioned in the Speech. The focus now moves to the Chancellor's Autumn Statement on 22 November.

Appendix

2024 Pension Increase Order

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2023>

<https://event.on24.com/wcc/r/4366370/2A1C3FA73A9FAA7EB4E7A03F3C23E599>

Keeping a watch in inflation

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

Update on the Scottish valuations

<https://vimeo.com/870653390/faaf1fc671?share=copy>

Evolving our climate scenario modelling

https://www.hymans.co.uk/media/uploads/Achieving_Net_Zero_Building_Narrative-driven_Climate_Scenarios.pdf

Events, webinars & training

Managing risk in the LGPS

<https://event.on24.com/wcc/r/4366370/2A1C3FA73A9FAA7EB4E7A03F3C23E599>

<https://event.on24.com/wcc/r/4382329/78C6771D6970CDFEB764CBFD1F7EC60D>

<https://event.on24.com/wcc/r/4333297/561146F3A466021CC70980D7E8FE841A>

https://www.hymans.co.uk/media/uploads/Managing_risk_in_the_LGPS_-_a_spotlight_on_longevity_risk.pdf

Conference highlights - LGC Investment Seminar Scotland, 19-20 October

<https://investmentseminarscotland.lgcplus.com/scotland2023/en/page/home>

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_LGC_Investment_Seminar_Scotland_19-20_October_2023.pdf

Pensions Managers Conference – Torquay 21-22 November

<https://swcouncils.gov.uk/events/pension-managers-conference/>

Market brief

<https://www.hymans.co.uk/insights/research-and-publications/publication/market-brief-october-2023/>

New SAB academy guidance

<https://lgpsboard.org/images/Guidance/Oct2023SABGuidanceonAcademyConversions.pdf>

Academy accounting

<https://www.hymans.co.uk/insights/webinars/lgps-academy-accounting-disclosures-the-results/>

In brief...

<https://www.plsa.co.uk/Press-Centre/Press-Releases/Article/PLSA-asks-for-policy-regulatory-and-fiscal-changes-to-encourage-UK-growth>

<https://lgpslibrary.org/assets/gas/uk/PDv0.1.pdf>

<https://www.taskforceonsocialfactors.co.uk/>



<https://commonslibrary.parliament.uk/the-triple-lock-how-will-state-pensions-be-uprated-in-future/>

[https://hansard.parliament.uk/commons/2023-10-20/debates/7FAFF960-2EFE-4413-B04E-2DD7FE5A0E40/PublicSectorExitPayments\(Limitation\)Bill](https://hansard.parliament.uk/commons/2023-10-20/debates/7FAFF960-2EFE-4413-B04E-2DD7FE5A0E40/PublicSectorExitPayments(Limitation)Bill)

https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-and-wales-2022-to-2023?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=be65d12f-89b8-46b0-8a74-e7f9416f9b2f&utm_content=immediately#full-publication-update-history

<https://www.gov.uk/government/news/climate-change-scenarios-in-public-service-pensions-valuations>

<https://www.gov.uk/government/news/chancellors-mansion-house-reforms-to-boost-typical-pension-by-over-1000-a-year>

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