

# Current issues in the LGPS

September 2022



## **BREAKING NEWS 1: Good Governance gets ministerial approval**

After some delay, it is heartening to learn that DLUHC ministers have agreed to take forward the SAB's Good Governance recommendations. You can read more about this topic in our latest [60 Second Summary](#) but we have summarised the key points.

- DLUHC have broadly accepted all recommendations (subject to consultation).
- The plan is to bring the recommendations into law using both secondary legislation and statutory guidance.
- There will be an additional requirement to implement a workplace strategy around planning and resourcing.
- Timescales are a bit vague but we may see draft regulations late this year and guidance early next year.
- The Scottish SAB might ask Scottish ministers to introduce Good Governance in Scotland.

## **BREAKING NEWS 2: 2022 valuation results**

We have analysed the first few sets of 2022 valuation initial results to identify key themes and trends. The outcomes are discussed in a [short paper](#) and also on [camera by two of our Fund Actuaries](#). If you already have your results, this should help give further context to your own position. For those who are still eagerly awaiting, this will give you a good idea of what's to come!

## **2022 valuation toolkit**

The latest instalment in our valuation [toolkit](#) has just been released. Our recent updates cover assumptions, asset-liability modelling and whole fund funding level. All very relevant for likely topics of discussion at September Committee meetings – please feel free to share with Members and any other interested stakeholder.

## **On-demand webinar: Employer risk in the LGPS**

With the increasing number and diversity of employers in the LGPS, it's important for funds to understand and manage employer risk. We recently recorded a short on-demand webinar with Matt Cooper, Director of Pension Employer Covenant & Restructuring at PwC, to focus on employer risk and how it ties in with setting funding strategies for employers as part of the 2022 valuation for English and Welsh funds. You can [access the recording here](#) at any time.

## **TCFD-layed no longer!**

The long-awaited [consultation on climate risk disclosures in the LGPS](#) finally dropped on 1 September. Under the proposals, beginning in 2024 all funds in England and Wales will need to prepare an annual Climate Risk report following Task Force on Climate-Related Financial Disclosures (TCFD) principles. We've published our [initial thoughts](#) on the consultation and will share our consultation response ahead of the 24 November deadline. In the meantime please speak to your usual Hymans contact if you want to discuss this topic further.

## Making sure your policies are fit for purpose

Having policies in place that are relevant and accessible is key to their success, demonstrating effective systems of internal control, openness and transparency and decision-making. It's important to ensure you have all the right policies in place and that they remain up to date. Our [60 Second Summary](#) considers why policies are needed, the range of policies a well-run fund should have and the steps you should be considering to make sure you have everything in place.

## Inflation – yesterday's problem?

With headline inflation continuing its inexorable rise, driven largely by higher energy costs, the question above seems inappropriate. However, there are clear signs that a collapse in real wages is putting consumer demand under extreme pressure, suggesting that recession may become the bigger issue for the UK economy going into 2023. High inflation, rising interest rates and a weakening economic outlook have not been kind to most asset markets in 2022, but the impact on pension liabilities has been mixed. High inflation will increase the nominal value of LGPS benefits in April 2023, putting cashflow under pressure, but rising real yields are likely to have improved long-term funding levels. Please click [here](#) for further detail.

## Employee exit payment consultation

On 8 August HM Treasury [published](#) the latest instalment of the £95k exit cap saga. Rather than apply an absolute cap to exit payments, the new proposal seeks to tighten up the approval process and to give the relevant department's Secretary of State the final say on whether a £95,000 plus payment can be made. The expectation is that approval will only be granted in exceptional circumstances. The consultation relates only to central government, which means that it will cover academies and it will also include pension strain in the £95k calculation. It remains to be seen whether DLUHC will seek to apply something similar to local authorities.

## Updated TPR guidance

Earlier this month it was [announced](#) that The Pensions Regulator ("TPR") would take responsibility for the regulation of certain duties of governing bodies from the Competition and Markets Authority. These include the requirements to set strategic objectives for investment consultants and the process for appointing fiduciary managers. The transfer will take place on 1 October 2022. No material changes in the regulations are planned though TPR has taken the opportunity to extend the range of schemes to which they apply and to tighten the requirements relating to the review of objectives/performance. Governing bodies must continue to self-certify compliance with the regulations. As a result, we expect the transfer to have limited impact on most funds.

## NKA – Go live date announced

The 2022 National Knowledge assessment will go live for funds on 28 September 2022. We have had a great response so far and would love as many funds as possible to sign up to the assessment. If you would like to see what your fund will get as part of your participation, please take a look [here](#).

## Hymans Robertson on.... Effective stewardship 101

Our host, Ben Farmer, presents the latest [instalment](#) in our Investment series and is joined by Olivia Mooney, Responsible Investment Consultant, and Paul Chandler, Director of Stewardship at the Principles for Responsible Investment (PRI). During the episode, we discuss the importance of stewardship, take a look at what good stewardship means in practice and the future of stewardship.

## LGC investment conference

Susan Black, Iain Campbell and Rob Bilton will be attending the LGC investment conference in Leeds from 8-9 September, please do come and say hello! Rob will be running a session that looks at the 2022 valuation and what stories the membership data is telling us.

## Embarking on a new century of building better futures

Corporate Social Responsibility (CSR) lies at the heart of our business and is guided by our Purpose - 'Together, Building Better Futures'. So, we're delighted to share with you our latest [CSR report](#), which captures the brilliant work that our people have carried out over the past year and our ambitions for the future.

### In brief...

- The FRC is [looking](#) for pension funds and investment consultants to participate in a new project exploring how people use asset managers' stewardship reports. The deadline for volunteering is 16 September.
- The Government has [launched](#) the Public Sector Fraud Authority, with the purpose of tackling fraud against the public purse (including public sector pensions).
- Planning ahead of the launch of Pensions Dashboards continues. The PASA has published a [checklist](#) to help schemes prepare for the provision of 'value data' (about accrued and projected benefits).
- The High Court has [dismissed](#) a judicial review claim by three large private sector schemes against the Government over plans by the UK Statistics Authority to align the Retail Prices Index (RPI) with the housing cost-based version of the Consumer Prices Index (CPIH) from 2030.

## Appendix

### **BREAKING NEWS 1: Good Governance gets ministerial approval**

<https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-good-governance-ready-to-launch/>

### **BREAKING NEWS 2: 2022 valuation results**

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-2022-valuation-results-early-insights/>

<https://vimeo.com/747196634>

### **2022 valuation toolkit**

[https://www.hymans.co.uk/media/uploads/LGPS\\_2022\\_Valuation\\_Toolkit.pdf](https://www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf)

### **On-demand webinar: Employer risk in the LGPS**

<https://event.on24.com/wcc/r/3914727/DE73BA9A0B6B8522793FFDB7F6433E0E>

### **TCFD-layed no more!**

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks>

<https://www.hymans.co.uk/insights/research-and-publications/publication/aligning-views-on-the-climate-change-risk-consultation/>

### **Making sure your policies are fit for purpose**

<https://www.hymans.co.uk/insights/research-and-publications/publication/policies-as-part-of-lgps-risk-management/>

### **Inflation – yesterday’s problem?**

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

### **Employee exit payment consultation**

<https://www.gov.uk/government/consultations/public-sector-exit-payments-a-new-controls-process-for-high-exit-payments>

### **Updated TPR guidance**

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-press-releases/revised-tendering-for-fmps-and-setting-objectives-for-fiduciary-managers-guidance-by-tpf>

### **NKA – Go live date announced**

<https://vimeo.com/745321398>

### **Hymans Robertson on.... Effective stewardship 101**

<https://www.hymans.co.uk/insights/podcasts/investment-effective-stewardship-101/>

### **Embarking on a new century of building better futures**

[https://www.hymans.co.uk/media/uploads/CSR\\_Report\\_2021-22.pdf](https://www.hymans.co.uk/media/uploads/CSR_Report_2021-22.pdf)

**In brief...**

<https://www.frc.org.uk/news/august-2022/call-for-participants-stewardship-reporting>

<https://www.gov.uk/government/news/government-launches-fraud-squad>

<https://www.pasa-uk.com/wp-content/uploads/2022/08/Dashboards-Pensions-Values-Guidance-FINAL.pdf>

<https://www.judiciary.uk/wp-content/uploads/2022/09/BT-Pension-Scheme-Trustees-v-UKSA-summary-010922.pdf>



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