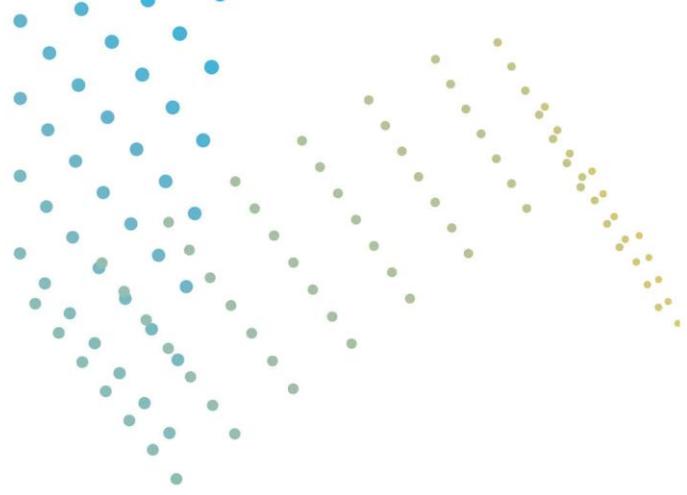


Current issues in the LGPS



September 2023

Consultation - Next steps on investments

Following up on our [60-Second Summary](#) on the Government's recently launched [consultation](#) on LGPS investments in England and Wales, we provide [a more detailed look](#) at its vision for the future. Here, we set out areas we support, where we think further thought is needed, and suggest areas for clarification and guidance to ensure any new regulation takes into account impacts on the full range of stakeholders. We're also working on our formal response to the consultation, which will be available mid-September. And finally, please join our [webinar](#) on 14 September – see more information below - for what will no doubt be a lively discussion!

New approach to national Cost Cap valuations

HMT has published revised [Directions](#) that will apply to the 2020 Cost Cap valuations, alongside a [GAD letter](#). As expected, these new Directions incorporate changes that were subject to prior [consultation](#), including the widening of the 'cost corridor' from +/-2% to +/- 3% of pay and the introduction of an 'economic check'. Our response to that consultation is [here](#). The calculation will now be done in two stages. Costs will firstly be measured under a 'core mechanism'. And secondly, if this triggers a breach of the cost corridor, the 'economic check' will re-measure the cost with allowance for changes in long term economic assumptions. If the cost under the economic check is also outside the 3% margin and in the same direction as the 'core mechanism', changes will be made to the scheme's structure to bring costs back to the original target employer cost cap. GAD's letter suggests that for the 2020 valuations (across a sample of unfunded schemes), the 'core mechanism' result breaches the cost corridor on the downside due mainly to lower longevity assumptions. However, the impact of the SCAPE discount rate reduction to CPI +1.7%pa (compared to the CPI + 3%pa used in the 'core mechanism') in the 'economic check' increases the cost and more than offsets the 'core mechanism' corridor breach. This results in no change to member benefits or contribution rates.

Reporting season beckons in Scottish valuations

The 2023 Scottish valuation project is now well underway following data submission from a number of funds. Initial results will be emerging over the weeks ahead – watch this space for news of the trends that we are seeing. One big question will be "what is the impact of inflation on the valuation results"? and we are closely monitoring CPI figures as they are released each month. Your actuary will discuss the impact of emerging inflation and the April 2024 PI Order along with the presentation of your valuation results.

Accounting – education to the fore!

Academies – as we enter September, it's all 'hands on deck' to prepare the 31 August 2023 FRS102 results schedules for LGPS academies. In an environment of high inflation and high corporate bond yields, along with the triennial valuation recalibration to funding positions, there's a lot to consider this year. To get further details on the areas of consideration and what these could mean for you, our Academy accounting webinar is available on demand [here](#).

Further education bodies - the 31 July 2023 results are in – and they're overwhelmingly 'positive'! Net asset positions are being seen by many FE bodies across the LGPS, which comes with the tricky question, "how do I

allow for this accounting surplus”? For details on the options available to you, please contact our LGPS accounting specialists [here](#).

Assessing knowledge for Committees and Boards

On 18 September we will launch our 2023 Knowledge Progress Assessment (KPA) for Committee and Board members – coinciding with LGPS training expectations set out within the ‘Next steps on investments’ [consultation](#) mentioned above. The online assessment will cover the 8 topics of the CIPFA Knowledge and Skills framework, and has been designed to complement Hymans’ LGPS [Online Learning Academy](#).

The purpose of the KPA is to check that knowledge levels are progressing as expected, see if the focus of your training plan feels right, and to provide Funds with a tangible way to demonstrate they are regularly assessing Committee and Board members’ knowledge levels and training needs. Register your interest [here](#).

Events, webinars & training

LGPS Employer training

We’re delighted to be continuing our LGPS employer training, with the next sessions taking place in October and November. Attendance will provide your employers with knowledge of important LGPS topics. With the implementation of the McCloud remedy and pensions dashboards on the horizon, and the administrative challenge of updating data, good employer engagement is needed more than ever. Register your interest [here](#), and if you require more information [get in touch](#).

Next steps on investments in the LGPS (England and Wales)

[Join us on 14 September](#) for a special edition webinar, focused on the Local Government Pension Scheme (England and Wales): Next steps on investments consultation. Kate Dickson will be joined by David Walker to discuss our views on the questions raised in the consultation. You can register your place [here](#).

Managing risk in the LGPS – a spotlight on employer investment strategies

Catch the third webinar in our risk management series [on-demand](#). Robbie McInroy was joined by Julie Baillie and Alex Younger, Head of Funding & Investment at Norfolk Pension Fund, for a discussion on employer investment strategies. You can also [download](#) Julie’s latest publication on utilising employer investment strategies to manage risk for LGPS employers.

Awards

We’re delighted 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
- **Workplace Savings & Benefits Awards:** Pension Consultant of the Year; Diversity and Inclusion Excellence Award

Focus on change: Food Systems

We all need to eat, and global demand for food is set to keep increasing. However, the food sector is a big contributor to climate change and also vulnerable to adverse climate impacts. There’s a clear need for innovative agricultural models based on regenerative and resource-efficient practices. Increasing input costs may provide an incentive for the agriculture sector to adopt more efficient practices quickly. Couple this with changing consumer demand and the potential for regulation, and we have interesting opportunities for investment. We explore some of the ways that investors can drive change in our [Focus on Change: Food Systems article](#).

In brief...

Latest inflation figures – the latest [ONS figures](#) recorded annual CPI for the year to July 2023 at 6.8%, down from 7.9% in the prior month. Our latest [InflationWatch](#) assesses the outlook for future inflation.

Overview of 2022 valuation results – the Scheme Advisory Board has published a [report](#) on the 2022 valuation results. Our own analysis was captured in a 'Big Picture' [report](#) that was published earlier this year. Plenty of reading for those who love statistics!

Cold calling – HMT [plans](#) to extend the pensions cold-calling ban to cover all consumer financial services and products. It's exploring the details of the extended ban via a [consultation](#), with a deadline of 27 September.

Data accuracy – the Pensions Administration Standards Association (PASA) has updated its [guidance](#) in this area.

Climate change litigation – the Court of Appeal has dismissed a [claim](#) against the USS for allegedly failing to deliver on its climate change commitments. The Court highlighted that the claimants were unable to prove that they had suffered loss (due to an alleged breach of duty by USS directors), and that the trustees had complied with the Investment Regulations 2005 (on the back of receiving appropriate professional advice).

McCloud and pensions tax – the McCloud discrimination case continues to keep HMRC busy, with the publication of another [newsletter](#) about the implementation of the remedy. They have also updated their lifetime-allowance protection [guidance](#) for members who may find themselves, retrospectively, in the market for fixed or individual protection (2016) as a consequence of the remedy for McCloud discrimination, or who lost their protection because of the McCloud remedy and may now be able to reinstate it. Click [here](#) and [here](#) to see the respective guidance.

Climate scenario analysis – TPR has published a [blog](#) about recent reports that have challenged the approach that schemes have taken to model climate risk. Whilst trustees are not expected to be climate experts, they are expected to keep their most recent analysis under review and conduct new analysis where improved scenarios or modelling capabilities are available.

Annual benefit statements – TPR has issued [guidance](#) around ABS's for public sector schemes. They're keen for schemes to take care to avoid confusing information to members affected by the McCloud remedy (who will receive both ABS's and remedial service statements). In recognition of this challenge, TPR will take a 'risk-based, practical approach' in response to ABS breaches during 2023 to 2025.

Autumn Statement – the Chancellor's statement will be presented to Parliament on 22 November, alongside an economic and fiscal forecast from the OBR.

Appendix

Next steps in LGPS investment consultation

https://www.hymans.co.uk/media/uploads/LGPS_60ss_-_next_steps_on_investments.pdf

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments>

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-next-steps-on-lgps-investments/>

<https://event.on24.com/wcc/r/4336280/43496AD4E71CE23759A759CF5103F6EE>

New approach to national Cost Cap valuations

<https://www.gov.uk/government/publications/public-service-pensions-2020-valuations>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1181508/2020_Valuation_Directions_GA_consultation_-_HMT_letter_with_annexes.pdf

<https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation>

https://www.hymans.co.uk/media/uploads/210806_Cost_control_mechanism_Consultation_Response.pdf

Accounting – education to the fore!

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

LGPSCentralAccountingTeam@hymans.co.uk

Assessing knowledge for Committees and Boards

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments>

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

<https://web.hymans.co.uk/hymanscouk-atwsv/pages/cs7dlzhiiee699aaismb2sg.html?PageId=2fddce724838ee11bdf4002248c6f6b2>

Events, webinars & training

LGPS Employer training

<https://analytics-eu.clickdimensions.com/hymanscouk-atwsv/pages/qrjhiwvee2braaisbtxmw.html?PageId=89471241ff6bed1181ac0022481b579b>

Next steps on investment in the LGPS (England and Wales)

<https://event.on24.com/wcc/r/4336280/43496AD4E71CE23759A759CF5103F6EE>

Managing risk in the LGPS – a spotlight on employer investment strategies

<https://event.on24.com/wcc/r/4286820/7AE45E6A33EC5905E7D4557D8E3F8539>

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

Focus on change: Food Systems

<https://www.hymans.co.uk/insights/research-and-publications/publication/focus-on-change-food-systems/>

In brief

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

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

<https://lgpsboard.org/index.php/2022-valuations-report>

<https://www.hymans.co.uk/insights/research-and-publications/publication/lgps-2022-valuation-the-big-picture/>

<https://www.gov.uk/government/consultations/ban-on-cold-calling-for-consumer-financial-services-and-products>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1175770/Coldcalling_consultation- final_clean.pdf

<https://www.pasa-uk.com/wp-content/uploads/2023/08/Data-into-Benefits-FINAL-1.pdf>

<https://www.bailii.org/ew/cases/EWCA/Civ/2023/873.html>

<https://www.gov.uk/government/publications/public-service-pensions-remedy-newsletter-august-2023/newsletter-on-the-public-service-pensions-remedy-august-2023>

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#apply-for-protection-after-the-public-service-pensions-remedy-also-known-as-mccloud>

<https://www.gov.uk/guidance/reinstate-your-pension-lifetime-allowance-protection>

<https://blog.thepensionsregulator.gov.uk/2023/08/29/how-trustees-can-help-make-climate-scenario-analysis-decision-useful/>

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management/publishing-annual-benefit-statements-2023-2025>

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