



# Current issues in the LGPS

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October 2023

## Consultation – next steps on investments

The deadline for parties to provide responses to the [consultation on LGPS investments](#) passed on 2 October. This was an opportunity to provide feedback on the government's potential future plans for the LGPS, covering important areas such as pooling, levelling up and private equity. Our formal [response](#) sets out our views on where we are supportive, where we believe more thought is required and where we disagree with proposals. And for further discussion, please click [here](#) to listen to our on-demand webinar.

## Scottish 2023 valuations – early results

The first few results are ready: watch our [video](#) to hear more. Funding levels are up across Scotland, driven by a combination of good investment returns and changing market conditions reducing liability valuations. Rising inflation is offsetting this slightly, but funding level improvements remain considerable – in excess of 50% for some! Discussions on contributions rates are also underway. Funds are generally passing on contribution rate reductions to employers, but this will of course vary with employer circumstances. Our [60 Second Summary](#) provides further detail, with more to come on this over the busy few months ahead.

## Dealing with accounting surpluses

As we climb over the mountain of 31 July and 31 August year-end FRS102 reporting, we continue to see net asset positions for many LGPS employers. These positive asset positions are also a focus of auditors beginning to look at 31 March figures. A decision may be required over the extent to which surplus can be disclosed in the employer's accounts. If you or your auditor have any questions on your year-end figures, please get in touch with our accounting specialists at [LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk).

## New McCloud regulations

On 8 September, the Department of Levelling Up, Housing and Communities (DLUHC) announced the [outcome](#) of the consultation on McCloud issues. It also laid before Parliament [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#), which came into force on 1 October 2023. There are no real surprises - the LGPS Regulations 2013 are amended to include the new definition of the underpin and extend it to those groups who were previously excluded but are now in scope. Statutory guidance is expected shortly, providing funds with more information on how to implement the new underpin including advice on prioritising cases.

## Events, webinars & training

### Managing risk in the LGPS – a spotlight on longevity risk

The fourth webinar in our LGPS risk management series is available to [watch on-demand](#). Richard Warden is joined by Jill Jamieson, Head of Pensions at Club Vita UK, to explore longevity risk. We discussed whether the LGPS is seeing excess deaths, what it means for your fund and how to manage your longevity risk.

### LGC Investment Seminar Scotland – 19-20 October 2023

The LGC Investment Seminar Scotland is taking place later this month and the programme is packed full of insightful sessions, specifically relevant for those responsible for delivering the pensions of local authority employees now and in the future. Iain Campbell will be chairing the conference, and Steven Scott is delivering a session on what the valuation data is telling us about the LGPS. You can register your place [here](#).

### LGC Investment & Pensions Summit, Leeds – 7-8 September 2023

The [LGC Investment & Pensions Summit](#) took place at the New Dock in Leeds in September. The conference was expertly chaired by Dawn Turner and attended by a good mix of LGPS and Pool officers, advisers and investment managers. We've summarised the key points from each session in our [conference highlights](#).

### 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](#).

### Awards

We're delighted to have won two industry awards in September:

- LAPF Investment Awards: Investment Advisory Service of the Year, alongside Redington.
- Workplace Savings & Benefits Awards: Pension Consultant of the Year.

### Social infrastructure

After the release of the 'next steps in investments' consultation – see above - the LGPS has been considering how to meet potential requirements from government to contribute towards its Levelling Up [agenda](#). Whilst many investments currently held will achieve this, considerations may also be required for new investments. Social infrastructure could be an obvious solution, but investors must be aware of the risks. Please read our [Briefing Note](#) to learn more.

### Market Brief

Click [here](#) for our review of the economy and markets over the third quarter of 2023. We consider the key developments for growth, inflation, and interest rates and their impact on fixed income, equity, property and commodity markets over the quarter.

### Responsible Investing – protecting nature

What role can investors play in helping to reverse the loss of nature and biodiversity? The Taskforce on Nature-related Financial Disclosures (TNFD) has laid out some meaningful recommendations and action points to consider. The TNFD is a market-led, science-based initiative. By building on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, it enables integrated nature and climate reporting. Our [Briefing Note](#) pulls out the key things you need to know, including metrics, targets and disclosures.

### And finally...

#### Latest inflation figures

The latest ONS figures recorded annual CPI for the year to August 2023 at 6.7%, marginally lower than the 6.8% in the prior month. The next monthly ONS release is due on 18 October and will be used to set the 2024 PI Order for the LGPS (the September 2022 to August 2023 CPI rate is 6.1%).

## Collaborating accountants

Two national accounting bodies, CIPFA and the ICAEW, have [announced](#) a tie-up and an accelerated route for newly-qualified chartered accountants to obtain dual membership of both bodies. One of the hopes is that the move will widen the candidate pool for public sector finance teams.

## TPR blogs...

The Pensions Regulator has [said](#) that it has been increasing its engagement with pension scheme administrators, in a bid to tackle the risks of poor administration and drive up standards. It also [revealed](#) that it received just seven whistleblowing disclosures in the year to 31 March 2023, mostly about suspected legislative breaches. The low number may be partly explained by a change of policy on how it defines 'whistleblower'.

## ... and a review of TPR

The DWP has published a [report](#) arising from an independent review of TPR. It concludes that the Regulator is '*broadly well-run and well-regarded*' but makes 17 recommendations grouped under three themes: risk and growth; compliance and enforcement; and digital transformation and value for money.

## Auto-enrolment (AE)

The Pensions (Extension of Automatic Enrolment) (No. 2) Bill, which allows the DWP to eliminate the lower earnings threshold for AE contributions and reduce the minimum age for eligibility, received Royal Assent on 18 September.

## Climate change

A [response](#) from the local government minister, Lee Rowley, about climate governance and the meaning of 'proper advice' said that the outcome of DLUHC's consultation exercise will be published 'in due course'. He also re-confirmed that DLUHC won't be imposing new climate-governance obligations (including TCFD) in 2023/24. And in other climate news, TPR has issued its first [fine](#) against a pension scheme for failing to meet new TCFD regulations.

## General Code of Practice

We understand that TPR's new Code is expected to be published before the end of October.

## Timmy Mallett

And finally, a blast from the past as the ABI and PLSA team up to hire the TV presenter, broadcaster and number one hit singer to front their 'Pay Your Pension Some Attention' [campaign](#).

## Appendix

### Consultation – next steps in investments

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

[https://www.hymans.co.uk/media/uploads/LGPS\\_next\\_steps\\_on\\_investments\\_consultation\\_response.pdf](https://www.hymans.co.uk/media/uploads/LGPS_next_steps_on_investments_consultation_response.pdf)

<https://www.hymans.co.uk/insights/webinars/lgps-consultation-next-steps-on-investments/>

### Scottish 2023 valuations – early results

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

[https://www.hymans.co.uk/media/uploads/60-second\\_summary\\_-\\_LGPS\\_2023\\_valuation\\_results\\_%E2%80%93\\_early\\_insights.pdf](https://www.hymans.co.uk/media/uploads/60-second_summary_-_LGPS_2023_valuation_results_%E2%80%93_early_insights.pdf)

### Dealing with accounting surpluses

[LGPSCentralAccountingTeam@hymans.co.uk](mailto:LGPSCentralAccountingTeam@hymans.co.uk)

### New McCloud regulations

<https://www.gov.uk/government/consultations/mcccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations>

<https://www.legislation.gov.uk/ukxi/2023/972/made>

### Events, webinars & training

#### Managing risk in the LGPS – a spotlight on longevity risk

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

#### LGC Investment Seminar Scotland – 19-20 October 2023

<https://investmentseminarscotland.lgcplus.com/scotland2023/en/page/book-now>

#### LGC Investment & Pensions Summit, Leeds – 7-8 September 2023

<https://investmentsummit.lgcplus.com/pensionssummit2023/en/page/home>

[https://www.hymans.co.uk/media/uploads/Conference\\_Highlights\\_-\\_LGC\\_Investment\\_Pensions\\_Summit,\\_Leeds\\_%E2%80%93\\_7\\_8\\_September\\_2023.pdf](https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_LGC_Investment_Pensions_Summit,_Leeds_%E2%80%93_7_8_September_2023.pdf)

### LGPS Employer Training

<https://web.hymans.co.uk/hymanscouk-atwsv/pages/nlbjwl2weeypjwaisbsmta.html?PagelD=c249b034965dec118f8f0022481b0cb4>

[marketing@hymans.co.uk](mailto:marketing@hymans.co.uk)

### Social infrastructure

<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

[https://www.hymans.co.uk/media/uploads/Putting\\_the\\_%E2%80%93\\_in\\_%E2%80%93\\_ESG%E2%80%93\\_investing\\_in\\_social\\_infrastructure.pdf](https://www.hymans.co.uk/media/uploads/Putting_the_%E2%80%93_in_%E2%80%93_ESG%E2%80%93_investing_in_social_infrastructure.pdf)

### Market Brief

[https://www.hymans.co.uk/media/uploads/Market\\_Brief\\_-\\_September\\_2023.pdf](https://www.hymans.co.uk/media/uploads/Market_Brief_-_September_2023.pdf)

## Responsible Investing – protecting nature

<https://www.hymans.co.uk/insights/research-and-publications/publication/taskforce-on-nature-related-financial-disclosures/>

## And finally...

### Collaborating accountants

<https://www.icaew.com/insights/viewpoints-on-the-news/2023/sep-2023/cipfa-and-icaew-announce-fast-track-pathway-to-dual-membership>

### TPR blogs...

<https://blog.thepensionsregulator.gov.uk/2023/09/13/why-we-are-building-relationships-with-pension-administrators/>

<https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/whistleblowing-disclosures>

### ...and a review of TPR

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1184422/independent-review-the-pensions-regulator.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1184422/independent-review-the-pensions-regulator.pdf)

### Climate change

<https://questions-statements.parliament.uk/written-questions/detail/2023-09-13/199529>

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2023-press-releases/first-climate-change-reporting-fine-issued-by-tpr-as-use-of-powers-continues>

### Timmy Mallett

<https://pensionattention.co.uk/>

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