

Current issues in the LGPS



June 2024



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With meteorological summer underway, our ‘hot’ topics include new guidance for academies and changes to the Scottish exit credit regime. Our Edinburgh conference focussed on the future and we continue on that theme by shining the spotlight on longevity, inflation and AI.

Scottish exit credit consultation

A new regime will soon apply to employers in Scottish funds that cease in surplus. [Proposed regulations](#) that are due to come into force on 29 June will create a discretion for funds to determine the amount of any exit credit (regulations currently force funds to pay out the full surplus). This will bring the Scottish Regulations largely in line with those in England and Wales. The accompanying consultation ended on 30 May. Our short [consultation response](#) is available here; it mentions the governance challenges and seeks clarity over the intention behind the Transitional Provision.

Educating academies about the LGPS

In April the Education and Skills Funding Agency (ESFA) published best practice [guidance](#) for academies in the LGPS. Our [60 Second Summary](#) considers this latest guidance and discusses the impact of the DfE’s guarantee which was extended a year ago to cover outsourced contracts at academies. Whilst the extension of the guarantee will be very welcome by LGPS funds, there are still scenarios that are not automatically covered. Funds will need to decide how to handle requests for outsourced contracts that are open to new LGPS members.

Learning about TCFD

Our LGPS Online Learning Academy (LOLA) team has released a standalone module covering Task Force on Climate-related Financial Disclosures (TCFD). It covers 5 training videos (introduction, governance and reporting, strategy and scenario analysis, risks and opportunities, and metrics and targets) for Committees, Boards and Officers. It also provides a jargon buster and a knowledge check for the audit trail. There is a one-off fee to release the module to your LOLA licence holders. Please contact andrew.mckerns@hymans.co.uk to set up access.

Longevity and biological clocks

In addition to providing pension funds with longevity analysis, Club Vita regularly host webinars to explore emerging trends in longevity risk. Its latest webinar series, focussed on the “Risk of Living Longer”, explores the impact of achieving significantly longer lifespans. Its fourth webinar on 18 June explores ‘biomarkers’ and insights on how we can accelerate the feedback loop of medical interventions. You can register for the session [here](#) and watch recordings of historic sessions [here](#).

Latest InflationWatch

We issued our quarterly [InflationWatch](#) last month. Energy price falls and disinflation on goods and food is likely to mean that headline CPI will fall below target over the coming months, although there remains uncertainty over how quickly inflation will reach its target on a sustainable basis. As ever, InflationWatch also considers consensus forecasts on future inflation rates and whether risks to the consensus view are tilted to the upside or downside.

Election fever!

Rishi Sunak’s surprise announcement of a general election on 4 July will put the blockers on any further LGPS legislation or guidance until a new government is formed. With Parliament now dissolved and those who were formerly MPs on the hustings, no further legislation can make its way through Parliament. While the government remains in post, the pre-election period of sensitivity (what used to be called ‘purdah’) means that ministers are expected to observe discretion in announcing initiatives that are controversial, new or of a long-term character. The triumphant party on 4 July will begin the task of appointing ministers to a new government. It will be for whoever has responsibility for local government and the LGPS to decide the policy direction for the department and what the future holds for Good Governance, Mansion House, and the rest.

Driving efficiencies - DLUHC letter

LGPS funds received a [letter](#) from the Minister for Local Government, Simon Hoare, on 16 May. It requests information on the work funds are doing to drive efficiencies in the management, governance, and administration of funds, with a particular focus on the consideration of the benefits of greater scale. The letter follows the increase in pressure to pool assets, as well as numerous communications setting out the government’s preference for a smaller number LGPS funds. Responses are requested by 19 July, although the general election on 4 July raises uncertainty around progress on this (if the polls are to be believed!)

Gender pensions gap

An update on the above subject is covered in a [letter](#) from the Scheme Advisory Board (SAB) in England and Wales to HM Treasury. Following the production of two reports with analysis from the Government Actuary’s Department, a working group set up by SAB is currently considering ways to address this issue. Raising awareness is one step of this process. If you’d like to understand the position for your own fund, please speak to your usual Hymans contact.

Accounting for surplus

As we move into June, the majority of LGPS employers will have received their FRS102 or IAS19 reports for the 31 March 2024 year-end. In a period of strong investment returns and high corporate bond yields, many employers now have (or continue to have) a net asset position at this date. Navigating this surplus environment can be complex depending on each employer’s own circumstances; our accounting specialists are on hand to answer any queries that employers, auditors or fund officers may have in relation to this evolving topic. Please reach out to our LGPS Accounting team [here](#) if you want to hear more about the services we offer in this space.

Building nature into your investment strategy: why, how and what next?

Our recent webinar on factoring nature into your investment strategies is now [available](#) to watch on-demand. Iain Campbell was joined by André Ranchin and Christina Williams to explore nature and biodiversity, the key nature-related opportunities and risks for investors and what actions to take now. You can find lots of helpful resources about the 'blue economy' on our [Nature Hub](#). If you have any questions or would like to discuss this topic further, please [get in touch](#).

PLSA Local Authority Conference 11-13 June

We're delighted to be supporting this event in the Cotswolds in Gloucestershire again this year. The agenda is filled with lots of interesting topics and has a great line-up of speakers, including our very own Catherine McFadyen. Catherine will be joined by Rachel Wood from West Sussex County Council for a session on Strategies for a New Funding Era. Please click [here](#) for more information and to register.

Together, stepping into the future of the LGPS conference

What does the future hold for the LGPS? We tried to answer that very question at our 2024 LGPS Conference in Edinburgh on 16 May. The day was full of insightful sessions, giving funds the opportunity to think about the future and how the LGPS may evolve. If you were unable to join us on the day, we've produced [Conference Highlights](#) that summarise each session. You can also [hear](#) from some of our speakers and delegates about their highlights and key takeaways from the day.

A technology guide for time-pressed pensions professionals

As a follow-up to his entertaining session at our conference, our Head of LGPS Digital, Chris Varley has written a [blog](#) about some simple ways to embrace new technology. On AI, he suggests a hands-on approach to its adoption, something that he (bravely!) demonstrated live at the conference. If you'd like to learn more about the likes of LLM's and ChatGPT, contact Chris [here](#).

In brief....

Inflation figures

The latest [ONS figures](#) recorded annual CPI for the year to April 2024 at 2.3%, down from 3.2% in the prior month. RPI for the same period was 3.3%.

TUPE regulations

The Department for Business and Trade is [proposing](#) some changes to the Transfer of Undertakings (Protection of Employment) legislation. The tweaks include clarifying the definition of 'employee'. The consultation closes on 11 July.

More on McCloud!

FBU appeal

Following the dismissal of a judicial review by the High Court in 2023 and the rejection of the subsequent appeal to reverse the decision, the Fire Brigades Union (FBU) is [seeking permission](#) to appeal to the Supreme Court over the government's method of incorporating McCloud remedy costs into the cost cap mechanism of public sector pension schemes.

Non-Club calculations

LGA have published the 2024/25 version of the McCloud non-Club spreadsheet. Separate versions are available for England & Wales [here](#) and for Scotland [here](#).

Appendix

Scottish exit credit consultation

[SI/SR Template \(pensions.gov.scot\)](#)

[The Local Government Pension Scheme \(Scotland\) \(Amendment\) \(No. 2\) Regulations 2024 - Hymans Robertson](#)

Educating academies about the LGPS

[Local Government Pension Scheme \(LGPS\) - GOV.UK \(www.gov.uk\)](#)

[60-second summary - Best practice guidance for academies in the LGPS - Hymans Robertson](#)

Longevity and biological clocks

[Club Vita | UK | Events](#)

[Club Vita | UK | Event recordings](#)

Latest InflationWatch

[InflationWatch - May 2024 - Hymans Robertson](#)

Driving efficiencies - DLUHC letter

[240515Efficiencies LGPS Ministerial Letter.pdf \(lgpsboard.org\)](#)

Gender pensions gap

[17052024_LettertoLauraTrottMPfromCllrPhillips_GPG.pdf \(lgpsboard.org\)](#)

Building nature into your investment strategy: why, how and what next?

[Factoring nature into your investment strategy: why, how and what next? \(on24.com\)](#)

[Nature hub - Hymans Robertson](#)

PLSA Local Authority Conference 11-13 June

[Local Authority Conference | PLSA](#)

Together, stepping into the future of the LGPS conference

[Conference highlights - Together, stepping into the future of the LGPS.pdf \(hymans.co.uk\)](#)

[Together, stepping into the future of the LGPS - Conference highlights on Vimeo](#)

A technology guide for time-pressed pensions professionals

[Engaging with Technology: a guide for time-pressed pensions professionals - Hymans Robertson](#)

In brief....

[Inflation and price indices - Office for National Statistics \(ons.gov.uk\)](#)

[Smarter regulation: employment law reform - GOV.UK \(www.gov.uk\)](#)

[FBU seeks Supreme Court appeal for pensions challenge | Fire Brigades Union](#)

[Guides and sample documents \(lgpsregs.org\)](https://lgpsregs.org)

[Guides and sample documents \(scotlgpsregs.org\)](https://scotlgpsregs.org)

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