



LGPS Pulse

October 2024

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6 November 2024



Welcome...

... to the October edition of BW's LGPS Pulse, our monthly news round up.

The purpose of this note is to provide you with a summary of what has been going on in the LGPS community in the past month, and explain why it may be of interest to you.

Please do share it with other team members, Committee members and Board Members. The note is written to be shared with all stakeholders, so we hope you find it useful.

For more information on any topic please get in touch with your usual contact, or the team member mentioned in the relevant piece of news. An accessible version of this document is available on request.

Any feedback is welcome.



What LGPS news has happened this month?

Rachel Reeves' budget?

Inheritance tax and pensions

The government will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax (IHT) purposes from 6 April 2027. For LGPS this effectively means that any death grant payable would always fall within the estate of the deceased member for IHT purposes. Scheme administrators will be responsible for reporting and paying any IHT due.

More details can be found in the [Technical consultation - Inheritance Tax on pensions: liability, reporting and payment](#) which runs to the 22 January 2025.

Use of Public Sector Net Financial Liabilities (PSNFL ex)

The budget contained a move to the use of PSNFL ex as a target for reducing debt by 2029-30. This measure is wider than the previously used Public Sector Net Debt (PSND) and includes items such as the Student Loan book.

PSNFL ex also incorporates funded public sector pension liabilities and assets (including LGPS) which has caused a bit of excitement amongst some commentators who have interpreted it as being in support of the government's desire to restructure the LGPS and direct its investment to UK growth assets. On the other hand it could well be that the motivation for the shift to PSNFL ex is entirely to provide more headroom for government borrowing and any link to the Pensions Review is purely coincidental.

We may find out which it is on 14 November when the Chancellor is due to address the Pensions Investment Review at her Mansion House speech.

For completeness, our previous blogs on the Pensions Review can be found [here](#) and [here](#).

Cost management, Benefit Design and Administration Committee

[Melanie Durrant](#) attended the Cost Management, Benefit Design and Administration Committee meeting on 28 October. Agenda and papers [here](#).

The meeting covered a lot of the current issues in the LGPS including McCloud, Pensions Dashboards (A [written statement issued by DWP on 22 October](#) confirmed the existing timetable (31 October 2025 connection date or public service pension schemes), Gender Pensions Gap and the Pensions Investment Review.

The update around McCloud was that annual statements this year do not need to include McCloud information, and next year it will be at each fund's discretion. Software providers are working to support funds in getting the relevant data onto the system and from our point of view, we are most interested in what data can be extracted for the 2025 valuation (in England and Wales).

The Scheme Advisory Board (SAB) are trying to better understand the number of employees opting out of the LGPS. It is difficult to get data from funds and employers on opt-outs so they will be issuing a further survey to employers. The idea is that if we can better understand why employees are opting out, then action can be taken to reduce it.

Based on discussions at the meeting, we understand that MHCLG will be prioritising survivor benefits (Goodwin), Gender Pensions Gap, opt-outs and also New Fair Deal is back on the agenda. We are anticipating something to be circulated on New Fair Deal next summer.

A lot of these issues were also discussed at the last LGPS Technical Group meeting on 4 October 2024 which was attended by [Gavin Paul](#).

GAD 2024 data collection email

Each Fund should have received an email from GAD around providing data as at 31 March 2024 for the purpose of the 2024 Scheme valuation which is done by GAD. This valuation is different to the local funding valuations and will be used to feed into the 2024 Cost management process. If you have any questions or would like any support in providing this information, please let your usual contact know.

Climate scenario analysis for the 2025 valuation (England and Wales)

The four actuarial firms met this month to agree a draft of the "high level" principles for funds to consider when looking at climate risk as part of the valuation process. The draft principles are now with GAD to review and we hope to have these finalised soon.

The principles cover the number and type of scenarios to be considered as well as looking at how it should be reported.

More details to follow but please get in touch with your usual BW contact if you have any questions.



Delay in implementing the Procurement Act 2023

The Procurement Act 2023 was due to come into force on 28 October 2024 but that has now been delayed until 24 February 2025. The Government has explained that the reason for the delay is to allow time to produce and publish a revised National Procurement Policy Statement. Although this delay doesn't have an immediate impact on LGPS funds, it is important to know about the delay.

Section 37

You may be aware of recent Court of Appeal ruling and this was covered in our August edition of Pulse.

Put simply, the case is around missing actuarial confirmation that contracting-out requirements continued to be met following amendment to a scheme's rules.

We now understand that GAD think there might be two benefit changes which could be caught, and they are considering the issue further with HMT. We anticipate hearing more news on this soon.

Your essential LGPS guide - Public Sector quarterly

In the latest issue, we dive into current and crucial topics including the Pensions Review, the impact of a new Government and investment strategy evolution. We're also proud to announce some new advisory appointments and the results of our latest client survey.

If you didn't get a copy of the e-mail and would like one, please let your usual BW contact know or sign up to our newsletters [here](#).

New publications

The 2025 valuation: what to do with the surplus?

There's been a lot of talk about emerging surplus in Local Government Pension Scheme (LGPS) funds - maybe too much talk - with funding levels allegedly ranging from 80% to 200%. With the English and Welsh 2025 valuation fast approaching, now is a good time to look at what's actually happened since the last valuation on 31 March 2022, the estimated position now, and the outlook for the 2025 valuation.

[Barry McKay](#) has written a new blog [here](#) on how to approach dealing with a surplus ahead of the 2025 valuation.

McCloud guide for administrators

LGA updated their [guidance](#) to reflect the decisions made about inclusion of McCloud benefits in annual benefit statements (as detailed above). LGA have also delivered McCloud training which was very well attended so they will look to do more in the near future.

KC Opinion on Gaza

On 24 October the SAB published [Counsel opinion on the Local Government Pension Scheme and implications of the current events concerning Gaza](#). This is in response to a number of letters sent to administering authorities which allege that they are acting unlawfully by holding, and failing to divest from, investments in companies which have been linked to the ongoing situation in the Middle East.

The opinion concludes that although it may be that actions by Israel are in breach of international law in certain respects "it is in my view clear that local authorities, in their capacity as administering authorities, are not subject to obligations imposed directly by international law. Nor, in my opinion, is there any public law obligation to have regard to such matters."



Latest LGPC Bulletin

As mentioned previously, LGPC have released Bulletin 256 for October 2024, which can be found in full [here](#).

This bulletin contains updates for all LGPS stakeholders. In addition to some of the topics we have mentioned in this issue of Pulse, some other highlights to mention include:

- Pension increases next year should be 1.7% (based on September 2024 CPI) (just awaiting confirmation from Government in the next pension increase order)
- McCloud – LGA providing lots of training and there is lots of interest in this. There is also updated admin guidance available
- Pension Dashboards – lots of resources to help funds
- On 24 October MHCLG published [SF3 data for the year ending 31st March 2024](#).
- FSS guidance – project is close to close and next steps are for approval at a couple of meetings in November, It is hoped the Minister will adopt it as statutory guidance before the end of the calendar year.

What have the BW public sector team been up to this month?

August academy accounting

Most of the August academy accounting reports for 2024 have now been issued. Each LGPS fund should have received a copy of the pre and post 31 August accounting briefing note. This note should be distributed to employers and their auditors.

The 31 August 2024 briefing note includes information on asset ceilings and updating mortality assumptions to use the CMI 2023 core model.

We have also published a webinar [here](#) to be useful to employers. Please share a link if you haven't done so already.

If you didn't get a copy of the note and would like one, please let your usual BW contact know.

BW public sector team news

[Matthew Paton](#) has returned from his six month sabbatical and we would like to welcome him back to the world of pensions.

We are also looking forward to welcoming Alison Murray to the public sector team on 2 December. With over 20 years of experience advising LGPS funds and their employers across the UK, Alison joins us from being Head of Public Sector (pensions) at Aon to strengthen our benefits and governance offering.



What is coming up next month?

We will have the Mansion House speech on 14 November where we are expecting an update on the Pensions Investment Review. We will report back to you on key announcements which could impact on the LGPS. It sounds like the rumour of “one merged fund” are unlikely to come to anything but we will just have to wait and see what is actually announced...

Future Events

LGC Investment Awards, London

Several Funds have been nominated for awards (full list [here](#)), with the ceremony to take place at The Waldorf Hilton on 29 November. We’ve been shortlisted for Consultant/Actuary of the year. We hope to see you there!

Burns Night Conference 2025 – 23 January 2025

Our famous Burns Night Conference will be taking place on 23 January 2025. We will cover hot topics in the LGPS and will be joined by the LGA.

Please register [here](#).





<https://www.barnett-waddingham.co.uk/comment-insight/public-sector/>

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