

[REDACTED]

From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 12 October 2021 10:39
To: [REDACTED]; Jonathan Belford; [REDACTED]; [REDACTED]
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: Hybrid vehicles

Good morning [REDACTED], [REDACTED], [REDACTED], Jonathan,

After an 18 month experiment in only attending events virtually, it seems we are moving into a hybrid world, where we keep in touch via a mix of vehicles, both virtual and in-person.

We are seeing the return of in-person LGPS conferences, with the recent LGC Summit in Leeds being followed soon by conferences from [Room 151](#), [DG Publishing](#), [LGC Scotland](#), [LGA](#), and (certainly not forgetting!) [Pension Managers at Torquay](#). If you're attending any of these, look out for a friendly Hymans face there too.

Some upcoming virtual events you may be interested in ...

- Wed 20th October (10.30am) - the latest in our **Keeping The LGPS Connected** series sees a discussion with Leon Thorpe about the new National Framework – further details and registration link below my signature;
- Thu 21st October (4.00pm) – **reasons to be cheerful about longevity expectations**, a panel discussion curated by Club Vita – further details and registration link below the Keeping The LGPS Connected details.
- Tue 9th November (10.00am) – we are running a short [webcast](#) during COP26 about the **journey to net zero** and how different organisations can play their part: you can select the LGPS dedicated stream within that.

... and a recent virtual event available for replay as part of your LGPS box-set: exploring the part we can all play in **building a more diverse and inclusive future**: catch up [here](#).

Finally, if you're looking for some short sharp interesting reading in the meantime:

- Our **monthly LGPS round-up** gives you bite-sized summaries of all you need to know, including the politics of climate change, the latest ONS analysis of life expectancies, and a new "Luke" for MHCLG DLUHC;
- You will recall that I spoke at the recent LGC Leeds conference on **"the flaw of averages" and how this links to preparing for your next actuarial valuation**. This session went down very well, with some Funds asking for a re-run as Committee training. You can get a flavour of it in my [blog](#), which has also been picked up by Room 151 and ... (drum roll) ... The Actuary magazine;
- Hymans Robertson has recently signed up to the **Stewardship Code** – [REDACTED] has written a short [blog](#) on our commitments and work so far to address climate risk.

Do get in touch if there is something here you would like to discuss further.

Kind regards

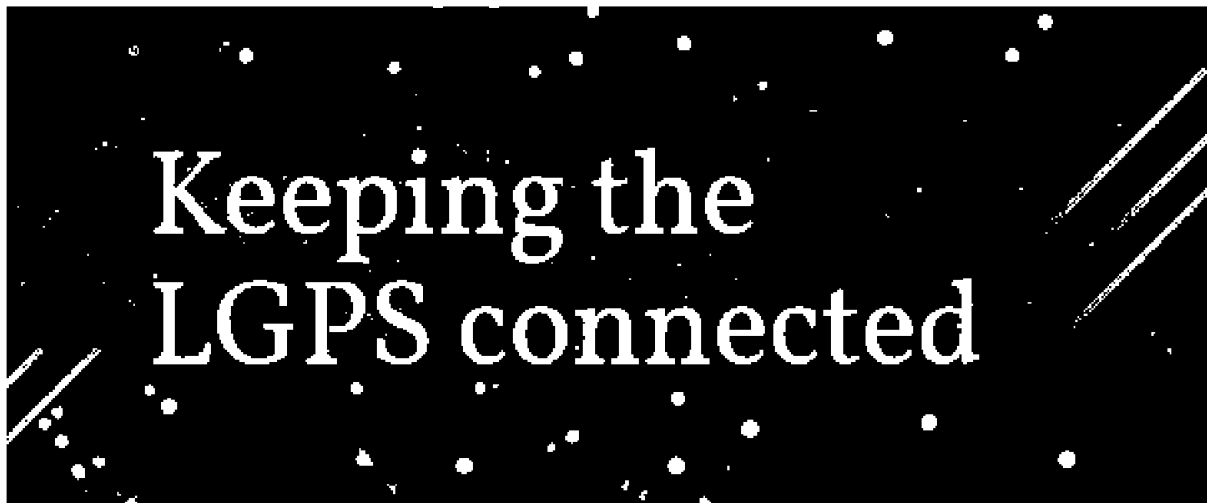
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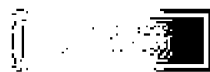
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Dear [REDACTED],

Join us on Wednesday 20 October for our latest webinar where we're delighted to be joined by Leon Thorpe, National LGPS Frameworks Officer. With the launch of the latest iteration of the actuarial, benefits and governance consulting framework on 1 July, we'll be discussing how funds can use frameworks to enhance their procurement exercises.



LOCATION
Online



TIME
10.30am - 11.00am

If you have any questions for our speaker that you would like to submit in advance, [please send them on to us](#).

As always, throughout the webinar you will be able to submit comments, ask questions, and take part in live audience polls.

You can also note your interest for future webinars [here](#). We will email you in advance of each one with details about the topic and presenters.

If you would like to suggest a topic (and maybe even offer yourself as a presenter!) please [click here](#).

We hope you can join us. If you have any questions in the meantime, [please do get in touch](#).

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CLUB VITA

Webinar

Reasons to be cheerful: exploring potential big-ticket drivers of future longevity improvements

Living through a global pandemic, with the continuous news feed of daily mortality statistics, the and the mean we have a natural tendency to focus solely on recent bad news stories. [Register for the latest webinar](#) in our *Longevity is a risk, not just an assumption* series, where we will focus on some much-needed reasons to be cheerful!

Our discussion will explore potential drivers for significant increases in future life expectancy. We look forward to hearing the insights of experts close to the frontier of longevity innovation. We'll discuss advances in tackling the current most common causes of death, the pipeline for developments in longevity technology, levels of funding for key industries and how the organisation of multinational collaborations is accelerating innovation.

Event details

- Thursday, October 21, 2021 at 4 p.m. GMT

Chair

- [REDACTED], Founder of Club Vita

Panelists

- [REDACTED], Head of Research for Cancer Grand Challenges, Cancer Research UK
- [REDACTED], Chief, Presidential Initiatives, The Jackson Laboratory
- [REDACTED], Founder, First Longevity

Please feel free to

If you have any questions or topics you'd like us to address in this webinar.

REGISTER



██████████
Founder of Club Vita

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[REDACTED]

From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 04 June 2021 09:50
To: [REDACTED]; [REDACTED]; Jonathan Belford
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: Questions & answers

Good morning [REDACTED], [REDACTED], Jonathan,

As vaccinations and variants pull in opposing directions, it's worth remembering that the LGPS has long experience of grappling with future uncertainty. Here are some commonly asked questions about what lies in store, and more importantly where we might find the answers:

- **Will I be 100% funded at the next valuation?** (and its close relatives: Now I'm 100% funded, will I stay that way? Is my 100% funded the same as my neighbour's 100% funded?) We always think Funds benefit from a proactive approach instead of waiting until the valuation year. The Hymans Robertson view on our clients' contribution rates, allowance for investment returns, life expectancies and climate change are all summarised in this handy, short and bright [introduction](#): I appreciate your own actuary will do things their own way, but I thought you'd be interested to see things from our perspective too, and happy to chat about these if you wish.
- **Are our life expectancies still rising?** This Club Vita [blog](#) unfortunately suggests the answer is "it depends who's asking". The flaw of averages means that, while the overall trend is still on the up, this masks some serious (and widening) inequalities.
- **What's the latest on exit credits in England & Wales?** Within the last few days there has been an interesting legal judgement, albeit it doesn't apply in Scotland, summarised in [this Burges Salmon piece](#). An employer had argued that their right to an exit credit under the 2018 regs should not have been swept aside by the 2020 E&W amendments, but the court disagreed.
- **How can we best engage our Committee & Board Members?** The LOLA online training suite has three key features to address this: bite-sized engaging pieces & videos (no slogs here!), [quizzes](#) to test Members' knowledge & understanding, and MI for officers. Find out more [here](#), I know [REDACTED] has been in touch with you about this before, it's getting a lot of keen interest around the country (and unconnected with who the Fund Actuary is).
- **How can I best communicate with our members?** This [likeminds piece](#), by experts in pension communication, has some fascinating insights and thought-provoking suggestions about what works best in this often overlooked area.
- **What else do I need to know that's going on in the LGPS world?** Our [monthly round-up](#) gives you short and snappy updates on issues such as the recent (virtual) PLSA conference, emerging markets, the SAB annual report, and everyone's favourite: auditor queries.

Do get in touch if there is something here you would like to discuss in a bit more detail.

[REDACTED]

Kind regards

[REDACTED]



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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 07 May 2021 10:00
To: [REDACTED]; Jonathan Belford; [REDACTED]
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: "Never make predictions ..."

Good morning [REDACTED], [REDACTED], Jonathan,

As the old saying goes, *"Never make predictions ... especially about the future"*, and maybe some political pundits will be wishing they'd taken that advice as the various results of "Super Thursday" come in.

In the LGPS world of course, we don't usually have the luxury of just waiting and seeing: decisions need to be made soon (if not sooner), and it's more a question of managing future uncertainty. The good news is that you don't need to make any predictions to take some practical steps in addressing questions such as:

- **What will the impact of climate change be on our funding position?**
We're able to do some pioneering modelling for LGPS funds, with or without Council contribution rate analysis, read more [here](#);
- **How will the "E" and "S" be affected by the "G"?**
Sign up below my signature for Wednesday's next "Keeping the LGPS Connected" session, where we're joined by [REDACTED] of the LGPS Central Pool to discuss practical steps around the Stewardship Code. And read our [thoughts](#) on Responsible Investment as part of the Just Transition inquiry by the All-Party Parliamentary Group for Local Authority Pensions;
- **When and how will we revert to full face-to-face Pension Committee meetings?**
English COVID regulations have been lifted, which in effect requires the reversion imminently: read the [Lawyers in Local Government comments](#), and also this [LGC article](#) with various reaction quotes – interesting to see all this from the other side of Hadrian's Wall;
- **How can we ensure our Committee and Board Members (and officers) have the right knowledge and skills?**
Our exciting new [LOLA](#) (LGPS Online Learning Academy) consists of short video presentations with supplemental learning materials and quizzes, all interactive and engaging. And providing crucial MI for officers when it comes to governance. It would be good to catch up on this soon, it's been getting a lot of interest from Funds (regardless of who their actuary is) – can you give us two or three dates/times when it would be convenient for you to have a call?
- **Can we encourage pension saving by our Fund members?**
Within our [podcast library](#) there are three short conversational pieces giving interesting insights from different angles: corporate, behavioural, and the members themselves.

Our [monthly round-up](#) has bite-sized snippets on these and other topical LGPS issues.

As ever, do get in touch if you'd like to discuss something here in more depth, we'd be happy to help.

Kind regards, and have a good weekend

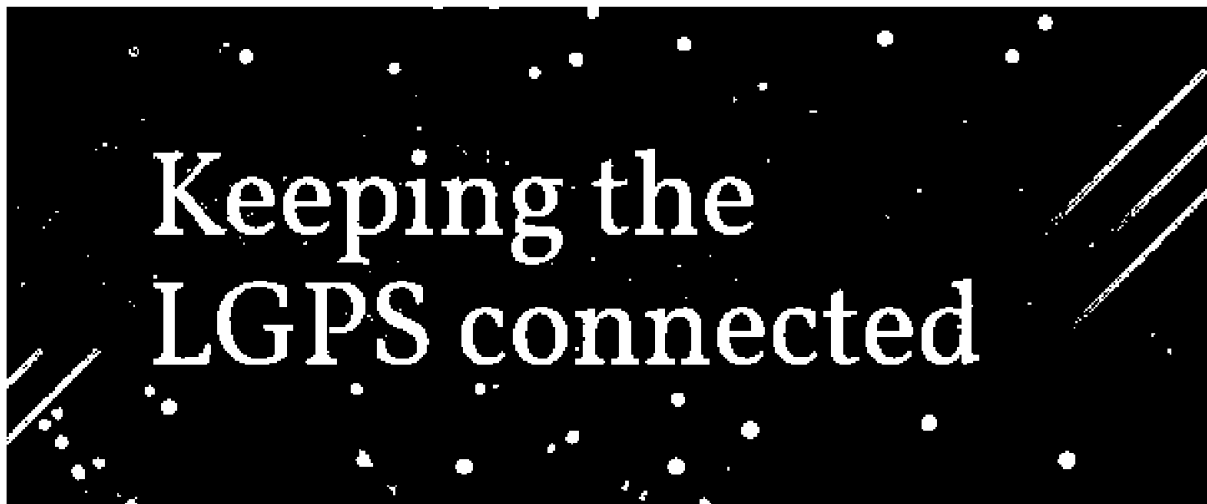
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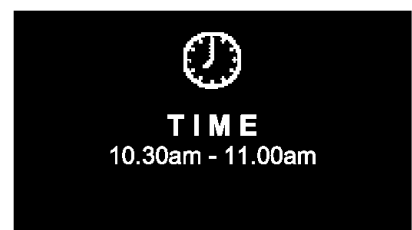
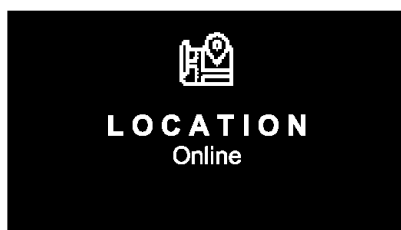
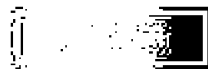
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Join us in our latest webinar in this series, where  Stewardship Manager from LGPS Central will discuss the practicalities of implementing the new Stewardship Code. We will focus on linking the stewardship agenda to your investment goals, beliefs and strategy and measuring engagement activity and outcomes.



If you have any questions for our speakers that you would like to submit in advance, [please send them on to us](#).

As always, throughout the webinar you will be able to submit comments, ask questions, and take part in live audience polls.

You can also note your interest for future webinars [here](#). We will email you in advance of each one with details about the topic and presenters.

If you would like to suggest a topic (and maybe even offer yourself as a presenter!) please [click here](#).

UPCOMING WEBINARS

Thursday 3 June, 11.30am - 12.00pm
Thursday 24 June, 2.30pm - 3.00pm
Thursday 15 July, 10.00am - 10.30am
Wednesday 4 August, 11.00am - 11.30am

We hope you can join us. If you have any questions in the meantime, please do get in touch.

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[REDACTED]

From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 13 April 2021 11:33
To: Jonathan Belford; [REDACTED]; [REDACTED]
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: Resources & resources

Good morning [REDACTED], [REDACTED], Jonathan,

We thought you'd be interested in this month's LGPS round-up showcasing both ways of thinking about the same word:

1. Learning resources

- There is our [monthly summary](#) of bite-sized LGPS snippets featuring cyber risk, tPR's single code of practice and E&W Section 13 among other things;
- Hola LOLA! We're excited to launch a new **LGPS Online Learning Academy** for Pensions Committee & Local Board Members as well as officers: more details [here](#);
- In a similar vein, our next "Keeping the LGPS Connected" webinar is next Tuesday, featuring [REDACTED] of the Oxfordshire Fund talking about **support for Committee Members**, not least with various elections coming up – see registration details below my signature;
- A recent session in our webinar series saw the **Pensions Ombudsman** discussing the cases they see: as we all know that prevention is better than cure, [here's](#) some Top Tips;
- Want to know more about how we assess future expectations for **life expectancy**? Watch [the replay](#) of Club Vita's recent webinar on this topical topic.

2. Resources & the environment

- Download our latest [Climate Market Watch](#) – 2½ pages summarising **TCFD and other current news** with a strong focus on "what does this mean for our pension fund?"
- Another short summary [here](#), this time a quarterly round-up of **Responsible Investment news & views** with a focus on the Stewardship Code;
- NB **the Stewardship Code** will be the topic of our next-but-one "Keeping the LGPS Connected" webinar on 12th May (10.30-11.00am), featuring [REDACTED] of the LGPS Central Pool - put it in your diary and watch out for the invitation soon;
- We recently held an online event on **climate change and sustainability for future generations**, as part of Hymans Robertson's 100th birthday activities. This focused on why we must all take action, highlighting what can be done and how this helps shape our futures. You can catch up with the various sessions [here](#).

We're sure there's plenty here for you to build up your own resources: do get in touch if there is something you'd like to engage with in more depth.

Kind regards

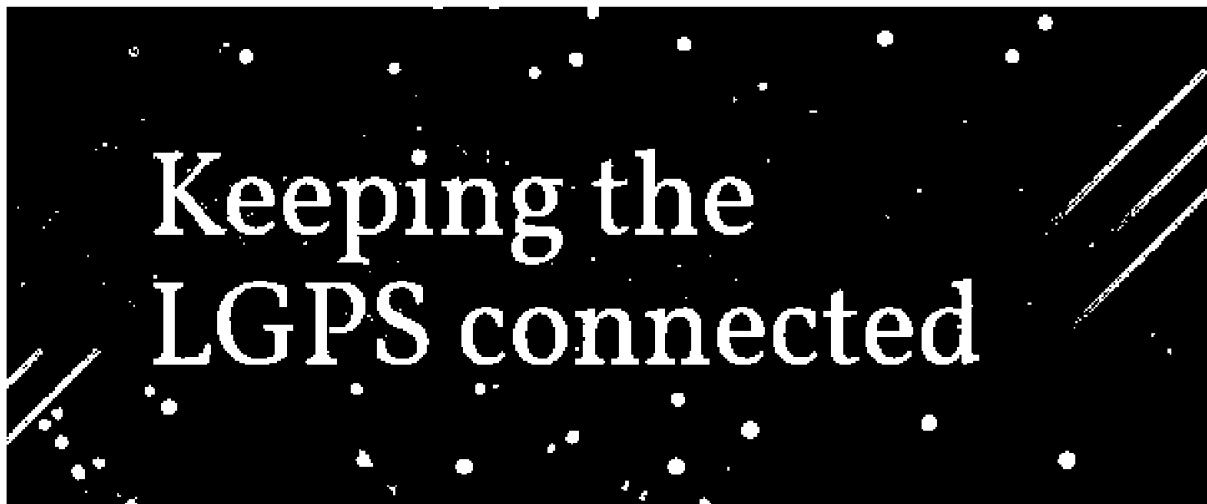
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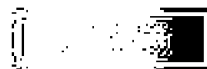
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Join us in our latest webinar in this series, where  of the Oxfordshire Pension Fund will be talking about preparing for potential new committee members, the induction process, how to manage training requirements and provide support throughout.



LOCATION
Online



TIME
11.30am - 12.00pm

If you have any questions for our speakers that you would like to submit in advance, [please send them on to us](#).

As always, throughout the webinar you will be able to submit comments, ask questions, and take part in live audience polls.

You can also note your interest for future webinars [here](#). We will email you in advance of each one with details about the topic and presenters.

If you would like to suggest a topic (and maybe even offer yourself as a presenter!) please [click here](#).

UPCOMING WEBINARS

Wednesday 12 May, 10.30am - 11.00am (The new UK Stewardship Code - details coming soon)

Thursday 3 June, 11.30am - 12.00pm

Thursday 24 June, 2.30pm - 3.00pm

Thursday 15 July, 10.00am - 10.30am

We hope you can join us. If you have any questions in the meantime, please do get in touch.

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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 05 March 2021 08:49
To: [REDACTED]; Jonathan Belford; [REDACTED]
Cc: [REDACTED]; [REDACTED]; [REDACTED]
Subject: Marching on

Good morning [REDACTED], [REDACTED], Jonathan,

Winter is over, Spring has sprung, so now is a perfect time to take a look at what is budding just now:

- There wasn't too much of pensions note in Wednesday's Budget, but this [quick summary](#) tells you what you need to know;
- Our monthly [round-up](#), your one-stop-shop for all things LGPS, includes bite-size summaries of the latest news including the shenanigans in England over the £95k cap, and a few McCloud angles;
- Talking of the "M word", our [recent survey of funds](#) results means that lockdown relaxations aren't the only thing to have a roadmap;
- Club Vita's latest weekly [blog](#) has their usual data/expert-led analysis, including this: "the latest week again saw non COVID-19 deaths that were significantly below expected levels. The extent to which the numbers were lower than average appears to be dropping steadily over the past few weeks, although care should be taken in interpreting these patterns over relatively short periods";
- And finally, a couple of climate risk webinars later this month: [next Tuesday \(9th\)](#) we look at how asset owners can address climate change, and on [Thursday 25th](#) we have various speakers discussing the need for action, holding others to account, meeting green demand, and considering the Gen Z perspective – both of these webinars look good.

If there is something here you would like to discuss further do get in touch.

Kind regards

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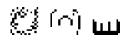


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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 08 February 2021 10:08
To: [REDACTED]; Jonathan Belford
Cc: [REDACTED]
Subject: Take 5

Good morning [REDACTED], [REDACTED], Jonathan,

A slightly different format of round-up for you this time – prettier pictures! Five links below which you might well find of interest:

1. Our current issues overview of all things LGPS;
2. What's the Fund's priorities for the coming year? Here are our own thoughts across funding, investment, governance & administration;
3. Tackling climate change – this document might be written in private sector language, but I think it's just as relevant and raises some interesting checklist points for an LGPS fund – what do you think?
4. The role of a councillor in the LGPS – Catherine talks in this podcast to Cllr Waters of the Norfolk Fund;
5. Longevity 101: join our Club Vita colleagues this Thursday (11th) at 4pm for an educational session on how mortality/longevity assumptions are put together. Even more of a topical topic than ever, of course.

Do get in touch if there is something here you'd like to discuss in more detail.

Kind regards

[REDACTED]



CURRENT ISSUES IN THE LGPS - FEBRUARY 2021

An overview of this month's key issues, news and regulatory updates in the LGPS.

READ MORE



KEY PRIORITIES FOR THE LGPS IN 2021

Our actuarial, investment and governance experts take a closer look at the key priorities for the LGPS in 2021.

READ MORE



TACKLING CLIMATE CHANGE

Our detailed guide includes a checklist to help you tackle climate change in your DB pension scheme.

[READ MORE](#)



HYMANS ROBERTSON ON... THE ROLE OF A COUNCILLOR IN THE LGPS

In our first in a series of LGPS podcasts,  welcomes Councillor Waters from Norfolk Pension Fund to discuss the role of a Councillor on a LGPS Pension Committee.

[READ MORE](#)



Join us Longevity 101: *baseline*

If you haven't already, please register to [join us](#) for the first in a series of Club Vita educational webinars on actuarial techniques for calculating longevity/mortality rates. In Longevity 101, we will focus on the building blocks of longevity assumptions: *current*, or "*baseline*" longevity.

We'll begin with the basics of setting a longevity assumption, highlighting the need to divide attention between the here and now (*baseline*) and future changes (*trends/improvements*). We'll then dive into the details of baseline longevity assumptions, covering standard tables, experience analysis using credibility theory, and the use of factor-based models for heterogeneous populations. We'll also touch on how to handle extreme years of experience when calibrating models to historical data.

Event details

- Thursday, February 11, 2021, at 4 p.m. UK

Chair

- [REDACTED], Chief Content Officer, Club Vita






Panellists

- [REDACTED], Longevity Risk Modeller, Club Vita Canada
- [REDACTED], Head of Innovation and Development, Club Vita
- [REDACTED], Head of Analytics, Club Vita




Please feel free to [REDACTED] If you have any questions or topics you'd like us to address in this webinar or in any later sessions in our educational series.



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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 25 January 2021 08:16
To: [REDACTED]; Jonathan Belford; [REDACTED]
Cc: [REDACTED]; [REDACTED]
Subject: Priorities, pandemic & the Pensions Ombudsman

Good morning [REDACTED], [REDACTED], Jonathan,

We hope you and yours are keeping well. Now that we're past "[Blue Monday](#)", surely things can only get better?

Here is a quick round-up of a few current and upcoming topics which I think you'll find interesting:

LGPS priorities for 2021

Here are our views on some of the key issues facing funds this year: this is a wide-ranging view, covering funding strategies, good governance, responsible investment and possible return to the office. Something for everyone, in fact.

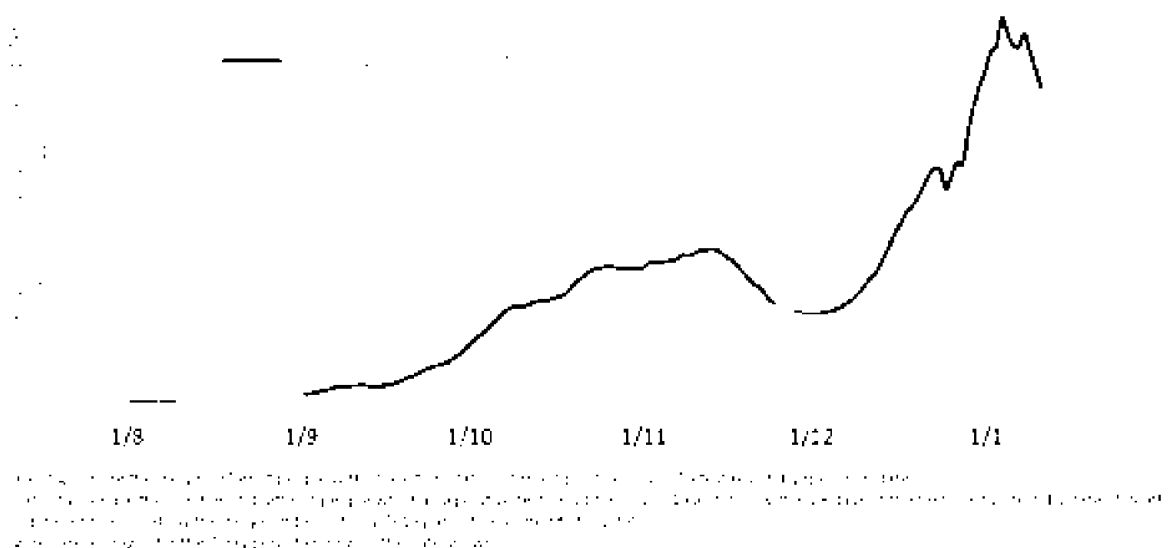
Keeping the LGPS Connected webinar – Tue 2 February – The Pensions Ombudsman

See below my signature for details and registration link for our webinar next Tuesday, which will feature [REDACTED] speaking to the Ombudsman about the cases they see coming from the LGPS. That should be an interesting discussion, I know from speaking to officers that being on the wrong end of a TPO case can be very time-consuming even if the Fund has done nothing wrong.

COVID-19 – the latest picture

Our Club Vita colleagues have published [their latest blog](#) on the pandemic. We hope you, your colleagues and Elected Members are continuing to find this expert-led analysis and commentary helpful. This includes consideration of how cases, hospitalisations and deaths are related but not exactly matched:

COVID-19 Cases, Hospital Admissions and Deaths (UK, 7 day average)



And finally ...

... greetings from a centenarian! Hymans turns 100 this year, and among other things we've been taking a long hard look at our own carbon footprint. This [blog](#) gives a few initial thoughts, and look out for some challenging targets we're setting ourselves as part of our Climate Pledge.

I hope all the above is helpful to you, and do get in touch if there is something in particular you'd like to discuss.

Kind regards

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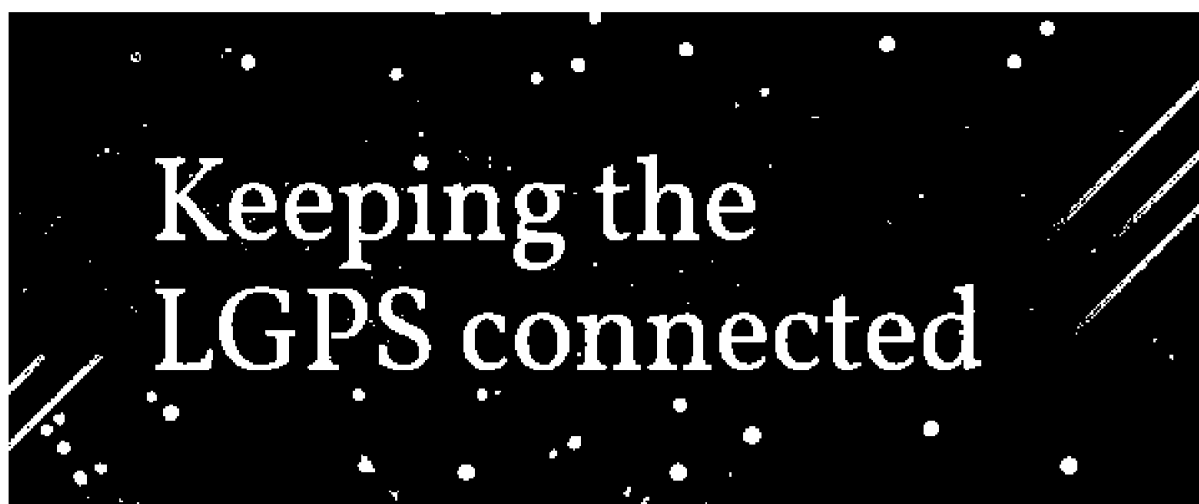


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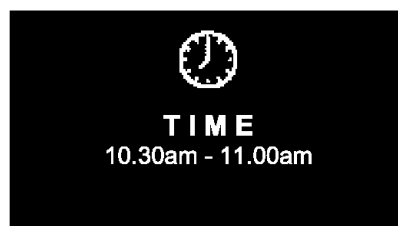
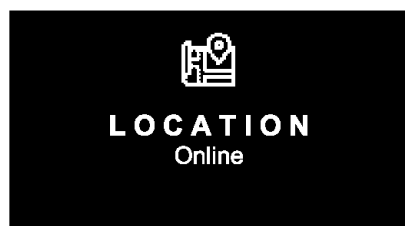
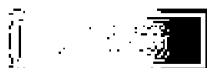
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Join us on Tuesday 2 February for the latest webinar in our ongoing "virtual LGPS conference". For this session, we're delighted to be joined by ██████ Dearden and ██████████ from The Pensions Ombudsman's team. We'll be discussing the things that funds and employers should bear in mind when dealing with disputes and tips on how to avoid them. You'll have the opportunity to feed back on the areas where you would like more support from TPO.



If you have any questions for our speakers that you would like to submit in advance, please send them on to us.

As always, throughout the webinar, you will be able to submit comments, ask questions, and take part in live audience polls.

You can also note your interest for future webinars [here](#). We will make sure you're emailed in advance of each one with details about the topic and presenters.

If you would like to suggest a topic (and maybe even offer yourself as a presenter!) then [click here](#).

UPCOMING WEBINARS

Wednesday 10 February, 10.00 - 10.30am

Thursday 25 February, 3.00pm - 3.30pm

Thursday 11 March, 11.00am - 11.30am

Tuesday 23 March, 10.30am - 11.00am

We hope you can join us. If you have any questions in the meantime, please do get in touch.

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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 06 August 2020 09:17
To: [REDACTED]; Jonathan Belford; [REDACTED]
Cc: [REDACTED]; [REDACTED]; [REDACTED]
Subject: Lockdown reading

Good morning [REDACTED], [REDACTED], Jonathan,

With yesterday's news about the renewed Granite City lockdown, we very much hope you and yours are keeping well?

As and when you return to business matters, we hope you'll find our [monthly LGPS round-up](#) helpful, including:

- The latest [Club Vita analysis](#) on the emerging COVID-19 mortality statistics, including commentary on a possible second wave (which is of course sadly prescient given your local situation), and a comparison across the four home nations;
- [Recordings](#) of our Scottish 2020 valuation webinars covering contribution rates, data and McCloud;
- [Draft guidance](#) published by the Pensions Climate Risk Industry Group (PCRIG) on pension scheme TCFD disclosures;
- Quick summaries of the flurry of Government consultations which crept under the recess wire, including (of course) [everything you need to know about the multi-faceted topic that is McCloud](#);
- Some governance topics, including webinars on the [results of the first ever National Knowledge Assessment](#), and [Local Pension Boards](#) (and reference to a recent E&W SAB [statement](#) about LPB meetings);
- The ever-increasing need in these times for [clear employer engagement](#).

If, like me, you're interested in behavioural science and biases, then [this](#) short article is worth a read.

And finally, when it comes to Corporate Social Responsibility, is Hymans Robertson playing our part? Read [this](#) and decide for yourself.

As ever, do get in touch if there is something you want to chat about a little more, or if there is anything we can help with in these difficult times.

Kind regards

[REDACTED]

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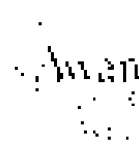


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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 03 April 2020 07:58
To: [REDACTED]; [REDACTED]; Jonathan Belford
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: COVID-19 round-up - what LGPS funds are saying and hearing

Good morning [REDACTED], [REDACTED], Jonathan,

(I know you will be receiving many e-mails with "COVID-19" in the title, however I think this one will be of particular help to you).

One thing that feels really important right now is to make sure we keep in touch and continue to share ideas. In this email we bring together:

1. some of the themes we are hearing from conversations with funds,
2. a handy collation of the various third party links to useful information for LGPS funds during these uncertain times,
3. and finally, a handful of snippets of other things going on.

1. LGPS experience – what we are hearing

It has been around 2 weeks since the Government recommended that those that could work from home should do so. For the majority of LGPS funds, that has meant a change to home working and adapting to our new 'normal':

- Contingency plans are being tested to the limit as funds try to ensure that above all else pensions are being paid.
- Initial concerns re whether the annual pension increase exercise can be processed, but these seem to have receded
- Admin managers are reviewing their internal practices to ensure they can continue to track workflow and report on progress.
- Some funds are considering ways to reduce the use of physical post, allowing people to upload photos of certificates etc
- We have had conversations with funds worried about key person risk as an impact of the current crisis (sickness, care issues). Reviewing key person risk has therefore been high on many funds' agendas.
- Governance arrangements are being tested and a number of funds are working with their democratic services teams to clarify how the urgency provisions set out in their constitution can be used to make important decisions when the normal channels are not available.
- On the positive front, we know that funds are using lots of different communication apps and creative ideas to maintain engagement and keep morale high within teams.

As mentioned before, please join us on Thursday (9 April, 11.30am till noon) for the second webinar in our series of keeping the LGPS connected. You will hear first-hand how two Fund Officers are overcoming the challenges posed by COVID-19. If you haven't already, click [here](#) to register alongside over 100 attendees covering most LGPS funds, and [here](#) to see some of the key topics discussed at the first webinar last Friday.

2. Useful information and links

There is plenty of advice and guidance available for LGPS funds and a few of the main sites are included below:

TPR – All of TPRs statements on the impact on Covid 19 can be found [here](#).

LGA – A useful source of guidance including FAQs for Scheme members and administrators [here](#)

PLSA Covid 19 information – [here](#)

Information Commissioner's Office – [here](#). Particularly this article [here](#).

PASA Covid – 19 guidance for administrators is found [here](#)

3. Other things going on

It's sometimes easy to forget that not everything needs to be COVID-related; whilst the impacts of the pandemic are affecting so much of what we do, it's important to keep an eye on what else is happening. Our usual monthly round-up keeps everything in bite-sized chunks, and includes a note about the National Knowledge Assessment (with a blog on our initial thoughts). And here's a handy reminder of that other global issue which may have dropped off the headlines but isn't going away: climate change.

As ever, do just pick up the phone or drop me a line if you wish to discuss any of the above in relation to the NESPF.

Kind regards

[REDACTED]

[REDACTED]

[REDACTED]

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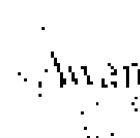
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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 05 March 2020 08:01
To: [REDACTED]; [REDACTED]; Jonathan Belford
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: Marching on ...

Good morning [REDACTED], [REDACTED], Jonathan,

Our March LGPS round-up is [here](#), and most of the snippets can be grouped under these headings:

- **Funding:** what's involved in wrapping up the English & Welsh valuations and kicking off the Scottish ones, what do we do now about exit credits, and the latest on longevity trends (are improvements picking up again as per some recent headlines?);
- **Public vs private sector:** on both trusteeship/governance and climate change, it's interesting to compare and contrast the approaches taken by the LGPS Scheme Advisory Board vs what private sector pension schemes are being asked to do;
- **Governance:** we are commencing the first ever National Knowledge Assessment of the LGPS, the last round-table event of the (English & Welsh) Good Governance project is in Manchester on the 26th, and at the recent [CIPFA Actuarial Summit](#) yours truly covered how governance changes could affect the next actuarial valuation.

Lots to think about in here, so do get in touch if there is something you'd like to dig into deeper.

Kind regards

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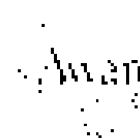


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Sent: 11 February 2020 08:41
To: [REDACTED]; Jonathan Belford
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: CIPFA Actuarial Summit - Friday 7th

Good morning [REDACTED], Jonathan,

See below my signature for a link to the Conference Highlights issued by our central mail system yesterday lunchtime: I am aware sometimes these messages can get blocked by firewalls or spam filters*, which is why I send them on to you personally as I think you'll find them interesting.

This CIPFA event is the one where all four LGPS actuarial firms plus GAD speak about a relevant topic, and at the end are on a panel to have whatever questions the audience wishes to raise.

This featured yours truly discussing how the likely outcomes of the current Good Governance project will affect the inputs for the English and Welsh 2022 valuations – I think this is a topic which Scottish Funds should keep an eye on as similar changes might apply here too?

Kind regards

[REDACTED]

*Of course, do let me know if you'd rather not get these personalised follow-up notes.

[REDACTED]

[REDACTED]

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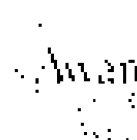


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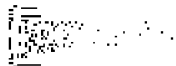
Conference highlights



CIPFA LGPS Actuarial Summit 2020

Climate risk, McCloud, good governance, the 2019 valuations, RPI changes, and Section 13 were just some of the topics covered at this year's CIPFA LGPS Actuarial Summit, which brings together all of the LGPS actuarial firms and the Government Actuary's Department.

[Download](#) our conference highlights for the key points discussed and do get in touch with your usual Hymans Robertson contact to discuss any of these in more detail.



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From: [REDACTED] <[REDACTED]@hymans.co.uk>
Sent: 05 February 2020 18:36
To: [REDACTED]; Jonathan Belford
Cc: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]
Subject: E is for ...

[REDACTED], Jonathan,

(You will likely have received all the following from our central mail system, but just in case they get caught up in your firewall etc ...)

Without too much manipulation I've managed to summarise the items in our monthly LGPS round-up as all beginning with "E":

- **Effective** implementation, monitoring and reflection is the topic of a thought-provoking [note](#) we have prepared around fund investments;
- **Environmental** campaigners and their (sometimes unexpected) appearance at Pension Committee Meetings and other LGPS events has prompted yours truly to write a short [blog](#) on how funds could put themselves on more of the front foot, in the face of such challenge. Bonus points if you spot the obscure pop reference;
- **Everything** else (OK, I cheated a bit) is covered in our usual [collection](#) of current issues snippets. This includes a fair amount re the Scottish Funds this month, and a note about the forthcoming National Knowledge Assessment, the child of last year's National Confidence Assessment (see below my signature for more details on that one).

I am sure there will be something here of interest for you: I would normally invite you to drop me a line or give me a call to discuss further, but of course this may not be feasible with the ongoing tender. I didn't want to stop you getting these updates in the meantime, but just say if you'd rather not receive them for now.

Kind regards

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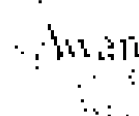


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Assessment coming soon

Following the success of the first ever LGPS National Confidence Assessment (NCA), we're proud to launch the first ever **National Knowledge Assessment (NKA)**. This assessment of Pension Committee (PC) and Pension Board (PB) members will give LGPS funds a unique insight into the knowledge levels of their key decision-makers.

With the increasing scrutiny from TPR and higher expectations of appropriate LGPS fund decision making, now is the perfect time to complete such an assessment.

What are the benefits for you?

By participating in the assessment, your Fund will receive:

- Your own results report
- Our analysis and suggested next steps
- Your benchmarked position against other LGPS funds
- A recommended training plan tailored for your PC and PB

This assessment will provide key evidence and information to all participating LGPS funds on the management of their fund.

Once we've collated the results, we'll also share a National Report with commentary and analysis on the current LGPS PC and PB landscape.

When will this happen and how long will the assessment take?

The assessment will launch in March and all LGPS funds will be invited to participate. Completion of the survey will take **15 - 20 minutes** for each PC or PB member and will be an important step in helping you understand where to focus future training requirements for your fund, and the LGPS as a whole.

We hope you take part in this assessment to help us gain a complete picture of LGPS PC and PB knowledge in 2020.

If you have any questions or would like more information, please don't hesitate to [get in touch](#).



Head of LGPS Consulting



Head of LGPS Benefit Consulting

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From: [REDACTED] <[REDACTED]@MERCER.COM>
Sent: 27 May 2022 16:29
Subject: NewsAlert - Current Issues May 2022
Attachments: Current Issues - May 2022.pdf

Please find attached our latest update on Current Issues impacting the LGPS.

Please get in touch with your usual Mercer consultant if you have any questions or need further information.

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Kind regards,

[REDACTED]
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May 2022

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In this edition

For the first time in a long time, it has been a relatively quiet period for the LGPS recently in terms of Regulatory developments. However, it has by no means been quiet overall with year-end tasks, valuation discussions underway in England and Wales, and of course, consideration of the impact on funding and investment of the ongoing crisis in Ukraine all set against a backdrop of rising inflation and a cost of living crisis.

In this edition, we provide brief updates on recent developments and commentary on what to expect over the next months. [Click on the headings below to go straight to that section.](#)



Investment Update **3-4**

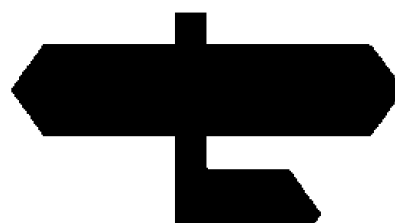
Funding Matters **5-6**

Regulatory round up – where are we now? **7-10**

And in other news... **11-12**

Dates to remember **13**

Meet the team & contact details **14-15**



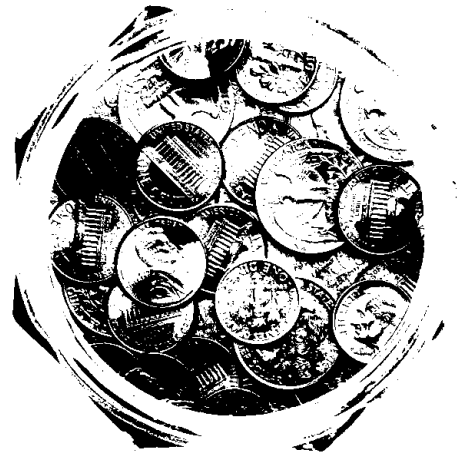
Investment Update

THE CONFLICT IN UKRAINE

We are deeply saddened by the continuing conflict and our hearts go out to the people of Ukraine as the humanitarian crisis continues to unfold.

The consequences are far reaching and the situation remains fluid. Recent developments impacting LGPS Funds include a request by both the Scheme Advisory Board for England and Wales (**28 February**) and by the Secretary of State for Levelling Up, Housing and Communities (**9 March**) to review and consider Russian asset holdings.

The LGPS Scheme Advisory Board for England and Wales made the following statement on **28 February 2022**, in respect of LGPS Investments in Russia:



A follow-up note from the Scheme Advisory board was issued on **4 March**. The letter from DLUHC was also sent to all Committee Chairs on **9 March 2022** and recommended all Funds to consider the actions that should be taken in light of the situation taking into account their fiduciary duties and ethical considerations.

There have also been a number of significant investment industry developments including the removal of Russia from global and emerging market indices. LGPS Asset Pools have already begun to take collective decisions to divest from all Russian holdings as soon as practically possible. The situation has also led to The Pensions Regulator highlighting the potential heightened risk of cyber-attacks. Funds should therefore be mindful of this and looking to review/implement their cyber-security policies where appropriate.

Mercer will continue to work with Funds to monitor the situation closely given the market volatility and other investment, funding and governance implications. Alongside our sister company Marsh; we are also able to assist Funds with their cyber-security. **Please contact your usual Mercer Consultant if you would like more information on any of these matters.**

INVESTMENT DECISIONS IN LINE WITH FOREIGN POLICY



On **10 March 2022**, the Public Service Pensions and Judicial Offices Bill received Royal Assent (see further comment below in relation to McCloud). The Act allows the Secretary of State in England and Wales to issue guidance to LGPS administering authorities to instruct them not to make investment decisions that conflict with the UK's foreign and defence policy.


There is no immediate action for administering authorities, as guidance/direction from DLUHC will need to be issued first (which will be subject to a 12-week consultation process).

Further details can be found on the [BDS page](#) on the SAB website.

IMPACT OF RISING INFLATION

Previously in Current Issues we discussed LGPS investment in an era of high inflation. As you will be well aware, the rate of inflation has recently reached its highest level in over 40 years, **with the annual increase in CPI to April 2022 hitting 9%**. This has been driven by various factors initially, but also exacerbated by the impact of the crisis in Ukraine on energy and food prices with other factors such as low unemployment adding to concerns of sustained high inflation.

The Bank of England has already taken some steps to control UK inflation, increasing base rates a number of times in recent months, aiming to encourage saving instead of spending, and hence more price competition. It predicts that this will bring CPI inflation to below its 2% target within a few years. However, there are global influences on UK inflation, which are not within the Bank of England's gift to control. As a result, there is considerable uncertainty in how prolonged the situation may last.



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4%	4.5%	5%	5.5%	6%
6.5%	7%	7.5%	8%	8.5%
9%	9.5%	10%	10.5%	11%

Funding Matters

2022 Valuation

Whilst it does not seem that long ago the 2019 actuarial valuations in England and Wales were being signed off in the first weeks of lockdown, the effective date for the **31 March 2022** valuations has now passed.

Work is now well underway as Funds, and their advisors and other stakeholders, begin to consider:



- **Membership data** – based on 31 March 2022 renewal and pension increase exercises. It is imperative that data provided to the actuary is as clean and complete as possible.
- **Expected return outlook** – a key feature for the 2022 valuations is how Funds will deal with uncertainty, which will be crucial where we are entering into a period where the risk of a low growth/high inflation (“stagflation”) scenario has increased.
- **Rising Inflation** – which will impact on both pension costs (LGPS benefits are inflation-linked in nature) and contribution affordability for employers who may already be facing increased budgetary pressures.
- **Demographic analyses** – the most prominent of these is mortality. Whilst many Funds may potentially see funding gains emerging where life expectancy improvements have been slower than built into the assumptions, a key challenge remains in terms of how experience will unfold after the valuation date. In particular, to what extent, if any, will Covid-19, and now the cost of living crisis, have on future life expectancy of Fund members.
- **Climate change** – it is expected that Funds will be required to carry out climate change scenario analysis as part of their 2022 valuations with further guidance to be provided by the Government Actuary's Department on minimum expectations in this area. This analysis will form a helpful addition to the risk management toolkit, in testing of the resiliency of the funding strategy under more challenging circumstances.
- **Snapshot funding positions** – where we are your Fund Actuary, we are preparing snapshot funding positions at 31 March 2022, along with scenario analysis to support the strategy discussions, ahead of the detailed calculations later this year.
- **Communication strategy** – this will be particularly important to get right for the 2022 valuations given the more challenging outlook and diverse funding outcomes across different types of employers.

You can find out more about our thoughts on the key issues for the 2022 valuation from our recent article with Room 151 [here](#), following on from the webinar we held back in March.

For Scottish LGPS Funds who are not in a valuation year, it will still be important to consider the above factors in order that the impact on funding and investment strategies can be considered further as part of any preparatory work being undertaken in readiness for the 2023 valuations next year.

Regulatory round up

MCCLLOUD REMEDY

On **10 March 2022**, the Public Sector Pensions and Judicial Offices Bill received Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer.

Further details of Bill itself can be found [here](#).

From a funding perspective, on **22 March 2022**, a [letter](#) from Teresa Clay, Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation.

For a number of Mercer LGPS Funds, the recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes and hence no significant changes in approach/outcome are expected as part of the 2022 valuation exercise.

REGULATORY CHANGES IN SCOTLAND

The long awaited update to the [Scottish regulations](#) primarily around employer flexibilities was laid on **3 May 2022** and comes in to force from **1 June 2022**.

The regulations amend The LGPS (Scotland) Regulations 2018, to provide further flexibilities for fund authorities in dealing with employers and allow for amendments to an employer's contribution rate in between valuations. The changes mirror those provided by DLUHC for England and Wales in 2020.

The cost cap figure is also amended from **15.5% to 15.2%** in the Scottish LGPS regulations; an error was identified in their original calculation.

Importantly, Scottish Ministers have decided to address retrospective changes to the underpin in respect of the 'McCloud Judgement' separately in the forthcoming The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2022.



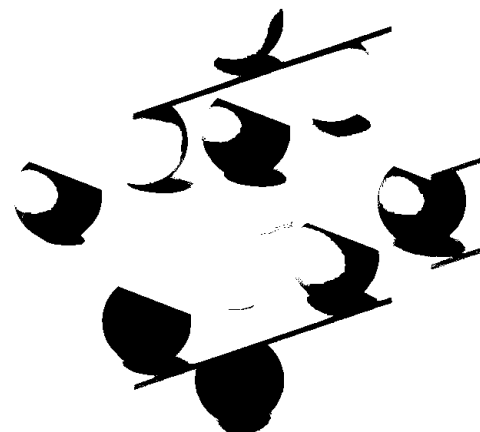
STRONGER NUDGE REQUIREMENTS

With effect from 1 June 2022, the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022 (SI 2022/30) will be introduced – known as the “Nudge Regulations”.

The Nudge Regulations are being introduced by the Government to ensure that individuals are made aware of Pension Wise guidance as part of making decisions about their Defined Contribution (DC) pension savings e.g. retirement / transfer etc. The Regulations therefore apply to LGPS Funds in respect of members with AVC funds.

Administering Authorities will therefore need to offer to book an appointment with Pension Wise for members as part of the application process for taking in-house AVCs (and when a member over age 50 enquires about transferring their AVCs to another defined contribution arrangement).

The LGA guide to the stronger nudge requirements can be found [here](#).



SPECIAL SEVERANCE PAYMENTS – GUIDE FOR LOCAL AUTHORITIES



Although further announcements are still awaited in relation to the exit payments cap, which will impact LGPS Funds (following revocation of the original cap in early 2021), DLUHC commenced a consultation on statutory guidance in respect of “special severance” payments that apply to local authorities in England (i.e. over and above statutory entitlements) back in July 2021, and on **12 May 2022** the Statutory Guidance was published. It can be found [here](#).

LGPS AND THE NEW SINGLE CODE OF PRACTICE – WHAT TO EXPECT

As part of its ongoing drive to improve governance in all types of scheme, including the LGPS, TPR consulted on a single code of practice between March and June 2021 in order to consolidate 10 of the existing codes of practice into one web-based code, but also introducing some significant new requirements.

The [draft new code](#) is expected to be in place “in the summer”, but the exact timing is not known.



Key areas

The introduction of the new code is expected to coincide with when the outcomes from the LGPS Good Governance review are likely to take effect and there will of course be synergies between the two e.g. the requirement for “own risk assessments” / “biennial independent governance reviews” to be undertaken. Some of the key areas within the new code that apply to all Schemes (including the LGPS) that will need to be considered include:-

- Cyber-security – properly documented controls / systems / requirements of service providers
- Pension scams – what are the warning signs and how can risks be mitigated
- Role of and appointment to the governing body - take into account different responsibilities of each party and appoint based on proportionality / fairness and transparency
- Knowledge and understanding – continues to be a key area of focus

While some of the guidance set out in the new code does not directly apply to LGPS, TPR advises that it can still be considered good practice to follow the new code in these areas:

- Business continuity – ensuring robust plans are in place
- ESG/Climate Change – ensure such matters are taken into account in decision making
- Appointing managing advisors and service providers – well documented policies to include delegations / scope of responsibilities etc.
- Remuneration policy – a new module requiring a policy covering key personnel to be developed

What could be done now?

This is an opportunity for governing bodies to refresh their scheme governance frameworks to ensure they observe the terms of the new code where appropriate, or considering best practice where relevant. Many of the provisions will already be in place under existing guidance, but there is a significant amount of work to do to assess how a scheme's governance structure compares with the new Code, and to fill any gaps that exist. Governing bodies could be considering the following steps:-

-

And in other news...

“...in this world nothing can be said to be certain, except death and taxes” – Benjamin Franklin

The same can be said of the world of pensions.

CMI_2021 Mortality Projections Model published

March 2022 saw the Continuous Mortality Investigation (CMI) publish the CMI_2021 version of its Mortality Projections Model.

The new Model incorporates mortality data produced by the Office for National Statistics (ONS) up to 31 December 2021 and again allows the user to alter the weight placed on data for individual years (i.e. due to the impact of the pandemic).

As with other recent updates to the Model, we continue to see reductions in projected life expectancy from successive CMI models. **The impact on liabilities will ultimately depend on a Fund's liability profile and other assumptions.**

As part of the 2022 actuarial valuation exercise, we are also assessing the potential longer-term impact of the pandemic on future mortality rates in addition to the impact of other likely drivers of improvements, such as lifestyle changes or developments in medical research.



Pension Tax Update

The Annual Allowance and inflation!

Although inflation is close to double digits currently, it was not so long ago, back in September 2020, that the Consumer Prices Index (CPI) measure of inflation was just 0.5% and this will be the inflation figure applied by administering authorities when calculating members' pension input amounts for 2021/22.

Therefore, anyone who has had a promotion or significant pay rise above 0.5% from April 2021, especially for those with significant years' service before 2014 (2015 for Scottish members) is now more likely than ever to breach or get close to the **£40,000** standard Annual Allowance.

Given the Unions fought hard last year to achieve, a 1.50% backdated pay rise for LGPS members in councils **this could mean we see a record year for members who receive pension saving statement by October 2022.**



Whilst rising inflation may mean fewer members are subject to annual allowance tax charges in the future (relative to previous years), recent figures set out in a report from the House of Commons published on 25 April 2022 showed that those members impacted by the Lifetime

Allowance, is expected to grow from 8,510 people in 2019/20 to nearly 30,000 by 2025. Pension tax clearly will not be going away therefore.

Pension Input Amount Recalculations

The Government has also changed the Annual Allowance rules for certain situations where Annual Allowance calculations for previous years are retrospectively amended. The new rules require:

- administering authorities to issue revised pension saving statements (within 3 months of receiving updated information)
- members to make Scheme Pays elections to meet any new charges to emerge within 3 months of receiving the updated information.

With the expected increase in members affected and also the possibility of sending revised pension savings statements, administering authority's need to ensure their processes are updated and need to be prepared for an increased number of questions from members.

It is important for members to be supported in this area and to understand what their (and the administering authority's) responsibilities are, given it is a "personal" tax ultimately.

Our three stage process of **Education / Guidance / Advice** can help administering authorities provide members with additional information and guidance and also the opportunity to access bespoke financial advice should they require it at a later stage. **Please contact your usual Mercer consultant if you require further details**

of how we can help administering authorities in this area.

Consultation on the draft Pensions Dashboards Regulations 2022

On **8 March 2022**, the LGA published its response to the DWP consultation and a copy can be found [here](#). This response has raised concerns about the implications for Funds having to implement the McCloud Judgment alongside ensuring they meet any requirements of the Pension Dashboard Programme (PDP) given the staging date proposed for the LGPS of **30 April 2024**.

TPR spotlight on diversity and inclusion

Recent comments from the Pensions Regulator (TPR) have confirmed that diversity across the pension's landscape continues to be an area of focus. Last year, TPR published its **Equality, Diversity and Inclusion (ED&I) strategy** and pledged to work with others in the industry to embed diversity and inclusion across pensions, so that all savers are protected and outcomes improved.

If you would like further details on how Mercer can help Funds/Employers consider their ED&I strategies then please contact your usual Mercer consultant.



Dates to remember

Date	Issue	The latest
31 March 2022	Actuarial Valuation	Effective date of next actuarial valuation in England and Wales.
1 June 2022	Stronger Nudge	Stronger Nudge requirements come into effect
Summer 2022	Draft Regulations (Governance and Administration)	Draft regulations and a response to the consultation on how Funds should implement the McCloud remedy are expected along with further updates in relation to the Single Code of Practice, Good Governance, Pensions Dashboard and Survivor Benefits
Autumn 2022	Draft Regulation (Investment)	An all-encompassing consultation covering TCFD, Asset Pooling, Levelling Up and the Competition and Markets Authority (“CMA”) Order is expected
31 March 2023	Actuarial Valuation	Effective date of next actuarial valuation in Scotland. Deadline for actuaries to sign off contribution outcomes for 2022 valuation in England and Wales.
1 October 2023	McCloud remedy regulations in force	It is now the Government’s intention that regulations providing for the “McCloud remedy” come into force from 1 October 2023.
6 April 2028	Normal minimum pension age to rise to 57	The Government has confirmed the normal minimum pension age (the earliest age from which in most circumstances, members can take a pension without incurring tax penalties) will rise from 55 to 57 from this date (with pension age protection in place for eligible members).
2030	RPI to increase in line with CPIH	The Government’s consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

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[REDACTED]

From: [REDACTED] <[REDACTED]@MERCER.COM>
Sent: 23 February 2022 13:58
Subject: RE: NewsAlert - Current Issues February 2022
Attachments: Current Issues - February 2022.pdf

Please find attached our latest update on Current Issues impacting the LGPS.

Please get in touch with your usual Mercer consultant if you have any questions or need further information.

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Kind regards,

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Pronouns: She/her

MY DAYS OF WORK ARE MON, WED, THUR AND FRIDAY



welcome to brighter

A business of Marsh McLennan



LGPS CURRENT ISSUES

February 2022

welcome to brighter

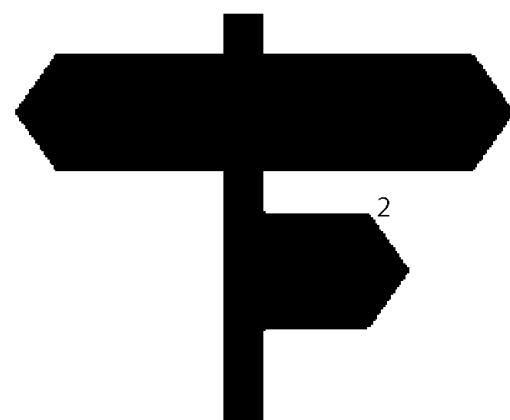


In this edition

In this edition of Mercer Current issues, we provide comment on investment strategy options, Funds may wish to consider which aim to manage inflation risk and we also discuss planning for the 31 March 2022 actuarial valuation for English and Welsh LGPS Funds, which is fast approaching. If you haven't already registered for our valuation webinar on 1 March then please do [register here](#) (a recording will also be available).

We also provide updates on other recent developments and what is to be expected over the next few months. [Click on the headings below to go straight to that section.](#)

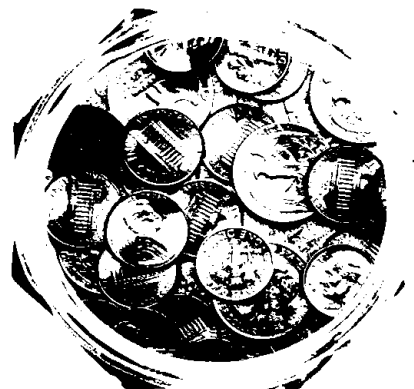
Investment Update	3-6
Valuation Matters	7-9
Regulatory round up – where are we now?	10-11
And in other news...	12-13
What's coming up & dates to remember	14-15
Meet the team & contact details	16-17



Investment Update

Investing in an Era of Higher Inflation

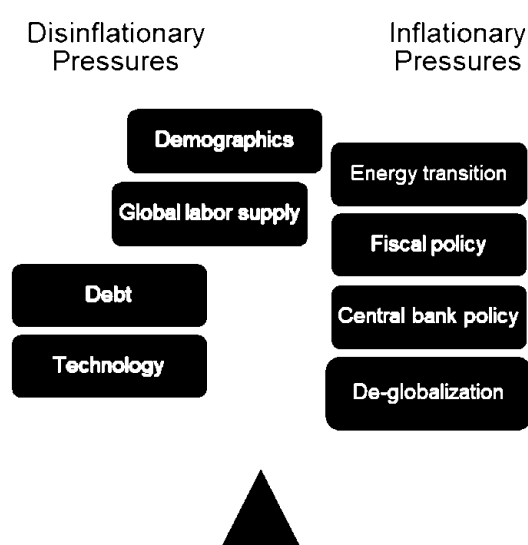
As 2022 progresses, we face the reality that the new normal may already be here. The era of strangely low inflation has ended and the traditional 60/40 portfolio now appears less convincing in providing the required diversification. An ever-growing number of investors are recognising the material nature of ESG factors which has been reinforced by the pandemic.



2022 is an important year for the LGPS. While Funds will seek to understand the post-pandemic impact on valuation assumptions from their actuaries, they will also seek to understand whether their investment portfolio is still fit for purpose.

Positioning for Unexpected Inflation

The transitory story of high inflation is being extended or abandoned as several supply side bottlenecks spread longer than anticipated. **Once inflation exceeds a threshold rate, it creates significant economic costs.** It distorts the allocation of resources, restrains savings and investment, creates sustained wage growth driven by tight labour markets and makes it more difficult for companies and workers to plan for the future.



Unless Funds have existing inflation protection such as Index-Linked Gilts, Treasury Inflation Protected Securities ("TIPS") or Inflation swaps, **the cost of explicit protection can be expensive.** Funds can however consider the following as part of their inflation sleeve:

Real assets have a clear role to play in managing longer term inflation risks. Prime real estate, core infrastructure and natural resources assets typically offer the strongest inflation links.

Commodities and particularly Gold is known to **preserve real value** when inflation is high and growth is weak.

Looking beyond Traditional Diversifiers

The level of portfolio protection from high-quality debt instruments and the effectiveness of duration, which has been a dominant and powerful risk protection strategy for most investors over the past 40 years, cannot be relied upon going forward, as there is a secular trend of rising rates across global developed markets. In addition, **rising inflation erodes the value of the coupons and principal, fixed rate bondholders receive in the future.**

Investors need more tools in the toolkit and should question the role of fixed income in portfolio construction. Clients should explore alternatives within or outside fixed income to seek diversification.



Floating rate assets do not have interest rate risks. Funds may consider leveraged loans and consider going down the rating spectrum for higher risk adjusted yield.

While many Funds would already hold an exposure to Private Debt, **it is worth considering whether this allocation should be increased**, keeping in mind the overall liquidity requirement of the Fund.

Exposure to low duration assets can provide better protection. Further higher yielding bonds such as Emerging Market Debt and Subordinate Bank Debt can provide cushion from the impact of rising rates. This can be achieved through an allocation in **Absolute return Bonds or Multi Asset Credit.**

Mercer have long advocated holding the Equity allocation but building protection strategies around it to reduce the volatility of outcomes. We have discussed this recently in our **De-stress don't distress** article ([here](#)).

*How long this inflation surge will last is probably the most pressing investment question in today's market. **How it affects performance of assets depends on three key points. First, is it likely to be a Demand Pull or a Cost Push inflation or both? Second, how large and sustained is the level of inflation. Third, what is the likely response of policymakers?***

Whatever the outcome, we know that growth will be slower in 2022; central banks will continue to raise rates and traditional equity valuations are being tested by markets. **As such, it is time that Asset Owners review their asset allocation in the face of this heightened risk.**

We do not offer forecast but provide insights based on our research and analysis. Mercer has run a comprehensive set of scenarios and can use these to help Funds position their portfolio under various economic and inflation regimes.

Please feel free to get in touch with your Mercer contact if you would like to find out more.

Levelling Up - Government sets 5% target for LGPS investment in local areas

On 2 February 2022, the UK Government published its white paper on Levelling Up, setting out the **Government's plans to spread economic opportunities more equally across the UK**. The plans are wide-ranging, with the intention to address **six drivers of spatial disparity across "missions"**. The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital.

Specifically for the LGPS, the paper notes the progress to date with increasing investment in infrastructure, from <£1bn in 2016 to £21bn in 2021, largely through the asset pools.

As part of the proposals, individual **LGPS funds will need to publish their plans to target up to 5% of their assets being invested in "local" projects**.

Full details can be found on page 162 of the white paper, available at the link [here](#). It is expected a consultation will follow later in the year.

Whilst there is not much to report at the moment, we will keep an eye on this and provide further information in the coming months.

Sustainable Investment

The area of responsible investment remains a key focus for LGPS Funds and over recent months, there have been a number of developments in this area. For further information on any of these matters, please contact your usual Mercer consultant and they will put you in touch with **Mercer's Sustainable Investment team** as required.



COP26's primary aim to 'keep 1.5 alive' ended in disappointment

Global leaders met in Glasgow at the end of 2021 for the annual Conference of the Parties ("COP"). One of the key aims was to secure global net zero by 2050 to keep the "Paris Agreement" 1.5-degree warming target within reach.

The **Glasgow Climate Pact**, which details the agreement reached across 197 nations, following the two weeks of negotiations, requests that countries revisit and strengthen commitments and Nationally Determined Contributions ("NDCs") ahead of next year's COP27, with policies consistent with keeping global warming to 1.5 degrees. The Pact includes:

- Reference to **"phasing down"** unabated coal power and **"phasing out"** inefficient fossil fuel subsidies.
- Formal agreement for implementing Article 6, which includes **carbon markets and emissions trading**.
- The disaster relief and adaptation and mitigation support from developed nations to poor countries is behind target, although **developed nations pledged to double the amount given by 2025**.

TPR's Guidance on Climate-Related Risks

The Pensions Regulator's ("TPR") recently published draft guidance to help Funds **meet new standards of governance and reporting in relation to climate-related risks and opportunities**. Even though the guidance published is not LGPS specific, we believe it is useful to read in advance of the consultation for the LGPS, which is expected later this year, and you can find the latest guidance [here](#).

Update on UN Letter about Investments in the Israeli Settlement Economy

In November 2021, the United Nations (UN) Special Rapporteur on the Palestinian Territories, Michael Lynk sent a [letter](#) to all LGPS pension committee chairs (alongside LAPFF and SAB) asking a number of questions of LGPS Funds about their investments.

On **25 January 2022**, a meeting took place between the Chair and representatives of the LAPFF and the SAB secretary with Michael Lynk to discuss his letter. It was made clear that the primary objective of LGPS Funds is to ensure benefits are paid to members but Funds do take human rights issues seriously. **Discussions are to remain ongoing between all parties**.

Valuation Matters

2022 Valuation Planning

For English and Welsh LGPS Funds, the 31 March 2022 actuarial valuation is fast approaching and discussions are already underway in relation to planning for the work that lies ahead, in particular with regard to data quality, demographic studies, employer engagement and also consideration of the key issues that will impact the 2022 funding strategy.

The fourth in our successful series of **LGPS panel debates** will take place on **1 March 2022** and will focus on the hot topics underpinning funding strategy considerations in the current environment. Our panel will share their experiences and thoughts on the following key areas:

- 1. How can you deal with short-term budget pressures versus long-term contribution sustainability given the improvement in funding?*
- 2. How should we deal with increasing inflation pressures, climate risk and COVID impacts?*
- 3. How different will the outcomes be for different employers and how do we manage that?*

If you haven't already registered for the webinar then please use the link [here](#). A recording of the webinar will also be available.

Mortality - CMI's 2021 version of its Mortality Projections Model

The Continuous Mortality Investigation ("CMI") has announced that it intends to place no weight on mortality data for 2021 as well as 2020 in the core version of its next Mortality Projections Model, CMI_2021, **which is due to be published in March 2022**. The Model is widely used by pension schemes, sponsors and actuaries to determine life expectancy assumptions. The current version, CMI_2020, placed no weight on data for 2020. Moving from CMI_2020 to CMI_2021 is likely to result in small reductions in life expectancy; moving from earlier versions will give larger reductions.

New evidence continues to emerge on the impact of the pandemic on the mortality experience of UK defined benefit schemes. We will be considering this when carrying out a study of demographic assumptions as part of the 2022 actuarial valuation process where we



are carrying out your valuation, as well as considering the impact of other risks such as climate change.

Mortality – Levelling Up

The government white paper also includes details (page 420) of a mission to **narrow the gap in Healthy Life Expectancy (“HLE”) between local areas where it is highest and lowest by 2030, and by 2035 increase the HLE by 5 years.**

Any improvements in life expectancy will increase pension costs, including within the LGPS, to the extent that some benefit payments will be made for longer, notwithstanding any corresponding increases in state pension age, which may serve to mitigate impacts in respect of the 2014 Scheme benefits. We will monitor developments in this area as they arise and will provide further comment in due course.

DLUHC publishes Section 13 Report on 2019 LGPS valuations

On 16th December, the Department for Levelling Up, Housing and Communities (“DLUHC”) published the Government Actuary Department’s report on the 2019 LGPS valuations for England and Wales. This is following on from discussions over summer 2021 with various interested parties including Mercer. **This is the second formal Section 13 report**, with Section 13 applied for the first time to the fund valuations as at 31 March 2016.



In summary, Section 13 requires the Government Actuary to report on whether the following aims are achieved:

- **Compliance**
- **Consistency**
- **Solvency**
- **Long term cost efficiency**

The 2019 report notes that the **compliance** objective has been met and that in general whilst there appears to have been an improvement in **consistency** in the key assumptions, there is still progress needed and there has been little progress in relation to academy conversions.

In relation to **solvency**, the report makes the comment that liabilities are growing much faster than the size of employers backing them, which therefore presents greater risk going forward,

despite an improvement in funding levels more generally. We agree with this view, which further highlights the importance of employer covenant monitoring and ongoing review.

In relation to **long-term cost efficiency**, GAD reiterates the message of the need to consider the balance of cost between current and future generations of taxpayers and that deficit recovery plans can be demonstrated to be a continuation of the existing plan with appropriate adjustment for experience since previous valuations.

In addition, there is further commentary in their report regarding the use of contingent assets/asset transfers and the additional cost and risk associated with such arrangements with a recommendation for the SAB to consider the governance of such arrangements further.

The report also notes a number of key areas for consideration for the 2022 valuations, including on **McCloud**, the impacts of **COVID-19** and on **climate change reporting**.

Whilst Section 13 should not be the main driver of 2022 valuation funding strategies, we will be taking into account the comments from the 2019 report where appropriate.

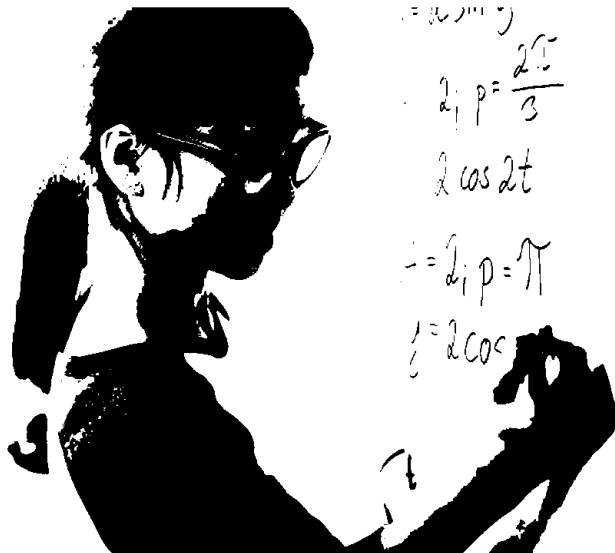


Regulatory round up

MCLOUD REMEDY AND JUDICIAL REVIEWS

The PSPJO Bill

On **21 January 2022**, in advance of moving to Committee Stage in the House of Commons, the Government tabled further amendments to the Public Sector Pensions and Judicial Offices Bill. As expected, the **key amendment in relation to the LGPS** was to extend the scope of the remedy (by redefining “*remediable service*”) to those members not in pensionable service on 31 March 2012 but in service before then.



Other amendments relevant to the LGPS extended the types of schemes where pensionable service would not count as a disqualifying break, and to allow the final regulations to make provisions in a number of areas, namely in relation to **transfers in, pension credits and debits**, Teachers qualifying for the LGPS and also compensation and interest payments.

Further amendments have been proposed in February 2022, which are to be debated.

The Bill is on track to complete and become an Act by **31 March 2022**.

Judicial Reviews

On **15 December 2021**, six trade unions (the Public and Commercial Services Union, The Fire Brigades Union, the GMP Union, the Royal College of nursing, Unite and the POA Union) filed for a joint Judicial Review to prevent the Government imposing the cost of the McCloud remedy on their members. **The outcomes of this review may have implications for the LGPS if upheld.**

In addition, **on 7 January 2022** whilst not influencing the LGPS at present, a Judicial Review claim submitted by the Police Superintendents' Association ("PSA") in relation to the McCloud Judgment consultation process conducted by HM Treasury in 2020 was dismissed. Although some of the grounds of the claim were ruled arguable, the Judge ruled that there had been legal errors in the decision making process following the consultation. The full judgment can be found [here](#). The PSA has since announced it will seek leave to appeal to the Court of Appeal.

CONSULTATION FOR SCOTTISH FUNDS ON EMPLOYER FLEXIBILITIES AND SURVIVOR BENEFITS

As reported in the previous edition of the LGPS Current Issues, on 1 November, SPPA issued a consultation to seek the views of stakeholders about draft changes to the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021.

The consultation closed on **21 January 2022** and the outcomes are now awaited.

Further details can be found [here](#).

SECOND REVIEW OF STATE PENSION AGE

The Government has **launched the second review of State Pension Age, the results of which must be published by 7 May 2023**. The Government Actuary will provide a report assessing state pension age in the context of the latest life expectancy projections and Baroness Neville-Rolfe will lead the production of a second report considering recent trends in life expectancy and other relevant factors.

In particular, the review will consider whether the **increase to age 68** (currently legislated to happen between 2044 and 2046) should be brought **forward to 2037-39**, as recommended by the 2017 review.



And in other news...

Local Government Association Changes

It has been recently announced that **Joanne Donnelly**, currently Senior Pensions Secretary and Deputy SAB secretary and formerly at HM Treasury, will be taking up the role of Head of Pensions at the LGA and Secretary to the Local Government Pension Scheme Advisory Board in England and Wales from 1st April 2022 following Jeff Houston's retirement.

We would like to wish Jeff all the best in his retirement and thank him for the support given to the LGPS over the years.

Finance Act 2022: Increase in the Normal Minimum Pension Age and Retrospective Changes to Scheme Pays Deadlines

Final details of the **increase in Normal Minimum Pension Age (NMPA) from 55 to 57 in April 2028** have been published in the Bill that will become the Finance Act 2022 when it gains Royal Assent next year. The Bill also confirms details of the changes to retrospective mandatory Scheme Pays deadlines from tax year 2016/17 onwards.

On 17 January 2022, HMRC published its latest newsletter, which sets out further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028.



LGPS administering authorities have already begun to amend their processes in relation to transfer value requests to reduce the likelihood that cases needed to be revisited in the future when changes to the LGPS regulations arising from the NMPA increase are confirmed.

Pension Transfers and Scams

Conditions for statutory transfers

As part of its attempts to combat pension scams, the Government has passed regulations **bringing in new conditions applying to statutory transfers, with effect from 30 November 2021**. The new rules apply to transfers to and from occupational schemes, and contract based schemes, and may require Funds to perform additional due diligence on transfers.

The new requirements are based on a system of “**red**” and “**amber**” flags. Where a red flag is present, the transfer cannot go ahead on a statutory basis.

TPR has published guidance on the new rules, and the Pension Scams Industry Group (“PSIG”) will be revising its code on combating pension scams later this year to reflect the new position.

The Local Government Association has also provided administering authorities with guidance and template documentation to

assist them with fulfilling their duties to ensure the requirements set out in the regulations are met.

Pensions Dashboards

Work in relation to the implementation of Pensions Dashboards continues at pace and there have been a number of developments over recent months.

On **31 January 2022**, DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closes on 13 March 2022.

The Pensions Dashboards Programme ("PDP") also released a number of other publications:

- On **15 December 2021**, PDP confirmed three potential dashboard providers selected to take part in the initial development of the ecosystem. Further comments from PDP, published on 11 January 2022 on the dashboard providers market **can be found here**.
- On **25 January 2022** the PDP published a report from Ipsos Mori on their research undertaken on the attitudes of dashboard users, their circumstances, behaviours and views of the dashboard concept, together with PDPs own summary of the findings.
- The PDPs November Newsletter / progress report was also published.

On 16 December 2021, the PLSA published an A to Z industry guide, which **identifies 26 key issues** that need to be resolved to make the initial pensions dashboards a success.

Cyber Security

The threat of a cyber-attack remains high on the risk registers for many LGPS Funds.

Alongside specialists in our sister company Marsh, we are able to assist Funds to **understand, measure and manage** their cyber risks through a variety of measures tailored to suit client needs.

If you would like to discuss how Mercer/Marsh can assist your Fund further in this area then please get in touch with your usual Mercer Contact.



What's coming up?

Pooling Guidance / TCFD / Levelling Up

Guidance on pooling in the LGPS and a consultation on TCFD requirements are expected later this summer alongside further details in relation to Levelling Up.

Severance Payments / £95k Exit Cap

Guidance on discretionary severance payments above and beyond statutory payments is expected soon.

No timescales yet on when the Exit Cap may return.

McCloud

The Bill is expected to go through by the 31 March 2022 deadline with a formal government response and draft regulations expected in the summer, with regulations coming into force on 1 October 2023.

Good Governance

Recommendations emerging from the Good Governance Review are expected later this year.

Survivor benefits

A consultation on changes to historic survivor benefits e.g. Goodwin Judgment, is expected in the Spring/Summer.



Dates to remember

Date	Issue	The latest
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and draft regulations	Regulations that will replace some of the measures in the Competition and Markets Authority ("CMA") Order have been delayed. Until they are implemented, the CMA Order will continue to be legally binding.
Expected 2022	Governance and draft regulations	As referenced above, there are a number of areas where consultations/regulations/publications are expected during 2022 – namely, TCFD, Asset Pooling, Levelling Up, McCloud, Good Governance, Pensions Dashboard to name a few...
31 March 2022	Actuarial Valuation	Effective date of next actuarial valuation in England and Wales.
31 March 2023	Actuarial Valuation	Effective date of next actuarial valuation in Scotland. Deadline for actuaries to sign off contribution outcomes for 2022 valuation in England and Wales.
1 October 2023	McCloud remedy regulations in force	It is now the Government's intention that regulations providing for the "McCloud remedy" come into force from 1 October 2023.
6 April 2028	Normal minimum pension age to rise to 57	The Government has confirmed the normal minimum pension age (the earliest age from which in most circumstances, members can take a pension without incurring tax penalties) will rise from 55 to 57 from this date (with pension age protection in place for eligible members).
2030	RPI to increase in line with CPIH	The Government's consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

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From: [REDACTED] <[REDACTED]@MERCER.COM>
Sent: 20 August 2021 08:23
Subject: NewsAlert - Current Issues - August 2021
Attachments: Current Issues - August 2021.pdf

Please find attached our latest Current Issues.

Please get in touch with your usual Mercer consultant if you have any questions or need further information.

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Kind regards,

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Pronouns: She/her

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**ASK ME ABOUT
MENTAL HEALTH
FIRST AID**

LGPS CURRENT ISSUES

August 2021

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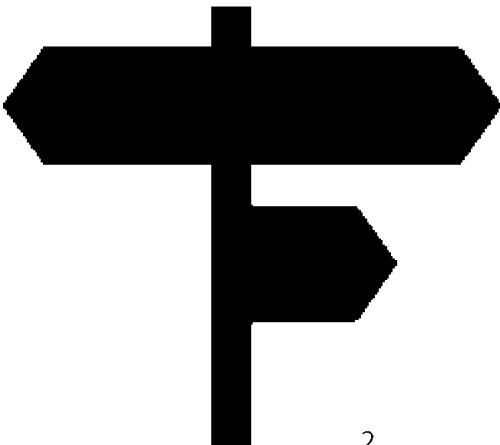
In this edition

We hope you have been keeping well and staying safe over the summer as restrictions have been lifted all around the UK. With the unlocking of the UK, we trust you have been able to enjoy more time with friends and family and maybe even a staycation, or have this to look forward to in the near future.

In this edition of Mercer Current issues, we provide a focus on climate change, in addition updates on the recent developments and what is to be expected over the next few months.

Regulatory round up – where are we now?	3-4
AVCs and Tax	5-6
Climate Change	7-8
And in other news...	9-10

Dates to remember	11
Meet the team & contact details	12-13



Regulatory round up

EXIT CREDITS JUDGMENT

On 27 May 2021, a High Court judgment on exit credits found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The case related to the non-payment of a £6.5 million exit credit. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive' and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'. The judgment included clarification over how this discretion may be applied and will set a precedent for other cases. The full judgment in relation to this case can be found [online](#). Funds should review the wording in their Funding Strategy Statement regarding the exercise of the discretion to pay an exit credit in light of this judgment. Please get in touch with your usual Mercer consultant if you have any concerns in this area.



PUBLIC SECTOR EXIT PAYMENTS

On 2nd July 2021, MHCLG published a summary on exit payment data for 2019/20 and 2020/21. We expect a further publication by the MHCLG to follow shortly. The summary published outlines that the exit payment paid in 2020/21 averaged at around £26,000 across local authorities (including the pension strain). We anticipate this data will be considered as part of the wider review of the cap on exit payments and more on this is expected later this year.

HMT CONSULTATIONS: COST MANAGEMENT

Following the Government Actuary Department (GAD)'s review of the cost control mechanism for public sector pensions, on 24 June 2021 HMT issued a [consultation](#) setting out its proposed reforms to the cost control mechanism.

The consultation includes the following proposals for comment:

- To change the benefits considered by the mechanism to be based on only benefits in the reformed pension schemes and exclude the former schemes from the mechanism (but the continued inclusion of past service in the reformed schemes)
- Widen the 2% corridor for assessing whether a cost breach would trigger a benefit change, to 3%
- The introduction of an "economic check" mechanism when the cost ceiling or floor has breached. This could be the impact of the change in the SCAPE discount rate, which is given as an example, which can be used to mitigate a breach but not in itself trigger a breach.

These changes aim to address the issues identified in GAD's review of the mechanism and on which we have previously commented. Such issues were highlighted by the perverse results stemming from the 2016 cost management review which (prior to allowance for McCloud), *triggered benefit improvements* despite an *increase in costs* due to the fall in the SCAPE rate (and LGPS valuation discount rates generally). Whilst an economic check would help to limit the chance of perverse outcomes arising out of the cost management process and should be welcomed, in our view consideration of only the SCAPE rate would be insufficient to mitigate this risk – particularly for the LGPS where SCAPE is not a driver of employer contribution rates. Instead, we would prefer a more detailed economic check mechanism, which takes into account for LGPS the funded status in determining the discount rate to be used.

Where Funds are preparing their own responses, we have shared our key comments and if you would like to see a copy of our response please get in touch with your usual Mercer consultant.

HMT CONSULTATIONS: SCAPE RATE

HMT has also issued a consultation on the calculation of the SCAPE rate, which is currently based on expected long-term GDP growth. The SCAPE rate is key in the non-funded public service schemes, with its main use being the discount rate for determining pension contributions payable as part of the actuarial valuations. Included in the consultation is a review of the objectives of the rate, where stability is now prioritised alongside the requirement for the rate to provide a fair reflection of costs and to reflect future risks to Government from income.

For the LGPS the use of the SCAPE discount rate is limited to the actuarial factors, including transfer values. Any reduction in the SCAPE discount rate will serve to increase transfer value payments (with any increase in rate having the opposite impact).

We are responding to the consultation and are happy to share this with interested Funds, please get in touch with your usual Mercer consultant if you want to know more about this.



AVCS AND TAX

AVC UPDATE

As with the rest of the LGPS, it is never a quiet time in the AVC sector also!

The transfers from Equitable Life to Utmost last year and the closure by Prudential of their Property Fund in recent months highlights the importance for administering authorities to keep on top of developments in this sector and the need for appropriate (regulated) advice in order that administering authorities can carry out their fiduciary duties. Alongside this, as you will be aware, given the administration performance issues of some AVC providers at the moment we recommend that administering authorities continue to monitor the position and raise their concerns with the relevant parties, escalating these accordingly where appropriate.



Ongoing review of AVC arrangements is an important component of a Fund's governance framework but with recent challenges of Covid, McCloud and the rise and fall of the exit cap, administering authorities have needed to focus time and resource elsewhere. Ongoing review should consider aspects such as:

- provider performance (administration and investment);
- the continued suitability of the fund range members can access and the impact of potential changes to available funds;
- member communications; and
- options to consolidate / transfer provision where possible and appropriate.

For Funds who have not reviewed the continued suitability of their AVC arrangements for some time, we recommend that this is now added to the business plan. The Mercer LGPS AVC Club will be pleased to help you in these areas as needed (please contact your usual Mercer consultant for further details).

PENSION TAX SEASON IS ABOUT TO START!

Whilst administering authorities will have been working hard to finalise and issue Annual Benefit Statements, Pension Saving Statements will need to be sent by 6 October 2021 to those members who exceed £40,000 of pension savings in the 2020/21 tax year. This year's pension tax season is slightly different because this is the first year in which changes to the tapered annual allowance apply.

In March 2020, the Government was facing huge pressure from NHS doctors who had taken early retirement or gave up overtime in order to avoid the risk of being hit with unexpected annual allowance charges. This had been affecting NHS resources, which of course was a particularly present issue in the face of the start of the pandemic.

In his first Budget, Rishi Sunak announced his only change to pensions in the form of a change to the tapered annual allowance. This was that the two tapered annual allowance thresholds for pension tax relief would increase by £90,000. This represented an increase from £110,000 to £200,000 for "threshold income" – broadly total pre-tax income. At the time, it was stated that this change would result in 98% of consultants and 96% of GPs no longer being affected by the taper. Many in the pensions industry had been calling for the complicated annual allowance taper to be scrapped altogether and that this was an opportunity missed, however, the taper increase was welcome news for not just doctors but also a number of LGPS members who were being impacted by the previous levels. This means that for the first year since 2016, members who only rely on their employed income could have a reduced annual allowance if their pensionable salary is in excess of £228,000 as opposed to £124,000.

However, with inflation remaining low we still anticipate a number of members will exceed their annual allowance limit and require support on how to undertake the complex calculations to work out if they have a liability and what their liability is.

Given the general complexities of Pension Taxation we have found that it is important for members to understand what their responsibility is, given it is a "personal" tax and what the responsibility of the administering authority is. At Mercer, we have developed a three-stage process that can help administering authorities provide members with additional information and guidance and also the opportunity to access individual financial advice should they require it at a later stage. The three stages in the support process we can provide constitute:





1. Education – workshops for Fund officers, employer HR representatives, and members.
2. Guidance – high level 1:1 guidance sessions based on an individual's pension saving statement with guidance (not advice) on next steps they should take
3. Advice – detailed sessions with members to discuss their own position, objectives and actions where independent and authorised financial advice can be delivered by a Mercer IFA specialising in the LGPS

As part of the educational workshops for 2021 that we will be delivering, we will be communicating to officers and members the impact of recent changes announced by HMRC on 20 July 2021 in relation to the extending the deadlines for submitting Scheme Pays notifications – further details of this can be found [here](#).

If you would like further details on how Mercer can help administering authorities in relation to pension taxation please contact your usual Mercer consultant in the first instance.

Climate Change

Setting a path to Net Zero

On Monday 9th August, the United Nations Intergovernmental Panel on Climate Change released its sixth report in which it analysed the most up-to-date understanding of the climate system and climate change. The study issued stark warnings about unprecedented global warming and rising sea levels that have been seen in recent years.

In addition to the warnings over the impact of climate change, the report did seek to address what could be done to manage some of the worst impacts and address the key issues that world leaders need to consider.

Whilst none of the findings of the report are necessarily a surprise, it does highlight that action is required sooner rather than later, and this fits in with conversations we have been having with clients around setting a path to net zero. You will already know that you will not achieve net zero by simply divesting from today's high carbon companies, so we have looked to address this across a four-step guide to support LGPS funds in navigating your journey to net zero.



1. **Calculating your baseline:** Before you embark on any journey, you need to know where you are starting from. Understanding your portfolio's current emissions, transition capacity and green exposures, means you can clearly communicate your position to internal or external stakeholders, and monitor your progress.
2. **Assessing your portfolio possibilities:** It is not just about recognising and understanding the risk in your current portfolio but also the opportunities for change and transitioning that exist.
3. **Setting your metrics and targets:** Establishing your long-term goal is crucial but equally important is setting a series of milestone targets along the way that will ensure you stay on course.
4. **Implementing a transition plan:** Once you have taken the first three steps, you'll be well placed to create your transition plan, before sharing your roadmap to success with your internal and external stakeholders.



Webinar

We are hosting a Webinar looking at this subject on Tuesday, 21 September, 11am-12pm. Please contact your usual Mercer contact if you wish to join the session.

TPR publishes Climate Change Strategy

The Pensions Regulator (TPR) published a climate change strategy in April, setting out how it will help Funds meet challenges around climate change as well its own strategic response. TPR believes that any scheme that does not consider climate change is ignoring a major risk to pension savings and may be missing investment opportunities. TPR's new Climate Change Strategy outlines three aims:

1. To create better outcomes in later life for workplace savers by driving employer action on the risks and opportunities from climate change. TPR hopes to achieve this by ensuring that schemes meet the existing requirements for publishing information. It will also produce further guidance for schemes reporting in line with the TCFD framework, will review a selection of scheme implementation statements, and will publish a report on the findings. On compliance, TPR says it will strengthen enforcement where schemes are not meeting their responsibilities.
2. To seek to influence the debates around pensions and climate change - TPR says it will do this through participation in cross industry groups and by working with other regulators.
3. As a business, to take part in the transition to net zero - TPR proposes to publish a Climate Adaptation Report, which will outline how it will use TCFD recommendations as a framework for its own management of climate risk.



And in other news...

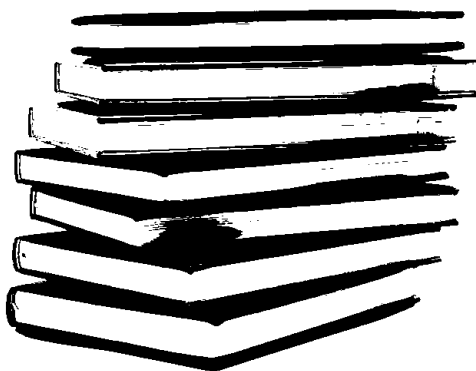
LGPS Non-Club Transfer Out Technical guide

The LGPS Non-Club Transfer Out Technical guide was updated and re-published on 30th July 2021. Version 1.3 of the guide can be found in section 1.2 of the Non-club transfer out technical guide [here](#) and in the Scottish regulations under Transfers Out [here](#).

Special Severance Payments by local authorities

On 2 July, MHCLG commenced a [consultation](#) on statutory guidance in respect of special severance payments for local authorities.

The intention of the guidance is to limit the use local authorities make of Special Severance Payments (defined as payments made to employees, office workers, contractors, and others outside of statutory, contractual or other requirements) when leaving employment in special service. The guidance sets out the criteria and “truly exceptional circumstances” that should apply to these payments. The consultation ran for 6 weeks until 13th August 2021.



Public Service Pensions Bill

On 19th July 2021, the Public Service Pensions and Judicial Offices Bill (which will pave the way for the implementation of the McCloud remedy) made its way through parliament in the House of Lords with its first [reading](#).



TPR published its Public Sector Survey

The Pension Regulator’s (TPR’s) [published](#) its annual Public Sector Survey on 1st July 2021. The main aim of the survey was to track administration and governance practices in the public sector. The 2020/21 survey also included additional questions in relation to the pension dashboard, responses to the COVID-19 pandemic and action taken in relation to climate related risks.

TPR closes consultation on new single code of practice

On 26 May 2021, TPR closed its consultation on the first phase of its new single code of practice (COP). The proposal is currently to combine its 15 existing codes into a single web-based COP.

The consultation asked for input on the first phase, which will bring together 10 existing codes and introduce additional material on new governance expectations in relation to the “own risk assessment”, climate change, cyber security and remuneration policies.

COVID-19 Mortality impact report

On 15th June 2021, the LGPS Board published updated mortality impact reports on two LGPS funds (originally commissioned in September 2020 to specifically analyse the mortality during the Covid-19 pandemic). The updated reports incorporate the winter analysis also. The report can be found [here](#).

The FCA's Long-Term Asset Fund Consultation

In May 2021, the Financial Conduct Authority (FCA) launched a consultation for a new category of authorised fund called a Long-Term Asset Fund (LTAF).

The consultation closed on 25 June 2021, and the FCA intends to publish a final policy statement and final handbook rules later in 2021. The consultation is part of a broader government agenda to facilitate investment in illiquid assets as a viable option for investors with long-term time horizons who understand the risks.

Increase to normal minimum pension age to go ahead

The Government recently published its [response](#) to the consultation on increasing the normal minimum pension age from 55 to 57 (from 6 April 2028). Some schemes and members may have protections that override these changes and individuals will be able to keep their protected pension age if they transfer their pension.

Occupational Pensions Stewardship Council

The DWP launched the [Occupational Pensions Stewardship Council](#) (OPSC) on 8th July. The aim of the Council is to develop a "stronger overall voice of trustees within the market, especially in relation to service providers". Schemes can also collaborate on stewardship

activities such as shareholder resolutions, climate change and corporate governance.

Finance Act 2021

The [Finance Act 2021](#) received Royal Assent on 10 June. The Act gives legal effect to a number of measures announced in March's Budget such as the decision to freeze the lifetime allowance at £1,073,100 for tax years 2021/22 to 2025/26.



What's coming up?

Section 13 – GAD's report on its valuation of the LGPS is due to be published in the autumn.

Pooling guidance – is expected in October 2021, alongside a consultation on climate risk and reporting.

Data Quality – As we get closer and closer to the 2022 valuations, the importance of clean and complete data grows. Funds will be carrying out their annual data quality reviews in the coming months to plan for the valuation. Speak to your Mercer consultant about arranging your review ahead of the valuation.

95k Cap – This is not the last we have heard of the cap and we expect it to come back around soon....

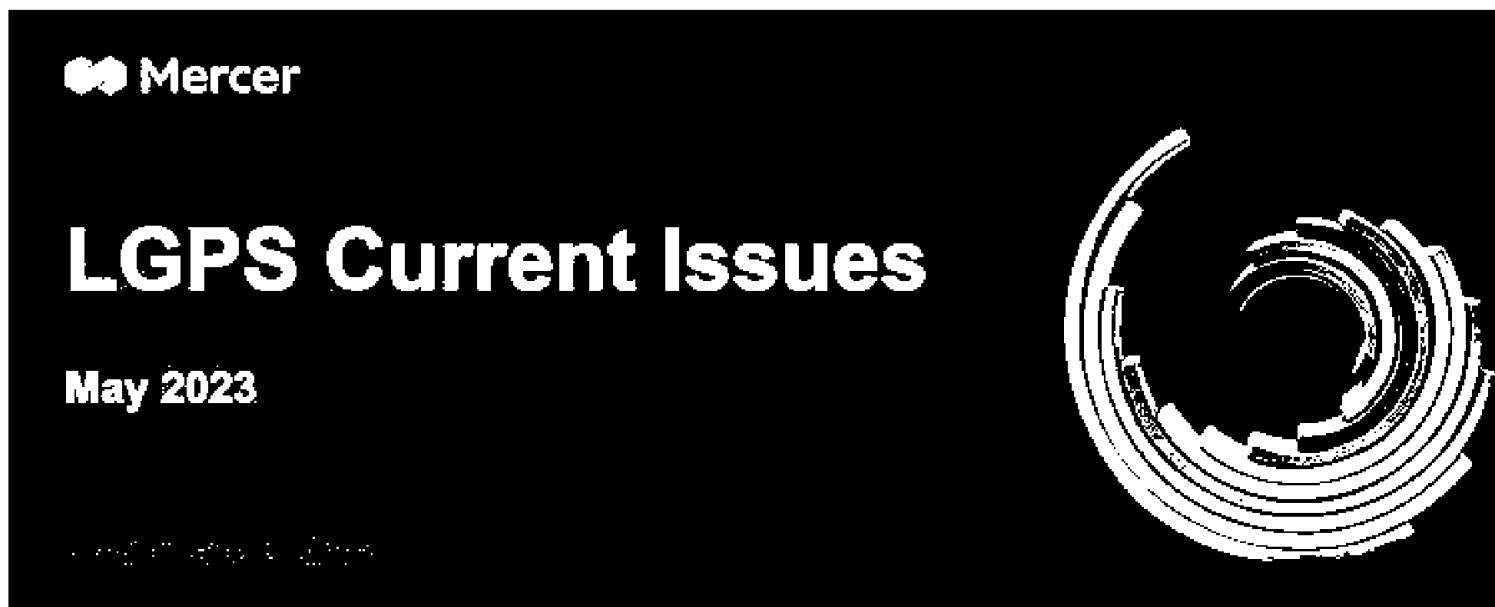
Dates to remember

Date	Issue	The latest
Expected Q2/Q3	Consultation on scams	Consultation is expected on draft regulations (under the Pension Schemes Act 2021) covering scams. Commencement of the scams measures (relating to transfer restrictions) is expected in early Autumn.
Expected Q3/Q4	Consultation on pensions dashboard	The Government aims to consult on proposed regulations for the dashboard later this year and lay draft regulations before Parliament for debate in 2022. Delivery of the dashboard is still projected to be in 2023.
30 September 2021	Extended Coronavirus Job Retention Scheme due to end	The Coronavirus Job Retention Scheme (CJRS), which was due to end on 30 April, has been extended across the UK until the end of September 2021. From July, employers will have to pay 10% toward hours not worked, increasing to 20% for August and September.
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and Registration draft regulations	Regulations that will replace some of the measures in the Competition and Markets Authority (CMA) Order have been delayed. Until they are implemented, the CMA Order will continue to be legally binding.
1 April 2023	McCloud remedy regulations in force	It is the Government's intention that regulations providing for the "McCloud remedy" come into force from 1 April 2023.
6 April 2028	Normal minimum pension age to rise to 57	The Government has confirmed the normal minimum pension age (the earliest age from which in most circumstances, members can take a pension without incurring tax penalties) will rise from 55 to 57 from this date (with pension age protection in place for eligible members).
2030	RPI to increase in line with CPIH	The Government's consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

This edition of LGPS: Current Issues is for information purposes only.
The articles do not constitute advice specific to your Fund and you are responsible for obtaining such advice.
Mercer does not accept any liability or responsibility for any action taken as a result of solely reading these articles.
For more information about other training or advice about how any article in this issue relates to your Fund, please contact your usual Mercer consultant.
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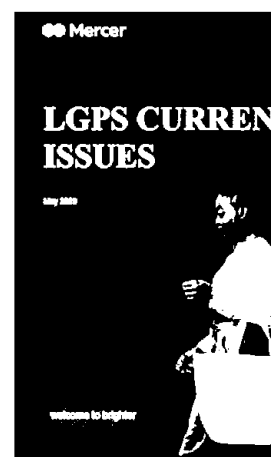
From: [REDACTED] <[REDACTED]@mercero.com>
Sent: 16 May 2023 11:10
Subject: LGPS Current Issues (May 23)
Attachments: LGPS Current Issues - May 2023.pdf



Please find attached our latest update on current issues impacting the LGPS.

IN THE MAY 2023 ISSUE:

- **Investments** (including Spring Budget, TCFD, LDI guidance)
- **Funding** (including valuations, SCAPE discount rate)
- **Regulatory Round Up** (including CARE Revaluation, McCloud)
- **News in Brief** (including Taxation, Pension Dashboards update)



In this edition we also look to celebrate the history of the FA Cup Final, with the first final ever to place in June only a few weeks away.

For more information or advice about how any article in this issue relates to your Fund, or if you have any feedback about this publication, please contact your usual Mercer consultant.

LGPS CURRENT ISSUES

May 2023



welcome to brighter

In this edition

The last few months have seen significant changes to the way pensions are taxed, the conclusion of the 2022 actuarial valuations in England and Wales, and the commencement of the valuation process in Scotland, not to mention the coronation of a new King! Given a number of regulatory announcements are still expected, it remains a busy period for LGPS Funds.

In this edition, with the first ever men's FA Cup Final to be played in June on the horizon (following on from a record crowd at the women's event on 14 May) we have provided a few Cup Final facts for you alongside updates on recent developments in the LGPS and commentary on what to expect over the coming months.



Click on the headings below to go straight to that section.

Investment Update **3-5**

[LGPS Pooling – Spring Budget](#)
[TCFD Reporting](#)
[Updated LDI Guidance](#)
[Sharia Law](#)
[Freedom of Information requests](#)
[Mercer LGPS Sustainable Investment Conference 2023](#)

Funding Matters **6-8**

[2022 Actuarial Valuations – next steps](#)
[2023 Actuarial Valuations](#)
[SCAPE Discount Rate](#)

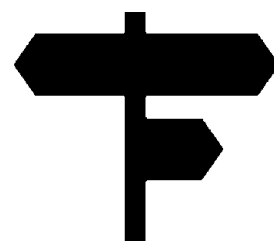
Regulatory round up – where are we now? **9-11**

[CARE Revaluation Consultation](#)
[SAB Cost Management Process Consultation](#)
[McCloud Remedy \(Various\)](#)
[Cyber Security](#)
[News in Brief](#)

And in other news... **12-13**

[Spring Budget \(Annual and Lifetime Allowance Changes\)](#)
[State Pension Age Review](#)
[Gender Pay Gap Report](#)
[Pensions Dashboards Update](#)

Meet the team & contact details **14-15**



Investment Update

[Back to contents](#)

LGPS Pooling - Spring Budget

Within the Spring Budget announced on 15 March, there was direct reference to LGPS pooling. It stated:

“The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets. This may include moving towards a smaller number of pools in excess of £50bn to optimize benefits of scale. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.”



The reference to LGPS pooling in the budget signals the clear intention of the Government in relation to unlocking capital from LGPS assets. This is likely to be a precursor to more detailed debate when we have the new pooling guidance once the consultation has taken place, which is anticipated to be in the coming months. There are many different implications here which will need to be carefully thought through to ensure there are no unintended consequences.

The references in the budget are perhaps unsurprising given the previous statements about levelling up and unlocking capital for the UK but the devil will be in the detail. Key barriers will be: **Finding the right opportunities, How to invest? Who with?** and so on.

We will comment further once we have more information and we expect it will also form part of the consultation on the pooling guidance expected this year. It is now expected this consultation will be issued alongside that for Levelling Up.



The FA Cup is the World's oldest football tournament, first established in 1871 with Wanderers winning the first final in 1872. The first women's competition was held in 1970/1971.

TCFD Reporting

On 23 March 2023, TPR published a review of climate-related disclosures by occupational pension schemes. Whilst not directly relevant to the LGPS, the observations set out from reporting in the private sector may be useful for LGPS Funds ahead of TCFD reporting becoming mandatory. A response to DLUHC's 2022 consultation is still awaited, however the latest rumours are that mandatory climate reporting might be delayed by up to a year, **meaning a potential deadline of 1 December 2025 for Funds to produce their first “climate risk report”**.

In the meantime, notwithstanding the resource challenges that we know Funds are facing, we would encourage Funds to consider undertaking the analysis required for climate risk reports ahead of any regulatory deadlines. Climate change is a key systematic risk impacting pension funds right across the funding, investment and covenant spectrum. We have seen a number of LGPS Funds already report on a TCFD basis and set a Net Zero target. This process has proven very helpful for Funds to understanding climate risk and therefore understand the actions that are needed to strengthen risk management and harness potential opportunities, providing a more robust risk management framework.

Experience has shown that preparation of the first TCFD report is a large undertaking. To help manage this, one option is to undertake the Climate Scenario and Carbon Footprinting analysis first, but without making it publicly available, giving Officers and Committees additional time to understand the data and analysis and identify any gaps. This will significantly ease the process when the first public report is required.

Updated LDI Guidance

On 24 April 2023, following on from the guidance issued in November 2022, the TPR issued new guidance to ensure pension schemes minimise the risks associated with liability driven investments (LDI).

The guidance sets minimum thresholds for collateral headroom, ensuring that LDI portfolios can withstand sufficient rises in yields.

Whilst the guidance is primarily aimed at LDI portfolios for occupational pension schemes, it is important for LGPS Funds with LDI portfolios and also Risk Management Frameworks where derivatives are employed (e.g. equity protection or synthetic exposures).

For LGPS Funds with leveraged LDI portfolios or Risk Management Funds, please contact your usual Mercer consultant if you want to discuss changes you want to consider in relation to the above.



The player to score the most goals in FA Cup Finals is Ian Rush with 5 (2 in 1986, 1989 and 1 in 1992). Didier Drogba holds the record for most finals scored in, 4.

Sharia Law

On 6 April 2023, the Scheme Advisory Board issued a tender for an expert in Islamic finance to examine the legal structure of the LGPS from a Sharia perspective. This is in line with the legal advice received by the Board in February 2022.

Freedom of Information requests

On 30 March 2023, in response to an increasing number of Freedom of Information (FOI) requests being received by LGPS Funds in relation to responsible investment policies, the

Scheme Advisory Board issued a statement (found on its [website](#)) advising Funds of their duty to be open and honest about their policies but recognising there may be occasions where cost, commercial sensitivity, or other considerations may outweigh the public interest in releasing the requested information. Funds should refer to guidance from the Information Commissioners Officer, and their own legal / FOI advisors where appropriate.

Mercer has supported a large number of Funds in responding to these FOI requests.

For LGPS Funds who have been contacted about these FOI requests, please contact your usual Mercer consultant who will be able to assist with responding to such requests.

Mercer's LGPS Sustainable Investment Conference (8 March)

We held our inaugural LGPS Sustainable Investment Conference in March 2023 to help those responsible for LGPS Funds and Pools with the challenges they face. Key topics discussed were TCFD, Levelling Up and Biodiversity and our Responsible Investment Total Evaluation (RITE) Tool.

If you were unable to join us at the conference, our speakers give their insights and perspectives on the topics discussed [here](#).



Arsenal are the most successful team in the history of the FA Cup, winning the trophy 14 times (Arsenal hold the same record in the women's competition, again with 14 wins). Arsene Wenger holds the managerial record with 7 wins.

Funding Matters

[Back to contents](#)

2022 Actuarial Valuations

Across England and Wales, the 2022 actuarial valuations were signed off by 31 March 2023. Whilst this wasn't at the onset of a national lockdown, as was the case for the 2019 valuations, nonetheless it was (and remains) a time of considerable economic uncertainty, particularly in relation to the prevailing cost of living crisis.

The completion of the valuations is a clear milestone – and an opportunity to draw breath... however, this doesn't mean Funds can put their feet up for the next three years on funding matters. We will be working closely with Funds going forwards in the key areas outlined below:

- **Monitoring** – in addition to the ongoing monitoring of the whole Fund position over time, Funds will need to consider which employers will also need to be monitored and the frequency of doing so. This will typically relate to those employers planning for exit (who may have already requested monitoring information), employers with a weak covenant, perhaps where special funding arrangements are in place, or where a deferred debt agreement has been put in place, for example.
- **Exits** – given the current economic (high gilt yield) environment, we are still seeing a number of requests from employers to exit Funds. Funds need to consider these requests on their merits and balance the interests of all employers in the Fund, noting that there may be a range of potential avenues for taking forwards an exit – covenant input will be key to these considerations. Funds may wish to also consider proactive discussion with closed employers about planning for exit, where active membership is rapidly maturing.



Louis Saha holds the record of the fastest ever goal in a final, scoring after 25 seconds in the 2009 final for Everton against Chelsea.

- **Climate Change** - having undertaken scenario analysis as part of the 2022 valuation, Funds can utilise the output of this in their investment strategy considerations. In particular, a simple extension of the analysis can be used to demonstrate how varying the investment strategy might change the outcomes under the scenarios, which will be useful for supporting objective decision making. Scenario analysis in this space is continuously evolving – to both reflect changing prevailing circumstances and also increasing sophistication of techniques. Our [webinar](#) (being held on 16 May) will cover our unique approach to modelling the potential impact on life expectancy of climate change.



- **Data Quality** – with McCloud Regulations expected in a few months (see comment in next section), Funds should be continuing to collate and analyse data from employers in readiness for implementing the remedy.
- **SAB Valuation Report and Section 13** - Funds and Actuaries are currently collating information to provide to the Scheme Advisory Board (SAB) for preparing the Board's 2022 Scheme Valuation Report and also to GAD for the purpose of the Section 13 assessment that they will undertake.

2023 Actuarial Valuations

In Scotland, preparatory work will have already begun in relation to the 31 March 2023 actuarial valuations. The Funds will be in the process of finalising year ends with a view to providing data to their actuary over the coming months. Given the McCloud regulations won't be implemented prior to calculations being completed the SPPA have provided guidance to Funds and actuaries on how to allow for this in the valuations. The Section 13 Report of the 2020 valuations was published in March and this had important recommendations around the content of future dashboards and the desirability for consistent approaches to the assessment of emerging risks i.e. Climate Change. **We will provide further comment on the key themes/outcomes emerging in due course.**



The last English manager to win the FA Cup was Harry Redknapp, with Portsmouth in 2008.

SCAPE Discount Rate

On 30 March 2023, the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had been reduced to a real rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum.

Although this change does not impact contribution rates for the LGPS set as part of a triennial actuarial valuation exercise (in the same way it impacts employer contribution rates in the other, unfunded, public sector schemes) there will be an impact on the LGPS given the SCAPE rate is used by GAD to set actuarial factors, which will impact early retirements / transfer values etc. Member calculations are currently suspended whilst factors are reviewed by GAD, which will of course have administrative implications for LGPS Funds.



We will be undertaking a review of early retirement strain cost factors, for those Funds where we are the actuary, once details of the new early retirement factors to be applied going forwards are known.

At the same time a response to the June 2021 consultation on the methodology for deriving the SCAPE discount rate was also published. This confirmed that the rate will continue to be based on long term gross domestic product (GDP) growth figures with an aim to review the rate every four not five years going forwards in line with the scheme valuation cycle.



In the 1956 final, Manchester City goalkeeper Bert Trautmann (a former German prisoner of war) broke his neck but still played the full match (and won).

Regulatory round up

[Back to contents](#)

CARE Revaluation Date

On 9 March 2023, DLUHC published its [response](#) to the consultation issued in February 2023 setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the [LGPS \(Amendment\) Regulations 2023](#) were laid (coming into effect on 31 March 2023).



Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge (and thereby reduced the burden on Funds to prepare statements/respond to queries etc.), in the short-term the timing of the change has had an impact on Funds and software suppliers with central guidance provided to Funds to assist with managing the change until such time systems would be updated.

SAB Cost Management Process Consultation

On 18 March 2023, we issued our response to the DLUHC [consultation](#) relating to proposed updates to the SAB cost management process for the LGPS. In general, we agreed with the changes and the additional flexibility proposed subject to a few minor clarifications/updates to the proposed changes.

A response to the consultation is now awaited.



In 1946 and 1947 the ball burst in both finals, something which hasn't happened since.

McCloud Remedy (Various)

Consultation: On 6 April 2023, DLUHC published their [response](#) to the 2020 consultation on amendments to the underpin. Given developments since 2020, whereby issues have arisen that haven't been consulted upon, a further consultation will be issued by DLUHC in the near future, seeking views on these issues (e.g. compensation interest, excess teacher service etc.), alongside issues from the original consultation where a final decision has yet to be taken (e.g. aggregation, flexible retirement) and also on the draft regulations themselves, which will come into force on 1 October 2023 (backdated to 1 April 2014).

Alongside the response in collaboration with the Scheme Advisory Board, DLUHC published a member factsheet summarising the remedy.

Tax: With effect from 6 April 2023 the Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 became effective, although only have practical effect once the LGPS Regulations setting out the remedy come into force. To assist administering authorities in determining what action they need to take in relation to these Regulations the LGA issued a guide in March 2023 setting out the commentary and further guidance.

Data: On 3 March 2023 the Scheme Advisory Board issued guidance to administering authorities setting out what options administering authorities should consider if they are unable to collect the data required to implement the McCloud remedy, or where the data available is deemed to not be accurate.



If you would like to discuss how Mercer can help you validate/test the data you have collated in relation to the remedy, then please contact your usual Mercer consultant.

Judicial Review: On 10 March 2023 the applications for the Judicial Review (referred to below) in relation to the cost cap Mechanism were dismissed by the High Court in both claims after the judge ruled that the Government's decision to include the McCloud remedy in the cost to be compared against the target cost, was not unlawful. Whilst the judge refused permission to appeal, it's expected that both unions will apply for permission to appeal directly to the Court of Appeal. The full judgment can be found here.

The Scheme Advisory Board has requested its legal advisor, Eversheds, to provide summary comment on the judgment.



Tradition holds in English football that triangular corner flags can be used by clubs who have won the FA Cup, rather than regular square ones.

Cyber Security

At the end of April, the Pensions Regulator wrote a letter to hundreds of pension funds potentially impacted by a recently publicised cyber-attack involving a provider of administration (and other) services to the pensions industry. The recent attack, and regulatory intervention, highlights the importance for Funds to ensure they have sufficient knowledge, and the relevant policies and procedures in place relating to cyber security.

As referenced in our previous edition, alongside our sister company Marsh, we can support LGPS Funds in this area, ranging from stakeholder training and communication, policy preparation/review, and testing incident response plans. Please contact your Mercer consultant for further details on how we can help.

Other regulatory news in brief

TPR's New General Code – The new Code (formerly referred to as the Single Code of Practice) is still expected to be published in its final form in the next few months. It will consolidate and re-write a number of existing codes, formalise the requirement for an Effective System of Governance, and (for pension schemes with 100 or more members) introduce the new Own Risk Assessment. New actuarial, internal audit and risk functions will also be required, and cyber risk, stewardship and climate change will be included in a code of practice for the first time.



There have been 6 players to have been sent off in FA Cup Finals, the first being Kevin Moran for Manchester United in 1985 against Everton.

And in other news...

[Back to contents](#)

Spring Budget – Annual and Lifetime Allowance Changes

The Spring Budget on 15 March 2013 announced a number of major changes to the taxation of pension benefits. These changes came into effect from 6 April 2023. A summary of the key changes is set out below:

- Increasing the annual allowance (£40,000 to £60,000) and money purchase annual allowance (£4,000 to £10,000).
- Increasing the adjusted income level for the tapered annual allowance (from £240,000 to £260,000) and the minimum tapered annual allowance (from £4,000 to £10,000).
- Abolishing lifetime allowance charges for benefit crystallisation events occurring on or after 6 April 2023.
- Changing the taxation of any lifetime allowance excess lump sum to be at marginal rate not 55%, with similar changes to serious ill-health / death benefit lump sum payments.
- Allowing members to accrue new benefits/join new schemes/transfer without losing enhanced/fixed protection (where applied for prior to the budget).

Alongside the above changes it was confirmed that the maximum tax-free lump sum available to member would remain the same. Given that the Lifetime Allowance itself won't be abolished until 2024/25 (through a further Finance Bill), administering authorities will still need to undertake checks in the 2023/24 year albeit charges will be different/not applicable and don't need to be reported.

Whilst positive changes for members (albeit a relatively small proportion of the overall LGPS membership given the benefit profile), the changes have meant a number of amendments to administering authority process and communications, and may result in additional queries from members in the short-term.

For any employers/members wishing to discuss further how the changes may impact them (in relation to workforce/retirement planning) then our team of LGPS pension taxation specialists would be happy to help.



The player with the most FA Cup final winners medals is Ashley Cole, with 7 (3 Arsenal and 4 Chelsea).

State Pension Age Review

On 30 March 2023, DWP published its 2023 review of the State Pension Age. The review confirms that the rise to age 67 between 2026 and 2028 is still appropriate, however, the Government does not intend to change existing legislation that increases the State Pension Age to age 68 (over the period 2037 to 2039).



Instead the Government plans to have a further review within two years of the next Parliament where the timing of a rise to age 68 will be considered further. This

report must be published no later than 29 March 2029.

Gender Pay Gap Report

On 29 March 2023, the Scheme Advisory Board published the outcomes of a report undertaken by GAD in relation to the gender pensions gap in the LGPS alongside supporting comment.

The report has shown that pensions for men are c35% higher than those for women in relation to CARE benefits, and c46% higher in relation to Final Salary Benefits. Whilst there were limitations in some aspects of the analysis undertaken (e.g. availability of data), the Board will be considering the analysis further to investigate causes and agree next steps.



Pensions Dashboards Update

There have been a number of updates recently in the Pension Dashboards programme. Further information can be found on the PDP website.

The main development saw the Pensions Minister, [REDACTED] Trott make a statement on 2 March 2023 announcing the Government's intention to legislate "at the earliest opportunity" to amend schemes' connection deadlines, to allow more time to deliver the complex dashboards infrastructure. It's not clear yet which schemes (including the LGPS) will be given an extension and how long this may be. Further details are expected prior to the summer recess, for the time being, Funds should continue to prepare as though there will be no extension.

TPR has confirmed it will write to those schemes affected by the announcement to confirm new deadlines. It has also published updated guidance and a checklist to help schemes focus on what work they should be undertaking now. They will also produce a "content toolkit" with key messages for administering authorities to use in communications.

In addition to the above:

- GAD published a blog to help administrators set the right questions when considering what matching data to use.
- PASA updated its Data Matching Guidance and issued new guidance on communicating with savers.
- TPR held a webinar focussing on data preparation duties.

As referred to previously, the LGA is looking to pull together a guide to assist LGPS administering authorities with the actions they need to take to ensure compliance.



In 1914 George V became the first monarch to watch the FA Cup Final. The Queen attended her first football match in 1953.

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LGPS Current Issues

February 2023

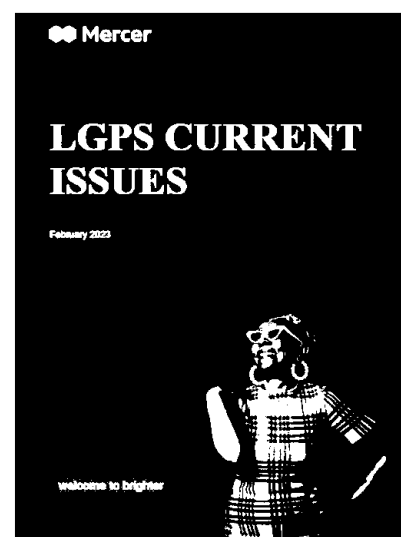
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Please find attached our latest update on current issues impacting the LGPS.

IN THE FEBRUARY 2022 ISSUE:

- **Investments** (including LDI guidance, climate risk lawsuit)
- **Funding** (including valuations, climate change scenario analysis)
- **Cyber Risk** (what should Funds be thinking about)
- **Regulatory Round Up** (including CARE Revaluation, McCloud)
- **News in Brief** (including Pension Dashboards update)



In this edition we also look to celebrate the history of the Oscars, which take place in March.

For more information or advice about how any article in this issue relates to your Fund, or if you have any feedback about this publication, please contact your usual Mercer consultant.



LGPS CURRENT ISSUES

February 2023

welcome to brighter



In this edition

Whilst markets appear to have stabled, relative to the volatility seen in 2022, a number of regulatory developments are expected in the coming months. Together with work to finalise the actuarial valuations in England and Wales, preparatory work for the valuations in Scotland, and ongoing work in relation to McCloud, Climate Risk, Pension Dashboards etc. there is still plenty to keep LGPS Funds occupied as we approach the end of the financial year.

In this edition, alongside celebrating the history of the Oscars which take place in March, we provide brief updates on recent developments and commentary on what to expect over the next months including commentary on Cyber Risk and how we can help you in this area.



Click on the headings below to go straight to that section.

Investment Update **3-4**

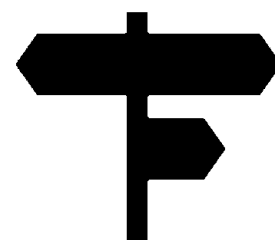
Funding Matters **5-6**

Cyber Risk **7-8**

Regulatory round up – where are we now? **9-11**

And in other news... **12**

Meet the team & contact details **13-14**



Investment Update

[Back to contents](#)

LDI Guidance

Following the market turmoil in the autumn of 2022, at the end of November 2022, a number of regulators issued a package of guidance and statements for liability driven investment (LDI) managers and investors to address the instability in the gilt market after the September “mini budget”. LGPS Funds with leveraged LDI portfolios should ensure they have reviewed the guidance with their investment adviser and are taking appropriate steps to meet regulatory expectations.



The initial statement was from National Competent Authorities (NCAs), which regulate LDI funds in the country in which their provider is based. This was followed by a statement from the Financial Conduct Authority (FCA) directed at LDI asset managers and guidance from the Pensions Regulator (TPR) for trustees of occupational DB schemes who have leveraged LDI investment allocations.

The overarching theme from all the regulators is that an appropriate yield buffer is deemed to be 3-4% and this needs to be accompanied by robust governance to withstand stressed market conditions.

The FCA plans to maintain a supervisory focus on market participants to ensure vulnerabilities identified are addressed and intends to publish a further statement on good practice towards the end of the first quarter of 2023.

For LGPS Funds with LDI portfolios, please contact your usual Mercer consultant if you want to discuss what changes you may need to implement in relation to the above.

Climate Risk Lawsuit - Shell

On 9 February 2023, Client Earth launched the first ever derivative action in the High Court in England and Wales against the board of directors of Shell for failing to manage the material and foreseeable risks posed to the company by climate change. The claim is supported by a number of institutional investors, including the London CIV, who have sent a letter of support to Client Earth. This support follows a letter issued by the CIV to Shell in October 2022 for which no response was received.



The record for the shortest acceptance speech is shared by renowned director Alfred Hitchcock and William Holden. They both simply said, "Thank you."

“Edinburgh Reforms”

On 9 December 2022, the Chancellor announced a set of reforms to drive growth and competitiveness in the financial services sector, collectively known as the “**Edinburgh Reforms**”. The package, consisting of 30 measures, are divided into four categories – a competitive marketplace promoting effective use of capital, sustainable finance, technology and innovation, and consumers and business.

The statement also confirmed that the Government would be consulting on asset pooling in “early 2023” (as previously expected) and also consulting on a requirement for LGPS Funds to consider investment opportunities in illiquid assets such as “venture and growth capital”.

Further details in relation to these consultations and what the requirements on LGPS Funds will be, are now awaited.



Walt Disney has the most Oscar wins of all time. In all, he has won 22 competitive Oscars and 3 honorary ones, out of a total of 59 nominations.

Mercer's LGPS Sustainable Investment Conference (8 March)

Join our Mercer experts and guest speakers at our Sustainable Investment Conference on **Wednesday 8 March 2023** at our London Office, specifically for those responsible for LGPS Funds and Pools, as we explore TCFD, Levelling Up, and biodiversity and natural capital. The agenda is now available and can be viewed [here](#).

You can register your place using the link here.

[Secure your place](#)



Funding Matters

[Back to contents](#)

2022 and 2023 Actuarial Valuations

Across England and Wales, the 2022 actuarial valuations are entering into the final stages where Actuaries will be preparing their final reports to sign off employer contribution outcomes with any changes taking effect from 1 April 2023. Funds will need to ensure their Funding Strategy Statements are approved by Committees and finalised and consider their approach for monitoring and review of funding positions over the inter-valuation period.



The only sequel to have won Best Picture is *The Godfather: Part II* (1974).

In Scotland, preparatory work will have already begun in relation to the 31 March 2023 actuarial valuations. Despite market volatility, Funds will generally be expected to be in a healthy position relative to the previous valuation in 2020 and as for England and Wales, balancing risk vs as employer affordability will again be a key driver when determining valuation outcomes as employer finances in many cases will be even more stretched over the next few years.

Climate Change Scenario Analysis

Whilst a lot of focus to date has been on how climate change may impact Fund's assets, as part of the 31 March 2022 valuation reporting in England and Wales, there is a requirement for Actuaries to identify the impact of transition risk (shorter term) and physical risks (longer term) on potential funding outcomes. The outcomes of any scenario analysis undertaken and supporting comments will be included in the final valuation report. Funds will also be required to include a statement in their Funding Strategy Statement.

The Government Actuary's Department's (GAD's) core requirements are that Funds will at least model the progression of the funding level over 20 years on **two climate change scenarios** – one of which will be "Paris aligned" and the other consistent a higher temperature outcome.



The record for total Oscar wins in one year is 11. Three films have done it: *Ben-Hur* (1959), *Titanic* (1997), and *The Lord of the Rings: The Return of the King* (2003).

However we are finding Funds are generally looking to undertake a broader analysis so as to dovetail with the work done (or due) in relation to their investment strategy. Such analyses will look at impacts over the short, medium and longer term (e.g. 5, 20 and 40 years) in terms of the outcomes and also the effects of alternative investment strategies (in particular any change to their sustainable investments) in order to provide a form of measurement of the potential impact.

Mercer's climate scenarios have been developed in collaboration with Ortec Finance and price in shocks when the markets account for future impacts (both physical and transition impacts). There is also a granular insight into sector and regional impacts for equities, corporate bond and high yield allocations, with fixed income analysis considering the impact of changes in yield, spread, transitions and defaults.



SAB 2022 Scheme Valuation Report and Section 13

As the 2022 valuations are completed, Funds and Actuaries will be required to collate information to provide to the Scheme Advisory Board (SAB) for preparing the Board's 2022 Scheme Valuation Report and also to GAD for the purpose of the Section 13 assessment that they will undertake.



The oldest Oscar winner to date was Anthony Hopkins, who won Best Actor in a Leading Role for *The Father* (2020) at 83 years old.

Cyber Risk

[Back to contents](#)

Pension schemes, including LGPS Funds, are vulnerable to cyber-attacks due to the large amount of assets and personal data they hold, as well as frequent financial transactions between stakeholders. Because of this, cyber risk for pension schemes is a topical and rapidly evolving area and is one of the growing threats to the security of members' benefits

TPR has guidance that sets expectations for trustees and administering authorities to consider how well Funds are protected against cyber risk. This will be incorporated as a module in the forthcoming single code of practice.

As this is a relatively new and developing area for pension schemes, it is important that administering authorities understand where to start the conversation and what actions they need to take.



Having cyber risk on the agenda for Committee/Board meetings, and discussing with providers (e.g. third party administrators / advisers etc.) what controls are currently in place to protect the fund, is a good starting point. TPR's guidance contains questions for carrying out cyber risk assessments, which are summarised below and can be used as initial discussion points:

- Is the cyber risk on the risk register and is it regularly reviewed
- Do the scheme managers i.e. officers have access to the right skills and expertise to understand and manage the risk?
- Are sufficient controls in place to minimise the risk of a cyber-incident occurring?
- Is there a response plan in place to deal with any incidents which occur and help swiftly and safely resume operations?
- Do the suppliers have business continuity plans in place?
- Are the controls, processes and response plans regularly tested and reviewed?
- How are the scheme managers keeping up to date with information and guidance on threats?

How Mercer can help

We have been working with cyber experts at our sister company Marsh to provide pension funds with solutions in the form of training sessions, reviewing cyber policies and risk registers as well as developing incident response plans.

Please get in touch with your usual Mercer consultant to discuss your scheme's specific needs to manage cyber risk and we'd be happy to explore how we can help you in this area.



Source: _____



The Matrix received four Oscar nominations (1999) and won in all four awards in four different categories, which included Film Editing, Sound Mixing, Sound Editing and Visual Effects.



No sci-fi film has ever won a Best Picture. Not *Star Wars* (1977), *E.T.* (1982) or even *Avatar* (2009), which was the highest grossing film of all time when it lost the award.

Regulatory round up

[Back to contents](#)

CARE Revaluation Date Consultation

On 10 February 2023, a consultation was published by the Department for Levelling Up, Housing and Communities (DLUHC) to consult on changes to the LGPS Regulations 2013 to give effect to the change in the annual revaluation date from 1 April to 6 April.



Meryl Streep is the record holder for the most total Academy Award acting nominations with 21. She's won three times.

The proposals seek to realign the annual revaluation of CARE benefits with the revaluation applied when determining a members Pension Input Amount (the value of growth in a member's benefits during a Pension Input Period). For 2022/23 in particular, the current disconnect between the two revaluations would lead to a greater number of members potentially being subject to an annual allowance tax charge.

From a member perspective, the change would reduce the potential for tax charges to be incurred and so will be seen as a positive change. The proposals also seek to mitigate the impact on those members where "member events" e.g. leaving/retiring etc. occur during the 1 to 5 April period.

There will also be administrative advantages to the change given the number of members who will need to be provided with a Pension Savings Statement will be lower than under the current approach and the number of queries that subsequently emerge will also reduce.

Given the timescales involved for any changes to be implemented, this consultation will only run for 2 weeks to 24 February 2023.

SAB Cost Management Process Consultation

On 30 January 2023, DLUHC published a consultation setting out proposed updates to the SAB cost management process for the LGPS. This follows from GADs report into the HMT cost management process and the resulting policy and legislative changes that followed. The proposed changes that are being consulted on are:



- A requirement to undertake the LGPS Scheme Valuation on a 4 yearly cycle rather than 3, thus bringing it into line with other public service schemes. (N.B. This doesn't change the requirement to undertake individual LGPS Fund valuations on a triennial basis.)
- Incorporating more flexibility if the SAB decide to make recommendation on costs.
- Ensuring the SAB is consulted on the technical accuracy of any changes in regulations that may be needed to incorporate the new "economic check" mechanism into the updated HMT cost management process, prior to implementation.

The consultation ends on **24 March 2023**.

Climate Change Risk Consultation

The long awaited consultation issued by the UK government on 1 September 2022 in respect of their proposals on how LGPS Funds will be expected to report on climate change risk and their governance approach to it, closed on 24 November 2022. A copy of the SAB response that was submitted on 18 November 2022 can be found here. A response to the consultation by the government is now awaited.



Since 1960, three black and white films have won Best Picture: The Apartment (1960), Schindler's List (1993), and The Artist (2011).

McCloud Remedy (Various)

Tax: On **24 November 2022** HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy in order to seek views on draft legislation – **The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023** – which would become effective from 6 April 2023 (with some provisions having retrospective effect).

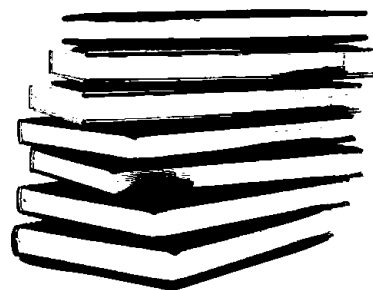
Not all provisions within the draft legislation cover the LGPS given the legislation covers all public service pension schemes and the LGPS remedy is very different. The draft legislation (relevant to the LGPS) includes annual allowance treatment, individual/fixed protection for lifetime allowance considerations, and comment in a number of areas in relation to benefit

On **6 February 2023** the Regulations were laid and become effective from 6 April 2023.

Powers: On **14 December 2022** HMT made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 which came into effect on 19 December 2022. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised e.g. linked to the payment of compensation/interest etc.

The making of the Directions enables relevant departments to start consulting on regulations.

Teachers: It has been confirmed that the implementation of the McCloud remedy in the Teachers Pension Scheme (TPS) will have implications for the LGPS given that some teachers will be retrospectively eligible for LGPS membership during the period 1 April 2015 to 31 March 2022. Eligibility would be for those teachers who had a part-time employment, in addition to a full-time employment, given the part-time role would not have been pensionable in the TPS legacy scheme.



In such cases the member would have been enrolled into the LGPS. An administrative process, for dealing such cases, will be needed and the LGA will work together with the DfE and DLUHC on this matter. The DfE is also to begin contacting relevant schools to confirm employment status of members during the remedy period.

Judicial Review: **On 31 January 2023**, the Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government proposed method of paying for costs incurred by the McCloud Judgment began. The outcomes of this review may have implications for the LGPS and the outcomes of the 2016 cost management process that were announced in 2022.

Further Education Bodies

On 29 November 2022, following the review being undertaken by the ONS, the ONS has reclassified colleges and their subsidiaries into the central government sector. The response to the consultation can be found [here](#).



The youngest Oscar winner ever was Tatum O'Neal, who won Best Supporting Actress for Paper Moon (1973) at just 10 years old.

Although the consultation response confirms the reclassification it confirms no impact on the LGPS and further details are still awaited in relation to additional covenant assurances/guarantees for Further Education (FE) employers. FE employers will also now be removed from the separate consultation on the eligibility of FE and Higher Education employers (in particular Post 1992 Universities) in the LGPS and whether the LGPS needs to be offered to support staff.

Other regulatory news in brief

TPR's New Single Code of Practice – The new Code is now expected to be published in its final form in the next few months. It will consolidate and re-write a number of existing codes, formalise the requirement for an Effective System of Governance, and (for pension schemes with 100 or more members) introduce the new Own Risk Assessment. New actuarial, internal audit and risk functions will also be required, and cyber risk, stewardship and climate change will be included in a code of practice for the first time.



And in other news...

[Back to contents](#)

Ministerial Appointment

In November 2022, Lee Rowley MP replaced Paul Scully MP as the Minister of State for Local Government and Building Safety. The Scheme Advisory Board wrote to the Minister to welcome him to the role. The letter can be found [here](#).



LGPS Frameworks – The National
LGPS Frameworks have written to administering authorities to ask for volunteers to act as founders for two new frameworks that will launch later this year – AVCs and Integrated Service Providers (ISP)/Member Data Services.

Review of TPR

DWP have [announced](#) the appointment of Mary Starks to lead a review of The Pensions Regulator (with the report expected to be delivered in May 2023).

CMI Investigation

The Continuous Mortality Investigation (CMI) has launched a consultation on how it should include mortality data for 2022 in the CMI_2022 version of its mortality projections model, which is used to estimate improvements in life expectancies of pension scheme members.

According to the consultation, adopting CMI_2022 will reduce projected life expectancies (and thus liabilities potentially) compared to earlier versions of the model. The impact will vary based on scheme characteristics and the final approach adopted by the CMI. The CMI aims to publish the model in June 2023.



Peter Finch (Network) and Heath Ledger (The Dark Knight) are the only actors to be awarded an Oscar posthumously.

Pensions Dashboards Update

There have been a number of updates recently in the Pension Dashboards programme. Further information can be found on [the PDP website](#).

In summary:

At the end of November 2022 [The Pensions Dashboard Regulations 2022](#) were made and came into force from 12 December 2022.

In terms of guidance/consultations, the following have been released.

- [Early Connection Guidance](#)
- [Deferred Connection Guidance](#)
- [TPR Consultation on Compliance](#)
- [FCA Consultation on Regulatory Framework for dashboard operators](#)
- [PDP Consultation on Dashboard Standards](#)

Given the pace of developments relating to Pensions Dashboards, the LGA is looking to pull together a guide to assist LGPS administering authorities with the actions they need to take to ensure compliance.

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Please find attached our latest Current Issues.

Please get in touch with your usual Mercer consultant if you have any questions or need further information.

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Kind regards,

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Friday is my non-working day

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LGPS CURRENT ISSUES

November 2022

welcome to brighter



In this edition

Since our previous Current Issues edition, a lot has certainly happened. In amongst the sad passing of Her late Majesty Queen Elizabeth II on 8 September, we have seen 3 Prime Ministers, 4 Chancellors and chaos in the financial markets following the mini-budget. Much of the focus in the LGPS has been on processing the actuarial valuations in England and Wales and considering the implications of the recent market turmoil. With a new minister, Paul Scully MP, in post since July, a number of regulatory developments may be around the corner following on from the long-awaited climate risk consultation issued in September. It certainly promises to be a busy period ahead.

In this edition, we provide brief updates on recent developments and commentary on what to expect over the next months. **Click on the headings below to go straight to that section.**

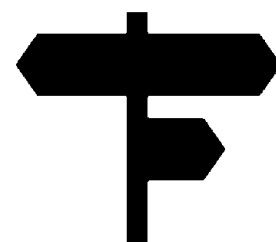
Investment Update **3-4**

Funding Matters **5-6**

Regulatory round up – where are we now? **7-10**

And in other news... **11-12**

Meet the team & contact details **13-14**



Investment Update

[Back to contents](#)

Market Turmoil

As a result of the Government's "mini budget" announcement on 23 September 2022, gilt yields rose significantly (i.e. the value of gilts fell). This was due in large part to the expectation of greater debt issuance by the government to fund various tax cuts and other spending measures. As a consequence of this, the Bank of England stepped into the market to buy gilts on a temporary basis, with the aim of preventing the prices falling further.

The speed at which gilt yields rose put pressure on pension schemes that invest in gilts in a leveraged manner to collateralise portfolios at short notice to decrease leverage. Whilst the government has u-turned on the majority of the tax cuts, gilt yields remain elevated given the remaining uncertainty on the government's fiscal plans, along with the speed and size of the Bank of England's interest rate hikes to help combat inflation. **It remains to be seen what the market reaction to the announcement of the Chancellor's Autumn Statement, to be outlined on 17 November, will be.**

For those LGPS Funds investing in fixed and index-linked gilts (and corporate bonds), whether directly or via any Liability Driven Investment (LDI) mandates, the value of those assets will have fallen as a result of the market turmoil. For those with LDI mandates, significant work will have been undertaken in recent weeks to rearrange portfolios to ensure enough collateral remained in the event of any further gilt yield rises whilst looking to maintain the same overall return expectations.

It is important to note that Funds who have significant allocations to global markets will not have been directly impacted by the events above, but of course will be subject to valuation changes as a result of other macro-economic factors e.g. for those Funds with unhedged global equity allocations, the weakening of Sterling (as has been well publicised) will have had a positive impact.

Following the recent turmoil, Funds should be working closely with their investment advisors to ensure their current Investment Strategy remains appropriate (including consideration of any currency risk). For Funds in England and Wales for whom an actuarial valuation is being undertaken, the links between the Investment and Funding Strategies at this time need to be closely monitored and objectives aligned in order to ensure the long-term cost efficiency of Funds.

Climate Change

Exceptional weather events around the world continue to make headline news – 2022 has already seen severe floods in Asia, wildfires in the US and extreme heat waves in South Asia and Europe, with the highest ever temperatures in the UK recorded in July. Scientists have linked all of these events to the effects of global warming. Meanwhile, in June 2022, world leaders met in Bonn, Germany to discuss progress on actions taken to tackle climate change and to set the agenda for COP27, currently being held in Egypt as we issue this update. Echoing calls by the Pensions Regulator, we encourage pension schemes to ask: *“How does climate change affect us?”*



What are the risks to pension schemes?

The obvious risks of climate change to the physical or natural environment are known as “physical risks”, which will dominate in the longer term. They include natural catastrophes (for instance sea level rises, flooding, wildfires, and hurricanes) and resource availability (particularly water). The impact of climate change extends beyond this, however, and of potentially greater significance in the short to medium term are “transition risks”, which are the risks (and opportunities) that will arise from the global transition to a low carbon economy. These include policy changes, reputational impacts and shifts in market preferences, consumer sentiment and technology.

Climate change has the potential to be a material financial risk to any business, or any investor in businesses, unprepared for the transition to a low carbon economy. As a result, pension schemes are exposed to the risk of an unsustainable future due to the potential impacts on their investments and employer covenant.

In a collaboration with the World Economic Forum, Mercer has looked into the specific accomplishments of advanced asset owners to consider how the investment industry can tackle the most common challenges restricting progress in the area of climate investing. Globally, we are seeing asset owners take action to shape their investment processes in response to climate-related risks and opportunities and ask what UK pension schemes can learn from these “pacesetters”?

The full report is available for download at the following [link](#).

Within the LGPS specifically, DLUHC launched its long-awaited consultation regarding governance and reporting of climate change risks on 1 September. Further comment can be found in the Regulatory round-up below. **Mercer is responding to the consultation and will be sharing this with our clients.**

Funding Matters

[Back to contents](#)

2022 Actuarial Valuation (England and Wales)

Across England and Wales, the 31 March 2022 actuarial valuations are entering into the stage where results and proposed contribution outcomes are being communicated to employers and the process of consulting on the Funding Strategy has begun.

As expected, much of the discussions taking place are around contribution stability and sustainability, and how risk can be managed going forwards as we enter into a Stagflationary environment (low growth, high inflation).

Post Valuation Movements Added to this, the recent market turmoil (as commented on above) will have impacted the funding position of LGPS Funds either indirectly, or directly. Whilst we don't expect any "knee-jerk" decisions being taken in relation to the 31 March 2022 valuation outcomes given the current volatility in the markets, Funds should be closely monitoring the position as the valuation discussions continue, in order to assess whether there are any implications on their funding strategy. As commented on above, it's important that Investment and Funding Strategy objectives are aligned to ensure long-term cost efficiency of Funds.

Linked to this, the SAB issued a [statement](#) on 1 November advising caution around employer contribution rates and emphasising the importance of stability.

Terminations

In many cases, the assumptions for assessing terminations are linked to bond yields (in cases where the termination policy doesn't require ongoing assumptions to be adopted). The material increase in yields means that employers terminating in the current environment will see very favourable termination assessments that may not adequately reflect the transfer of risk from the exiting employer to the Fund. Funds should therefore review their approach to ensure it remains appropriate in the current environment, in order to protect the remaining employers who in effect take on the pension risk once the employer has exited.

The impact of the current market conditions could mean an increase in surpluses being paid out/a reduction in the amount collected, potentially requests from employers looking to strategically exit the LGPS when it is "cheap" to do so and any Deferred Debt Agreements (DDAs) currently in place having "expired" due to the deficit being closed off by market movements. It may also provide an opportunity for some employers, such as charities, to achieve an affordable exit without the cost and additional governance of setting up and monitoring a DDA. Those Funds who operate different investment buckets may also see increased interest from employers to reduce investment risk.

Funding Strategy Statement Guidance

More generally, guidance for Funds on how to prepare their Funding Strategy Statement is currently being reviewed and a survey was issued to administering authorities in September 2022 to assist with the drafting of any new guidance by the Scheme Advisory Board's Compliance and Reporting Committee.

2023 Pension Increase

As expected, the September 2021 to September 2022 change in inflation was recently confirmed as **10.1%** and in line with usual practice, this is therefore currently expected to be applied to pensions in April 2023 (both in payment, in deferment and the Career Average element for active members) once Secretary of State approval has been confirmed.

For those Funds advised by Mercer, allowance for known inflation between September 2021 and March 2022 has been factored into the 31 March 2022 valuation calculations in order that a large unexpected "shock" doesn't appear on the balance sheet for Funds in April 2023.

Cost of Living

Whilst the 2023 pension increase will of course be of benefit to LGPS members, the cost of living crisis across the country continues and there will be some members who are considering their current options in relation to ongoing participation, whether it be choosing to opt-out the Fund, or perhaps enter the 50:50 arrangement for the time being, to increase their net monthly income.

Funds should continue to monitor membership levels and decision making and look to provide support to members where possible by ensuring the relevant information is made available on what options they have. Any falls in membership will also have implications from a Treasury Management perspective as income falls.

Regulatory round up

[Back to contents](#)

Climate Change Risk Consultation

On 1 September 2022, the UK Government published its long awaited consultation in respect of their proposals on how LGPS Funds will be expected to report on climate change risk and their governance approach to it. The regulation in question will apply to all Funds within England and Wales, with entities falling within scope by April 2023 with the first reports covering the financial year 2023/24. The consultation closes on 24 November and details can be found [here](#).

The Consultation builds upon the existing Taskforce on Climate-related Financial Disclosures (TCFD) framework, mandating reporting across the key pillars of TCFD. Through mandating reporting on these areas, as in the private sector, the government is seeking to facilitate LGPS Funds being able to demonstrate how they are integrating climate change considerations throughout their entire decision-making process as well as contribute to the wider movement towards greater transparency and consistency of reporting of climate related data from asset owners.

LGPS Funds must complete the actions summarised below for each pillar and summarise the work in annual Climate Risk Reports, the first being published by 1 December 2024.

Governance	Establish and maintain oversight of climate risks and opportunities. Processes will need to be documented.
Strategy	Identify risks and opportunities and assess the impact on their funding/investment strategies.
Scenario Analysis	Carry out two sets of scenario analysis as part of the actuarial valuation process (one Paris Aligned and one at the Fund's discretion).
Risk Management	Establish processes to identify and manage risks and opportunities. These must be integrated into wider risk management framework.
Metrics	Measure and report on proposed metrics annually: <ul style="list-style-type: none">• Metric 1 – absolute emissions.• Metric 2 – emissions intensity• Metric 3 – Data Quality• Metric 4 – Paris Alignment Metric
Targets	Targets to be set against one of the metrics (mandatory or TCFD recommended) and will not be binding. Progress must be assessed, documented, and revised if necessary annually.

How Mercer can help

The proposals will require Funds to take proper advice when making decisions relating to climate related risks and opportunities. We have experts who have already supported a number of LGPS Funds and other investors with all aspects of TCFD reporting. **Please get in touch with your usual Mercer consultant if you would like to discuss this further.**

McCloud Remedy

On 27 July 2022 on behalf of DLUHC, LGA issued an update to administering authorities and software suppliers in England and Wales. This confirmed that:

- The Government's response to the 2020 consultation would be published later in 2022.
- The SAB would resume McCloud Implementation Groups [N.B. these working groups have now begun]
- DLUHC would publish an updated version of draft regulations implementing the McCloud remedy, reflecting new powers of the Public Sector Pensions and Judicial Offices Act 2022, technical feedback and changes in policy. A further period of consultation would take place in early 2023 with regulations being made later in 2023 and coming into force on 1 October 2023.
- Guidance on the implementation of McCloud will also be issued in 2023 following consultation.



Public Sector Exit Payments

HMT published a consultation on a new administrative control process for public sector exit payments over £95,000 and amendments to the process for special severance payments on 8 August 2022. HMT is seeking views on the proposed guidance and whether it meets the policy intent. The guidance is intended to apply to "Central Government" bodies and therefore does not include local authorities. It does however apply to academies.

The consultation closed on 17 October 2022 and further details can be found [here](#).

The government published a [consultation](#) on 15 August 2022 on the reform of the Civil Service Compensation Scheme 2017 (which has been ongoing since 2017). These proposals do not apply to local government and further details from DLUHC are still awaited on whether exit payments will be limited for LGPS members.

LGPS Cost Management Process

GAD [published](#) the results of the first cost cap valuation for the LGPS in England and Wales on 29 June 2022. The valuation calculated the cost cap cost of the scheme using HM Treasury's valuation directions, as at 31 March 2016. As referred to above, the cost cap rate included the McCloud remedy costs.

The report concluded that the cost cap rate for the LGPS in England and Wales was **14.6%**, which was 1.2% below the target cost. This means that that no changes to benefits or member contributions would be required as there was no breach of the 2% corridor.



The Fire Brigades Union and British Medical Association were given permission on 4 July 2022 to judicially review the Government's decision to include the cost of the McCloud remedy in the 2016 cost control valuations. Whilst the case will look at the Firefighters' and NHS Pension Schemes, the outcomes may have implications for the LGPS and other public sector pension schemes given the approach followed. The review is expected to take place in January.

In addition, HMT laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022 on 13 July 2022 – which became effective from 3 August 2022.

The new Regulations follow on from the review undertaken by HMT in 2021 where three changes were announced (see 4 October update below). The new regulations implement a change to the corridor in which scheme costs must remain before corrective action is taken and amend this corridor from 2% to 3%. The intention is that all three changes will be in place for the 2020 cost cap valuation.

Academies Consolidation and Guarantee

On 21 July 2022, the DFE made a written ministerial statement confirmation an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the Fund. The guarantee was first introduced in 2013 and now includes an increased annual ceiling of £20m. It provides academy trusts with Government backing for certain pension costs. On 14 October 2022, the DFE published its updated policy paper to reflect the extension.

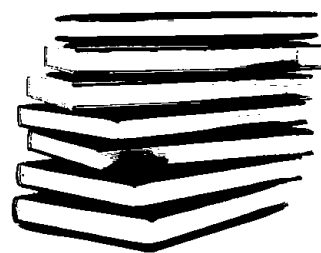
Further Education Bodies

A review is currently underway by the Office of National Statistics (ONS) to review the sector classification of Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England. Such bodies are currently classed as "Private Sector". The outcome of this review could reclassify them as "Public Sector" as is already the case in Wales, Scotland and Northern Ireland. Such a move is likely to have implications for the LGPS given the covenant of such bodies would improve should a guarantee be subsequently provided, similar to that provided for academies.

Whilst the outcomes of the review are awaited (currently expected in December 2022), in anticipation of a change being made the Government Actuary's Department is looking to collate data in relation to employers that may be reclassified given that any change in the underlying covenant may have an impact on the contribution outcomes to emerge from the 31 March 2022 actuarial valuation for some employers.

High Court challenge to RPI Reform

In September 2022, the High Court dismissed the Judicial Review against the Government's decision to align RPI with the housing cost based version of CPIH from 2030. The Judicial Review was brought by the BT Pension Scheme, Ford Pension Schemes and Marks & Spencer Pension Scheme. The Trustees of those Schemes have also decided not to appeal. As benefits in the LGPS are already directly linked to CPI this ruling does not have any direct implications for LGPS members.



Other regulatory news in brief

Investment - Following on from the climate change consultation referred to above, it is still expected that a combined consultation will be issued in 2022 that covers Levelling Up, Pooling Guidance and the CMA Order primarily.

Survivor Benefits - On 26 August 2022 the Chair of the SAB wrote to the Minister, Paul Scully MP recommending amendments to the Regulations in relation to death grants and survivor benefits.

Fair Deal - The Chair of the SAB also wrote a further letter on 19 October 2022 to the Minister requesting an update on the Fair Deal policy given a government response to the 2019 consultation.

And in other news...

[Back to contents](#)

Ministerial Appointment

On 8 July 2022, Paul Scully MP replaced Kemi Badenoch MP as the Minister of State for Local Government and Building Safety. He has retained this position following the appointments of, first Liz Truss MP and then Rishi Sunak MP, as Prime Minister.

The Scheme Advisory Board has recently written to the Minister to invite him to attend future meetings. The letter can be found [here](#).

New Pensions Ombudsman

On 31 August 2022 it was confirmed that Dominic Harris would replace Anthony Arter as the Pensions Ombudsman with effect from 15 January 2023.

Pension Tax Update

On 20 July 2022, HMRC launched a technical consultation on draft legislation aiming to resolve a tax relief anomaly that affects pension scheme members who earn less than the personal allowance.

The legislation proposed placing a duty on HMRC from 2024/25 onwards to make top-up payments directly to eligible members. Eligible members will be those who pay into a scheme using a "net pay arrangement" and whose total taxable income is less than the personal allowance. As the LGPS uses net pay arrangements (which impacts the tax relief on their pension contributions), a proportion of LGPS members would be eligible for the top-up payments being proposed.

The consultation closed on 14 September and follows an earlier call for evidence back in 2020.



Pension Saving Statements (PSSs) were also issued in October 2022 to those members potentially impacted by the Annual Allowance for benefits accrued in 2021/22.

Details of how Mercer can help Funds provide information/guidance/advice to members impacted by the Annual Allowance (or the Lifetime Allowance) can be provided on request by your usual Mercer Consultant. In particular, it's important to note that the April 2023 pension increase (as noted above) will have a bigger impact on 22/23 accruals, compared to previous tax periods.

LGPS Member Websites

Following the release of a new member website (and brand) earlier in the year – <https://www.lgpsmember.org>

The updated Scottish member site was released in September 2022 –

<http://www.scotlgpsmember.org>

LGPS Statistics for 2021/22

The latest statistics for the LGPS in England and Wales for 2021/22 were published on 26 October 2022 by DLUHC and can be found [here](#).

Pensions Dashboards Update

There have been a number of updates recently in the Pension Dashboards programme.

Most recently, on 17 October 2022, DWP laid a draft of the [Pension Dashboard Regulations 2022](#) before each House of Parliament after [responding](#) to the consultation on 14 July 2022. The response to the consultation confirmed that the staging date for the LGPS is to be deferred from 30 April 2024 to 30 September 2024.

Further details of recent developments can also be found on the [PDP website](#).

In addition, on 31 August 2022, the LGA responded to the standards and guidance consultation and a copy of the response can be found [here](#). The main areas of focus in the response covered:

- Responsibilities for schemes when a 3rd party ISP is used.
- Ensuring references to McCloud reflect LGPS differences to other public sector schemes.
- Mandatory data inputs, alongside making it clear frozen refunds excluded (a decision that could potentially create issues for LGPS Funds).
- Timescales and Complaints.



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The articles do not constitute advice specific to your Fund and you are responsible for obtaining such advice.
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From: [REDACTED] <[REDACTED]@mercer.com>
Sent: 20 December 2021 18:12
Subject: NewsAlert: S13 Report - December 2021

December 2021



Section 13 Report (2019 valuations)

NewsAlert



DLUHC publishes Section 13 Report on 2019 LGPS valuations

On 16th December the Department for Levelling Up, Housing and Communities (DLUHC) published the Government Actuary Department's report on the 2019 LGPS valuations for England and Wales. This is following on from discussions over the summer with various interested parties including Mercer. This is the second formal Section 13 report, with Section 13 applied for the first time to the fund valuations as at 31 March 2016.



Section 13 Aims

Section 13 requires the Government Actuary to report on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

The report notes that the **compliance** objective has been met and that in general whilst there appears to have been an improvement in **consistency** in the key assumptions there is still progress needed and there has been little progress in relation to academy conversions.

In relation to **solvency**, the report makes the comment that liabilities are growing much faster than size of employers backing them which therefore presents greater risk going forward, despite an improvement in funding levels more generally. We agree with this view, which further highlights the importance of employer covenant monitoring and ongoing review. However the ALM modelling that has been included in this section, which allows for the downturn due to the onset of the national lockdown at the start of the pandemic but not the rebound (due to lack of availability of data), presents a more downbeat picture than

is expected to be the case currently, although admittedly the ongoing outlook is very uncertain due to Omicron.

In relation to **long term cost efficiency**, GAD reiterates the message of the need to consider the balance of cost between current and future generations of tax payers and that deficit recovery plans can be demonstrated to be a continuation of the existing plan with appropriate adjustment for experience since previous valuations.

In addition there is additional commentary in their report regarding the use of contingent assets/asset transfers and the additional cost and risk associated with such arrangements with a recommendation for the Scheme Advisory Board to consider the governance of such arrangements further.



2022 Valuation Considerations

The report also notes a number of key areas for consideration for the 2022 valuations, including on McCloud, the impacts of Covid 19 and on climate change reporting.

McCloud

Given that there is now greater certainty around the McCloud remedy GAD notes it would expect a consistent and explicit calculation approach to be adopted at the next valuation. For the majority of Funds advised by Mercer, an explicit calculation approach was undertaken for the 2019 valuations, which for active members is consistent with the expected final remedy (subject to receipt of draft regulations, which are expected in 2022). This adjustment was then communicated to employers with a variety of approaches taken as to whether or not the adjustment was funded or just factored into employer budgets.

Further adjustment to reflect the impact of the remedy on pension benefits for eligible deferred and pensioner members will be needed, although in practice this element is likely to be picked up for the 2025 valuations for the majority of Funds due to the timing of data collection and provision for the valuation. In any event, the overall impact of the remedy at a Fund level on deferred/pensioner members is expected to be minimal, except in some extreme cases which will need to be considered once the data is available.

Covid 19

In relation to Covid 19, the report simply comments that a dialogue between the actuarial firms and GAD to ensure consistency of approach, is encouraged.

Climate change

The report notes that DLUHC will be consulting on proposals for new requirements for assessing and reporting on climate risks in 2021 in line with the recommendations of the Taskforce on Climate-related Financial Risks (TCFD), and new regulations and guidance are expected to follow. There is still just enough time for this to be delivered in 2021 therefore look out for this landing very shortly.

It further notes that climate risk will be a focus in future section 13 reports. GAD will facilitate dialogue and engagement with DLUHC, actuarial advisors and the SAB prior to publication of the 2022 valuations to ensure a consistent approach is adopted.

Our view is that for the valuation this should be principles based (although a more standardised set of assumptions could be used for section 13 reporting) given that individual Funds would be impacted differently depending on their developing plans to adapt to climate change.



Other comments

Academies

The report comments in some detail about consistency of funding treatment for academies, although as we stated in response to the 2016 report, our view is that this does not fall within the remit of Section 13. In particular there is commentary regarding a lack of progress in achieving consistency in funding approach for conversion to academy status.

As we have stated continually over the last few years, if a common methodology/approach is required as part of Government policy then this should be considered and agreed taking account of all parties interests e.g. academies, Councils and Funds. It must also be recognised that a consistency objective in terms of conversion methodology will not achieve consistency in funding levels/contribution requirements for conversions across different Local Authorities given the Fund-specific funding policies (including actuarial assumptions, recovery periods, etc.).

In the absence of a mandated approach, Funds will continue to apply their own policies for academy conversion which in our view are very sensible policies to adopt as they are fair to all parties.

Standardised Assumptions

The remit of the Section 13 valuation is to test the premise of achieving solvency and long term cost efficiency to ensure that appropriate funding plans are put in place. In our view this doesn't mean that assumptions used across Funds and advisors need to be standardised or wholly consistent and any further alignment of approach should be principles based as it is currently.

This is particularly true of funded pension arrangements which have different risk appetites, breadth of employers, affordability constraints and also differential investment strategies and we welcome the acknowledgement in the finalised report that variation of discount rate and demographic assumptions between Funds is to be expected.

GAD also notes the need for more transparency in the discount rate used to set the primary contribution rate (the Mercer approach is, however fully transparent and so this comment does not appertain to Funds advised by Mercer) and the detail in the reporting of the local considerations that have been taken into account for assumption setting, so as to help to justify the variance in assumptions between Funds going forwards.

In practice this is already a fundamental aspect of our advice to Funds and a key feature of our discussions with Funds as part of the valuation process.

Planning for 2022

The report relates to the 2019 valuations and so the messages around funding position and associated analysis are now somewhat dated, however it nonetheless provides context as Funds progress the planning for the 2022 valuations. In particular we welcome the messaging around climate change reporting and we are working with GAD and the other actuarial firms as to how this will be delivered in practice.

In our view ensuring that all elements of the risk triangle (funding, investment, covenant) are addressed will be an important aspect of this. Our PFaroe risk management tool can provide modelling to support scenario analysis for use alongside covenant considerations.

Engagement

It is pleasing to note that the GAD took into account some of the commentary from the actuarial advisors on both individual Funds and more generally and we will continue this dialogue on behalf of Mercer Funds and the LGPS as a whole as it is important that the final report paints a fair and reasonable picture of how well governed the LGPS is from a funding perspective.

Action

There is no action for Funds at the current time but if you wish to discuss the key messages further or have any questions in relation to your own Fund and the positions quoted in the Section 13 report, please get in touch with your usual Mercer contact.



Looking ahead – 2022 Valuation webinar

As an aside, with the 2022 valuations fast approaching, make sure you tune in to our **webinar on 1 March 2022 entitled “The 2022 valuations – are you ready”** which will look at some of the key themes that Funds and their stakeholders will need to consider. You should have already received an invitation for this but please get in touch if you require further details or look to [register now](#).

As always, if you have any questions on the above please contact us.

[REDACTED]

From: [REDACTED] <[REDACTED]@mercer.com>
Sent: 23 November 2021 14:54
Subject: NewsAlert - Current Issues - November 2021
Attachments: Current Issues - November 2021.pdf

Please find attached our latest Current Issues.

Please get in touch with your usual Mercer consultant if you have any questions or need further information.

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Kind regards,

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LGPS CURRENT ISSUES

November 2021

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In this edition

Whilst the pandemic has by no means disappeared from our lives, the past few months are the closest to “normal” that most of us will have seen since the pandemic began. As we enter what is a very different winter to last year, we trust you have been able to enjoy more time with friends and family or have this to look forward to in the near future with Christmas and New Year approaching.

In this edition of Mercer Current issues, following COP26, we provide comment on climate change and the implications for the LGPS, in addition to updates on other recent developments and what is to be expected over the next few months.

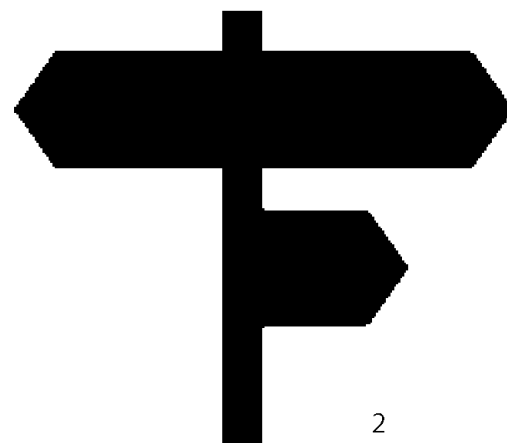
Journey to net zero 3

Regulatory round up – where are we now? 4-6

And in other news... 7-9

Torquay Conference, what’s coming up & dates to remember 10-11

Meet the team & contact details 12-13



Journey to net zero

COP26 is now behind us. Many countries were long on ambition but short on corresponding commitments. Climate Action Tracker estimates that current government policies around the world are consistent with 2.7 degrees of global warming above pre-industrial times. In contrast, based on governments' long term net zero targets Carbon Action Tracker estimates that global warming could be limited to 1.8 degrees. This "credibility gap" of 0.9 degrees is significant. If governments do not enact new policies consistent with their net zero targets the climate will warm to levels not seen in millions of years. Physical damage risk for investors could be significant from the likes of flooding, wildfires and storm damage. Alternatively, if governments do follow-up with policies consistent with their targets there will be a day of reckoning, as companies' business models are either upended or supported by the likes of new regulations, taxes and changes in consumer behaviour. It is critical that investors consider the extent to which their portfolios would be positively or negatively impacted by this so-called transition risk.



Over 140 governments have now put forward net zero goals and the LGPS are following suit. In our recent net zero webinar [click [here](#) for further details], our survey of the participants indicated that most LGPS funds are on the path to net zero. Those that aren't are either taking the first steps or will be forced to do so by regulation and stakeholder pressure. Some may find they have set overambitious targets that will need to be reconsidered and revised.

Even for those funds that are furthest along the path, there is still much work to do. Aligning with the transition is a complex task that consumes resources, and the market is changing quickly as new opportunities open up.

Each fund needs to think hard about where it is on the journey to net zero and what will be required – in terms of information, resource and support – to get there. Demands, for example on stewardship and engagement, are likely to increase. How much support will you need from the pool, the council and advisers?

Our survey also has implications for asset managers. On a conservative estimate, tens of billions of pounds of LGPS funds are waiting to be aligned with the transition. Allocating that money will be a complex matter. Managers who innovate and embed climate-related factors to help funds achieve their goals will be the winners.

In a fast-changing world, it's better not to wait to be told what to do by regulators and forced into taking action. Funds should set realistic targets while seeking to get ahead of regulation and monitoring future policy signposts. The forces driving the shift to net zero require constant appraisal of strategies and portfolios.

In related news, the All-Party Parliamentary Group on Local Authority Pension Funds recently called on LGPS funds to ensure a "just transition" by mitigating the negative economic and social effects for those currently employed in carbon-intensive industries. Another important complexity to add an already complicated topic and one we expect to gain further attention.

Positioning for transition now, will stand LGPS funds in good stead for the remainder of this 'decade of delivery' on climate.

In a fast-changing world, don't wait to be told by regulators. Funds should set realistic targets while seeking to get ahead of regulation. The forces driving the shift to net zero require constant appraisal of strategies and portfolios.

In related news, the All-Party Parliamentary Group on Local Authority Pension Funds recently called on LGPS funds to ensure a "just transition" by mitigating the negative economic and social effects for those currently employed in carbon-intensive industries. Another important complexity to add an already complicated topic.



LGPS Code of Transparency

Proposed amendments to the LGPS Code of Transparency were agreed at the SAB meeting on 27 September and published online in October. The updated wording can be found [here](#) and impacts those investment managers who have signed up to the code.

Watch out for...A consultation on Task Force on Climate Related Financial Disclosures (TCFD) and guidance on asset pooling, which are both expected in the coming months.

Regulatory round up

COST MANAGEMENT UPDATE

Since the previous version of the current issues, there have been a number of developments relating to cost management in England and Wales which overlap and impact on one another. We summarise these below:

On **4 October**, HMT responded to the consultation on the cost control mechanism. The response can be found [here](#) and confirmed that:

- The **mechanism** would be changed so that it only covers the reformed schemes.
- The **corridor** would be widened from 2% to 3%.
- There would be the introduction of an “**economic check**” so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented.

Whilst not directly addressing concerns raised by LGPS stakeholders (in particular with regard to how the economic check will be carried out for the LGPS), there is an acknowledgement from HMT to discuss these further and agree the appropriate way the changes can be introduced (alongside consideration of how the changes will impact the SAB cost management process, and also how similar changes can be affected in Scotland and Northern Ireland).

A response to the consultation on the methodology used to set the SCAPE discount rate is still awaited

On **7 October** HMT published the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment Directions) 2021 which allow public sector schemes to conclude their 2016 valuations by setting out how they will carry out the cost control element of these valuations



On **15 October** the SAB published the outcomes of its own 2016 valuation cost management process (following confirmation from HMT on the cost control directions). Full details of the process can be found [here](#) and confirmed that there would be no change to benefits emerging from the process once allowance for the McCloud Judgment had been taken into account. However, the SAB has formally commented now that it will still be seeking to review Tier 3 ill-health benefits and employee contributions for the low paid in the future, outside of the cost management process.

DLUHC, SAB, GAD will be considering how the revised principles of the HMT process will apply to SAB's own process in readiness for the 2020 valuation assessment being undertaken

So that's it then?

Although the SAB 2016 process has now been published, on **4 November 2021**, the FBU has issued a formal letter before claim for Judicial Review proceedings against the Government with regard to the inclusion of the McCloud Judgment in the 2016 cost management process. This is likely to be heard in

the middle of next year. If upheld, there may be implications for the LGPS. Further details can be found [here](#)

THE PUBLIC SECTOR PENSIONS AND JUDICIAL OFFICES BILL

As LGPS Funds continue the process of collecting and analysing data from their employers to be able to implement the **McCloud remedy** once known, the above Bill got its second reading in the House of Lords on **7 September**. The Bill makes provision to rectify the unlawful age discrimination identified by the McCloud Judgment. Chapter 3 of Part 1 of the Bill confirms which members will be in scope in the LGPS and what service is 'remediable'. Enabling legislation will allow for scheme regulations to be changed to formally implement the McCloud remedy

On **11 October 2021**, the Bill moved to Committee Stage in the House of Lords. The Report stage will take place on 29 November 2021. It is now expected that any amendments made by the Government in relation to the LGPS and how the remedy will be implemented will emerge at the House of Commons Committee Stage early next year.



Funds have also been encouraged to collect data on all members who were active on/before 31 March 2012, not just those on 31 March 2012 given the potential for scope to change as part of the amendments referred to above.

Further details on the timing, and the Bill itself, can be found [here](#).

CONSULTATION FOR SCOTTISH FUNDS ON EMPLOYER FLEXIBILITIES AND SURVIVOR BENEFITS

On 1 November, SPPA issued a consultation to seek the views of stakeholders about draft changes to The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021.

These regulations make changes in a number of areas as follows:

- allow deferred members of earlier schemes to elect for early payment of their benefits between age 55 and 60 without needing their former employer's consent;
- clarify the calculation of 'the Underpin' to follow the original policy intent;
- make changes to survivor benefits as a result of the Walker & Goodwin Judgements;
- add further flexibilities for Fund Authorities when dealing with their employers (similar to the changes implemented in England and Wales in 2020); and
- make the change to the Cost Cap figure for Scotland.

The consultation is available to view on the [SPPA website](#) and runs until 7 January 2022.

And in other news...

LGPS New Minister

Kemi Badenoch MP has recently been appointed as new minister of state for the LGPS. Delays in existing work are anticipated given the change in minister of state but the department will aim to minimise these as much as possible.

SF3 Data Published

DLUHC published the LGPS statistics (SF3 statistics) for 2020/21, which outlined total expenditure of £13.4 billion and total income of £17.2 billion (which is an increase of 7.5% from the previous year).

Announcement of the September 2021 CPI rate

The Office for National Statistics published the Consumer Prices Index (CPI) rate of inflation for September 2021 as 3.1%. The Government will confirm in due course that revaluation and pensions increases applied to LGPS active pension records, deferred pensions and pensions in payment in April 2022 will be 3.1%. Whilst the high rate of inflation will prove beneficial to members, there will be implications on funding/accounting figures for employers prepared from March 2022 onwards (albeit this is against the backdrop of two years of lower than expected pension increases).

Finance Bill 2021/22

The draft Finance Bill 2021/22 was published and includes two pensions' tax measures:

- An increase in the normal minimum pension age from 55 to 57 from 2028, and
- An extension to the deadlines for mandatory "**Scheme Pays**" where an individual has a retrospective increase in their pension savings.

Normal minimum pension age (NMPA) is the earliest age at which pension savings can normally be accessed without tax penalties. In 2014, the Government confirmed that the NMPA would rise from the current age of 55 to age 57 from 6 April 2028 and, in February 2021, the Government consulted on detailed proposals for how to implement the increase.

On **14 September 2021**, a Technical Consultation in relation to the draft legislation published in July 2021 closed. On **4 November 2021** The Finance Bill 2021/22 was published legislating for the tax charges announced in the budget and formally confirming that the increase to the Normal Minimum Pension Age (NMPA) from 55 to 57 will go ahead in 2028.



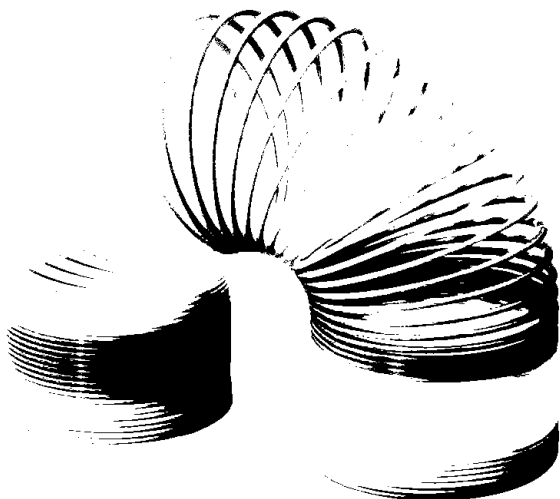
In relation to the LGPS, it will be up to DLUHC whether to allow LGPS members to receive payment of benefits between 55 and 57 via the LGPS Regulations. This issue has been raised with DLUHC by LGA and a response is awaited.

The extension to the mandatory **Scheme Pays** deadlines will enable members who have been granted a retrospective increase in their pension savings to ask the scheme to pay an annual allowance tax charge on their behalf where the increase has meant that they have exceeded the standard Annual Allowance in a previous tax year from tax year 2016/17 onwards. Although designed to aid the Government in finalising the remedy for age discrimination issues in public service pension schemes (see comment below), the extension applies to all schemes.

McCloud

The Finance Bill also includes clauses relating to the tax impacts of the McCloud judgment. The clauses give the Government the power to make regulations, which would disapply “relevant tax enactments” as they would apply to a “relevant person” in connection with the “discrimination rectification provisions”. Such provisions may mitigate any additional tax charges that would otherwise emerge for members impacted by the McCloud Judgment.

However, until draft regulations are released we won’t know exactly which provisions will be made and when, and how they will apply.



Autumn Budget

The Budget announcements on 27 October 2021 contained little of interest on pensions.

One key area to note is that changes will be made to the way that HMRC administers pension’s tax relief for low earners in net pay schemes. Low earners in schemes using the net pay system for tax relief (normally trust-based schemes) are worse off compared to those in arrangements using Relief at Source (normally contract-based pensions).

Following a [call for evidence](#) last year, it has now been announced that a system of top-up payments, made directly to individuals, will be introduced for contributions made in 2024/25 onwards. This is intended to address the anomaly and align the position of low earners in net pay schemes with those in schemes using Relief at Source.

Top-up payments to members will begin in 2025/26 in respect of the 2024/25 tax year and the response claims approximately 1.2 million people may benefit by an average of £53 per annum.

TPR interim response on single Code of Practice consultation

The Pensions Regulator (TPR) has published an interim response to its single code of practice consultation. Reflecting both the number of questions and the broad industry interest in this consultation, TPR revealed that, having received more than 10,000 individual answers, its current expectations were that the code would not be laid before Parliament before spring 2022 and is unlikely to become effective until summer 2022. The response can be found [here](#).

Health & Social Care levy and suspension of the triple lock

On 7 September, the Government announced the following:

- A new UK-wide **Health and Social Care Levy**, initially funded by an increase in National Insurance rates of **1.25% from April 2022** for UK employers, employees and the self-employed.
- From April 2023 the Levy element will be formally separated out from regular National Insurance Contributions, and will apply to employment incomes, including those received after State Pension Age.
- Lifetime caps of **£86,000** for personal care costs in England, from October 2023, with no personal care costs for those with assets under £20,000 and means-tested support for those with assets between **£20,000 and £100,000**.
- The suspension of the triple-lock for state pension increases awarded in April 2022. Instead, affected state benefits will be increased by the higher of consumer price inflation or (expected) **2.5%** (that is, the earnings-related component will be ignored). The triple lock policy would then be restored for the following year, and committed to until the next General Election.

Update on Pensions Dashboards

The Government recently published a proposed timetable for the onboarding of pension arrangements to the Money and Pensions Service's (MaPS) pension's dashboard. The proposed staging is for three waves with the first wave, including LGPS Funds, onboarding in 2023 and covering 98% of all pension entitlements. All but the smallest schemes (those with under 100 members) are expected to be on boarded by the end of 2024.

The Pensions Dashboards Programme published its latest progress report, which stressed the requirement for schemes to act now before legislation forces schemes to do so. The progress report can be found [here](#). Discussions are continuing between LGPS stakeholders in relation to the potential for a single Internet Service Provider (ISP) being available.

Mercer held a live virtual client seminar on 16 September 2021 providing more information about pensions dashboards and the expected requirements and timescales. If you would be interested in the recording of the seminar, please let your Mercer consultant know and they can provide this for you.

Statutory Transfers

The DWP has published its [consultation response](#) on changing the statutory right to transfer and introducing 'red flags'. In addition to the consultation response, TPR has issued its guidance on dealing with transfer requests and regulations have been laid before Parliament before coming into force on 30 November 2021. The purpose of the legislative changes is to enable trustees and scheme managers to prevent or pause a transfer request if they see evidence of 'red flags' or 'amber flags'.

These requirements will also impact LGPS administering authorities.



A room with a view

“Well, may I ask what you expected to see out of a Torquay hotel bedroom window? Sydney Opera House perhaps? The Hanging Gardens of Babylon? Herds of Wildebeest sweeping majestically across the plain?” Unfortunately, none of the above but those in the Torquay area during 15-17 November would have seen LGPS pension representatives engaging in lively debate at the **annual Pension Managers Conference** to discuss the current issues impacting the LGPS and sharing ideas and best practice to ensure they will be best positioned to navigate the challenges ahead.



After a virtual conference in 2020 for the pandemic, to everyone's relief the conference returned in glorious sunshine to the Imperial Hotel Torquay and provided an opportunity for those attending to move away from the screen and return to some normality.

The main topics for discussion over the two days were of course **McCloud**, the **Pensions Dashboard**, **Recruitment and Retention**, **Interacting with Employers**, the **TPR Single Code**, and underpinning most of these topics was the importance of **data quality and communication**, which will be key to ensuring objectives are achieved.

What's coming up?

Section 13 – The publication of GAD's report on its valuation of the LGPS has been delayed but is still due to be published before the end of the year.

Pooling guidance – Both guidance on pooling in the LGPS and a consultation on TCFD requirements are still expected but currently subject to delay (likely due to the appointment of the new minister).

2022 Actuarial Valuation (England and Wales) – yes, whilst it doesn't seem 5 minutes since the 2019 actuarial valuations were completed in England and Wales (as the country entered the first lockdown) the effective date of the 2022 valuations will soon be upon us. Preparatory work continues to be undertaken by Funds in readiness for the valuation to ensure data is as clean and complete as possible and potential contribution outcomes are considered to help with budgeting considerations and to begin developing funding strategies.

95k Cap – As referenced above, the appointment of a new minister has contributed to the delay in updates being released on certain issues, including the £95k Cap. We are still expecting something to emerge here in the coming months, and we understand that unlike the regulations that introduced the original cap (before being revoked) there will be different regulations for different areas of the public sector. A consultation is expected in the New Year

Dates to remember

Date	Issue	The latest
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and draft regulations	Regulations that will replace some of the measures in the Competition and Markets Authority (CMA) Order have been delayed. Until they are implemented, the CMA Order will continue to be legally binding.
Expected late 2021/first half of 2022	Governance and draft regulations	As referenced above, there are a number of areas where consultations/regulations/publications are expected in the latter part of 2021 / first half of 2022 – namely Section 13 Report, TCFD, Asset Pooling, Exit Cap, McCloud, Pensions Dashboard to name a few...
31 March 2022	Actuarial Valuation	Effective date of next actuarial valuation in England and Wales
31 March 2023	Actuarial Valuation	Effective date of next actuarial valuation in Scotland
1 April 2023	McCloud remedy regulations in force	It was the Government's intention that regulations providing for the "McCloud remedy" come into force from 1 April 2023, although pushing this back to 1 October 2023 is also under consideration.
6 April 2028	Normal minimum pension age to rise to 57	The Government has confirmed the normal minimum pension age (the earliest age from which in most circumstances, members can take a pension without incurring tax penalties) will rise from 55 to 57 from this date (with pension age protection in place for eligible members).
2030	RPI to increase in line with CPIH	The Government's consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

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 Mercer
welcome to brighter

LGPS CURRENT ISSUES

27 May 2021

welcome to brighter



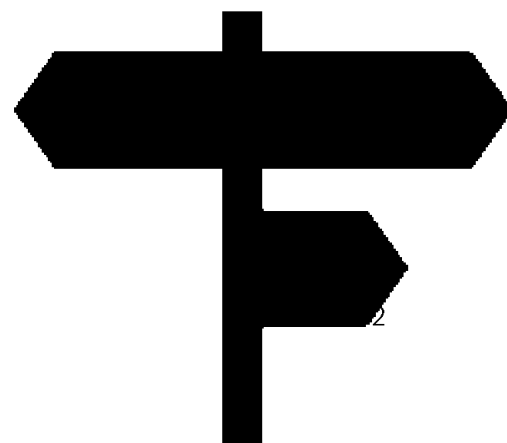
In this edition

We hope you have been keeping well and staying safe over the past few months. With the unlocking of the UK now in full swing, we trust you have been able to enjoy more time with family and venture out for a meal or drink, or have this to look forward to in the near future.

As we progress further into 2021, this edition of Mercer Current issues updates you on the recent developments on ongoing national issues and legislation that impact the LGPS and also what is to be expected over the next few months.

Regulatory round up – where are we now?	3 - 5
Governance under the spotlight	6
Climate change – what's on the horizon	7 - 9
And in other news...	10 - 12

Dates to remember	13
Meet the team & contact details	14 - 15

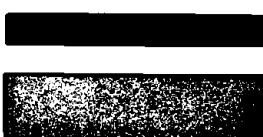


Regulatory round up

THE MCCLOUD REMEDY

On 13 May 2021, a Written Ministerial Statement was published which outlines the Government's intentions in applying the remedy that is required to the Local Government Pension Scheme in England and Wales following the McCloud judgment. This confirmed that it is the Government's intention that Regulations providing for the "McCloud remedy" are expected to come into force from 1 April 2023.

To recap, the Court of Appeal's ruling in December 2018 confirmed that the transitional protections provided for members of the Judges' and Firefighters' pension schemes when the public sector pension reforms were implemented in 2014 and 2015, were age discriminatory. This was because eligibility for these protections was based on an age criterion. Similarly, age-restricted transitional protections were also provided across the other public service pension schemes and last year the government announced that it would seek to remedy the position, including for the LGPS. In the LGPS the protections took the form of a final salary underpin to the new CARE benefit structure implemented in 2014. On 16 July 2020, MHCLG released the much anticipated consultation on the McCloud remedy for the LGPS in England and Wales ([here](#)). The consultation closed on 8 October 2020 and a response to the consultation is expected later this year.



1	2	3	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20
21	22	23	24	25
26	27	28	29	30
31	32	33	34	35

The key points from the Statement, which were in line with expectations, were:

Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.

Underpin protection will apply to LGPS members who were active in the scheme on 31st March 2012 and had membership of the career average scheme without a continuous break in service of more than five years.

The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease the earlier of where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.

Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.

EMPLOYER CONTRIBUTION FLEXIBILITIES

Following the new regulations introduced in September 2020, at the beginning of March, the MHCLG published its [guidance](#) on the content of the Funding Strategy Statement where administering authorities decide to adopt the “employer contribution flexibilities”. To re-cap, these are the new powers available to administering authorities to review employer contributions between valuations and provide more flexible termination strategies. Alongside the statutory guidance, the Scheme Advisory Board published its [guidance](#) on how to operate the employer contribution flexibilities in practice.

The new Regulations allow Funds to review contributions between valuations under prescribed circumstances. In addition, for employers who wish to curtail the build-up of future benefit accrual but cannot afford the termination payment, a new option of “deferred employer status” can be made available. Although a discretion, Funds are actively encouraged by SAB to adopt the employer contribution flexibilities. SAB also encourages employers to ask Funds to clearly state their reasons for not adopting the flexibilities, if this is the case.

The contribution flexibilities are more than “just” a lifeline to struggling employers, albeit that could be an important consequence in some cases. In our view, the flexibilities provide additional armoury to Funds in their risk management toolkit. Allowing contributions to flex to meet changing covenant or liabilities provides an opportunity to collect more upfront cash (where covenant has improved or liabilities have increased) or alternatively improve security/the likelihood of future recovery, where covenant has deteriorated. Alongside implementation of the new flexibilities, it will be key to ensure that your covenant monitoring framework remains fit for purpose in this new world. Please speak to your usual Mercer consultant if you would like further support in this area.



THE RETURN OF THE EXIT CAP

We understand that Councils have recently been asked to provide information on historic redundancy costs over the past 5 years. This information will then be considered as part of the Government's review of the cap on exit payments and it is our understanding that it remains a key policy objective to reintroduce a limit on exit payments as soon as possible. Although it may prove to be too ambitious to implement a new cap this year, we expect to see more details in the months ahead on the form this will take and the timeline.



Where we provide actuarial advice to Funds, Early Retirement Strain cost factors were considered last autumn as part of the introduction of the (now revoked) £95k Exit Cap. At that time, an interim measure was put in place pending the expected introduction of standardised GAD factors across all Funds. Given the uncertainty on the timing for the introduction of the new exit cap (and whether or not this will incorporate standardised GAD Early Retirement Strain cost factors), we have reviewed the Strain Cost Factors and will be writing out to Funds shortly to confirm next steps.



COST MANAGEMENT

The 2016 cost management process is now in full swing, following the pause in 2019 due to the uncertainties associated with the McCloud judgment and impact for LGPS. The key question now under consideration relates to whether (and if so, how) the cost of the McCloud remedy will be taken into account. HMT has already confirmed that the McCloud remedy will be taken into account in its process (further details [here](#)), although “how” is yet to be confirmed. The first question of “whether to allow for McCloud” remains under discussion with the SAB and further news is expected during the summer.



If the McCloud remedy is included in the SAB cost management mechanism, it then depends crucially on how the costs will be spread within the process as to whether or not benefit improvements are triggered. The practicalities of retrospective benefit improvements (at a time when there are already significant administration resourcing challenges due to the implementation of the McCloud remedy) will be an important consideration if any changes are put forwards.

In relation to the unfunded schemes, HMT has confirmed that where the inclusion of McCloud remedy costs leads to a breach of a cost cap, thereby potentially triggering a benefit reduction, a reduction to benefits will not be applied. Once HMT has completed its 2016 cost control process, the mechanism will be reviewed ahead of the 2020 exercise being commenced.

Governance under the Spotlight

The governance requirements for pension schemes, both in the Public and Private Sectors are changing with the Pensions Regulator (tPR) currently consulting on its plans to move to a Single Modular Code and with recommendations from the Good Governance Project in the LGPS having been released in the first quarter of 2021. Since 2019, there is a regulatory requirement for 'trustees to have an effective system of governance proportionate to the size, nature and complexity of the scheme and to carry out and document an own risk assessment'. One of the recommendations from the **Good Governance Project** for the LGPS was to require a biennial independent governance review, and this approach is completely consistent with the private sector.

Forsensic integrated risk management ("firm")



FIRM is an independent, peer-reviewed assessment of the top 10 high-level aspects influencing a LGPS Fund's operation and compliance, including; Risk, Governance, Investments and Operations,

Studying up to 200 data points, FIRM drills down into the underlying factors that contribute to each of the aspects administering authorities need to manage.

FIRM draws on 200 years' experience of Mercer's Subject Matter Experts who have developed the solution. These include its investment and covenant consultants, LGPS Actuaries, administrators, and technical experts in each of the key areas administering authorities rely on.

We believe this offering will be a valuable benefit for all defined benefit (DB) schemes, including the LGPS. We have built on the work undertaken to date to adapt the FIRM assessment for a low cost high value assessment for the LGPS. If you would like to hear more about this, please contact your Mercer consultant.

Climate Change



ESG in the spotlight

In November, the Chancellor announced that the UK would issue its first Sovereign Green Bond in 2021. Over time, a “green gilt curve” will be built out, with the money raised from new issues helping to fund projects that provide positive environmental benefits. So far, sixteen governments have issued sovereign green bonds, with total issuance of \$80 billion and, with over \$52 trillion of outstanding debt globally, over the coming years there is considerable scope for growth in this market.

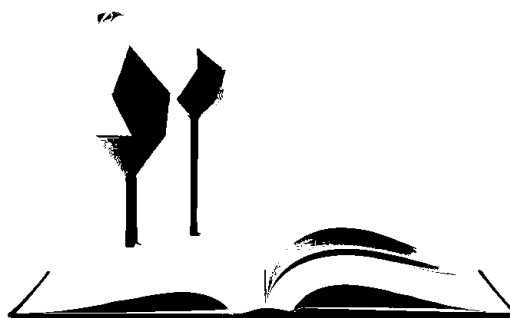
What is a Green Gilt?

A green corporate bond is defined in the EU as one where the proceeds raised are directed to sustainable development projects. However, green gilts may not follow the exact same premise. Evidence from other countries and a statement from Debt Management Office’s Chief Executive Sir Robert Stheeman, suggests that strict ring fencing of monies raised from green gilts is unlikely. Instead, it is likely that issuance will be linked to budget expenditure that contributes towards achieving environmental and climate objectives. The Swedish Government raised \$3.2 billion using this approach in its inaugural 10-year bond in September 2020.

Green gilts may thus be viewed as a first step in raising finance towards UK sustainable initiatives, helping the UK to meet its goal of achieving net zero carbon emissions by 2050. They should also be a catalyst for directing a greater proportion of expenditure towards such initiatives and to the adoption of broader measures of the benefits from these initiatives.

Why would pension funds be interested?

Issuance of green gilts follows a long campaign by investors and UK fund managers, to meet investors' appetite for investments that will help them reduce their carbon footprint and meet the requirements of the Taskforce on Climate related Financial Disclosures (TCFD).



In general, green (corporate) bonds have traded at yields below those of their standard counterparts at issuance, perhaps partly due to demand, but also because their nature – deriving their yields from sustainable investment – might make them less likely to default. It is too early to say whether green gilts may come at a premium (lower yield) or a discount (higher yield) and the already strong demand for longer dated gilts is likely to cloud the picture, but it is possible that green gilts may be issued at a premium. However, that does not necessarily mean that green gilts are not worthy of consideration for those investors with wider commitment to building an ESG focused fixed income portfolio. Further, the Chancellor's announcement is an important first step in developing a green gilt market for the UK; a market that will certainly evolve once it has found its feet.

Pensions Scheme Act

The Government responded to the August 2020 consultation on its climate change policy proposals on 27 January 2021. With the response, it opened a further consultation on draft statutory guidance and draft regulations under the Pension Schemes Act 2021, as well as issuing final non-statutory guidance from the Pensions Climate Risk Industry Group (PCRIG). TPR has also launched its own climate strategy.

The draft regulations being consulted on propose that the first schemes to be impacted by the climate change sections of the Act will be schemes with more than £5bn of assets on the first scheme year-end on or after 1 March. These schemes will need to comply with new climate governance requirements from 1 October 2021 and issue a Taskforce on Climate related Financial Disclosures (TCFD) compliant report on how they have addressed climate risks within 7 months of the end of the scheme year in progress at 1 October 2021.



TCFD and the LGPS: are you ready?

“The UK is set to be the first major economy to require climate risk to be specifically considered and then reported on by pension schemes”, says Guy Opperman, Minister for Pensions and Financial Inclusion 2021.

The measures announced by the Minister will require schemes to assess and report on the financial risks of climate change within their portfolios, in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

It is widely believed that in the near future similar regulatory requirements will be implemented within the Local Government Pension Scheme (LGPS). Mercer is fully supportive of early adoption of the framework and believe that now is the time for LGPS Funds to start planning for TCFD reporting. We have therefore prepared a [checklist](#) against each of the TCFD requirements to provide a high level understanding of what Funds will need to do to meet TCFD requirements.

And in other news...

GMP Indexation

Following HM Treasury's 2020 consultation on future GMP indexation, it has been confirmed that HMT will not be adopting a "GMP conversion" approach for the LGPS. Instead the current indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021. Further details are available [here](#).

Pension Scheme's Bill

On 11th February 2021, the Pension Scheme's Bill received [royal assent](#) and became the [Pension Schemes Act 2021](#).

In addition to tough new powers for TPR, it also paves the way for pension dashboards, Collective Defined Contribution schemes and climate risk reporting (as covered above).

Face-to-face meetings

As you may already be aware, the [appeal](#) against Councils to meet face-to-face after 7 May 2021 was denied. The published judgment confirms that Councils are required to hold meetings in person.



On 25 March, Luke Hall MP (Minister for Regional Growth and Local Government) [set out](#) rules and guidance and stated examples of actions and next steps to alleviate the potential risks of meeting in person. He has also launched a call for evidence on the use of the virtual meeting arrangements and to gather views on the question of whether there should be permanent arrangements and if so, for which meetings.

Section 13

Every three years, the Government Actuary is required to undertake report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the LGPS. The purpose of the report is to consider whether the following aims are achieved:

- Compliance;
- Consistency;
- Solvency; and
- Long term cost efficiency.

Over the last few months, GAD has been reviewing the data provided following the 2019 valuations and carried out analysis to determine the extent to which the above aims are considered to have been met. GAD has also had calls with any Funds that have triggered under their assessment criterion to further understand the position. Where we are your actuary we have carried out a preliminary review of the information as set out in GAD's draft summaries and used in their analysis. These have been shared with you for further comment.

Based on our discussions with GAD it appears as though very few Funds have triggered under GAD's criterion and funding levels have generally improved. Key areas that have generated a request for further discussion have been in relation to alternative financing methods to support the deficit recovery plan, the use of minimum spread periods where

these would otherwise be very short (and in our view lead to increased cost volatility) and phasing of contributions beyond the period of the rates and adjustments certificate.

The final report is expected to be published within the next couple of months.

2020 Scheme Annual Report

The eighth [Annual Report](#) for the Local Government Pension Scheme (LGPS) in England and Wales was published and outlines the key highlights in the LGPS over 2020.

BT, M&S and Ford challenge the RPI formula

As you will already be aware, in November 2020 the government announced that it would not prevent the UKSA from implementing its proposal to calculate the Retail Prices Index (RPI) using the data and methodology underlying the Consumer Prices Index with Housing (CPIH). Parties affected by the decision were given three months to object, by way of a judicial review, to its decision. Three schemes (the BT, Ford and M&S pension schemes) filed their objection with the Courts on 9 April, having been given an extension to the original 24 February 2021 deadline. The Government and UKSA have 21 days from receipt of the submission to reply to the challenge and then the Court will decide if there is a case to consider.

The reasons for the review are the potential effects on pension benefits and on the value of index-linked assets.

New GAD guidance published

On 11 May MHCLG issued new actuarial guidance covering:

- Annual allowance charges
- Conversion of AVCs to transfer credits

- Purchase of additional pension
- Application of a pension credit
- Purchase of additional survivor benefits
- Conversion of lump sum into pension
- Early payment of pension; and
- Late retirement

The guidance has been updated to reflect changes in LGPS and wider pensions legislation, but it does not include new factors. The guidance, covering letter and the spreadsheet of current factors are available [here](#).



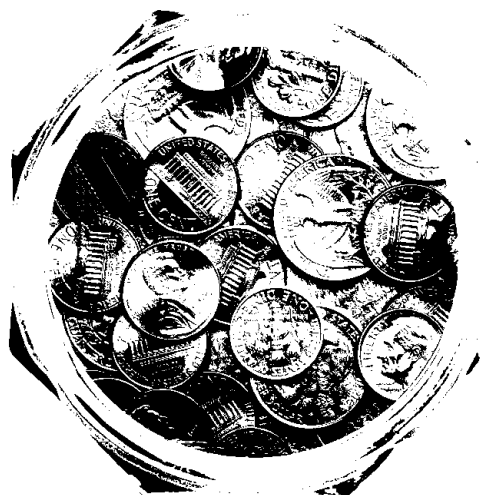
And last but not least...remember the New Fair Deal and 4 year valuation cycle proposals?

“New fair deal” - the provision of guaranteed LGPS access for employees whose employment is outsourced from a “Fair Deal” employer. The option of the new employer establishing a “broadly comparable” scheme as an alternative will in effect become redundant.

“4 year valuation cycle” – the new employer contribution flexibilities implements the proposals partially (see article on page 4 for further details). The other aspects of the

proposals relate to the extension of the valuation cycle from 3 years to 4 years and removing the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff for new entrants.

Through our national discussions we understand that these proposals remain on the agenda but the need to prioritise the swathe of urgent issues arising due to COVID-19, they have necessarily been pushed back. We may expect to hear further on these next year.



Dates to remember

Date	Issue	The latest
11 February 2021	Consultation on normal minimum pension age (NMPA)	The government has reconfirmed the normal minimum pension age is to rise from 55 to 57 from 6 April 2028. It is consulting on the details of implementing the increase, including rules around protecting those individuals with an existing (unconditional) right to retire before age 57. The consultation closed on 22 April 2021.
3 March 2021	Budget Day announcement on freezing of lifetime allowance	The Lifetime Allowance will be frozen at its current rate of £1,073,100 until the 2025/26 tax year, rather than rising in line with CPI increases as scheduled.
17 March 2021	Consultation on single code of practice	This first phase initially consolidates 10 of the existing codes of practice into one web-based code consisting of 51 topic-focused modules. The new code also addresses the new governance requirements arising from IORP II.
Expected Q2/Q3	Consultation on scams	Consultation is expected on draft regulations (under the Pension Schemes Act 2021) covering scams. Commencement of the scams measures (relating to transfer restrictions) is expected in early Autumn.
Expected Q3/Q4	Consultation on pensions dashboard	The government aims to consult on proposed regulations for the dashboard later this year and lay draft regulations before Parliament for debate in 2022. Delivery of the dashboard is still projected to be in 2023.
30 September 2021	Extended Coronavirus Job Retention Scheme due to end	The Coronavirus Job Retention Scheme (CJRS), which was due to end on 30 April, has been extended across the UK until the end of September 2021. From July, employers will have to pay 10% toward hours not worked, increasing to 20% for August and September.
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and Registration draft regulations	Regulations that will replace some of the measures in the Competition and Markets Authority (CMA) Order have been delayed. Until they are implemented, the CMA Order will continue to be legally binding.
1 April 2023	McCloud remedy regulations	It is the Government's intention that regulations providing for the "McCloud remedy" come into force from 1 April 2023.
2030	RPI to increase in line with CPIH	The Government's consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

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