

LGPS Update

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board be asked to note the developments in the LGPS

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### **1. Summary**

- 1.1 This report is brought to the Pension Board to provide an update on the latest developments affecting the LGPS.

### **2. 2016 Cost cap**

- 2.1 As part of the reforms to public sector pension schemes in 2014/15, a cost cap mechanism was introduced with the aim to share the risk of rising or falling costs between employers and members. A cost cap review is undertaken by the Government Actuary Department (GAD) following each valuation exercise. The 2016 exercise was put on hold due to the McCloud judgement.
- 2.2 GAD have now published its report on the 2016 scheme valuation showing that employer costs fell by -1.2%. This result lies within the +/- 2% corridor and means that no changes to benefits or member contributions are required.
- 2.3 There is however still a challenge outstanding regarding the inclusion of McCloud in the cost cap and we need to await the outcome of that challenge before we know for sure the final outcome of the 2016 cost cap exercise.

### **3. Scheme Advisory Board annual report**

- 3.1 The Scheme Advisory Board has released its annual report which provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. The report collates information supplied by 86 administering authorities, as at 31 March 2021.

### 3.2 Highlights include:

- total membership grew by 1.08 per cent from 6.160 million to 6.226 million
- total assets increased to £342 billion - a rise of 23.4 per cent
- local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56 per cent - reflective of market conditions
- a positive cash-flow was maintained overall, including investment income
- over 1.8 million pensioners were paid
- COVID-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures versus 2020)
- total management charges increased by £196 million, an increase of 12.9 per cent - primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.

### 3.3 The full report can be found on their website [www.lgpsboard.org](http://www.lgpsboard.org)

## 4. **AVC's and the 'Nudge Regulations'**

- 4.1 The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30) came into effect on 1<sup>st</sup> June 2022 and are known as the 'Nudge' regulations.
- 4.2 The regulations are to ensure that individuals are made aware of Pension Wise guidance as part of the application process for taking or transferring their defined contribution (DC) pension savings. The aim is to protect people by helping them make informed decisions.
- 4.3 Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options. LGPS administering authorities will need to offer to book a Pension Wise appointment for members as part of the application process for taking in-house AVCs.
- 4.4 The requirement also applies when a member aged 50 or over makes contact about transferring their in-house AVCs to another defined contribution scheme to access them.
- 4.5 Members are able to opt out of taking Pension Wise guidance and records must be kept of members confirmation of either receiving guidance or their decision to opt out.

## **5. Conclusion**

- 5.1 The Pension Board is asked to note the issues and developments of the LGPS outlined in the report.

Angie Sinclair  
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972:  
List of Background Papers: Nil  
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