

	Pension Board 25 July 2022
	Report from the Director of Finance
LGPS Update	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Six Appendix 1 - DLUHC letter on 2022 valuation Appendix 2 – Prudential Letter Appendix 3 - LGPC Bulletin – March 2022 Appendix 4 - LGPC Bulletin – April 2022 Appendix 5 - LGPC Bulletin – May 2022 Appendix 6 - LGPC Bulletin – June 2022
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the committee on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the recent developments in the LGPS.

3.0 Detail

DLUHC letter concerning the McCloud remedy and the 2022 Valuation

- 3.1 In March 2022, the Council received a letter from Teresa Clay, Head of Local Government Pensions at Department for Levelling Up, Housing and Communities (DLUHC) which sets out DLUHC's recommendations on how administering authorities should take the McCloud remedy into account in the 2022 triennial valuation. The letter is attached in Appendix 1.
- 3.2 Brent officers have discussed the guidance with the Fund actuary and it is in line with expectations and the approach as used in the 2020 Scottish valuations. There are no expected delays to the valuation process as a result of the guidance.

Prudential performance update

- 3.3 The LGPS Scheme Advisory Board (SAB) met in January to hear from the Prudential with regard to the operational difficulties being faced by administering authorities. It was agreed that the Prudential would agree a communication to explain the background to the various issues, the steps that have and are being taken to remedy the situation and expected timescale before normal service is resumed.
- 3.4 Prudential have now written to Jo Donnelly, Head of Pensions at the LGA, to provide this update. This letter is attached in Appendix 2.

SAB LGPS Annual Report

- 3.5 On 13 June 2022, the SAB published the 2021 LGPS England and Wales Scheme Annual Report. Highlights from the report include:
- total membership grew by 1.08% from 6.160 million to 6.226 million;
 - total assets increased to £342 billion - a rise of 23.4%;
 - local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56% - 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); and
 - total management charges increased by £196 million, an increase of 12.9% - primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.
- 3.6 Further details of the LGPS Annual Report 2021 can be found at: <https://www.lgpsboard.org/index.php/2021-highlights>

GAD 2016 Scheme Valuation Report

- 3.7 On 29 June 2022, the Government Actuary's Department (GAD) published its report on the 2016 scheme valuation which calculates the cost cap of the scheme. The Government established a cost control mechanism for public

service pension schemes to ensure a fair balance of risks between scheme members and the taxpayer. If at subsequent valuations the cost of the scheme is outside a corridor above / below the employer cost cap, the Public Service Pensions Act 2013 requires action to be taken to bring costs back to the target cost.

- 3.8 The report concludes that the costs of the scheme were 1.2% below the target cost as at 31st March 2016, meaning no action is required to be taken as there is no breach of the 2% corridor. The full report can be found at: <https://www.gov.uk/government/publications/cost-cap-valuation-of-the-local-government-pension-scheme-england-and-wales>.

4.0 Financial Implications

- 4.1 This report is for noting, so there are no direct financial implications.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

- 8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance