

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board

LGPS Update

A paper by the Advisor to the Pension Board November 2023

Introduction

This paper informs and updates the Pension Board in respect of two extremely important issues relating to the LGPS at a national level. These are:

1. The LGPS Consultation “Next Steps on Investments”
2. The issuing of Regulations to implement the McCloud remedy in the LGPS

1. The LGPS Consultation “Next Steps on Investments”

On 11 July 2023 the DLUHC issued a Consultation entitled “**Local Government Pension Scheme (England and Wales): Next steps on Investments.**” The period for responses to the Consultation closed on 2 October 2023. The Consultation included the long awaited (since 2019) Government proposals on the further development of Investment (Asset) Pooling.

The Consultation also included proposals relating to four other issues:

- Levelling Up
- Private Equity
- Investment Consultancy Services to the LGPS
- Definition of Investments

In respect of **Investment (Asset) Pooling** the Consultation included a number of very significant proposals including a deadline of March 2025 for LGPS Funds to transition all their listed assets to their Investment Pool, the expansion of in house investment by Investment Pools, proposals as to how LGPS Funds and Investment Pools should interact (in essence to increase the influence of Investment Pools over investment issues, see particularly Paragraph 31 of the Consultation), revised guidance on reporting, and a longer term “*transition towards fewer (Investment) pools to maximise benefits of scale.*”

In respect of **Levelling Up** a proposal to amend the LGPS Regulations “to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the Levelling Up White Paper (LUWP)” The Consultation also included a proposal to require LGPS Funds to report annually on their Levelling Up plan in their Annual Report.

In a chapter titled **Investment opportunities in Private Equity** the Consultation proposed that LGPS Funds should have an ambition to invest 10% of their assets into Private Equity. Although the Consultation did not explicitly state that such investment in Private Equity must be in the United Kingdom the Government's clear preference for this is clear in the narrative within the Consultation (see Paragraphs 84,88,89,90). In respect of Private Equity investment the Consultation placed some particular emphasis on "*venture capital.*"

With regard to the provision of **Investment consultancy services to the LGPS** the Consultation proposed to clarify that all LGPS Funds be required to set objectives for their providers of Investment Consultancy services. However where Investment Pools provide any such services to a LGPS Fund they would be exempt from this proposal.

The Consultation also proposed a technical change to the LGPS **definition of investments** to remedy an omission in the “Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.”

The Consultation includes a range of extremely important proposals which by their nature are likely to have resulted in a very significant level of response from LGPS stakeholders and in particular the 86 LGPS Funds and 8 Investment (Asset Pools) across England and Wales. It is not known when the Government will respond to the responses to the Consultation or issue any consequent LGPS Regulations and Statutory Guidance. However based on the experience from previous investment related LGPS Consultations a timely response from Government would seem most unlikely.

For the information of the Board the Nottinghamshire response to the Consultation was presented to the Pension Fund Committee at its meeting held on 12 October 2023 and may be accessed by following the link [Letterhead Template \(Colour\) \(nottinghamshire.gov.uk\)](#).

The Board may also be interested in the response of the LGPS Scheme Advisory Board for England and Wales (SAB) to the Consultation which can be accessed by following the link [DLUHC Investment consultation SABresponse.pdf \(lgpsboard.org\)](https://www.lgpsboard.org/consultation/consultation-response)

2. Regulations to implement the McCloud remedy in the LGPS

As reported in the previous LGPS Update received by the Board at its meeting on 15 June 2023 the DLUHC issued on 30 May 2023 a further Consultation ***“McCloud’ remedy in the LGPS – supplementary issues and scheme regulations.”*** This Consultation closed on 30 June 2023. The DLUHC issued the outcome to this Consultation on 8 September 2023 and on that day also issued The Local Government Pension Scheme (Amendment) (No 3) Regulations 2023 which came into effect from 1 October 2023.

These new Regulations implement the “McCloud” remedy in the LGPS by removing age discrimination in the LGPS in accordance with the Court of Appeal decision of 2018 and the Government’s confirmation, of July 2019, that there would be changes to all public service pension schemes, including the LGPS, to remedy this issue.

In summary to qualify for the new (underpin) protections individual Members of the LGPS need to meet the following criteria:

- Were a member of the LGPS or another public service pension scheme before 1 April 2012.
- Contributed to the LGPS at some point during the period between 1 April 2014 and 31 March 2022 or transferred in another public service pension scheme membership where the Member contributed to the Scheme at some time during this period.
- Have been a member of the LGPS or another public service pension scheme without a continuous break of more than 5 years.

Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin ceases earlier if the Member left the scheme or reached their Final Salary normal retirement age (usually 65) before 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the Career Average Scheme only and there is no further link to the former Final Salary Scheme.

The McCloud remedy, including the implications for the Nottinghamshire Fund is considered further in the report **Update on the progress on the impact of the McCloud Judgement on the administration of the Pension Fund** elsewhere on this Agenda.

John Raisin

8 November 2023

John Raisin Financial Services Limited
Company Number 7049666 registered in England and Wales.
Registered Office Market House, 10 Market Walk, Saffron Walden, Essex, CB10 1JZ
VAT Registration Number 990 8211 06