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| <b>Meeting:</b> | <b>Pensions Committee</b>                                         |
| <b>Date:</b>    | <b>17/03/2025</b>                                                 |
| <b>Title:</b>   | <b>Feedback from the LGA Governance Conference</b>                |
| <b>Purpose:</b> | <b>For information only</b>                                       |
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Councillor Ioan Thomas and I had the pleasure of attending the LGA Governance Conference in Bournemouth this January. The event spanned several engaging days, featuring a variety of excellent and thought-provoking sessions on a range of topics. It was reassuring to see that many of the issues discussed are already well-managed within our own practices.

Below, we provide a summary of the key items discussed at the conference. This summary is based on the 'Conference Highlight' document prepared by Susan Black from Hyman Robertson:

**Day 1:** Thursday 30 January 2025

### **Welcome from the Chair**

Joanne Donnelly, LGA

Jo opened the conference in her capacity as Chair, highlighting the busy agenda and variety of ongoing issues in the Local Government Pension Scheme (LGPS). Jo noted that this would be her last Governance Conference as LGA Head of Pensions, given her upcoming move as chief executive officer at LPFA in April.

### **An update from the Minister**

Jim McMahon MP, Ministry of Housing, Communities and Local Government

The conference opened with a video from Minister for Local Government, Jim McMahon MP, who outlined his priorities for the LGPS and expressed his support as a member. He highlighted the significant engagement in the Fit for the Future consultation, which received over 200 responses, and emphasised the LGPS's potential as an "engine for growth."

The Minister endorsed the governance reforms proposed in the consultation and discussed broader ambitions for the scheme, including a package of fairness reforms such as the New Fair Deal, enhanced data on opt-outs, survivor benefits reforms, and addressing the gender pensions gap.

### **Tomorrow's World: The future landscape of the LGPS**

Jo Thistlewood, Berkshire Pension Fund; Sian Kunert, London CIV; Jon Richards, UNISON; Cllr Nathan Yeowell, LGPC Chair

The panel session, led by Cllr Yeowell, discussed the Government's ambitious agenda for the LGPS, indicating a shift from previous inactivity to active reform efforts.

Jon observed a positive engagement from the Ministry of Housing, Communities and Local Government (MHCLG) since the election, though there may be varying perceptions of the Government's investment proposals and their real-world impacts on LGPS funds.

Jo noted that the upcoming 2025 valuations would yield diverse outcomes, with some funds experiencing surpluses while others would not.

Sian pointed out that the effects of the Government's pooling proposals would vary significantly among different pools.

The panel also addressed staffing and retention challenges within the sector, while acknowledging positive initiatives such as the Scheme Advisory Board's work on LGPS-specific qualifications and the potential for apprenticeships.

### **Pensions adequacy**

Jeremy Hughes, Scheme Advisory Board; Alexandra Miles, Pensions Equity Group

The presenters addressed critical issues surrounding pension adequacy as part of the second phase of the Government's pensions review, with specific timelines yet to be confirmed.

Alexandra presented notable statistics, revealing that individuals in defined contribution (DC) schemes need to accumulate £480,000 for a moderate retirement income of £31,300. Furthermore, the top 10% of DC pension pots hold 64% of the total wealth in these schemes, and 15% of UK pensioners currently live in relative poverty—a figure expected to double in the future. Additionally, a significant gender pensions gap of 55% at retirement persists.

Jeremy contributed by discussing LGPS statistics, highlighting a reduction in the gender gap due to the introduction of the CARE scheme in 2014, while noting that the gap remains larger for benefits accrued under the final salary scheme. The impact of divorce on the gender pensions gap was also mentioned, with only about 5% of divorces including a pension sharing order, leading to unequal distribution of pension benefits.

### **Funding strategy statement guidance**

Becky Clough, Scheme Advisory Board; Rachel Brothwood, West Midlands Pension Fund

Becky highlighted the guidance provided by the SAB over the past year, including instructions for Annual Reports, an audit informer document, and recent guidance for Funding Strategy Statements (FSSs). Rachel explained how this new guidance assists employers in understanding the application of a fund's strategy, particularly

regarding various employer events between valuation dates, such as admissions, bulk transfers, and cessations. The guidance promotes the use of consistent terminology in funding matters, benefiting employers involved with multiple funds. The discussion emphasised the importance of an effective engagement plan, with a clear role for Local Pension Boards in its development. Funds were encouraged to gather feedback from employers after consultations to enhance future engagement strategies.

### **The administration challenge**

Lorraine Bennett, LGA; Susan Black, Hymans Robertson; Claire Newbery, Avon Pension Fund; Toni Durrant, LGA

The session addressed various challenges, including issues related to McCloud, dashboards, potential retrospective changes to death grants and survivor benefits, the new Fair Deal, forfeiture, and changes to the National Minimum Pension Age. Panel members discussed strategies to navigate these challenges, emphasising the importance of effective business planning and engagement with committee and board members. Avon's recent restructuring and establishment of a business change team were highlighted as positive steps. Lorraine noted the crucial support provided by the LGA team, which includes guidance for administrators and development of LGPS qualifications. However, she urged the Government to expedite changes to the scheme to prevent retrospective work and the simultaneous implementation of multiple projects.

### **Legal update**

Kirsty McLean, Squire Patton Boggs

Funds are expected to connect to dashboards by 31 October 2025, ahead of the legal deadline of 31 October 2026, as recommended by the DWP. They are encouraged to collaborate closely with their AVC providers regarding dashboards, especially given recent challenges in the pensions sector.

Kirsty mentioned a recent government consultation proposing to impose inheritance tax on pensions death benefits starting April 2027, emphasising potential practical challenges in calculating liabilities and tax obligations. Additionally, there is ongoing uncertainty regarding the implications of the Virgin Media case for public service pension schemes, prompting funds to monitor government communications closely on this matter.

## **Day 2: Friday 31 January 2025**

### **An update from the Pensions Ombudsman**

Camilla Barry, the Pensions Ombudsman (PO)

Camilla emphasised the organisation's commitment to being a trusted, fair, and impartial service for resolving pension complaints. The PO aims to focus on people, deliver effective outcomes, and encourage industry improvements. However, the workload is increasing without corresponding funding, prompting the PO to review

its operational model for greater efficiency. This includes promoting early case resolutions and filtering out complaints that do not meet their thresholds, such as referring data breaches to the Information Commissioner's Office (ICO). Over the past two years, most resolved LGPS complaints were related to retirement benefits and ill health, primarily due to the complexity of the regulations. Last year, only 13 LGPS complaints reached determination, with just one being upheld.

### **Fund valuations 2025**

Michelle Doman, Mercer; Melanie Durrant, Barnett Waddingham; Joel Duckham, Aon; Steven Scott, Hymans Robertson; Joanne Donnelly, LGA

Mel provided an overview of developments since the 2022 valuation, highlighting significant political changes, the controversial mini-budget, and the accession of a new King. Within the LGPS, key issues included the impact of high inflation on benefits, asset returns meeting expectations, the implementation of the McCloud judgment, the Fit for the Future consultation, and the White Paper on local government reorganisation.

Michelle emphasised the actuary's role in preparing the Funding Strategy Statement (FSS), advocating for a gap analysis between new guidance and the existing FSS. She stressed the need for integrated risk management and robust policies addressing investment, funding, and employer risks, urging delegates to understand their valuation approaches, which can vary by actuarial firm.

Steven outlined essential actions funds are taking in preparation for the 2025 valuation, such as seeking advice on funding strategy and assumptions, assessing funding strategy for different employer groups, and initiating early engagement with employers. He clarified that the responsibility for setting funding strategy resides with the fund, not the actuary, and that different actuarial firms offer flexible valuation approaches to accommodate varying views on risk and market expectations.

Joel addressed the management of potential conflicts of interest arising from the dual role of councils as both employers and administering authorities. He noted that most Committee members are likely from the majority party, making it impractical for them to recuse themselves from valuation decisions. Instead, he highlighted the importance of fiduciary duty and the need for all members to understand their responsibilities.

### **MHCLG update**

Paul Duggins, Ministry of Housing, Communities & Local Government

Since the election, the Ministry of Housing, Communities and Local Government (MHCLG) has gained a more significant role in the government, particularly in areas like planning reform, with Secretary of State and Deputy Prime Minister Angela Rayner MP leading the efforts. Paul provided an update on the pensions review, highlighting collaboration with Pensions Minister Torsten Bell MP on LGPS elements. The department received 218 responses to the recent Fit for the Future consultation, which are currently being reviewed. Additionally, Paul mentioned a set of reforms

focused on fairness, with upcoming consultations addressing topics such as the New Fair Deal, survivor benefits, the gender pensions gap, and opt-outs.

### **Being an effective pension committee or board member**

Laura Caudwell, Aon

Laura emphasised the importance of effective governance and the role of behavioural science in decision-making. She argued that decision-makers should possess collective knowledge, skills, and appropriate behaviours, rather than relying on individual capabilities.

The chair's role is crucial in fostering a safe environment for open dialogue and inquiry. Additionally, she addressed overcoming conscious and unconscious biases, particularly in relation to groupthink, and highlighted how Diversity, Equity, and Inclusion (DEI) initiatives can enhance overall effectiveness.

### **The investment outlook**

Atul Shinh, Ninety One

The session focused on "predicting the unpredictable," with Atul noting that recent investment and economic predictions have often missed the mark, particularly with the uncertainties introduced by the Trump administration. Contrary to expectations of a recession, the US has avoided one due to high immigration, a surge in consumer spending, and significant government spending programs.

Despite ongoing uncertainties, such as tariffs, it's important to distinguish between rhetoric and reality. Atul advised LGPS funds to remain cautious of short-term market fluctuations and suggested that decision makers should not overly fixate on the differences between emerging and developed markets. Emerging markets often present desirable characteristics for investors, including high growth, low debt, low inflation, and sound fiscal and monetary policies.

### **Closing Remarks**

Joanne Donnelly, LGA; Cllr Roger Phillips, Scheme Advisory Board

Cllr Phillips and Jo summarised the matters discussed over the two days, emphasising that the upcoming year will be busy due to active government involvement.

Cllr Phillips expressed gratitude to Jo for her contributions before her departure, noting her extensive responsibilities as Head of Pensions, which include serving as secretary to the Scheme Advisory Board, leading the LGA pensions team, and supporting the firefighters' and teachers' pension schemes.