

# PENSIONS AND LIFETIME SAVINGS ASSOCIATION

## Round-up from PLSA Local Authority Conference 2016

The Local Government Pension Scheme (LGPS), the largest of all public sector pension schemes in the UK, has undergone immense change over recent years – inevitably presenting Local Authority funds with a range of new challenges.

This year's Pensions and Lifetime Savings Association's (PLSA) Local Authority Conference in May looked at how Local Authority funds can overcome these challenges, with the objective of ensuring greater efficiency, transparency and collaboration within the Scheme – helping to shape the modern LGPS.

And with record scheme representatives in attendance, it was certainly a lively event.

### Challenges facing LGPS

Prior to conference, the PLSA conducted a survey to gain a better understanding of what Local Authority funds consider the biggest issues currently facing the LGPS.

Unsurprisingly, public expenditure cuts were voted the number one concern, and the strain that places on the LGPS to pay pensions. The LGPS Scheme Advisory Board has already reminded councils of their duty to provide resources to funds to enable funds to properly carry out their functions.

Local Authorities' second biggest concern was something they would actually like to cut – LGPS deficits – a pressing and immediate issue.

As tough as the issue of deficits is, it's one we simply can't ignore in the hope it will go away. Currently there are nearly 5,000 schemes in significant deficit and there is a £270bn deficit hole to be filled, whilst at the same time the economic outlook remains uncertain and we are all living longer.

And deficits is one of the reasons why earlier this year the PLSA launched the defined benefit (DB) task force to examine the challenges facing all DB schemes,

including the LGPS, and to understand their potential impact on members' benefits, the health of sponsoring employers and the wider economy. The task force will also assess solutions to those challenges and understand DB schemes' judgement of the feasibility, impact and risks. Whilst the issue of deficits will take time to resolve, in today's climate it's only right we ask ourselves what more can be done to improve the long-term sustainability of schemes.

Finally, the third biggest concern raised by survey respondents was LGPS pooling. In July 2015 the Chancellor announced that the Government would work with administering authorities to pool their investments to reduce costs whilst maintaining overall investment performance.

It's important to remember how far we have come on the issue of pooling. Not so long ago we were fighting off proposals for wholesale scheme mergers, or explaining why mandating funds to invest into a passive or active fund was not the right approach. However, throughout the process we've recognised the positive potential that lies within the £200bn in the LGPS in England and Wales, and we have remained confident that pooling is the right approach. By leveraging the power of that £200bn through the pool, yet keeping asset allocation at a local level, we have struck the right balance between efficiency and accountability.

### Local pension boards

There were also a number of new features at this year's conference, including events and forums specifically aimed at local pension board members and also content designed to highlight the role of participating employers in the LGPS.

It's been just one year since the local pension boards were established with the responsibility for assisting administering authorities and securing compliance with the

LGPS regulations. To support local pension boards, the PLSA Academy has established a new dedicated course, and the Local Authority conference programme also included a number of sessions, including a networking lunch for members interested in the new roles and responsibilities of the boards.

For more information on the training opportunities for local pension boards visit [www.plsa.co.uk/Training](http://www.plsa.co.uk/Training)

### Participating employers

It's no secret that the number of employers joining the LGPS has grown rapidly in recent years. Figures show there are more than 10,000 employers in the LGPS, with 2014-2013 alone seeing a 14% increase in the numbers. These employers include scheduled bodies, such as Academies, County councils, London Boroughs, post-92 universities, further education colleges, and also those that help to deliver local public services known as local government contractors, typically businesses, charities, and housing associations. Employer numbers could grow even further over the next few years if some 16,000 state schools in England become Academies.

The magnitude of the legal and financial obligations faced by employers participating in the LGPS is often underestimated. So to support these employers and Local Authority funds, the PLSA is publishing a series of guides for employers participating in the LGPS. The first two guides are designed to help employers understand what they need to consider before joining the LGPS and both guides for scheduled bodies and local government contractors are available to download from the PLSA website.

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