



THE INSIGHT  
SHARING  
PENSIONS AND  
LIFETIME SAVINGS  
ASSOCIATION

# LGPS: VIEWS FROM INSIDE THE SCHEME

A RESEARCH REPORT



JULY 2023

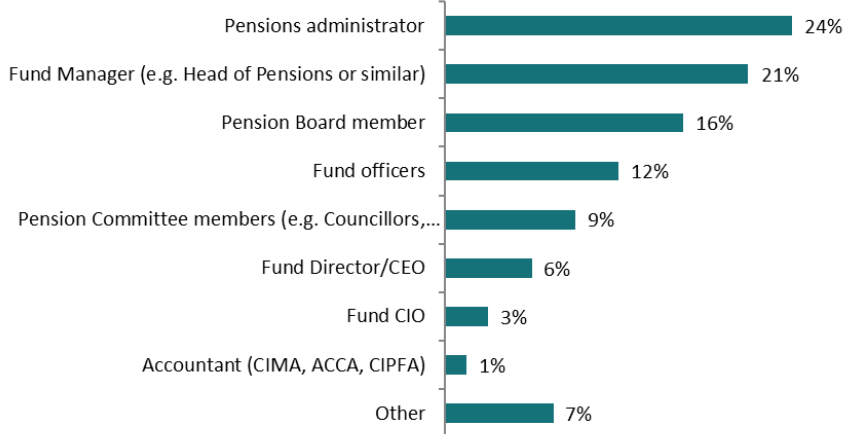
# RESEARCH BACKGROUND



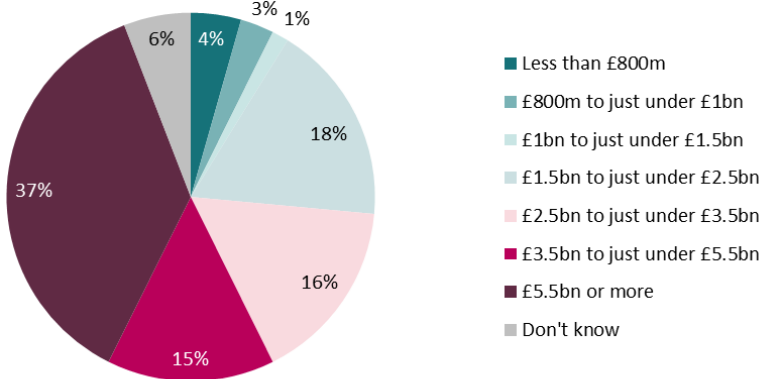
92  
interviews

4 – 24 May 2023

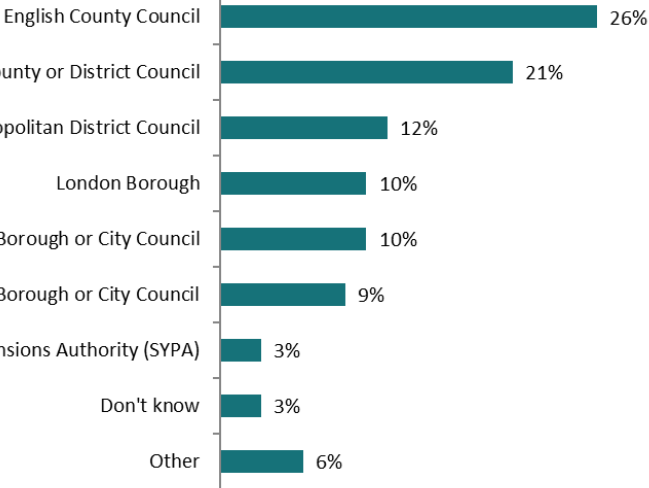
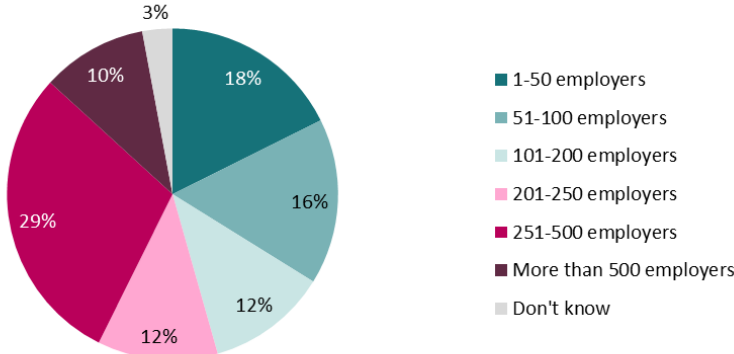
Job functions



Size of fund



Approximately, how many employers do you have in your fund?



# EXECUTIVE SUMMARY

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The Local Government Pension Scheme (LGPS) is the largest funded defined benefit (DB) pension scheme in the UK, and one of the biggest in the world. Recent figures show that it has 7.1 million members, over 15,500 employers, and assets of over £425 billion.

In July 2022, the PLSA published the report *The Local Government Pension Scheme: Today's Challenges, Tomorrow's Opportunities*, which identified areas where existing good practice can be fortified and where action can be taken to address the ever-increasing regulatory and environmental challenges facing the scheme.

At the time of the report launch, the PLSA undertook a survey of our LGPS members, which we will carry regularly, to capture and assess the issues that significantly impact local authority pension funds.

The 2023 edition of the survey was conducted in May and included responses from 92 LGPS representatives. It includes important findings in areas including key stakeholders, resources, employers and members, working environment and views for the future.

The survey results show the vast majority of respondents (85%) remain positive about working within the scheme. However, concerns about resourcing persist – with a quarter not feeling they have the right staff in place (23%) – and almost half of respondents noting Tier 3 employers expressed a desire to leave (45%).

When questioned about the topics government and regulators should be focusing on, three-quarters identified good governance as a priority. Responsible investment and stewardship, alongside Pensions Dashboards, are also high on the priority list, while only 18 per cent feel they should focus on pooling.

# EXECUTIVE SUMMARY

Following the Budget announcement of future changes to LGPS investments, with a view to speed up the consolidation of assets in pools, we sought views on this topic. Opinions are fragmented, with almost half of LGPS representatives (49%) disagreeing with such a move to further consolidate, while 47% of respondents are undecided.

In relation to the future, and when asked to choose from a range of suggestions on what LGPS representatives would like to see change in the scheme, simpler and clearer regulations was the top choice.

The PLSA pledges to keep engaging with Government and key stakeholders to draw attention to these important results.

# SUMMARY OF KEY FINDINGS

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Views of people working in the LGPS have remained largely unchanged over the last 2 years, with many of the results similar to that found in 2021.

## ▶ Working within the LGPS

- Most remain positive about working within the LGPS (85%), with over half continuing to enjoy their colleagues (53%), while around three in ten continue to enjoy the learning opportunities (39%) and the work/life balance (31%).
- Aspects that many dislike include the remuneration/benefits (42%), lack of opportunities for progression (22%), and lack of support (16%).

## ▶ Key stakeholders

- The DLUHC, TPR and SAB continue to be seen as the organisations that have the most impact on those working within the LGPS. Two-thirds believe the DLUHC has the most impact (66%), while around half feel that TPR (57%) and the SAB in England and Wales has the most impact (46%). Fewer feel HMT, FCA or DWP have the most impact on their work.
- However, most continue to believe that the main legislation or regulatory requirements that govern their work are overlapping between different organisations/regulators (66%), with a similar proportion finding it causes them confusion (63%).
- More than half (54%) now feel that the legislation/regulatory requirements are too complex to execute (up 6% from 48% since 2021), while two in five continue to feel legislation/regulatory requirements hinder them from doing their job effectively (43%).

# SUMMARY OF KEY FINDINGS

## ▶ Key stakeholders – cont.

- Three-quarters believe government and regulators should focus on good governance (74%). Over half (55%) feel they should focus on responsible investment and stewardship, while two fifths (41%) feel they should focus on Pensions Dashboards. Fewer feel they should focus on pooling (18%).
- Most believe the expectations of LGPS among employers, members and internal stakeholders have either improved or stayed the same (82%, 79% and 78% respectively). However, many continue to feel that Government departments' expectations have got worse (31%) rather than better (4%).

## ▶ Employers and members

- As found in 2021, most say their fund has a good relationship with their employers (85%). However, two in five say they have had Tier 3 employers express a desire to leave (45%). Fewer this year say they have had Tier 2 employers saying they wish to leave (5% vs 16% in 2021).
- The main reason employers have expressed a desire to leave the LGPS continues to be affordability (88%). More employers have said they wish to leave due to simplification/consolidation of different types of pension scheme (47%) than in 2021 (31%).
- Most funds continue to say they believe their organisation understands the characteristics of their beneficiary/pension members (88%). However, levels of understanding have declined since 2021. Indeed, one in ten say they don't understand the characteristics of their beneficiary/pension members (11%), compared to just 5% in 2021.



# SUMMARY OF KEY FINDINGS

## ► Resources

- A third continue to say their ability to secure resources has improved (32%), but fewer now say that it has got worse (12%) compared to one in five in 2021 (22%). Half say that it has remained unchanged (49%).
- Two-thirds continue to believe they have the right staff in place to carry out their day-to-day job (65%). However, a quarter do not feel they have the right staff in place (23%).
- The main reasons why they do not believe they have the right staff in place is due to the difficulty in recruiting staff (78%). Possibly reflecting the cost-of-living crisis, more than two-thirds now mention low pay and rewards (67%), up from less than half in 2021 (47%).
- The main reasons why staff have exited the fund over the last three years is due to a desire to progress their career (61%), having better pay in the private sector (51%) and also the increasing demands /complexity of working for the fund (32%).
- If money and time were no object more than half say paying staff more (55%) up from a third (38%) in 2021 would have the biggest impact on their fund.
- Half continue to feel that spending more time on communication tools and services with scheme members would have the biggest impact on their fund (51%), while a similar number feel spending more time working with employers (48%) or getting state of the art technology (42%) would have the biggest impact.

# SUMMARY OF KEY FINDINGS

## ▶ **Views on pooling**

- Few feel that the pools need to be consolidated (4%). Half disagree (49%), while almost half are undecided (46%).
- Indeed, over half are concerned about the potential for further mandatory consolidation of pools (57%), with less than one in five not concerned (17%).
- The main reasons why funds feel that there is no need for pools to be consolidated are due to it being early days for the current pools (5 mentions), feelings that there will be a loss of control and the pool not being specific enough for their fund (5 mentions), that governance will be difficult (3 mentions) and that it is a politically motivated move (3 mentions).

## ▶ **Governance**

- Six in ten feel the current governance set up of the LGPS works (59%). However, one in five (17%) feel it does not work (17%).

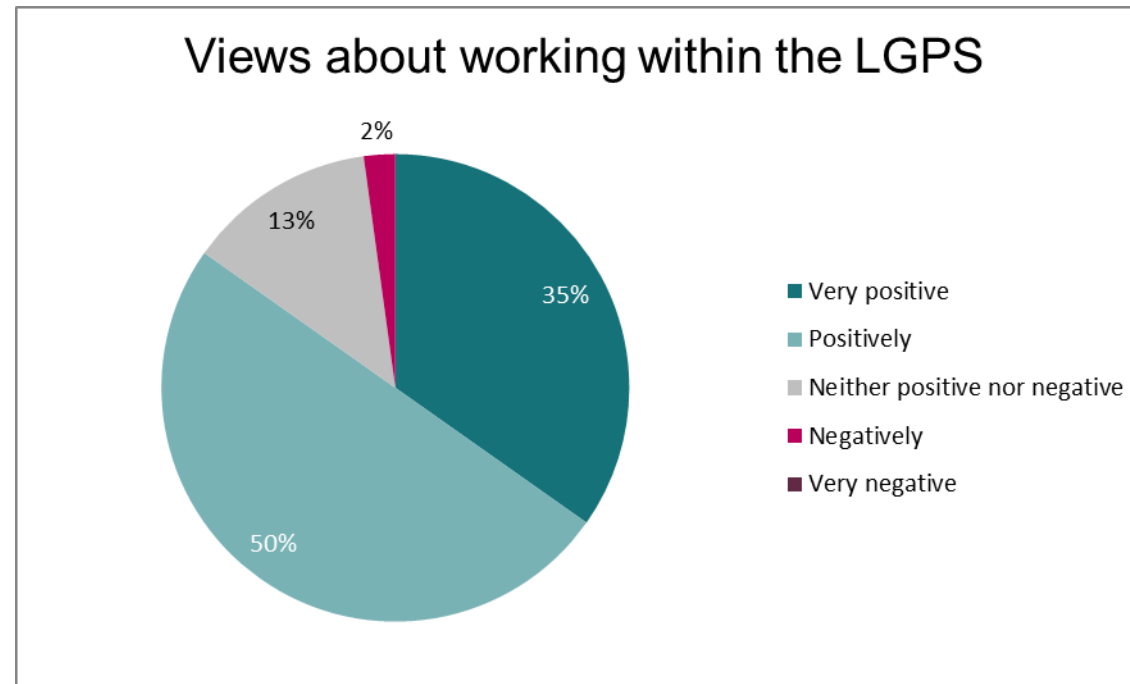
## ▶ **One thing respondents would like to change**

- A range of suggestions were put forward, with the greatest number relating to simpler/clearer regulations (7 mentions), less political interference (3 mentions), no more change (3 mentions) and better recognition of the admin role (3 mentions).

# WORKING WITHIN THE LGPS

# ATTITUDES TOWARDS WORKING WITHIN THE LGPS

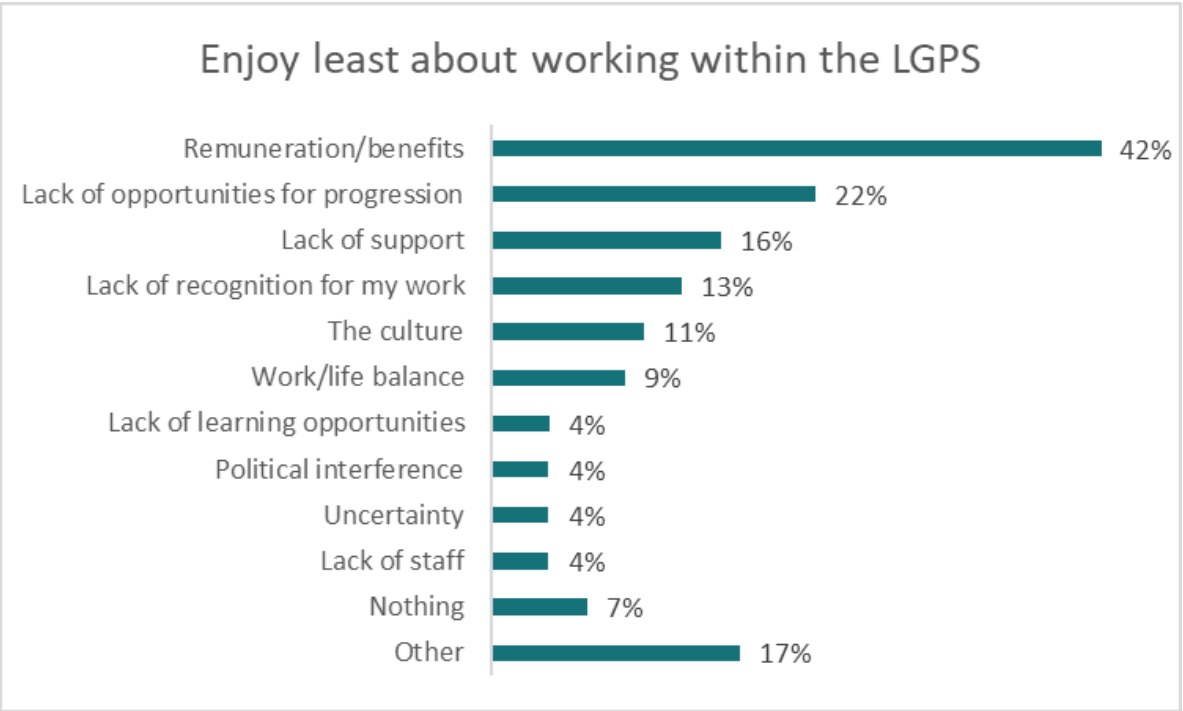
► Overall, do you feel positively or negatively about working within the LGPS? All respondents (92)



- Most are positive about working within the LGPS (85%), with over a third being very positive (35%).
- Only 2% are negative about working within the LGPS, while just over one in ten are neutral (13%).

# ENJOY MOST/LEAST ABOUT WORKING WITHIN LGPS

- ▶ Which of the following best describes what you enjoy most about working within the LGPS? All respondents (83)
- ▶ Which of the following best describes what you dislike about working within the LGPS? All respondents (76)

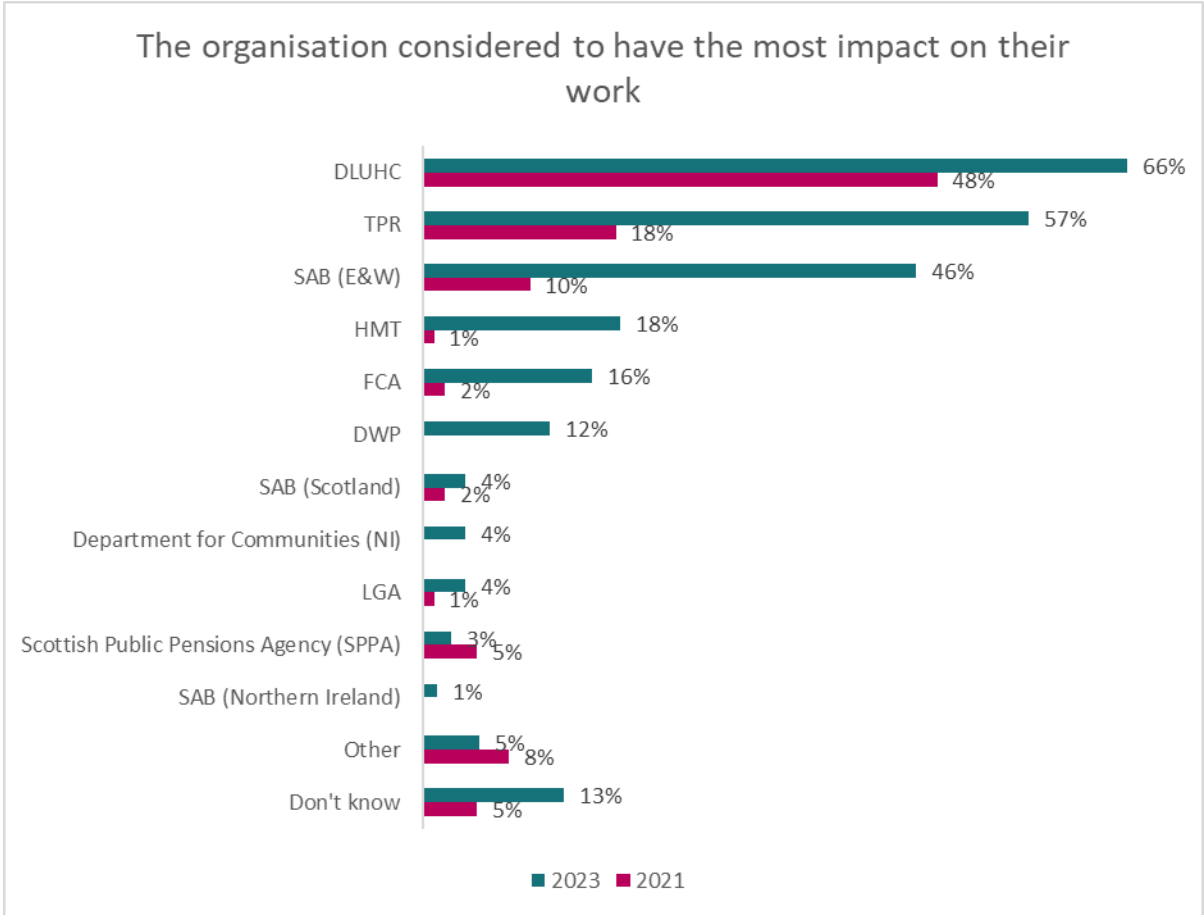


- The main aspect that people enjoy about working within the LGPS continues to be their colleagues (53%). However, more than three in ten continue to enjoy the learning opportunities (39%) and the work/life balance (31%).
- Aspects that many dislike include the remuneration/benefits (42%), lack of opportunities for progression (22%) and lack of support (16%)

# KEY STAKEHOLDERS

# ORGANISATIONS PERCEIVED TO HAVE AN IMPACT ON THEIR WORK

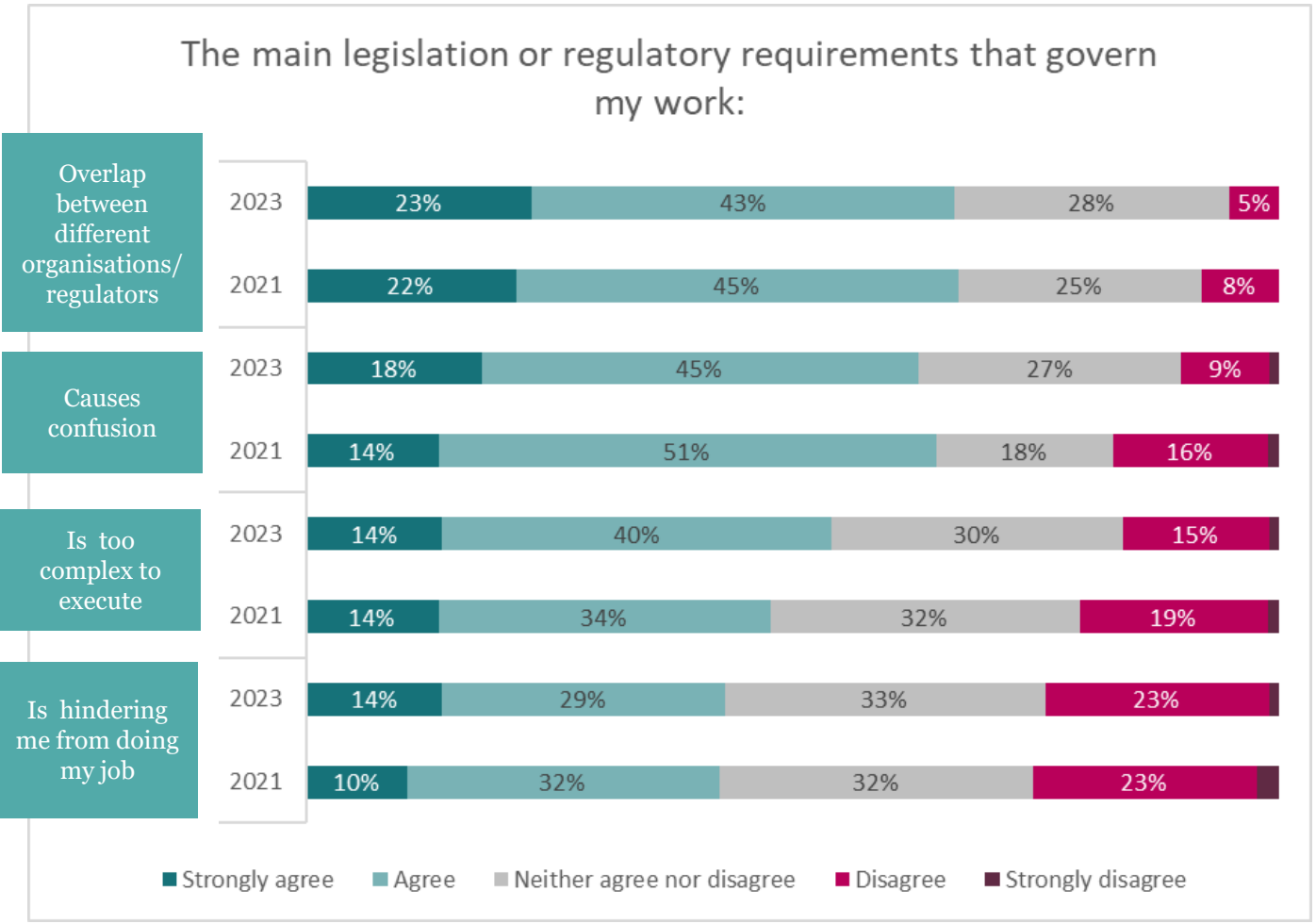
► Which, if any, of the following organisations have the most impact on your work? All respondents (76)



- The DLUHC, TPR and SAB continue to be seen as the organisations that have most impact on those working within the LGPS.
- Two-thirds believe the DLUHC has the most impact (66%).
- Over half also feel that TPR has a high impact on their work (57%), while almost half feel that the SAB in England and Wales has the most impact (46%).
- Fewer feel HMT, FCA or DWP have the most impact on their work.

# PERCEPTIONS OF THE LEGISLATION/REGULATORY REQUIREMENTS

► To what extent do you agree or disagree with the following statements? The main legislation or regulatory requirements that govern my work:? All respondents (74)

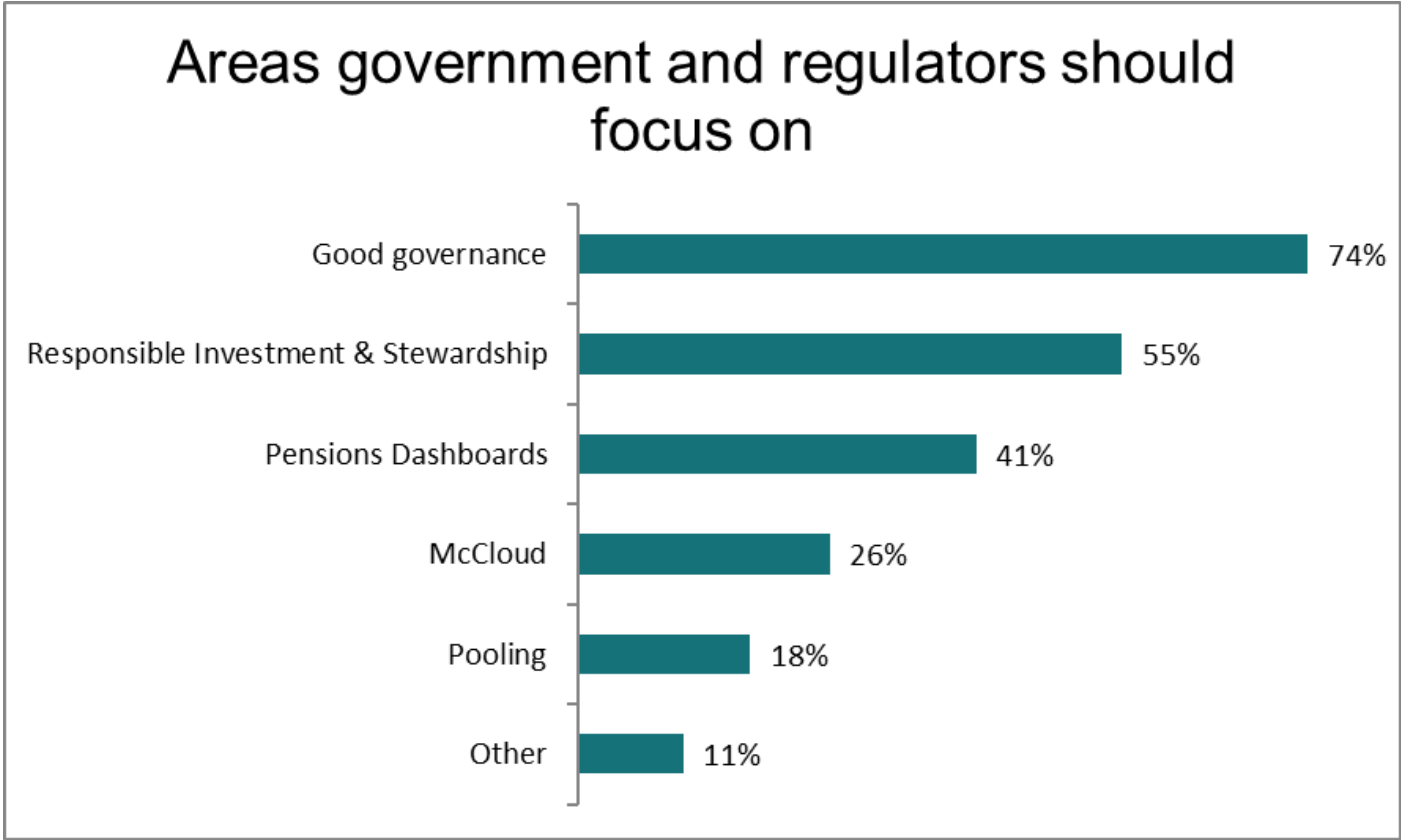


- Most continue to believe that the main legislation or regulatory requirements that govern their work are overlapping between different organisations/regulators (66%), with a similar proportion finding it causes them confusion (63%).
- More than half (54%) now feel that the legislation/regulatory requirements are too complex to execute (up 6% from 48% since 2021), while two in five continue to feel legislation/regulatory requirements are hindering them from doing their job effectively (43%).



# AREAS WHERE GOVERNMENT/REGULATORS SHOULD FOCUS ON

► In which, if any, of the following areas do you believe government and regulators should focus on? All respondents (74)

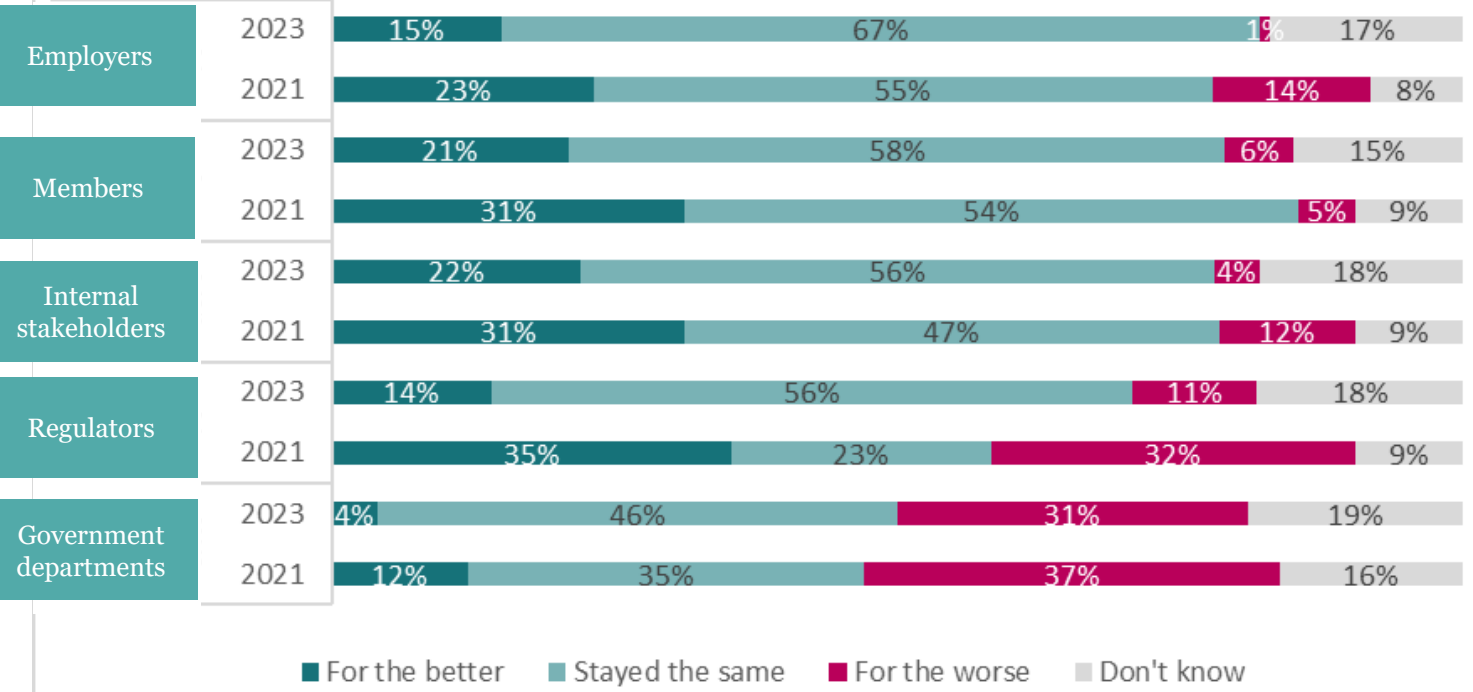


- Three-quarters believe government and regulators should focus on good governance (74%). Over half (55%) feel they should focus on responsible investment and stewardship, while two fifths (41%) feel they should focus on Pensions Dashboards.
- Fewer feel they should focus on pooling (18%).

# AREAS WHERE GOVERNMENT/REGULATORS SHOULD FOCUS ON

Over the last 12 months, have the expectations of LGPS changed for the better, for the worse or stayed the same among: All respondents (72)

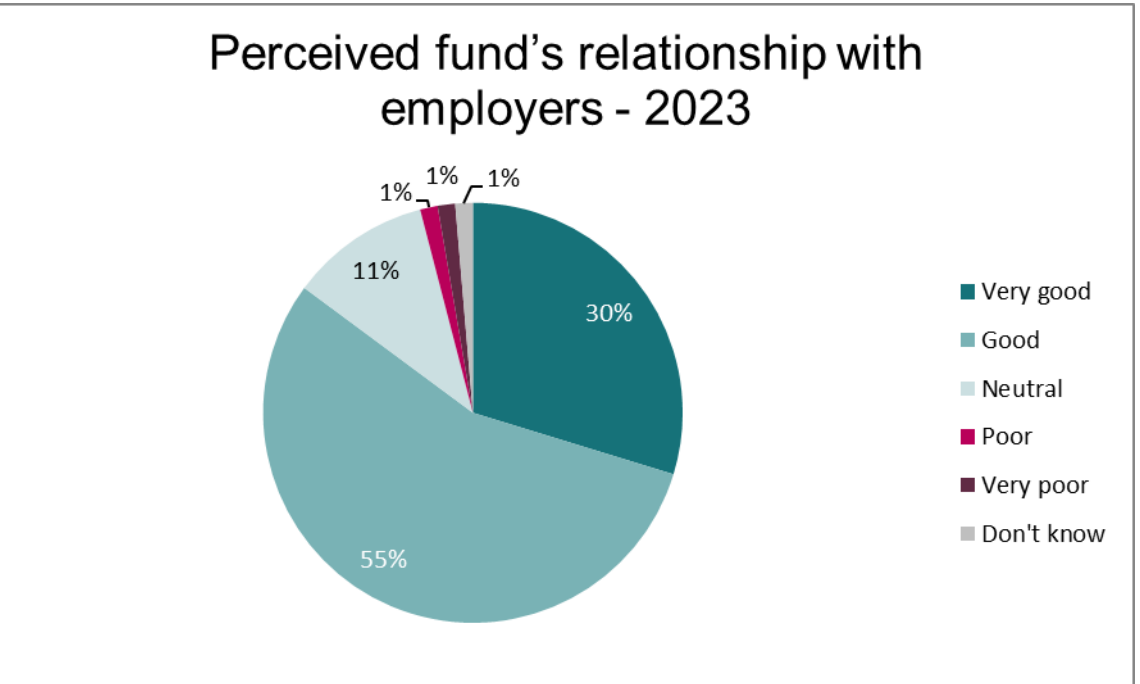
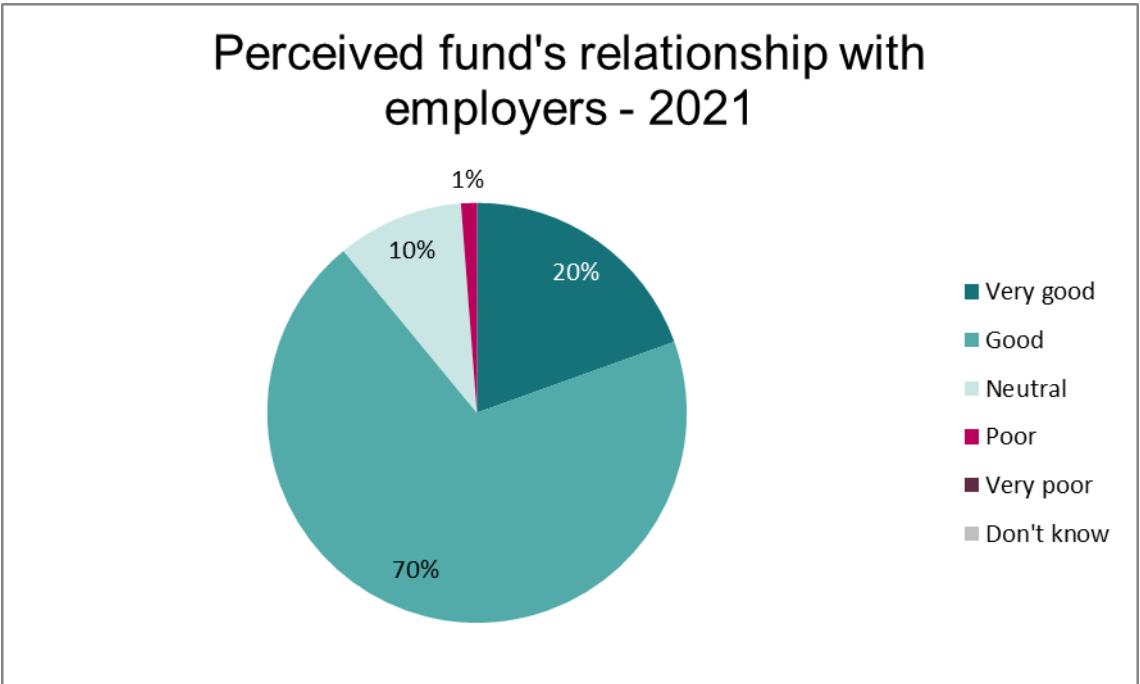
Expectations of LGPS changed among:



- Most believe the expectations of LGPS among employers, members and internal stakeholders have either improved or stayed the same (82%, 79% and 78% respectively).
- However, many continue to feel that Government departments' expectations have got worse (31%) rather than better (4%).
- In contrast, views of regulators continue to be polarised with one in ten (14%) believing they have got better, while a similar proportion think they have got worse (11%), although fewer now feel they have got worse than in 2021 (32%).

# RELATIONSHIP WITH EMPLOYERS

► Overall, how would you rate your fund's relationship with employers? All respondents (74)

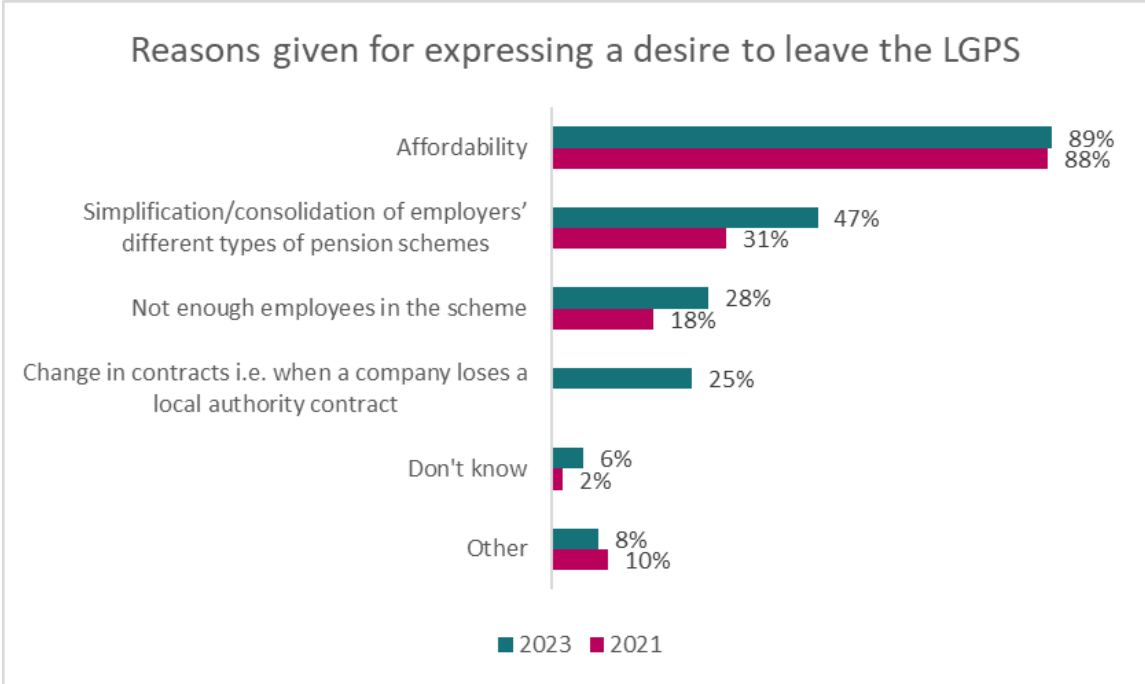
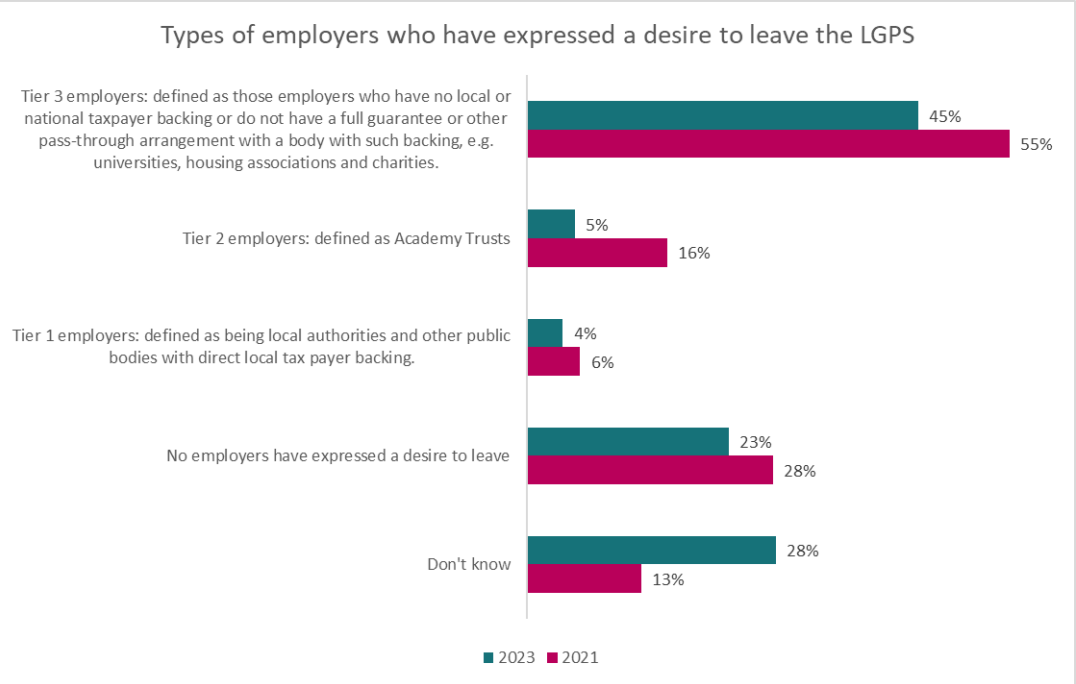


• As found in 2021, most say their fund has a good relationship with their employers (85%), with one in ten saying they have a neutral relationship (11%). Only two believe they have a poor relationship with their employers.

# EMPLOYERS AND MEMBERS

# EMPLOYERS WHO EXPRESSED DESIRE TO LEAVE

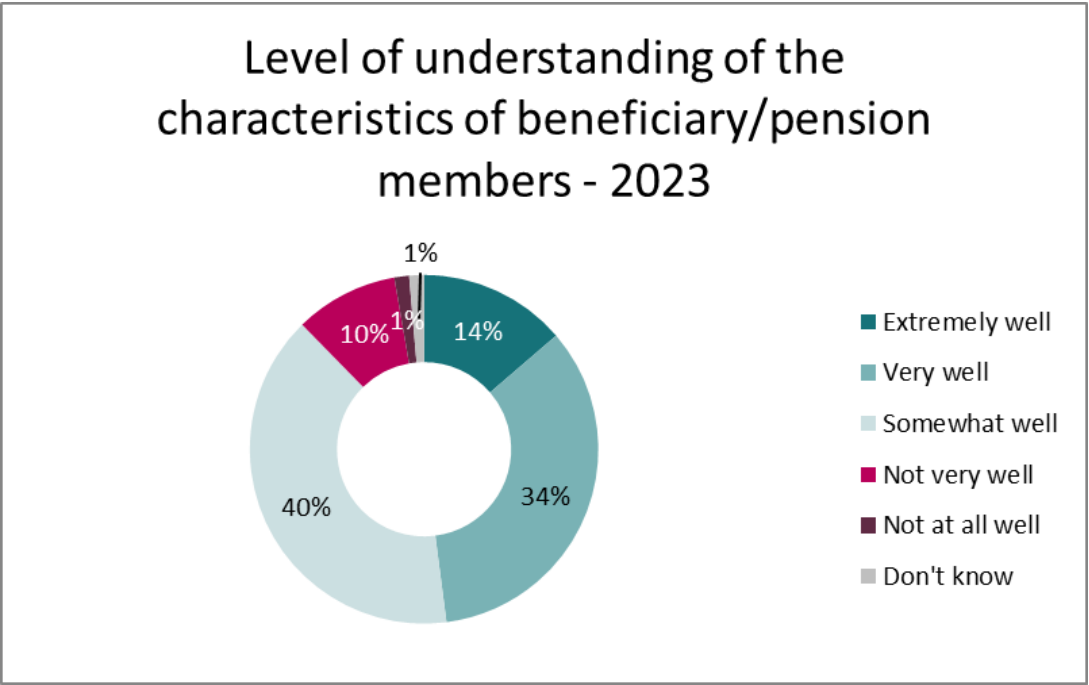
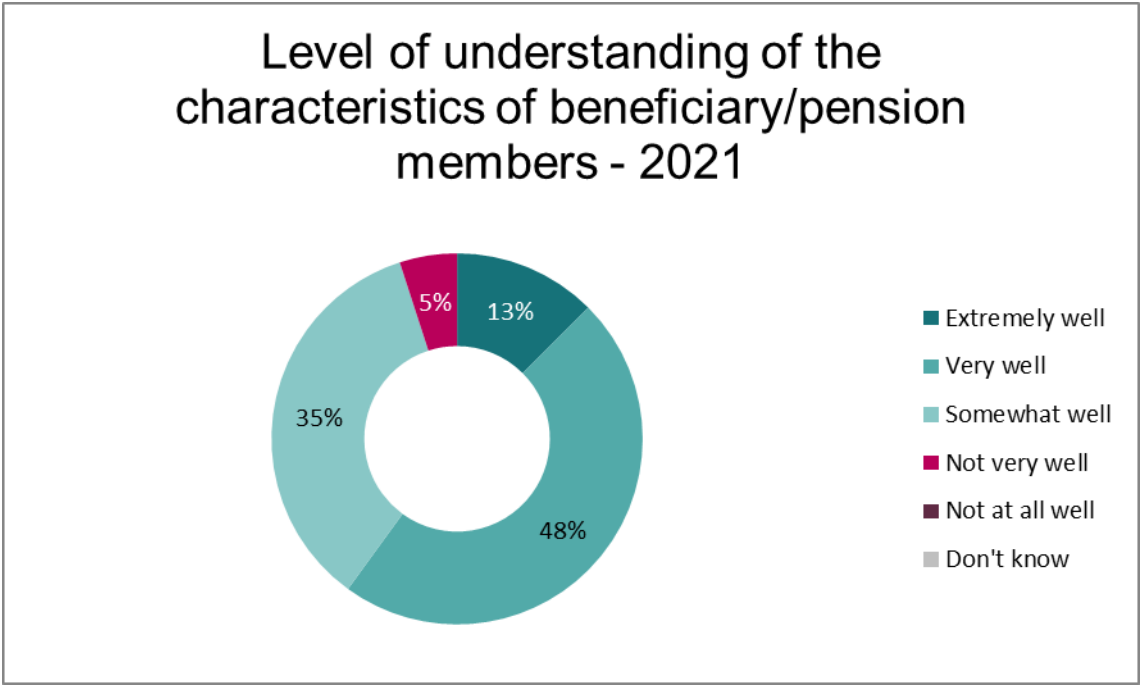
- ▶ Which, if any, of the following types of employers covered by your fund, have expressed a desire to leave the LGPS? All respondents (74)
- ▶ Which, if any, of the following reasons were given for expressing a desire to leave the LGPS? All respondents (36)



- As found in 2021, most funds say they have had Tier 3 employers express a desire to leave (45%). Fewer this year say they have had Tier 2 employers saying they wish to leave (5% vs 16% in 2021). A quarter (23%) continue to say none of their employers have expressed a desire to leave the LGPS, while a quarter don't know if any employers wish to leave the LGPS (28%).
- The main reason employers have expressed a desire to leave the LGPS continues to be affordability (88%). More now say this is due to simplification/consolidation of different types of pension scheme (47%) than in 2021 (31%). Over a quarter say it is because there are not enough employees in the scheme (28%), while others say it is due to a change in contracts (25%).

# UNDERSTANDING OF BENEFICIARY/PENSION MEMBERS' CHARACTERISTICS

▶ How well do you feel your organisation understands the characteristics of your beneficiary/pension members? All respondents (73)

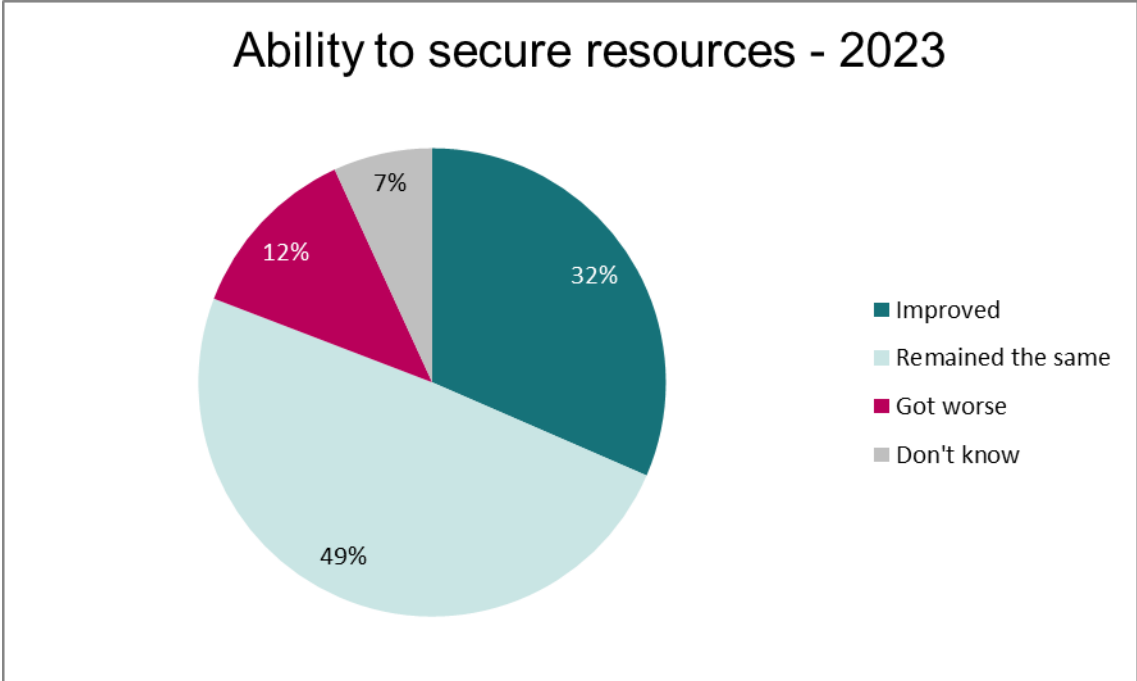
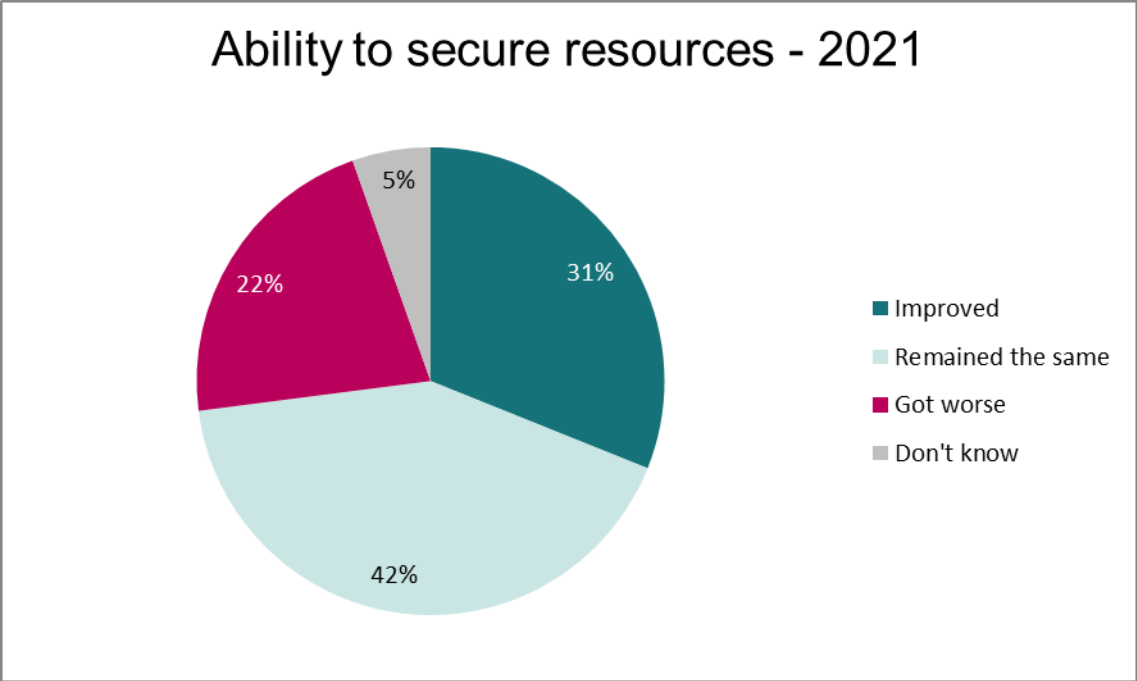


- Most funds continue to say they believe their organisation understands the characteristics of their beneficiary/pension members (88%), with half believing they understand their characteristics either extremely (14%) or very well (34%).
- However, levels of understanding have declined since 2021. Indeed, one in ten say they don't understand the characteristics of their beneficiary/pension members (11%), compared to just 5% in 2021.

# RESOURCES

# ABILITY TO SECURE RESOURCES

Over the past 12 months, has your funds'/pensions teams' ability to secure resources improved, got worse or stayed the same? All respondents (73)

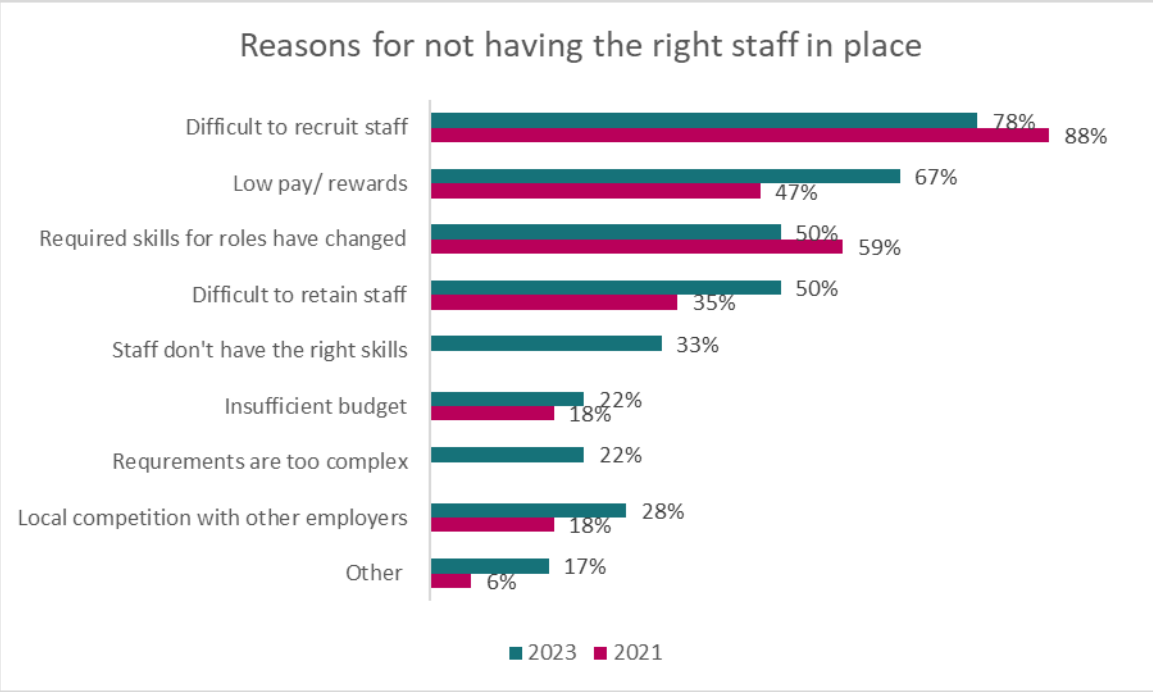
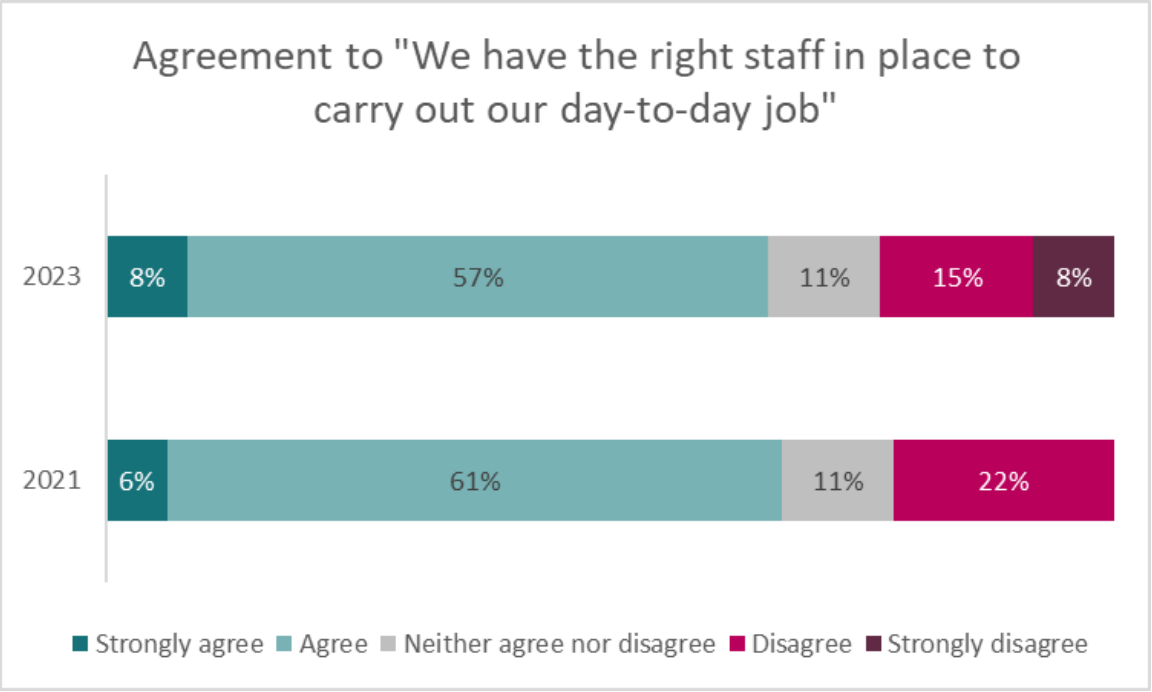


- A third continue to say their ability to secure resources has improved (32%), but fewer now say that it is worse (12%) compared to one in five in 2021 (22%). Half say that it has remained unchanged (49%).



# RIGHT STAFF IN PLACE

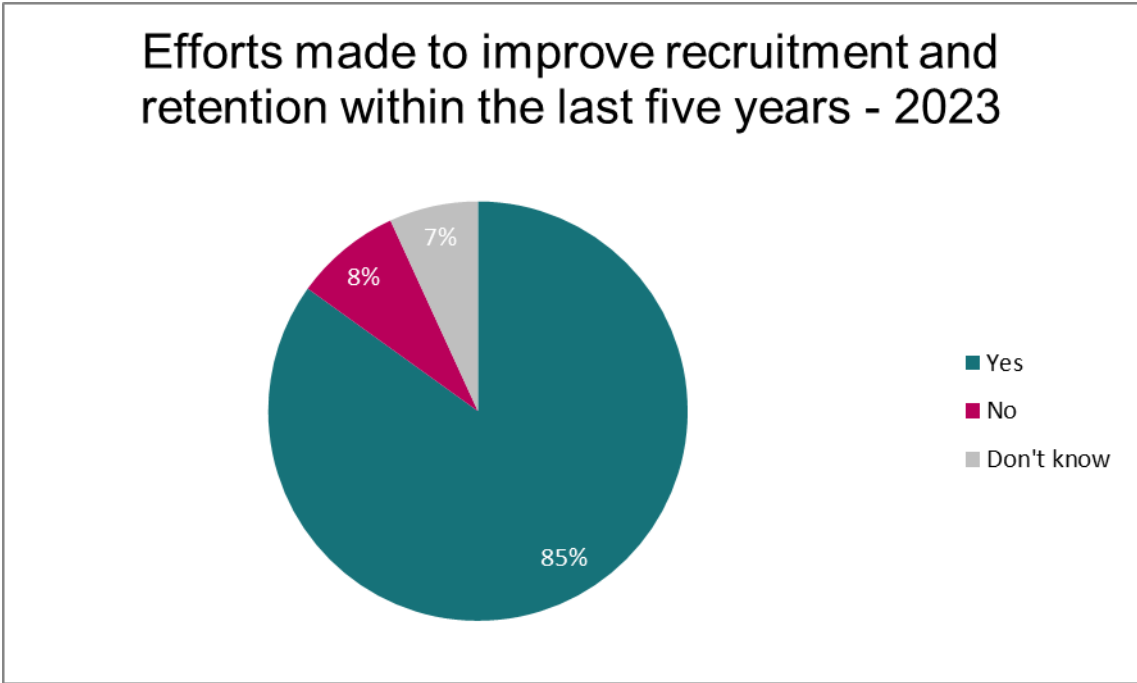
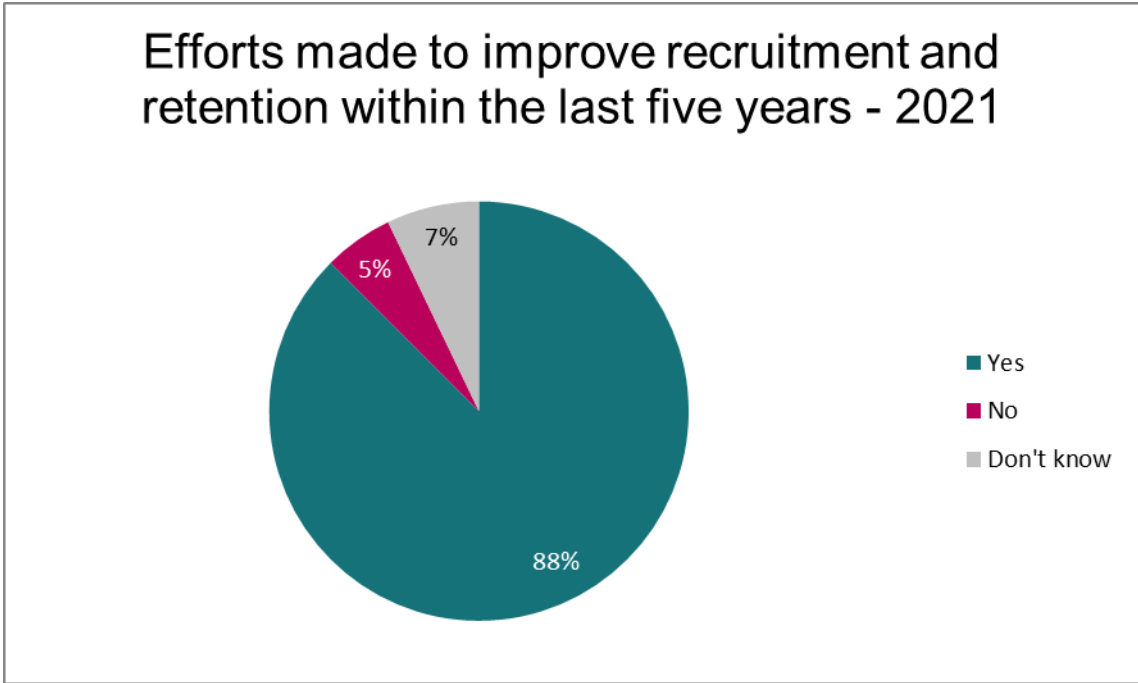
- ▶ To what extent do you agree or disagree with the following: We have the right staff in place to carry out our day-to-day job? All respondents (72)
- ▶ Which, if any, of the following best describes the reasons why you do not feel you have the right staff in place? All respondents (18)



- Two-thirds continue to believe they have the right staff in place to carry out their day-to-day jobs (65%). However, a quarter do not feel they have the right staff in place (23%).
- The main reasons they do not believe they have the right staff in place is due to the difficulty in recruiting staff (78%). More than two-thirds mention low pay and rewards (67%), up from less than half in 2021 (47%). Half also continue to mention that it is due to the required skills having changed for some roles (50%). Half also say it is difficult to retain staff (50%), with a third saying staff don't have the right skills (33%).

# RECRUITMENT EFFORTS

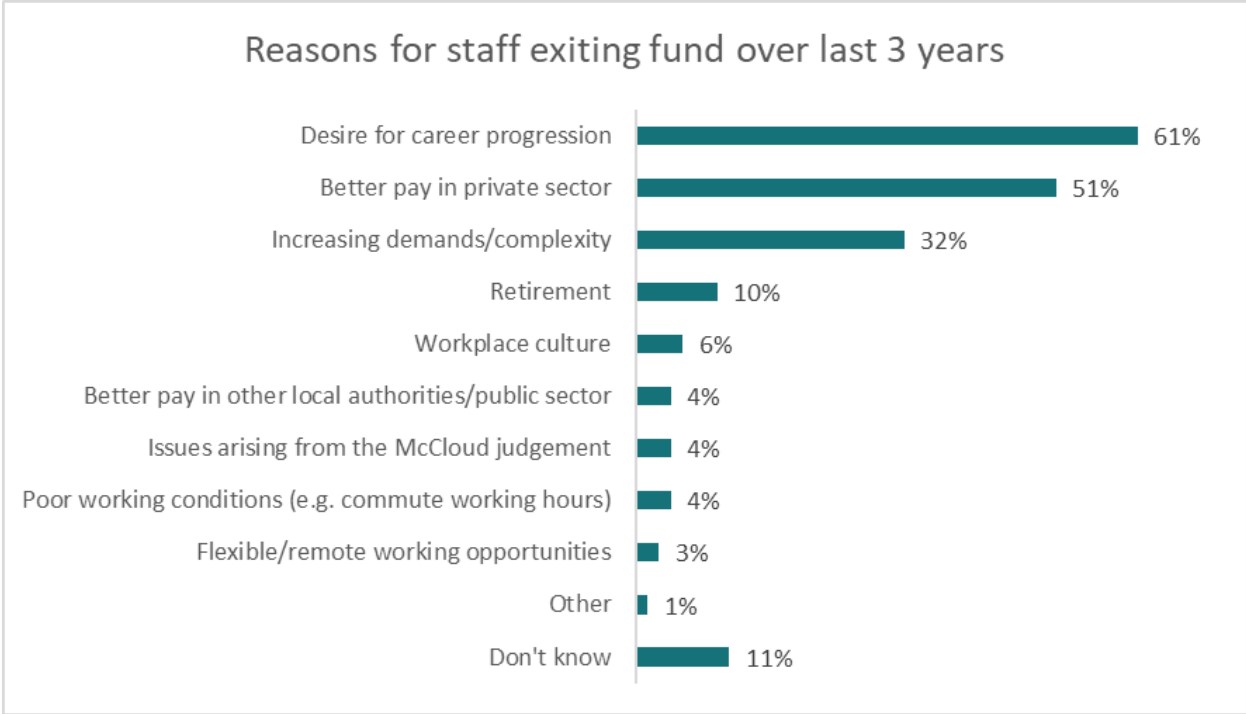
▶ Have you or your organisation made efforts to improve recruitment and retention within the last five years? All respondents (73)



- Almost nine in ten (85%) continue to say they have made efforts to improve recruitment and retention within the last five years. Indeed, only 8% say they have not tried to improve recruitment and retention.

# REASONS FOR STAFF EXISTING FUND

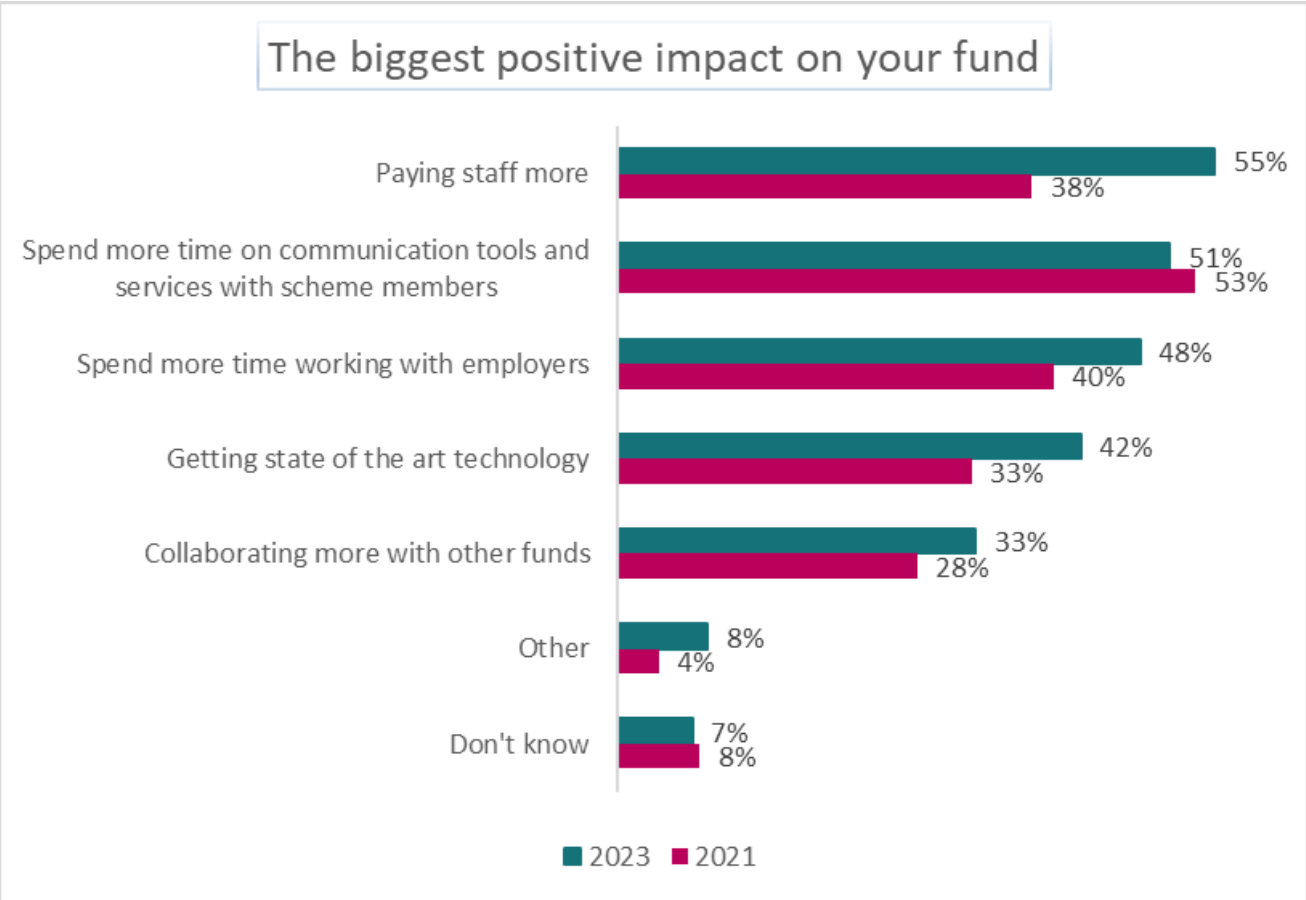
Which, if any, of the following reasons best describe the reasons for your staff exiting your fund, over the last three years? All respondents (71)



- The main reasons staff have exited the fund over the last three years is due to a desire to progress their career (61%), having better pay in the private sector (51%) and the increasing demands /complexity of working for the fund (32%).

# THE BIGGEST POSITIVE IMPACT ON FUND

▶ If money and time were no object, which of the following would have the biggest positive impact on your fund? All respondents (73)

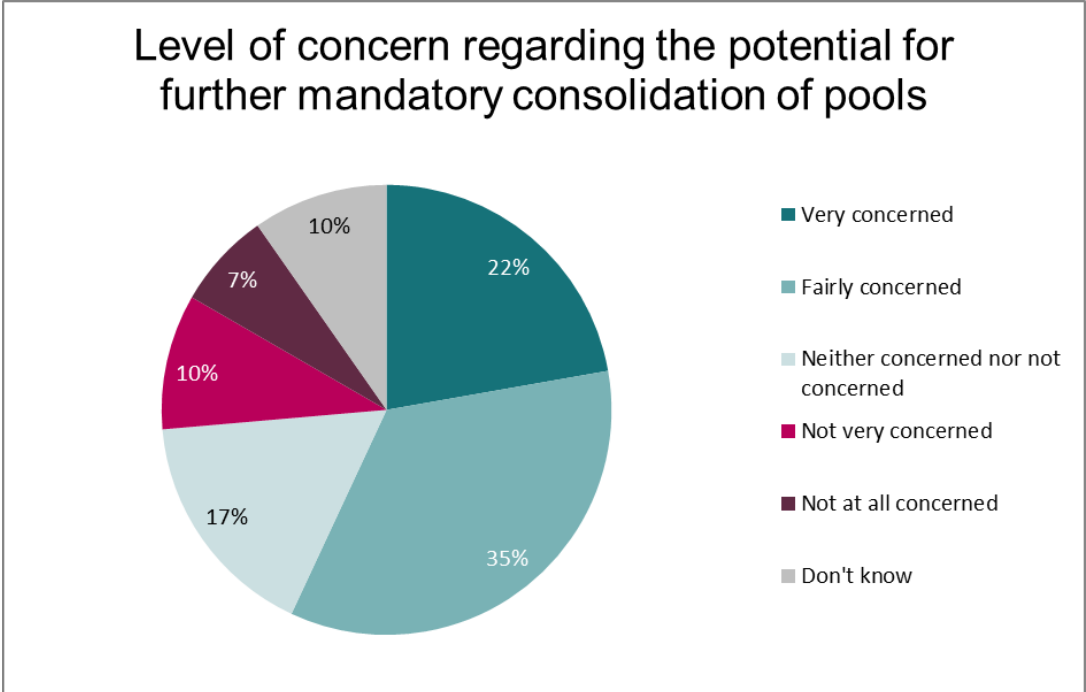
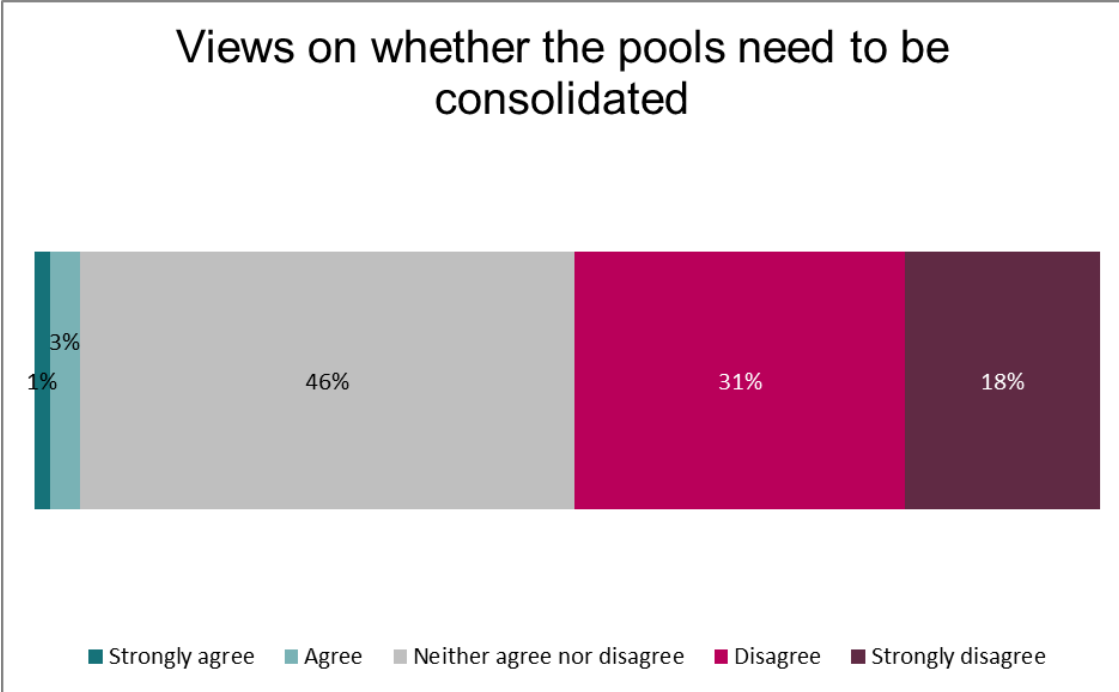


- If money and time were no object more than half say paying staff more (55%) up from a third (38%) in 2021 would have the biggest impact on their fund.
- Half continue to feel that spending more time on communication tools and services with scheme members would have the biggest impact on their fund (51%), while a similar number feel spending more time working with employers (48%) or getting state of the art technology (42%) would have the biggest impact.
- A third (33%) say that collaborating more with other funds would have the biggest impact.

# VIEWS ON POOLING

# VIEWS ON POOLING

- ▶ To what extent do you agree or disagree that the pools need to be consolidated? All respondents (71)
- ▶ How concerned are you about the potential for further mandatory consolidation of pools? All respondents (72)



- Few feel that the pools need to be consolidated (4%), while almost half disagree (49%). However, almost half are undecided (46%).
- Indeed, over half are concerned about the potential for further mandatory consolidation of pools (57%), with less than one in five not concerned (17%).

# MAIN REASONS FOR VIEWS ON WHETHER POOLS SHOULD BE CONSOLIDATED

- ▶ Among those that agree pools should be consolidated this is due to the economies of scale.
- ▶ The main reasons funds feel that there is no need for pools to be consolidated are due to it still being early days for the current pools (5 mentions), feelings that there will be a loss of control and the pool not being specific enough for their fund (5 mentions), that governance will be difficult (3 mentions) and that it is a politically motivated move (3 mentions).
- ▶ However, some are neutral with some saying more time is needed to understand what are the benefits of consolidation and what are the key learnings.

Efficiency of larger scale.

Our 'voice' is diluted as pools grow and take on more member Funds.

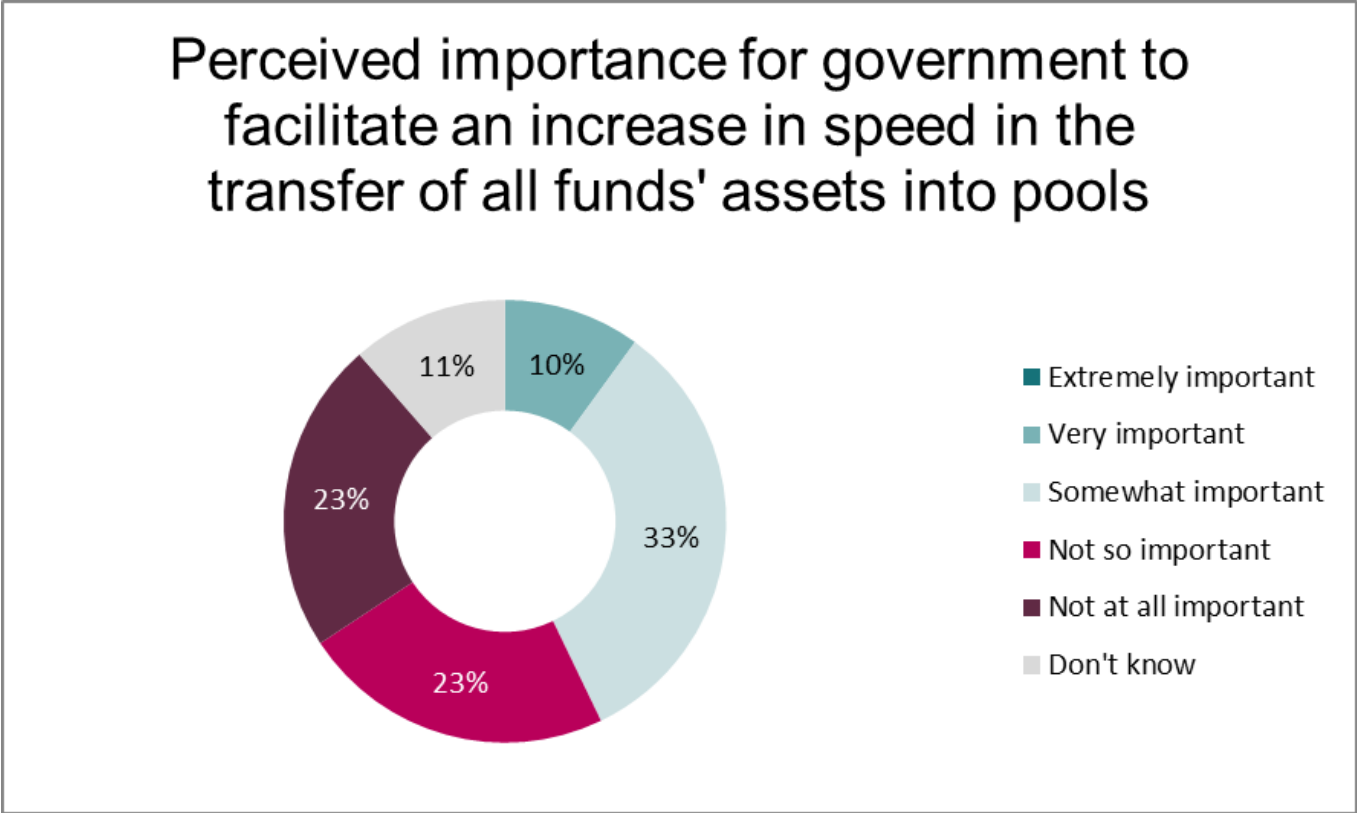
Pools should be created with like-minded members. Forcing others to join has the potential to be detrimental to the pool and the joiner.

Theoretically I agree with further consolidation given potential scale advantages. However, the initial pooling process is still in its implementation phase - a period of bedding down of the established pools would seem reasonable before implementing additional changes.

Our 'voice' is diluted as pools grow and take on more member Funds. Danger of watering down to the lowest common denominator especially where current pool is so successful.

# IMPORTANCE IN GOVERNMENT FACILITATING SPEED IN TRANSFER OF FUNDS' ASSET INTO POOLS

▶ How important do you think it is for government to facilitate an increase in speed in the transfer of all funds' assets into pools? All respondents (70)



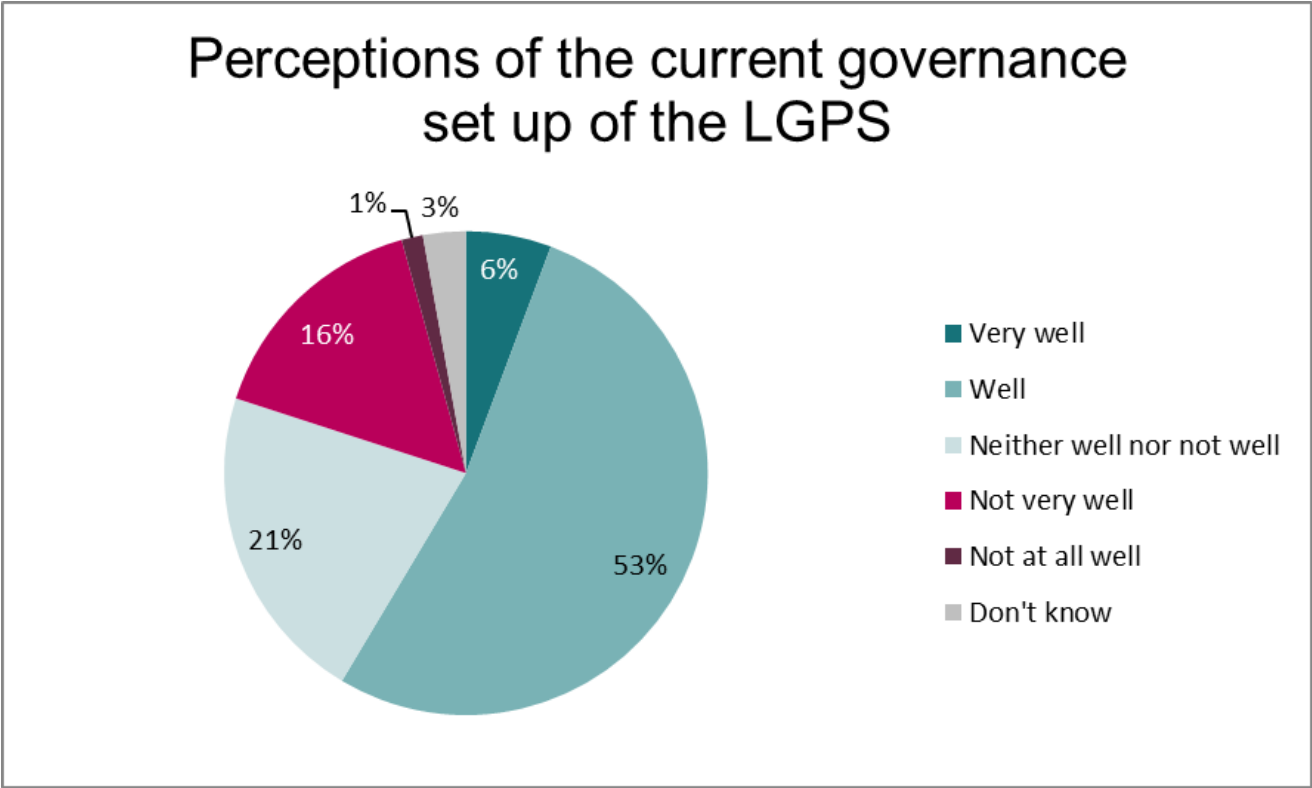
- Under half (43%) feel it is important for government to facilitate an increase in speed in transfer of all funds' assets into pools, with none feeling it is very important.
- Indeed, almost half disagree (46%)



# VIEWS ON GOVERNANCE

# PERCEPTIONS OF THE CURRENT GOVERNANCE SET UP OF THE LGPS

▶ How well do you feel the current governance set up of the LGPS works? All respondents (70)



• Six in ten feel the current governance set up of the LGPS works (59%). However, one in five (17%) feel it does not work (17%).

# WHAT THEY WOULD LIKE TO CHANGE

# ONE THING THEY WOULD LIKE TO CHANGE

- A range of suggestions were put forward with the greatest number of mentions relating to simpler/clearer regulations (7 mentions), less political interference (3 mentions), no more change (3 mentions) and better recognition of the admin role (3 mentions).

Clearer regulations i.e. less interpretation by individual Funds or Pools.

Recruitment and retention of staff is our biggest challenge. Increasingly complex regulations and a growing fund requiring a more complex investment strategy, raises the need for an increase in resources.

The constant change from Government - would love a period of stability.

Recognition of the importance of governance in administering authority; understanding from admin authority that pensions is more than paying benefits, and that paying benefits is not a transactional function.

Simplification of pensions regulations governing pensions administration.

Stop the constant churn caused by attempts at political interference. The LGPS exists to pay pensions and for no other reason.



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July 2023

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