PENSIONS AND LIFETIME SAVINGS ASSOCIATION

BRIEFING NOTE

LGPS: VIEWS FROM INSIDE THE SCHEME – JULY 2023

EXECUTIVE SUMMARY

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.

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.

WORKING WITHIN THE LGPS

- Most remain positive about working within the LGPS (85%), with over half continuing to enjoy 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 are hindering them from doing their job effectively (43%).
- 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.

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.

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).