

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>PENSION BOARD</b>
<b>DATE OF DECISION</b>	<b>25 JULY 2024</b>
<b>REPORT TITLE:</b>	<b>The Local Government Pension Scheme Advisory Board – England and Wales Annual Report 2023</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West, Corporate Director of Resources (Section 151 Officer)</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Head of Pensions and Treasury;</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>
<b>WARDS AFFECTED:</b>	<b>N/A</b>

## 1. SUMMARY OF REPORT

- 1.1 This report advises the Board of the publication of the *Local Government Pension Scheme Advisory Board – England and Wales Annual Report 2023*. It provides electronic access to the whole Report and the summary included in the Chair’s introductory statement. (full version found at [eleventh Scheme Annual Report](#) )

## 2. RECOMMENDATION

The Pension Board is recommended:

- 2.1 To note the contents of this report

## 3. REASON FOR RECOMMENDATION

- 3.1 It is best practice for the Pension Board to be advised of matters arising from the work of the Local Government Pension Scheme Advisory Board most of which are relevant to the Fund.

## 4. BACKGROUND AND DETAILS

### 4.1 Background

The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It describes its purpose as:

*..... to be both reactive and proactive. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues.*

*It considers items passed to it from the Department for Levelling Up, Housing and Communities (DLUHC), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to DLUHC or other bodies. The Board and its secretariat also have a liaison role with The Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.*

### 4.2 Chair's Introductory Statement

On 11 June 2024, the Board published its "Annual Report 2023" with the Chair's introductory statement as follows: (full version found at [eleventh Scheme Annual Report](#) )

*On behalf of the Scheme Advisory Board I am delighted to be able to present the eleventh Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with 13,802 active employers, 6.49m members and assets of £354bn.*

*The aim of this Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 86 fund annual reports, **as of 31st March 2023**.*

*Here are some key LGPS highlights for 2023:*

- *Total membership of the LGPS increased slightly, growing by **106,166 (1.6%) to 6.49m members in 2023 from 6.39m in 2022***
- *The total assets of the LGPS decreased to £354bn (a change of -2.6%). These assets were invested in **public equities (51%), bonds (12%), property (8%), infrastructure and private equity (both 6% respectively)**, as well as other asset classes including – but not limited to – multi-asset credit, private debt, diversified growth funds*
- *In a challenging year for markets, the Local Authority return on investment over 2022/23 was **-1.8%**. This compares to UK CPI year on year inflation of 3.2% (Sept – Sept)*
- *The scheme maintained a positive cash-flow position overall, including investment income*

- Over **2m** pensioners were paid during the year
- Despite continued higher than expected mortality in the general UK population, 2022 was a better year than the two dreadful years that preceded it. Pensioners appear to be seeing a more pronounced bounce back towards pre-pandemic life expectancies than the general population, particularly pensioners in the LGPS
- Total **investment management costs decreased by £141m** (-7.6%) from £1,868m. This was primarily driven by a £188.5m net decrease in performance fees. Management fees increased by £106m, transaction costs increased by £15m while other [investment] costs decreased by £71m.
- Total **administration and governance costs increased by £28m**, with administration costs increasing by £12.1m, and oversight and governance costs increasing by £19.7m. "Other" administration and governance costs decreased by £3.8m.

*In a separate analysis of local fund valuation reports, it was estimated that as at 31st March 2022, the LGPS had an overall funding level of 107%. Since its establishment, the Board has actively developed proposals to tackle the funding deficit (£6bn in 2019, £37bn in 2016) and has been successful in improving the sustainability of the LGPS and its funding level. The next triennial valuation of the LGPS will be as at 31st March 2025.*

*The work of the Scheme Advisory Board through the period of this report (1 April 2022 – 31 March 2023) included getting the new Compliance and Reporting Committee fully established and commencing work in earnest on its workplan – including a good governance working group aimed at encouraging the government to put the Board's good governance project recommendations into action, as well as a focus on audit given the challenges in local authority audit.*

*The Board responded to the government's climate risk reporting consultation and continued its focus on responsible investment, including moving the work on the LGPS and Sharia law forwards by engaging with Islamic finance experts. There was consideration of assumptions relating to the 2020 Scheme valuation (conducted by the Government Actuary's Department) and the associated cost control mechanism.*

*The Board continued to be appraised of progress with regulations and guidance on implementing McCloud remedy in the LGPS, once the primary legislation was finalised in early 2022 – work on McCloud remedy remained a central focus for LGPS funds alongside many other competing demands.*

*The Board and its secretariat continued to support the sector in various ways, including direct engagement at many in-person and online events.*

*I would be pleased to hear your views on this our eleventh Annual Report (these should be sent to [the Scheme Advisory Board secretariat](#)). The Board is keen to ensure we add to the Report and that the work underlying our compilation and analysis is ultimately recognised through the UK.*

## **CLlr Roger Phillips**

Chair of the LGPS Advisory Board  
11 June 2024

### **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 N/A

### **6 CONSULTATION**

6.1 No consultation outside the formal process is required.

### **7 IMPLICATIONS**

7.1 There are no direct financial implications arising from this report.

### **8 APPENDICES**

8.1 None

### **9 BACKGROUND DOCUMENTS**

9.1 None