

LGPS

Look-see review based on current market conditions

Current market conditions – look-see review

Market conditions have moved significantly, and this has led to a potential opportunity to re-set your financial exposure to the LGPS.

We have set out the steps for looking at your current LGPS financial position to see if you now have an affordable exit payment or even a possible surplus repayment. If you don't want to exit, there are other ways you can lock into the current position to remove risk.

Our recommended approach is set out below.

This “look-see” at the numbers would allow you to move to the next stage knowing that it would be valuable to do so. In order to consider the positive impact of the significant investment market changes and the possible next steps you can take, we will:

- Estimate your current* exit position and show how this has moved since 31 March 2022
- Estimate your current FRS102 deficit and show how this has moved since your last year-end
- Provide an indication of how the improvements might lead to lower contributions from 1 March 2023 (note: a qualitative rather than a quantitative assessment)
- Provide qualitative commentary on the economic outlook for the next 12 months, specifically in relation to the key market indicators affecting pension scheme funding, together with sensitivity analysis to help understand the scenarios which could result in the position worsening again
- Undertake a high-level review the current Funding Strategy Statement (or, if relevant, the one currently under consultation) to understand the points required to complete the steps above
- *Optional: Review the terms of the admission agreement in relation to cessation of accrual, risk sharing, provision of notice to terminate agreement, payment debts and refunds of surpluses*
- Highlight the actions that can be taken to lock into the much improved position, including
 - A full exit (which we recommend looking at, even if you would prefer not to)
 - A partial exit (which doesn't need to affect any of your existing employees)
 - A de-risking of the investments
 - Allowing for positive post valuation experience in the 2022 actuarial valuation

- Set out the next steps, should you wish to consider any of the actions
- The above will set out in a short report which will be very clearly written and with a practical focus

*Within 5 working days of the production of the report

Please contact Urrffa Rafiq or your usual contact in the Isio team for if you wish to know more.

Other comments

We would like to highlight that the report is not intended to promote exit. Whilst exit might be right for you, this depends on your preferences and objectives (including consideration of employee relations matters). However, the exit position is a key measure of your financial exposure and should be understood to inform your pensions strategy, including how much cash you pay and how much investment risk you take.

This is intended to be a desk-top review to highlight the current position, key opportunities and issues. Please note:

- The numbers will be based on approximate roll-forward of your assets and liabilities from your most recent year-end information
- We will not require any additional information from the Fund. However, should you have any additional information (e.g. an exit position estimate) we will take that into account
- The advice will not constitute a recommendation or feasibility on any of the actions
- The advice will be given in the context of the Fund you participate in and the current Funding Strategy Statement (including the current exit policy), but it will not include a thorough review of either the Fund or the FSS

