

LGPS COVID-19 cashflow survey conducted 1st April to 14th April

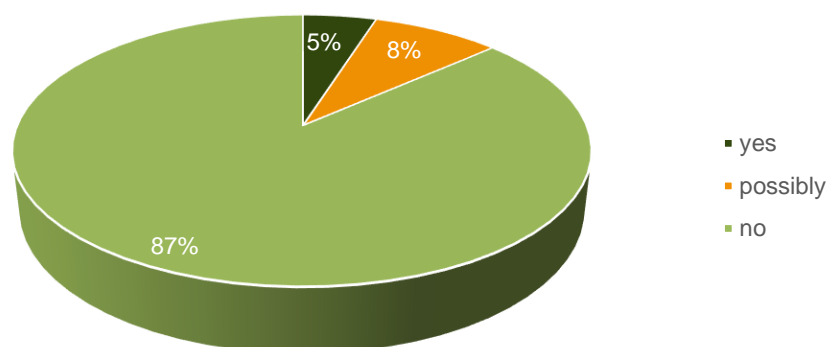
Survey was sent to LGPS administering authorities across England, Wales, Scotland and Northern Ireland

82 Responses were received from;

- 24 London boroughs
- 9 Scottish authorities
- 7 Welsh authorities
- 6 English metropolitan authorities
- 33 English county or unitary council
- NILGOSC, LFPA and the Environment Agency

Question 1 - Do you anticipate any fund cash flow issues for 2020-21? Yes/No?

Do you anticipate any fund cash flow issues for 2020-21?



yes	4	4.9%
possibly	7	8.5%
no	71	86.6%

Areas of concern raised were as follows

- A number of funds indicated that their 'no' answer may change should this situation continue, or get worse, for much of the year
- Investment income, reduction and or suspension of dividends
- Investment income, reduction and or absence of property rental income
- Drop in contribution income due to change in strategy now compounded by small employers in financial difficulty
- Some funds already cash negative not helped by the current situation
- Some funds have a significant number of Tier3, FE/HE/Charities, which are struggling with their finances. Some may even be unable or unwilling to pay their secondary, perhaps even primary contributions.
- Operational costs, already increasing, cost of business continuity higher

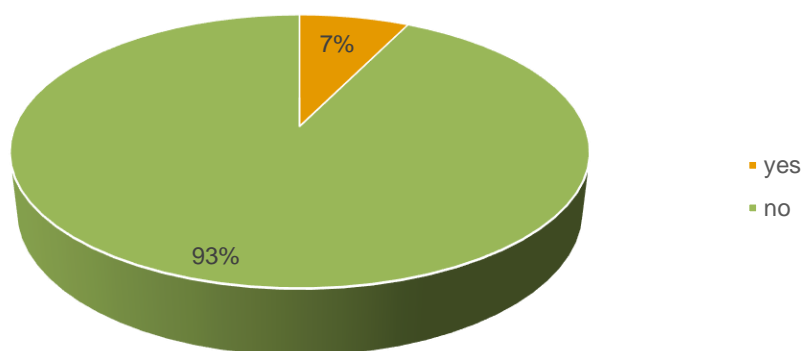
- Uncertainty around private market commitments made pre COVID-19.
- Currency hedging where positions settled on a quarterly basis. Mitigation of £(sterling) falls by larger cash balances than otherwise thus avoiding need to sell assets at a time of heightened volatility.
- Potential increase in death grant payments.
- Delay in continued momentum with investments in the LGPS pooling programme due to market volatility and pricing issues.

Positive points made and action taken included:

- Many funds cash positive at the contribution level and are re-investing investment income)
- Many funds >90% employers are scheduled bodies (Local authorities, National park and police authority) with good covenants
- Prepayment of contributions by larger employers will help (provided they happen)
- Plans to keep/increase liquidity but timing of asset disposal is an issue given current market activity
- Business Continuity Plans updated, addition of COVID19 to risk registers
- Continuous and close monitoring of employers, review of investment strategy
- Consideration of use of investment regulation 5 for 90 day borrowing to meet benefits
- Request for LGPS guidance in general, not just Fund level
- Request for MHCLG legal advice on employer contribution holidays.
- a number of funds Employer survival material value to local community. Proposed that flexibilities on exit payments be brought forward by MHCLG.

Question 2 - Have you received any requests from employers to delay/reduce contributions?

Have you received any requests from employers to delay/reduce contributions?



yes	6	7.3%
no	74	92.7%

Comments regarding contributions were as follows

- Small number of employers have requested contribution holidays/deferred payment. Risk that resulting break in contributions for a period would not be recoverable
- Some major employers intending to pre-pay three years of contributions have now decided to pay just one years' worth upfront and will review again next year. Another example included a case where an employer, which previously paid upfront secondary contributions for the three-year period have at a late date opted to revert to monthly payment.
- Uncertainty that some community admissions, like leisure trusts for example, have not raised because it has not been thought through or because they have agreed support packages with councils.

Comments made and action taken included:

- Comment that encouraging or promoting contribution reductions/deferrals would not be welcomed
- Conversely, another comment was that contributions from employers should be allowed over longer periods, and for TPR not to consider this requirement for deferment to be treated as a breach
- Reversion to monthly payment will assist in the management of fund cash flow on short term basis. This is not new and reflects the flexibility that had always been available. It was agreed that if there was greater clarity next year, they may reconsider capitalising
- Offer to employers the option to delay the April secondary contribution payment up to September, depending on their cash positions, giving them up to six months to pay
- Prepayment of three years' deficit contributions generally treated as additional cash in any case

It should be noted that a majority of those who responded this section stated that it was too early to say and that this situation may change for the worse if circumstances continue as they are for a period of months.

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For further information members of the press should contact the Scheme Advisory Board Secretary jeff.houston@local.gov.uk

Further information on COVID-19 issues for LGPS administering authorities can be found at <http://lgpsregs.org/news/covid-19-news-2020.php>