

Appendix C

Scheme Annual Report 2022 - Chairman's Statement

On behalf of the Scheme Advisory Board, I am delighted to be able to present the tenth 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 14,992 active employers, 6.39m members and assets of £369bn.

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 2022.

Here are some key LGPS highlights for 2022:

- Total membership of the LGPS increased slightly, growing by **161,871 (2.6%) to 6.39m members in 2022 from 6.23m in 2021**
- The total assets of the LGPS increased to £369bn (a change of 7.8%). These assets were invested in pooled investment vehicles (**67%**), **public equities (12%) bonds (3%), direct property (3%), as well as other asset classes (15%)**
- The Local Authority return on investment over 2021/22 was 8.1%. This compares to UK CPI year on year inflation of 8.8% (Sept – Sept)
- The scheme maintained a positive cash-flow position overall, including investment income.
- Over **1.95m** pensioners were paid over the year
- Life expectancy rebounded to similar levels pre-covid with an increase by **0.8 years & 0.6 years** for males and females respectively (2021 figures v 2022)
- Total management charges increased by £385m (+22.5%) from £1,711m. This was primarily driven by a £381m (25.6%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

In a separate analysis of local fund valuation reports, it was estimated that as at 31st March 2022, the LGPS liabilities were estimated at £339bn indicating 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 2021 - 31 March 2022) continued to be focused on McCloud, as well as working with government on putting the recommendations from the good governance project into action. The Board worked with government to shape their proposals for a climate risk reporting consultation and continued its focus on responsible investment, through its Local Authority Responsible Investment Summit (LARIS) in April 2022, as well as the work of the-then newly established Responsible Investment Advisory Group (RIAG).

The Board continued to support the sector as it recovered from and pivoted to new ways of working as a result of the CoViD-19 crisis. There was a welcome return to “in-person” events, but the use of hybrid facilities continued to ensure maximum attendance at Board and Committee meetings and events.

I would be pleased to hear your views on this our tenth 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 throughout the UK.

Cllr Roger Phillips

Chair of the LGPS Advisory Board
26 June 2023

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