

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE



DATE: 10 MARCH 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE

SUBJECT: LGPS UPDATE (BACKGROUND PAPER)

SUMMARY OF ISSUE:

1. This report considers recent developments in the LGPS.

RECOMMENDATIONS:

2. The Pension Fund Committee is asked to note the content of this report:

REASON FOR RECOMMENDATIONS:

3. The report provides background information for the Committee.

DETAILS:

4. This report highlights updates from various statutory and regulatory bodies.

Highlights

Further regulations for McCloud made	5	Further regulations and directions made, which will now pave the way for the LGPS regulations to be amended to remove discrimination. More information regarding McCloud in points 10, 11, 15, 21, 22 and 28.
Pensions Dashboards standards published	6	Revised standards published and Pensions Dashboard regulations made. More information can be found in points 11, 17 to 20 and 28.
Climate-related risk reporting proposals made	7	Climate-related risks/asset pooling/investments – proposals to assess, manage and annually report on climate-related risks in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). More information on these issues can be found in point 14.
Proposal to change LGPS CARE revaluation date	8	Consultation launched to amend the LGPS CARE revaluation date due to high inflation. More information in points 11 and 13.

LGPS updates

9. The Office for National Statistics has reclassified colleges into the central government sector and the Department for Education (DfE) is considering the additional covenant assurances for colleges.
10. The DfE is in the process of identifying the members affected by the implementation of the McCloud remedy where teachers held a full time employment as well as a part time employment and so will have to be rolled back into the Teachers' Pension 'legacy' scheme and the excess service moved to the LGPS.
11. LGPC [draft minutes](#) have been published following the meeting held on 5 December 2022. Topics include updates on regulations, McCloud, Pensions Dashboards and Annual Allowance and high inflation.
12. DLUHC launched a [consultation](#) on 30 January 2023 on changes to the SAB Cost Management Process (CMP). This follows a report from GAD into changes to the HMT CMP, the resulting policy and legislative changes set out in HMT's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by the SAB in its consultation response to better integrate the SAB process within the statutory HMT mechanism.
13. DLUHC published a [consultation](#) on 10 February 2023 on changing the revaluation date in the LGPS from 1 April to 6 April for the scheme year 2022-23 and going forwards. The reasoning behind this is to align with the tax year due to the likely 10.1% increase that will apply to CARE LGPS benefits and if not aligned more members will exceed the annual allowance.

Scheme Advisory Board (SAB)

14. The SAB issued a survey on the upcoming climate risk reporting regime, to gain a view from administering authorities, the results of which helped the SAB with [their response](#) to DLUHC's [consultation](#) on the proposal to introduce a climate risk reporting regime for administering authorities in England and Wales. It is proposed administering authorities will be expected to set a target in relation to one of the four proposed metrics or any other climate related metric recommended by the TCFD. Whilst the target is not binding, administering authorities will be expected to publish an annual Climate Risk Report, with the first reporting year being 2023/24 and regulations expected to be in force by April 2023.
15. The SAB held [a meeting](#) on 5 December 2022. A presentation was provided to them on GAD's proposals on scheme level assumptions for the cost control mechanism and the standardised valuation assessment. The Board also gave approval for GAD to provide some initial analysis of the gender pensions gap early in the New Year. Topics discussed at the meeting include:
 - The Board budget for 2022-23 is still awaiting approval from the Minister.
 - Levy invoices have not yet been issued to funds but will be sent in the new year as soon as the budget is approved.
 - The secretariat expects significant upward pressure on the levy for 2023-24 due to various active items on the workplan for the coming year.
 - McCloud remedy.
 - Pooling and good governance consultations.
 - Next steps on the Code of Transparency.

16. The SAB along with the LGA are currently working on guidance to assist administering authorities in England and Wales which will provide available options where they have been unable to collect the data required from employers to implement the McCloud remedy. The guidance will cover where there is missing data and where the authority is not confident in the data's accuracy. It is hoped the guidance will be published by the end of February.

Pensions Dashboard Programme (PDP)

17. The DWP's [The Pensions Dashboard Regulations 2022](#) regulations came into force on 12 December 2022. These set out the requirements for relevant occupational pension schemes to connect to pensions dashboards. The LGA intend to issue a specific LGPS guide early in 2023 on connection to the dashboards.
18. The Pensions Regulator has issued a [consultation](#) on its draft dashboards compliance and enforcement policy. TPR is responsible for ensuring occupational pension schemes comply with their dashboard duties and this draft policy sets out how they intend to do this.
19. PDP have published [revised standards](#) on connecting to the dashboards ecosystem following feedback from the consultation in July 2022. Whilst the revised standards are still to be approved by the Secretary of State for Work and Pensions, they have been published to assist schemes in their duties that they will need to comply with.
20. PDP have published an [explainer video](#) on consumer protection, explaining what protections will be in place to ensure dashboards are safe and secure.

HMT

21. On 14 December 2022, HMT made the [Public Service Pensions \(Exercise of Powers, Compensation and Information\) Directions 2022](#). The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised, whilst the Act gives relevant government departments powers to rectify McCloud discrimination. The making of the Directions will now allow the relevant departments to start consulting on regulations exercising those powers. The LGA's response can be found [here](#).

HMRC

22. HMRC launched a [consultation](#), which closed on 6 January 2023, on how pension tax will apply to members protected by the McCloud remedy. The proposed legislation, The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 is planned to take effect from 6 April 2023 with some provision being retrospective. The [LGA responded](#) to the consultation.

The Pensions Regulator (TPR)

23. TPR has published:
- A statement on [maintaining liability-driven investment \(LDI\) resilience](#) and is aimed at defined benefit trustees and advisers and sets out recommended actions in light of recent events in the gilt markets.
 - A [joint update](#) with the Financial Conduct Authority to their 2018 joint regulatory strategy and sets out how the two bodies will work together to tackle issues in the pensions sector.

The Pensions Ombudsman (TPO)

24. TPO recently upheld a complaint against the Teachers' Pension Scheme (TPS) where a member had transferred their benefits to a scheme in 2015. TPO determined that the receiving scheme invested the benefits in high risk, unregulated assets and TPS failed to put in place adequate checks and warn the member of the potential consequences of transferring. TPS have been ordered to reinstate the member's benefits together with a compensation payment for serious distress and inconvenience.

Other news and updates

25. In the [Autumn Statement 2022](#) the Chancellor of the Exchequer announced:
- The DWP review of the State Pension Age will be published early in 2023.
 - There will be no changes to the annual allowance for 2023/24.
 - Lifetime Allowance is to still remain at £1,073,100 until the end of the 2025/26 year.
 - The government's strategy for boosting growth. Following this, on 9 December 2022, the Chancellor made a [Statement](#) which announced a set of reforms to drive growth and competitiveness in the financial services sector. Within the statement it was confirmed that the Government would consult on:
 - New guidance to the LGPS on asset pooling in early 2023.
 - Requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.
26. The [National LGPS Frameworks](#) launched the Investment Management consultancy services framework in November, which offers efficient access to specialist investment consultancy-related services.
27. The Pensions Ombudsman has produced 2 new factsheets, [Determination by the Ombudsman](#), which explains what happens following a determination by the Ombudsman and [Privacy and Personal Information Policy](#), which explains why and when TPO collects personal information about third parties.
28. The Government Actuaries Department have published a blog [Looking ahead in public service pensions administration](#) which considers the pressures faced by administrators for McCloud, Pensions Dashboards and procurement.
29. The Department for Business, Energy and Industrial Strategy launched a [consultation](#) on 12 January 2023 on calculating holiday entitlement for part-year and irregular hours workers. It proposes to pro-rata holiday entitlement for these workers based on the annual hours they work following the recent Supreme Court judgement, Harper Trust v Brazel.
30. The Work and Pensions Committee has published the responses from Government to their report 'Protecting pension savers – five years on from the pension freedoms: saving for later life'. It also includes the responses from the FCA, TPR and MAPs. The report was originally published in September 2022 and looked at who is not saving enough for retirement and how this could be addressed with recommendations.
31. The 2024 Governance Conference will be held in York on 18 and 19 January 2024, more details will be released later this year.

CONSULTATION:

32. The Chairman of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

33. None.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

34. None.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

35. The Director, Financial and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

36. None.

EQUALITIES AND DIVERSITY

37. There are no equality or diversity issues.

OTHER IMPLICATIONS

38. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

39. No next steps are planned

Contact Officers:

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Consulted: Pension Fund Committee Chairman

Annexes:

None

Sources/background papers:

None

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