

SURREY COUNTY COUNCIL

SURREY LOCAL PENSION BOARD



DATE: 16 FEBRUARY 2024

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

SUBJECT: LGPS UPDATE (BACKGROUND PAPER)

SUMMARY OF ISSUE:

This report considers recent developments in the Local Government Pension Scheme (LGPS).

RECOMMENDATIONS:

The Board is asked to note the content of this report.

REASON FOR RECOMMENDATIONS:

The report provides background information for the Board.

DETAILS:**Highlights**

1 McCloud updates	The Local Government Association (LGA) publish an initial technical guide and the Teachers' Pension Scheme (TPS) to start contacting employers for affected members with excess service. More information on McCloud in paragraphs 7 to 10, 13 and 25.
2 Lifetime Allowance (LTA) to be abolished	Following the Autumn Statement, the Finance Bill set to legislate abolition of LTA. More information can be found in paragraphs 6, 24 and 26.
3 General Code of Practice published	The Pension Regulator (tPR) has published and laid before parliament the General code of practice to replace the existing codes. More information can be found in paragraph 29.

LGPS updates

4. The Department for Levelling Up, Housing and Communities (DLUHC) have published the [LGPS statistics for England and Wales: 2022 to 2023](#).
5. On 22 November DLUHC published its [response](#) to the consultation LGPS: Next steps on investments, confirming they will proceed with the proposed reforms relating to investments of the LGPS.

6. On the same day the Chancellor announced in the [Autumn Statement](#):
 - Establishing a deadline for the accelerated consolidation of LGPS assets into pools.
 - Progression of reforms set out at Mansion House, to improve pension savers' returns and boost growth in the UK.
 - The Lifetime Allowance (LTA) will be removed from 6 April 2024 through legislation in the Autumn Finance Bill.
 - The triple lock will remain in place for State Pensions.

McCloud

7. The LGA have published the first instalment of a [McCloud technical guide](#) for administrators, together with a member factsheet.
8. The DLUHC have confirmed that payments to other LGPS Funds may continue for affected members and the payment will not need to be revisited once the updated guidance has been issued, but the expectation is data sent should include the relevant information necessary to perform underpin calculations.
9. The DLUHC have requested to be informed if an administering authority receives an application for compensation relating to McCloud, an example may be where a member has overpaid an annual allowance charge that His Majesty's Revenue and Customs (HMRC) will not refund.
10. The Teachers' Pension Scheme (TPS) have issued communications to employers about the McCloud remedy for teachers with excess service. This directs them to a dedicated page for [employers on the TPS website](#). There is also a section for [members on the TPS website](#). The TPS will be writing to employers between January and July 2024 with a list of members they believe are affected and will do this by region. The TPS have also contacted administering authorities confirming the timeframe and regions for the data collection. TPS have also published a [webpage](#) setting out their stepped process for managing the excess service.

Scheme Advisory Board (SAB)

11. The SAB submitted their [full response](#) to the consultation on [LGPS: Next steps on investments](#) on 2 October.
12. The SAB have published [guidance on academy conversions](#).
13. The SAB gave an update via [LGPS-Live website](#) on 6 December 2023 as well as discussing along with a panel, investment strategies for different employers and the key investment questions of the day for LGPS investors. Other recent topics include governance issues and best practice in keeping pension board and committee's knowledge and skills up to date, McCloud, audit issues and the gender pensions gap. The LGPS-Live website has recordings of previous webinars, together with registering for future webinars.
14. On 20 December 2023 the SAB issued a [statement](#) on fund surpluses.
15. The SAB has now received the commissioned report on Sharia Law and the LGPS from an Islamic finance expert. This was required to assist Counsel with a legal opinion on whether the LGPS is Sharia Law compliant and whether members opting out of the LGPS

on the basis of their religious beliefs, constitutes as unlawful discrimination. The SAB will now go back to Counsel for a follow-up opinion.

16. The Compliance and Reporting Committee are on track to issue new annual report guidance and produce a factsheet to help with the audit process in early 2024. They will then begin to work with DLUHC to implement the good governance recommendations, consider what is needed to help administering authorities meet the knowledge and skills requirements for pensions committee and board members, along with refreshing the current funding strategy statement guidance.

Pensions Dashboard Programme (PDP)

17. The PDP have published a [blog](#) addressing some common dashboard questions as well as a [blog](#) following recent queries they have received covering expected timing of publication of the standards, testing and public availability.
18. The National LGPS Technical Group have formed a sub-group to look at Additional Voluntary Contributions (AVCs) and dashboards to establish common approaches on matching and providing value data.
19. The PDP host an informal virtual connection forum via Microsoft (MS) Teams every eight to ten weeks, which can be signed up to by emailing eventsdpdp@maps.org.uk. Updates are provided to attendees together with discussion on relevant topics.
20. The PDP hosted webinars in November, December and January, providing a progress update, understanding the architecture and find and view data, connection guidance and understanding AVCs and value data. Recordings of the webinars can be found on their [website](#) along with recordings of previous webinars held.
21. The Pensions Administrations Standards Association (PASA) has published [Pensions Dashboards Connection Ready Guidance](#) explaining what 'connection ready' means and covers five main areas, governance, matching, value data, technology and administration. PASA have also published a [Call to Action](#) which lists the top five actions schemes need to take now to prepare for dashboards.
22. tPR have published a [blog](#) encouraging schemes to be prepared for pensions dashboards and to follow their checklist.
23. The LGA have published a draft LGPS Pensions Dashboard connection guide, setting out the steps required to connect to the dashboard ecosystem. A final version will be published when the Money and Pensions Service (MaPS) issues the guidance on the staged timetable for connection.

His Majesty's Treasury (HMT)

24. Following the Autumn Statement on 22 November 2023 and the announcement to fully abolish the LTA from 6 April 2024, HMT published a [policy paper](#) providing a general description of the measure and detailed proposals. On 29 November 2023 HMT published the draft [Finance Bill 2023](#) to legislate the changes.

His Majesty's Revenue and Customs (HMRC)

25. HMRC has published a further [public service pensions remedy newsletter](#) in October 2023. Included within the newsletter is the introduction of a [calculator](#) for members who may need to correct their tax position due to the McCloud remedy in respect of annual

allowance or lifetime allowance, an [interactive guide](#) for members to check if they are affected by McCloud, as well as guidance for [members](#) and [administrators](#) covering the pension tax rules.

26. In December 2023 HMRC published the [Lifetime allowance guidance newsletter](#), which provides information to help support pension schemes understand the changes.

The Pensions Regulator (tPR)

27. On 27 November 2023 tPR [published the results of their survey](#) on governance and administration practices amongst public service pension schemes.
28. tPR have revised their [cyber security guidance](#), which assists trustees and pension scheme managers meet their duties in assessing risk, ensuring controls are in place and responding to incidents. TPR now asks pension schemes to report any significant cyber-related incidents to them on a voluntary basis and as soon as is reasonably practicable to enable TPR build a better picture of the cyber risks the industry and its members are facing.
29. In January 2024 tPR published the [General code of practice](#) which has been laid before parliament and is expected to come into force on 27 March 2024. This will bring together previous TPR codes into one single code. Clarity is required to which parts specifically apply to the LGPS, what the new code means for funds and how this should be applied in practice. Whilst this provides an opportunity to review current practices it comes at what is already a busy time for the LGPS. The SAB will support funds in understanding any new requirements and where needed will produce new or update existing guidance to assist with responsibilities.

The Pensions Ombudsman (TPO)

30. The Court of Appeal has ruled in a [recent case](#) that TPO is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation. This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount and an order from a County Court would be required. [TPO](#) have expressed their disappointment on the ruling and the DWP is supporting legislative changes to formally empower TPO to bring such disputes to a conclusion without the need for an order from a County Court. Meanwhile TPO has produced a [factsheet](#) providing guidance to help schemes manage such disputes.

Other news and updates

31. The Office for National Statistics announced on 18 October 2023 the Consumer Prices Index (CPI) rate of inflation for September 2023 was 6.7%. It is yet to be confirmed by the Government that this increase will apply in April 2024 to the revaluation and pensions increase that apply to LGPS active pension accounts, deferred pensions and pensions in payment.
32. The National Frameworks published a [bulletin](#) in December providing updates, which includes two new frameworks that will be launched in 2024, being integrated service providers (ISP) and member data services, and for additional voluntary contribution services.

CONSULTATION:

33. The Chair of the Local Pension Board has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

34. None.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

35. None.

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY

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

LEGAL IMPLICATIONS – MONITORING OFFICER

37. None.

EQUALITIES AND DIVERSITY

38. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

40. No next steps are planned

Contact Officers:

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Consulted: Local Pension Board Chair

Annexes: None

Sources/background papers: None

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