



SURREY LOCAL PENSION BOARD REPORT

SURREY COUNTY COUNCIL

SURREY LOCAL PENSION BOARD

DATE: 26 JULY 2024

**LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,
FINANCE AND CORPORATE SERVICES**

SUBJECT: LGPS UPDATE (BACKGROUND PAPER)

SUMMARY OF ISSUE:

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

RECOMMENDATIONS:

It is recommended that the Local Pension Board:

1. Note the content of this report.

REASON FOR RECOMMENDATIONS:

The report provides background information for the Board.

DETAILS:

Highlights

1. Letter from Minister for Local Government

On 15 May 2024, the Minister for Local Government wrote to the Chief Executive Officers and Section 151 officers of the LGPS Funds regarding efficiencies in the LGPS. More can be found in paragraph 10.

2. Abolition of Lifetime Allowance (LTA)

Further updates to guides and information have been made following the abolition of the LTA. More can be found in paragraphs 5, 6, 15, 41 and 42.

3. McCloud limited consultation

A limited consultation held on McCloud and the inclusion of underpin figures in Annual Benefit Statements for those affected. More can be found in paragraph 17.

4. Good Governance recommendations

A consultation was expected following the Scheme Advisory Board recommendations but will now be delayed. More can be found in paragraphs 26 and 27.

LGPS Updates

5. The Local Government Association (LGA) guide on the Abolition of the Lifetime Allowance (LTA) has had a few updates since it's issue on 22 March 2024, confirming His Majesty's Revenue and Customs (HMRC) have advised the new method of valuing crystallised rights when assessing if a trivial commutation lump sum can be paid is under review. The guide has also been updated to reflect that under the new legislation, Additional Voluntary Contributions (AVCs) cannot be paid as a Pension Commencement Excess Lump Sum where there is not sufficient Lump Sum Allowance or Lump Sum and Death Benefit Allowance.
6. Following the removal of the LTA and the introduction of the new limits, a consultation was expected from the Department for Levelling Up, Housing and Communities (DLUHC) on the long-term policy on allowing a Pension Commencement Excess Lump Sum (PCELS) to be paid from the LGPS and if so, what the limit should be. This has now been delayed due to the general election and in the interim an email was forwarded on from DLUHC setting out what administering authorities should do in the meanwhile and the LGA's guide has been updated to reflect this.
7. The Education and Skills Funding Agency has released new [LGPS guidance for Academies](#). Key areas of the guidance are an LGPS overview, regular valuations, LGPS academy guarantee from the Department for Education, pooling, academy conversions and transfers and engaging with the LGPS.
8. The Education and Skills Funding Agency have also updated [guidance on academies and LGPS liabilities](#) to include a definition of a 'pass-through arrangements'.
9. The LGA have set up a new webpage to advertise current [LGPS vacancies](#), which they plan to update every Monday. The LGPS investment pool Border to Coast has produced a short video that can be found on the webpage to help encourage interest in working in the LGPS, talking about the work of the funds and the importance of the LGPS for its members.
10. On 15 May 2024, the Minister for Local Government wrote to Chief Executive Officer's (CEOs) and Section 151 officers of LGPS Funds regarding [efficiencies in the LGPS](#). The ask from the minister is to gather information from Funds on the progress of asset pooling in the LGPS and the views of Funds on the opportunities for further efficiencies in the scheme. Senior pension fund officers are working in concert with our 10 local authority partners of our jointly owned asset pool, Border to Coast, to address this. The Scheme Advisory Board has issued [a statement](#) along with drafted suggested text authorities may wish to use in their response.

11. The LGA have updated several [member](#) and [employer](#) guides to incorporate the latest on the McCloud position, removal of the Lifetime Allowance (LTA) and the new lump sum allowances introduced, along with other minor changes.
12. A change to the LGPS Regulations had been recommended to DLUHC by the National Technical Group to amend regulations when concurrently combining membership in certain scenarios. As this has still not been implemented since the introduction of the regulations in April 2014, the group agreed to longer pursue the amendment.
13. Booking is now open for 2024 Fundamentals training, which is a 3 day training course aimed at Councillors and others who attend pension committees and local pension boards. The course provides a scheme overview and covers current issues in relation to administration, investment, and governance in the LGPS, with the option of attending in person in London or York, or online via Zoom. LGA [bulletin 252](#) contains further information and links for booking (page 16).

McCloud

14. The LGA in conjunction with the Communications Working Group have produced standard wording that can be used in the 2024 Annual Benefit Statements.
15. HMRC published pension schemes [newsletter 158](#) which covered the consequences of abolishing the LTA on the McCloud remedy.
16. HMRC confirmed in [newsletter 159](#) an update to previous guidance issued regarding the tax treatment of interest payments on arrears as a result of a McCloud recalculation, that if the interest is paid on an authorised payment the whole interest payment will be an authorised payment.
17. The DLUHC launched a limited technical consultation, which closed on 9 July 2024, on whether underpin information is included in Annual Benefit Statements (ABS) for the scheme years 2023/24 and 2024/25. Currently legislation requires the inclusion of this for active members from 2023/24 onwards, for deferred members the rules are less specific. The draft regulations within the consultation would mean administering authorities would have discretion and would not need to include estimated underpin figures for the 2023/24 ABS, implementing the approach DLUHC set out in its response to the McCloud consultation (paragraph 118), with the amendment being backdated to 1 October 2023, covering the 2023/24 ABS' that may be sent before the regulations are made. DLUHC are also seeking views in extending this further for certain members or classes of members, if the administering authority consider it reasonable to do so for the 2024/25 ABS. This would mean authorities using this discretion would need to decide before 31 July 2025 and inform affected members in the ABS for 2024/25, but to avoid this discretion being used too broadly and delaying the McCloud remedy, DLUHC are consulting on whether guidance should be issued about such circumstances where it may be appropriate to apply this discretion.

18. The DLUHC has issued the final statutory guidance on the McCloud implementation, providing the Government's views on the approach that should be taken in certain types of cases, together with how certain technical issues should be approached should they arise, thereby leading to a consistent approach across the LGPS.
19. The DLUHC have issued new actuarial guidance on trivial commutation, effective from 17 June 2024, providing additional information about how the McCloud remedy affects trivial commutation calculations.

Scheme Advisory Board (SAB)

20. The SAB have published a [short document](#) giving a high-level overview of the key areas in the new [Annual Report Guidance](#) where there has been significant changes or new reporting added and the LGPS Live also addressed the new guidance on 10 April 2024. A recording of the session is available on the [LGPS Live website](#). Towards the end of 2024, the SAB intend to briefly review the guidance by obtaining feedback from administering authorities on their experience of implementing the guidance.
21. On 12 April 2024 the LGA published a technical briefing on the [Economic Activity of Public Bodies \(Overseas\) Matters Bill](#), commenting on proposed amendment and current concerns about the Bill. The Bill is at [Committee stage](#) and was discussed for a second time in the House of Lords on 17 April 2024. A recording of the session is available on [parliament.tv](#), with the discussion starting from 16:28:35. To date none of the amendments proposed by peers, or the LGA, have been incorporated into the Bill.
22. On 11 April 2024 the Government Actuary's Department (GAD) published the [2020 cost control valuation](#) for the LGPS (England and Wales), which found the core 'cost cap' fell outside the 3% corridor, being 3.2% below the target cost. The new 'economic cost cap cost' also fell outside the 3% corridor, being 7.3% above the target cost. Overall, this means the mechanism, as a whole, is not breached therefore the Government is not proposing to make any changes to scheme benefits. The SAB are required to undertake a scheme cost assessment and the final report will be published shortly. Having already seen the initial results the SAB have agreed they are not minded in recommending to the Secretary of State any changes to scheme benefits through that process. More information can be found on the [SAB website](#).
23. A subgroup has begun a detailed review of the Funding Strategy Statement (FSS) guidance, which was last updated in 2016, with aims of making the guidance shorter, sharper and more accessible for all stakeholders such as employers.
24. As part of their work on the gender pensions gap in the LGPS, the SAB are looking for employers interested in taking part in further research to help identify the underlying causes of the gap and ways to help close this gap.

25. The SAB sent a [letter to the Chief Secretary to Treasury](#) about the gender pensions gap, suggesting the Government take a consistent and active approach across all public sector schemes.
26. With the announcement of the general election, DLUHC's consultation on the Good Governance recommendations will be delayed. The consultation was expected to include changes to regulations 55 (governance compliance statements) and 59 (pension administration strategy) along with guidance to implement most of the recommendations made. The SAB will ensure the implementation of the Good Governance recommendations is raised as a priority with the Minister when the new Government is formed.
27. Whilst the implementation of the Good Governance recommendations should help resolve some of the ambiguity in the General Code for the LGPS, it is recommended administering authorities should not delay reviewing their compliance while awaiting the consultation. There is no regulatory timescale to comply with the General Code and TPR strongly recommend having a clear action plan setting out how and when administering authorities plan to address the General Code compliance.
28. The SAB met with The Pensions Regulator (TPR) to discuss the review of the public sector toolkit and whilst TPR have said it is being revised they could not commit to it remaining a standalone product, but it may be incorporated into a series of thematic toolkits TPR is producing.
29. The SAB issued a short survey on 20 May 2024 to employers to assist their understanding in why some people choose to opt out of the LGPS. The 53 responses have been analysed and the SAB have set out a paper outlining the main findings and suggested next steps for action has been submitted to the Cost Management, Benefit Design and Administration Committee for its meeting on 1 July 2024.
30. The SAB has published its [eleventh Scheme Annual Report](#) which is aimed to provide a single source of information about the status of the LGPS for its members, employers and other stakeholders, combining information supplied in the England and Wales LGPS fund annual reports as of 31 March 2023 for the reporting year 2022/23.
31. The SAB and the Institute of Chartered Accountants in England and Wales (ICAEW) have published an [informer document](#) to explain the timeline and information flow for the triennial valuation and accounting/audit purposes with the primary audience being Scheme employers and their external auditors.
32. The SAB are researching the longer-term future of the data compliance system which supports the [LGPS Code of Transparency](#) and will be launching an early market engagement exercise shortly.

33. The Education and Skills Funding Agency (ESFA) is the [ultimate guarantor of academy schools](#) and the SAB have been asked to confirm its view that the ESFA is a body whose rights and/or liabilities under the Scheme may be the subject of decisions made by the administering authority. For example, in connection with decisions relating to the exit of an academy school and whether exit payments or credits are due, ESFA should be kept informed and is entitled to make representations as to its interests.

Pensions Dashboard Programme (PDP)

34. The PDP published its ninth [progress update report](#) on 26 April 2024, which looks back at the achievements since October 2023, together with looking ahead on focus areas for the next six months.
35. The Pensions Regulator (TPR) have published a '[Check your connection by date](#)' tool to enable administrators work out their connection date to the dashboards ecosystem. For the LGPS the connection date is 31 October 2025.
36. On 27 March 2024 the Financial Conduct Authority (FCA) launched a consultation, which closed on 8 May 2024, on [new guidance for firms intending to offer dashboards to customers](#).
37. The PDP have published an updated version of the [data standards](#), which covers the data requirements for 'finding' and 'viewing' pensions information, together with a [blog](#) on the new version.
38. On 14 May 2024 the Pensions Administration Standards Association (PASA) published an [update](#) from its dashboards working group, outlining ongoing development of guidance and resource relating to additional voluntary contributions, test case matrix, matching and data readiness.
39. The National LGPS Framework for [Integrated Service \(ISP\) and Member Data Services](#) is now live.
40. TPR will start their programme of nudge communications shortly and will be sending a series of five emails in the run up to the connection date. The emails will contain key messages about where TPR expects administering authorities to be in the dashboard implementation process. In November 2024 TPR will be sending their first dashboards readiness survey covering nine key areas including awareness of duties, preparation for connection, data preparation, compliance and engagement.

His Majesty's Revenue and Customs (HMRC)

41. HMRC have published a [consolidated version of all the frequently asked questions](#) on the abolition of the LTA.
42. HMRC have updated the Pensions Tax Manual (PTM) with the changes brought about by the abolition of the LTA. Any changes subject to further regulations will be highlighted in the PTM by pointing users towards the relevant LTA newsletters.

The Pensions Regulator (TPR)

43. TPR published its new [Corporate Plan 2024 to 2027](#), setting out TPR's direction for the next three years, how it will protect savers money, help to enhance the pensions system and support innovation in the interests of savers.
44. The Chief Executive at TPR delivered a [keynote speech](#) at Professional Pensions Live on 22 May 2024 covering the corporate plan, driving value for money, securing the future for defined benefit schemes, raising standards across all scheme types, data quality and TPR's future approach to regulation. There is also an accompanying [press release](#).

The Pensions Ombudsman (TPO)

45. TPO published a [blog](#) on its operating model review, which aims to improve TPO's efficiency and reduce waiting times. The three areas of focus for improvement are resolution team changes, expedited determinations and thresholds for accepting complaints.

Other News and Updates

46. The Court of Appeal published its verdict on 17 April 2024 on the case brought about by the [British Medical Association \(BMA\) and the Fire Brigades Union \(FBU\) vs HMT](#). Previously the High Court ruled that HMT's decision to include the McCloud remedy in the cost cap mechanism was not unlawful, following this the unions took their appeal to the Court of Appeal which has also dismissed their appeal. The FBU have announced in a [press release](#) that it is seeking permission to appeal to the Supreme Court.
47. The Government Actuary's Department (GAD) have published the [2020 cost control valuation results](#) along with the [reports](#), which covers 20 public service pension schemes across all regions of the United Kingdom.
48. The Pensions Scams Industry Group (PSIG), which is a voluntary body created by the pensions industry to combat pension scams, have consulted on its [future strategy](#) with the aim of understanding the value provided by PSIG, possible direction and how this could be achieved, including possible funding options.
49. The Government have launched a digital service, '[Check your State Pension Forecast](#)', designed to make it easier for individuals to check for and fill any gaps in their National Insurance record to help increase their State Pension.
50. PASA has published new guidance, [Data Presence v Accuracy](#), which sets out why data should not just be present but accurate and provides suggestions on how administrators can improve and maintain their data accuracy.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

52. Any relevant risk related implications have been considered and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

53. Any relevant financial and value for money implications have been considered and are contained within the report.

INTERIM EXECUTIVE DIRECTOR OF FINANCE & CORPORATE COMMENTARY:

54. The Interim Executive Director of Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER:

55. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY:

56. There are no equality or diversity issues.

OTHER IMPLICATIONS:

57. There are no other implications.

NEXT STEPS:

58. No next steps are planned.

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Annexes:

1. None.

Sources/Background papers:

1. None.