



SURREY PENSION FUND COMMITTEE REPORT

SURREY COUNTY COUNCIL

SURREY PENSION FUND COMMITTEE

DATE: 21 MARCH 2025

LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER

SUBJECT: RECENT DEVELOPMENTS IN LGPS (BACKGROUND PAPER)

SUMMARY OF ISSUE:

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

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Note the content of this report.

REASON FOR RECOMMENDATIONS:

The report provides background information for the Committee.

DETAILS:

Highlights

1. Consultation launched on overhauling local audit system in England

Following Government's English Devolution White Paper, one of the proposals is uncoupling of fund and administering authority accounts. More can be found in paragraphs 5 and 22.

2. Responses to LGPS: Fit for the future consultation

Responses to the consultation have been published by the Local Government Association (LGA) and the Scheme Advisory Board (SAB). More can be found in paragraphs 4 and 26.

3. Updated Funding Strategy Statement guidance approved

The updated guidance following approval is now available along with climate scenario analysis guidance. More can be found in paragraph 25.

LGPS Updates

4. Further to the Chancellor's Mansion House speech on 14 November 2024 where a series of reforms to the pensions sector was announced, specifically for the LGPS, the consolidation of LGPS assets into fewer, larger pools of capital, together with the [interim report](#) published on the same day setting out the proposals, the interim findings of Phase 1 of the Pensions Review launched in July 2024 and the publication of the [LGPS: Fit for the future](#) consultation. The [Local Government Association](#) (LGA), the [Scheme Advisory Board](#) (SAB) and the [Surrey Pension Team](#) have responded to the consultation. The SAB also hosted an episode of LGPS Live which included a presentation from the Ministry of Housing, Communities and Local Government (MHCLG) in December 2024 and set out the headlines from the consultation. The webinar can be [viewed](#) along with the [slides](#).
5. MHCLG launched an open consultation, [Local audit reform: a strategy for overhauling the local audit system in England](#), following the [Government's English Devolution White Paper](#) published on 16 December 2024. The consultation sets out proposals for overhauling the local audit system in England and closed on 29 January 2025. Specifically mentioned within the consultation is the proposal to decouple pension fund accounts from administering authority accounts, which has been a Scheme Advisory Board recommendation for several years (see also paragraph 22). The SAB have [responded](#) to the consultation.
6. The Secretary of State for Education laid a [written ministerial statement](#) on 12 November 2024 outlining the Department for Education will provide an LGPS guarantee to Further Education (FE) providers operating in the statutory sector in England. This was followed by the Education and Skills Funding Agency publishing [further guidance](#) about the guarantee which ensures any outstanding LGPS liabilities will not revert to the fund if an English FE body in the statutory sector closes.
7. The Government Actuary's Department (GAD) have sent the 2024 valuation data requests to pension managers which included a brief online questionnaire.
8. His Majesty's Treasury confirmed in a [letter to the Association of Colleges](#) that the [New Fair Deal guidance](#) will apply to FE colleges from 14 November 2024 that operate in the statutory sector in England. The guidance applies directly to central government departments, agencies and other parts of the public sector under control of the central government, for example academies. The SAB are continuing to engage with MHCLG on how New Fair Deal should apply to the local government workforce.

9. [The Pensions \(Abolition of LTA Charges etc\) \(No 3\) Regulations 2024](#) were made on 14 November 2024, which were required in relation to the abolition of the Lifetime Allowance. Within these regulations there is an amendment on valuing members benefits for the purposes of trivial commutation, as the legislation introduced on 6 April 2024 was allowing members to take a trivial commutation where formerly they would not have been able to because of the value of their pension. This amendment now brings this back in line. A [correction slip for the No 2 regulations](#) was also made on 18 November 2024. The LGA intend to update their guidance on the abolition of the LTA to reflect the amendments in due course once they have reviewed the legislation.
10. The revised employee pension contribution bandings effective from 1 April 2025 allowing for September 2024 Consumer Price Index (CPI) of 1.7% have been provided for 2025/26.
11. The LGA published their [response](#) to His Majesty's Revenue and Customs (HMRC) consultation on [Inheritance Tax on pensions: liability, reporting and payment](#). The Surrey Pension Team also submitted a response to the consultation.
12. Torsten Bell MP has been appointed [Parliamentary Under Secretary of State \(Minister for Pensions\)](#) in the Department for Work and Pensions replacing Emma Reynolds who was appointed to a new role.

McCloud

13. The LGA have published a new club transfer out and McCloud guide together with a club transfer calculator, although some complex cases may require manual calculations.
14. Administering authorities may wish to put on hold cases requiring either calculation or recalculation of a pension debit for McCloud where the account qualifies for an underpin, the pension debit relates to a pension sharing order that was effective between 1 April 2014 and 30 September 2023 and the recalculated cash equivalent transfer exceeds the original value. As whilst the ex-spouse or civil partner's benefits awarded must be reassessed, the pension debit applying to the member is not under the regulations as they stand. The Government is aware of this and may amend regulations to change this.

Pensions Dashboard Programme (PDP)

15. The PDP have also published new draft versions of the [reporting standards](#), [data standards](#) and [code of connection](#). All PDP standards remain in draft form until approved by the Secretary of State for Work and Pensions.
16. The PDP have published a [blog](#) on the draft reporting standards, explaining what the standards are and the updates that have been made to them. The blog also confirms the final standards are expected to be published early on this year.
17. The LGA have published an updated version of their Pensions dashboards connection guide.

18. In December 2024 the PDP published their tenth [progress update report](#) which looks at the progress over the last six months.
19. The Pensions Regulator (TPR) has written a targeted article focusing on the [‘Hot Topics’](#) identified through their industry engagement, covering how administering authorities should work with their advisers and third parties, for example Additional Voluntary Contribution (AVC) providers. TPR then plan to write a further article in February or March about registration codes.
20. TPR have updated their [dashboards guidance](#) to include registration codes, legislative changes, the draft standards and Code of Connection, industry feedback, data expectations and ongoing developments.

Scheme Advisory Board (SAB)

21. The SAB sought an update to Counsel’s opinion on fiduciary duty obtained in [2014](#) due to the evolving understanding that applies to administering authorities when deciding and implementing responsible investment policies. This has now been [received](#) and the Secretariat will consider if any further advice on specific points would be helpful.
22. The [SAB Secretary sent a letter](#) to the Local Government Minister dated 12 November 2024, reconfirming SAB’s [previous recommendation](#) to separate pension fund accounts from the administering authority’s main accounts.
23. The SAB thanks all fund officers, pool representatives, pension committee and pension board members who have responded to surveys this year.
24. The SAB published the Board’s first [Annual Review](#) which is factually based giving an overview of the work completed over the last 12 months and highlights the various workstreams the Board and the Secretariat team have led on and continue to deliver to support administering authorities and the scheme, in line with their statutory duties.
25. The updated [guidance on preparing and maintaining a Funding Strategy Statement \(FSS\)](#) has now been reviewed and approved and replaces the 2016 guidance. The guidance is intended to help administering authorities create their own funding strategy, covering all necessary topics but without prescribing specific policy approaches. Also published by the SAB is associated [climate scenario analysis guidance](#).

26. As part of the SAB's original [Good Governance](#) recommendations, there was a recommendation that the LGA consider establishing a peer review process for the LGPS. At the Board's meeting in November 2024, it was agreed that the Secretariat would start a project to scope out the work involved to deliver this and establish a working group under the Board's Compliance and Reporting Committee. Whilst this proposal featured in MHCLG's [LGPS Fit for the Future consultation](#), the [Board's response](#) pointed out some issues with MHCLG's proposal for consideration. The Board in their response also confirmed that the peer review/support offer should be shaped by administering authorities needs, seeking to build on already established networks of best practice sharing and support across the Scheme. The Board welcomes any volunteers to participate in the working group to assist with scoping out what is required.
27. The SAB has [written a letter](#) addressed to chief financial officers and pension committee chairs at administering authorities addressing that administering authorities are provided with appropriate resources for effective pension service delivery.

The Pensions Regulator (TPR)

28. TPR, the Financial Conduct Authority and the Information Commissioner's Office (ICO) have issued a [joint statement](#) on data protection and effective communications.
29. TPR worked with the television program Eastenders where a storyline involved a character falling for a pension scam and it is hoped this will highlight the threats to pension security.

The Pensions Ombudsman (TPO)

30. In TPO's [November 2024](#) update it confirmed going forwards all applicants must exhaust the pension scheme's formal complaint procedure before they will accept the complaint.
31. TPO have published a [blog](#) reflecting on their progress over the last year.

Other News and Updates

32. The Financial Reporting Council (FRC) launched a [consultation](#) which closed on 19 February 2025 on updates to the UK Stewardship Code. The Code aims to promote long-term value for UK savers and pensioners through effective stewardship of investments on their behalf and some LGPS funds and pools are signatories to the Code. The updated Code is expected to be published later this year with the first reporting cycle in 2026.

33. The GAD published guidance on staff transfers on 26 November 2024. These guides are aimed at [employers](#) and [contracting authorities](#) where staff transfer within public sector schemes and [contracting authorities](#) when former public service staff with pension protection move from a private sector broadly comparable scheme back to the public service pension scheme they were originally in.
34. The Pensions Administration Standards Association (PASA) released new [guidance on data scoring](#), aiming to help pension schemes achieve higher data standards. The guidance highlights the importance of data testing, consistency and ability to provide evidence of data quality improvements.
35. The GAD have published a [blog](#) on the future of pensions administration, focussing mainly on three key areas; increasing complexity in pensions administration, technical debt due to underinvestment in technology and talent shortages, including the challenge of recruitment. The blog also looks ahead at the challenges for 2025, covering Pensions Dashboards, data management and the role of artificial intelligence in enhancing efficiency and member experience.

CONSULTATION:

36. The Chair of the Pension Fund Committee and/or Chair of the Local Pension Board.

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

38. Any relevant financial and value for money implications have been considered and are contained within the report. The cost of the resources necessary for implementing the changes recommended above and for delivering the administering authority role is met from the pension fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009).

LEGAL IMPLICATIONS:

39. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY:

40. There are no equality or diversity issues.

OTHER IMPLICATIONS:

41. There are no other implications.

NEXT STEPS:

42. No next steps are planned.

Contact Officer:

Colette Hollands, Head of Accounting and Governance.

Annexes:

1. None.

Sources/Background papers:

1. Surrey Pension Team response to LGPS (England and Wales): Fit for the Future consultation.

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