

**SURREY COUNTY COUNCIL****LOCAL PENSION BOARD****DATE:** 29 JULY 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**SUBJECT:** LGPS – Recent developments**SUMMARY OF ISSUE:**

1. This report considers recent developments in the LGPS.

**RECOMMENDATIONS:**

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

**REASON FOR RECOMMENDATIONS:**

3. The report provides background information for the Board.

**DETAILS:****LGPS updates**

4. The LGA have emailed and collated survey responses from LGPS pension managers surrounding recruitment and retention. This is due to some authorities experiencing difficulties in recruiting and retention of staff and to understand the extent of the issue and how working from home and salary levels has had an impact. The results of the survey were shared with the LGPS pension managers only and will not be published.
5. The LGA have confirmed following the upcoming change to the Normal Minimum Pension Age (NMPA) from 55 to 57 with effect from 6 April 2028, that at present this does not fall under Disclosure requirements where members must be informed of material alterations to basic scheme information. In their view this has not changed the LGPS scheme rules on when benefits are payable, and the rules are not automatically linked to the NMPA. The change will occur once the LGPS regulations are amended to align with the change to the NMPA, this will then require members to be notified under regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.
6. On 11 May 2022 the LGA published a collection of documents to assist administering authorities dealing with data subject access requests (DSARs), this was requested because of increasing numbers of requests from claims management companies relating to past transfers out and ensures a uniform approach and response from administering authorities.
7. The LGA held an online pension surgery on 12 May 2022 covering their revised non-club transfer out guidance which was updated to cover the new regulatory requirements for pension scam checks. This was a Q&A session which proved successful, a further online surgery is being held on 6 July 2022 on the topic of Stronger Nudge, again following new regulatory requirements for members with Defined Contribution benefits (this applies to the LGPS for those with in-house Additional Voluntary Contributions) and the LGA's technical guidance published reflects the requirements.

8. LGA has updated various [administrator](#) and [employer](#) guides together with a new guide following the new requirements for the Stronger Nudge, mentioned above, which were effective from 1 June 2022 and laid out under [The Occupational and Personal Pension Schemes \(Disclosure of Information\) \(Requirements to Refer Members to Guidance etc.\) \(Amendment\) Regulations 2022](#), which amends the Occupation and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The new regulations requires members looking to access their in-house AVCs or for members aged 50 or over looking to transfer their in-house AVCs in order to access them in another defined contribution scheme, to be referred to take guidance from Pension Wise. Administering authorities must offer to book the appointment for the member, alternatively the member may book the appointment themselves. Members may opt out of receiving this guidance but payment of in-house AVCs cannot be made until the administering authority has either received confirmation from the member that they have taken the guidance or opted out of receiving the guidance.
9. Following Joanne Donnelly's successful appointment to Head of Pensions at the LGA, Jeremy Hughes has been appointed as the replacement to the role of senior pensions secretary, Jeremy was formerly with the DHULC.

### **Department for Levelling Up, Housing and Communities (DLUHC)**

10. On 12 May 2022 published [Statutory guidance on special severance payments](#). This sets out the government's position on the use of Special Severance payments made by Best Value authorities in England and covers the approval, disclosure and reporting requirements. The guidance confirms that strain costs arising from the payment of pension as a result of redundancy, efficiency or flexible retirement do not constitute a special severance payment. However, awarding additional pension or waiving actuarial reductions as a result of employer discretions to enhance standard benefits may constitute as a special severance payment depending on the terms of the individual's contract.
11. DHULC has confirmed they do not expect to make a final decision on the application to consolidate Oasis academies into one LGPS fund before Autumn 2022. This has been consulted on twice. Oasis currently participate in 16 LGPS funds and the last consultation closed in February 2022 and was only open to those bodies appearing to be affected by the proposed consultation.
12. DHULC has confirmed, with a caveat that interpretation of law is ultimately for the courts, that in their view there is no requirement to provide life assurance AVCs. The question was raised as a result of query at the Technical Group as administering authorities are finding it increasingly difficult to undertake a meaningful review of the market, due partly to the fact that not all providers offer life assurance AVCs. DHULC will consider a clarifying amendment to the regulations to make clear the regulatory intention is that life assurance is only available if it is available and that this does not have to be provided.

### **Department of Work and Pensions (DWP)**

13. Launched a [Call for Evidence](#) on 14 June 2022 entitled 'Helping savers understand their pension choices'. The aim is to explore what support pension scheme members need to help them make clear informative decisions about how to use their pension savings. Views are welcome from pension scheme members, consumer organisations, trustees and scheme managers and the consultation closes on 25 July 2022.
14. Have launched a [further consultation on pension dashboards](#) on 28 June 2022 which closes on 19 July 2022. This supplements the consultation on the draft regulations which closed on 13 March 2022, which DWP have considered the feedback on. This further consultation sets out two proposals, the first providing clarity on the 'Dashboard Available Point' (DAP) and the second allows the Money and Pensions Service and The Pensions

Regulator to share information about the dashboards with each other. The DAP will be the point at which the dashboards will be available to all members of the public with the proposal that DWP will decide the DAP date and then give pension scheme's 90 days' notice to connect, it is hoped this gives scheme's sufficient time to make final preparations.

### **Scheme Advisory Board (SAB)**

15. On 13 June 2022 SAB published the [Scheme's Annual Report 2021](#). This report collates information supplied by 86 administering authorities as at 31 March 2021 and provides a single source of information about the status of the LGPS for it's members, employers and other stakeholders. Highlights include an increase in membership by 1.08%, total assets increased by 23.4%, local authority net return on investment was 20.56% (reflective of market conditions), a positive cash-flow was maintained overall, including investment income, COVID-19 significantly impacted life expectancy and total management charges increased by £196 million, an increase of 12.9% (primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable).
16. Published a [summary of their meeting held on 6 June 2022](#).
17. Appointed a new pensions secretary to the SAB secretariat team, Ona Ehimuan, who will focus on governance issues along with working to improve the Board's presence online.

### **Local Government Pensions Committee (LPGC)**

18. Minutes of the meeting held on 7 March 2022, together with draft minutes of the meeting held on 6 June 2022 can be found [here](#).

### **Pensions Dashboard Programme (PDP)**

19. On 4 April 2022 Richard James, the Programme Director of the PDP published a blog [Twelve months at the Pensions Dashboards Programme](#), looking back over his first twelve months and looking ahead for the next twelve months.
20. On 27 April 2022 the PDP published the [April 2022 progress update report](#), which outlined the activity over the last six months and the plans for the next six months.
21. On 29 April Chris Curry, the PDP Principal, [published a blog](#) covering the April progress report update and hosted a webinar expanding on the contents. This covers the need for pension schemes to act now to prepare for dashboards, timelines and what to expect from DWP and PDP, ISP market development, data matching and the need to improve data quality and the process for partial matches.
22. On 11 May David Reid, PDP Head of Policy, [published a blog](#) covering the consumer protection landscape for pensions dashboards.
23. Chris Curry spoke at the Pensions Age Northern Conference and confirmed that:
  - a) The DWP is expected to respond to the consultation on the draft regulations before the summer recess (21 July 2022).
  - b) It is likely the regulations will be laid later this year.
  - c) Dashboards are still on track for 2023 with less than 12 months until some schemes start onboarding, the proposed onboarding date for the LGPS within the draft regulations is 30 April 2024.

- d) There will be a further consultation this summer on the data, technical, reporting and design standards relating to pensions dashboards, which PDP will look to work closely with the industry via webinars and events.
- e) The alpha phase of the project has now been completed with an end to end version of the dashboards ecosystem being successful.

### **The Pensions Regulator (TPR)**

- 24. Hosted a webinar on 6 April 2022 on pension scams and TPR have published a [recording on their website](#). The webinar gave details of the evolving pension scams landscape, information to support the new duties in looking for red and amber flags in relation to transfers of pensions, details about the pledge to combat pension scams and updates from the Pension Scams Industry Group.
- 25. Launched the [Enforcement and prosecution policies consultation](#) on 4 May 2022 which closed on 24 June 2022. This forms part of a review of TPR's policies and updating them to include the new powers granted to TPR in the [Pension Schemes Act 2021](#). [The Draft scheme management enforcement policy](#) will replace existing policies for defined benefit, defined contribution and public sector pension schemes. Whilst the [Draft prosecution policy](#) explains how TPR will approach the prosecution of workplace pension criminal offences or other types of offences that are otherwise related to TPR functions.
- 26. On 7 June 2022 published a [feedback statement on their consultation on the joint Call for Input](#) by TPR and the FCA on the pensions consumer journey, which ran from 18 May 2021 to 30 July 2021. The consultation sought views on what else TPR and the FCA can do to help engage consumers so that they can make informed decisions that lead to better pension saving outcomes. The feedback statement summarises themes that emerged from the responses, TPR's wish for the pensions industry lead the way in developing innovative ways to support consumers and sets out TPR's response and ongoing workstreams and how they will use the feedback to inform future work.
- 27. On 10 June 2022 published a [blog on climate reporting](#) in anticipation of around 100 schemes publishing their first reports in line with the Climate Change Governance and Reporting Regulations. TPR will review these reports and following the outcome of their review, will be used to provide high level observations. This will also inform DWP's review covering the effectiveness of the regulations and the range of schemes the regulations should apply to.
- 28. On 13 June 2022 published their [corporate plan 2022 to 2024](#), which sets out TPR's priorities for the next two years and their [press release](#) confirms they will continue to:
  - a) Call on schemes to continue to take their pledge to combat pension scams.
  - b) Work closely with the DWP and the Financial Conduct Authority (FCA) on a future consultation for a Value for Money Framework.
  - c) Help schemes to become dashboard ready.
  - d) Assess how smaller defined contribution schemes offer value for money.
  - e) Develop their organisational capability with the creation of a Digital, Data and Technology directorate.
  - f) Launch their second consultation on a new defined benefit funding code this autumn, with the code operational from September 2023.

29. Published a [blog on pension scams](#) on 15 June 2022 highlighting tough prison sentences alone are not enough to dissuade pension scammers and the importance of schemes reporting suspected scams and signing up to the [pledge to combat pension scams](#), together with sharing intelligence on the methods being used by scammers. TPR have also published a [Guide to reporting pension scams](#) which covers why concerns about a scam should be reported, what should be reported, when a report should be made, who a report should be made to and what happens once it is submitted.
30. On 22 June 2022 TPR launched a new [‘Deadline’ campaign](#) to remind trustees and scheme managers to start preparing for the pensions dashboards deadline. In order to help schemes prepare they have published [Pensions dashboards:initial guidance](#), which is based on the draft regulations and outlines legal duties as well as including a [checklist](#) to help schemes manage their progress. The checklist will be regularly updated along with the guidance to reflect the final regulations and the technical standards. They are also holding a webinar on 28 July 2022 and are calling on trustees, scheme managers and administrators to attend.
31. Charles Counsell, the Chief Executive of TPR has [announced he is stepping down from his role at the end of March 2023](#).

### **The Pensions Ombudsman (TPO)**

32. Published an updated version on 30 March 2022 of their factsheet on the [Early Resolution Service](#), which provides guidance to members explaining what this is, how it operates and in relation to a complaint, the options the parties involved have.
33. On 31 March 2022 published their [March news](#), which included information on recent determinations and the recently updated factsheets.
34. Have launched an enhanced [online application form](#), being more user friendly and only requiring customers to complete answers where relevant.
35. Recently upheld a complaint regarding an application for ill health retirement for an active member in the LGPS. The full determination can be found [here](#). The Ombudsman found that the employer improperly decided to decline the member’s application for payment of ill health from active status and were ordered to pay £1,000 for the serious distress and inconvenience caused to the member. The Ombudsman also found that the Council had failed to consider the member’s complaint in a timely manner at Stage Two of the IDR process and were ordered to pay £500 for the additional significant distress and inconvenience the member suffered.

### **HMRC**

36. Published [Managing Pension Schemes service newsletter April 2022](#). This sets out a new feature which has been added to the Managing Pension Schemes service allowing administrators to migrate their schemes from the Pension schemes online service to the Managing Pension Schemes service, together with other useful information and new features to be introduced.
37. Published [Pension Schemes Newsletter 138](#) on 29 April 2022, which contained information covering; changes to the Scheme Pays reporting deadlines for certain cases following the introduction of the Registered Pension Schemes (Miscellaneous Amendment) Regulations 2022, the annual allowance calculator has been updated to reflect 2022/23 tax year, a reminder to take action to migrate to the Managing Pension Schemes service and that accounting for tax returns to the quarter ending 31 March 2022 must be submitted through the Managing Pension Schemes service.

## **The Pensions Administration Standards Association (PASA)**

38. On 19 April 2022 published fraud [guidance on vetting new employees](#). PASA has been made aware of cases of fraud undertaken or assisted by pension administration employees and in some cases, individuals deliberately gained employment with the intention of committing fraud and this guidance aims to counter the risk.
39. Have published [Good Practice Guidance on DB transfers](#), which is designed to support the transfer processes contributing to the member experience, ensuring communications are timely, helpful and to protect members from pension scams.
40. The PASA Cybercrime and Fraud Working Group have published a [Cybercrime Protection checklist](#) for pension administrators. This checklist builds on cybercrime guidance previously published in November 2020 and gives examples of steps administrators can take to assess their defences against cybercrime.

### **Other news and updates**

41. The Government has changed the Annual Allowance rules within section 9 of the [Finance Act 2022](#) and [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2022](#). These changes will however only apply in certain circumstances where an annual allowance calculation for previous years is retrospectively amended where it is understood the following applies:
  - a) Where the employer becomes aware that information previously submitted was insufficient to enable the administering authority to correctly calculate the annual allowance, providing this falls within a 'relevant time', being the tax year in which the employer became aware of the issue and the issue occurred in the previous six tax years.
  - b) If there have been changes to the scheme rules which results in a change to an annual allowance calculation for a PIP, falling within the 'relevant time', being the tax year in which the rule changed and thus changing a Pension Input Amount in the previous six tax years.

If the above applies and the member exceeds the Annual Allowance, the administering authority must issue a Pension Savings Statement within prescribed timescales. For members affected, clauses will apply as to whether a member can elect for mandatory scheme pays and time limits for the election. Upon receipt of a successful election, the administering authority must at the latest, report and pay the tax in the next quarter following the date of the election.

The new regulations also extend the deadline for amending mandatory scheme pays elections by two years, previously this was four years and is now extended to six years.

42. In May 2022 the National LGPS Frameworks for Stewardship Services went live and in June 2022 the National LGPS Frameworks launched their framework for Pensions Administration Operational Support Services, further information can be found on the [National LGPS Frameworks website](#).
43. Work has begun on a new Legal Services Framework, which will replace the current one when it expires in January 2023.
44. The [Chancellor Rishi Sunak has confirmed](#) the state pension triple lock system will be restored next April after it was put on hold last April. It is likely to be based on the September 2022 Consumer Price Index (CPI), which is expected to be around 10%.

**CONSULTATION:**

45. The Chairman of the Local Pension Board has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

46. None.

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

47. None

**DIRECTOR OF CORPORATE FINANCE COMMENTARY**

48. 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**

49. None.

**EQUALITIES AND DIVERSITY**

50. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

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

**WHAT HAPPENS NEXT**

52. The Board will continue to be kept informed of developments in the LGPS.

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**Contact Officers:**

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**Consulted:**

Local Pension Board Chairman

**Annexes:**

1. None.

**Sources/background papers:**

1. None.

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