

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD

DATE:



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

**SUBJECT:** LGPS UPDATE (BACKGROUND PAPER)

<b><u>SUMMARY OF ISSUE:</u></b>
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1. This report considers recent developments in the LGPS.

<b><u>RECOMMENDATIONS:</u></b>
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2. The Board is asked to note the content of this report:

<b><u>REASON FOR RECOMMENDATIONS:</u></b>
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3. The report provides background information for the Board.

<b><u>DETAILS:</u></b>
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### Highlights

<b>Further clarifications on McCloud</b>	4	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, 15, 22, 24 and 31.
<b>Pensions Dashboards standards published</b>	5	Revised standards published and Pensions Dashboard regulations made. More information can be found in points 16 to 21 and 31.
<b>Climate-related risk reporting proposals made</b>	6	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 points 13, 15, 25, 26, 28 and 29.

## LGPS updates

7. The Department for Education (DfE) published an updated version of its [policy paper on the academy guarantee](#) together with a [departmental minute](#) on the issue.
8. DLUHC published the [LGPS statistics for England and Wales 2021/22](#). Highlights include:
  - Total expenditure of £14.4 billion, an increase of 6.6% from 2020/21.
  - Employee contributions of £2.6 billion, an increase of 4.8% from 2020/21.
  - The market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8%.
  - Total income of £15.9 billion, a decrease of 8.1% from 2020/21.
  - Employer contributions of £7.8 billion, a decrease of 24.3%.
  - There were 6.3 million scheme members on 31 March 2022; 2 million active, 1.9 million pensioners and 2.3 million deferred members.
  - There were 94,724 retirements in 2021/22, an increase of 14.2% compared with 2020/21.

The decrease in total income and employer contributions is common in the final year of the three-year valuation cycle, due to employers making early payment of contributions in the previous two years.

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 and possibility of moving the LGPS CARE year to align with the tax year due to the likely 10.1% increase that will apply to CARE LGPS benefits and will mean it is likely more members will exceed the annual allowance.

## Scheme Advisory Board (SAB)

12. A letter has been sent from the SAB to the LGPS Minister, asking for an update to the Fair Deal consultation which ran from 10.01.2019 to 04.04.2019.
13. 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.

14. The SAB have requested data from administering authorities on the number of members opting out or moving to the 50/50 section of the scheme to allow them to understand the extent the cost-of-living crisis is changing member's behaviour. The exercise is then likely to be repeated early next year and again in Spring 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.

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

16. 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.
17. DWP have responded to the further consultation on dashboards, this confirmed that there will be an increase from 90 days to 6 months where schemes will be given notice of the point that the Dashboards will be available to the public, known as the Dashboard Available Point (DAP).
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 published their [sixth progress update report](#). PDP have also published the [results of the research carried out by Ipsos](#) into the value that people attach to pension dashboards and their likelihood of using them.
21. PDP have also published two videos on '[Get you data ready for pensions dashboards](#)' and '[An introduction to find and view data](#)'.

## HMT

22. 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.

## HMRC

23. Published [newsletter 143](#) which includes confirmation that the Government has decided against introducing a new reportable event for certain public service pension schemes from April 2023.
24. 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)

25. TPR has published:
  - A [revised enforcement policy](#), setting out TPR's approach to investigating cases and any subsequent enforcement action. It is web-based and divided into standalone chapters, each with links to other relevant documents and consolidates previous policies.
  - An [updated prosecution policy](#), which has been brought up to date and explains how TPR will approach prosecuting workplace criminal offences.
  - A new [enforcement strategy](#), which sets out the overarching aims of TPR's enforcement work and provides an insight into the framework TPR applies when selecting cases for enforcement action.
  - 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.

## Other news and updates

26. The Government Actuary's Department (GAD) have published a [blog on liability driven investments \(LDIs\)](#). The blog explains what LDI is and the recent issues with this type of investment during market volatility.
27. CPI for September 2022 has been announced as 10.1%, whilst it has been confirmed that the State Pension will retain the triple lock and increase in April by 10.1%, Government confirmation will be required for the pensions increase and revaluation

that apply to LGPS members for active pension accounts, deferred pensions and pensions in payment.

28. 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.
29. The [National LGPS Frameworks](#) launched the Investment Management consultancy services framework in November, which offers efficient access to specialist investment consultancy-related services.
30. 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.
31. 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.

#### **CONSULTATION:**

32. The Chairman of the Local Pension Board 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.

<b><u>EQUALITIES AND DIVERSITY</u></b>
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37. There are no equality or diversity issues.

<b><u>OTHER IMPLICATIONS</u></b>
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38. There are no potential implications for council priorities and policy areas.

<b><u>WHAT HAPPENS NEXT</u></b>
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39. No next steps are planned

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**Contact Officers:**

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**Consulted:** Local Pension Board Chairman

**Annexes:**

None

**Sources/background papers:**

None