

## SURREY COUNTY COUNCIL

## SURREY PENSION FUND COMMITTEE



**DATE:** 22 MARCH 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 Pension Fund Committee (Committee) is asked to note the content of this report.

### **REASON FOR RECOMMENDATIONS:**

The report provides background information for the Committee.

### **DETAILS:**

#### Highlights

1	<b>McCloud guidance</b>	The Government Actuary Department (GAD) have now issued guidance for calculations where members are affected by the McCloud remedy. More information on McCloud in paragraphs 7 to 11.
2	<b>Finance Bill 2023-24 receives Royal Assent</b>	The Finance Act 2024 legislates the removal of the Lifetime Allowance (LTA) from 6 April 2024. More information can be found in paragraphs 21, 24 and 25.
3	<b>General Code of Practice published</b>	The new general code merges 10 existing codes into a single new code and is expected to come into force on 27 March 2024. More information can be found in paragraph 28.
4	<b>Pensions Increase and CARE revaluation confirmed for 2024</b>	The increase for LGPS pensions and LGPS Career Average Revalued Earnings (CARE) accounts effective from April 2024 have been announced. More information can be found in paragraphs 22 and 23.

#### LGPS updates

- The employee pension contribution bands have been provided for [2024/25](#).

6. The Local Government Association (LGA) are planning to update the technical guide on digital engagement with the latest information about usage of member portals, with the purpose of the updates being:
  - a) To identify any changes in sign up rates since the guide was first published,
  - b) Allow administering authorities to benchmark their sign up rates with the average rates across the Scheme,
  - c) Share information about any significant developments or problems that funds have encountered in operating a member portal in the last year.

## **McCloud**

7. The Department for Levelling Up, Housing and Communities (DLUHC) issued new Government Actuary Guidance (GAD) on 24 January 2024 which provides additional information about how the McCloud remedy affects certain calculations. The revised guidance covers early payment of pensions, late retirement, individual incoming and outgoing transfers and interfund transfers. Prior to this, for members affected by McCloud certain transfers were put on hold and the issuing of the updated guidance now allows transfer values to be calculated for affected members. Pension Software providers, however, will take time to update the systems to make the necessary changes but in the interim the LGA have provided a spreadsheet which can be used for certain calculations. The DLUHC have confirmed that payments to other LGPS Funds (interfund transfers) may continue for affected members based on the previous guidance until 24 March 2024 and the payment will not need to be revisited.
8. Clarity is still being sought from DLUHC whether the McCloud remedy applies to transfer out calculations for deferred refund members (members who did not meet the vesting period to qualify for a benefit). Until such clarification has been confirmed, the LGA recommend Club transfers for deferred refunds remain on hold, together with non-Club transfers where the transfer sum would increase due to remedy protection.
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 HMRC will not refund.
10. The DLUHC will be issuing new actuarial guidance on divorce debits and pension credits which will be needed to process a pension sharing order for a member protected by the McCloud remedy.
11. 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)**

12. On 20 December 2023 the SAB issued a [statement](#) on fund surpluses.

13. 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 have [summarised the findings](#) but make clear that report reflects the views of the author and not the Board. The SAB will now go back to Counsel for a follow-up opinion.
14. 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.
15. The SAB thanks all fund officers, pool representatives, pension committee members and pension board members who have responded to SAB surveys last year on knowledge and skills in the LGPS and climate risk reporting readiness. The survey responses have proved highly informative and useful.

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

16. The PDP have published a [blog](#) following recent queries they have received covering expected timing of publication of the standards, testing and public availability. They have also published a [blog](#) on industry engagement.
17. The PDP hosted webinars in 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.
18. The PDP have published [Frequently asked questions newsletters](#) on varying topics about the pensions dashboards, the latest for February is the View data journey.
19. 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.
20. 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 once the Money and Pensions Service (MaPS) issues the guidance on the staged timetable for connection.

### **His Majesty's Treasury (HM Treasury)**

21. 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 and on 22 February 2024 the bill received Royal Assent to become the [Finance Act 2024](#).

22. HMT published a [written ministerial statement](#) on 25 January 2024 which confirmed:
- a) Public service pensions will increase by 6.7% on 8 April 2024, in line with the Consumer Price Index (CPI) for the year up to September 2023.
  - b) Revaluation of CARE accounts in April 2024 for public service pension schemes that revalue those accounts in line with CPI (eg LGPS), will also be 6.7%, together with any local addition relevant to the scheme.
23. HMT will legislate for the above increases shown above in due course and have published the 2024 [Pensions Increase multiplier table](#), together with a [covering letter](#).

### **His Majesty's Revenue and Customs (HMRC)**

24. In December 2023 HMRC published the [Lifetime allowance guidance newsletter](#), which provides information to help support pension schemes understand the changes.
25. On 25 January 2024 HMRC published [Pension schemes newsletter 155](#) which included further updates about the abolition of the Lifetime Allowance, including answers to frequently asked questions and where further legislative changes will or may need to be added to implement the policy.

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

26. On 27 November 2023 TPR [published the results of their survey](#) on governance and administration practices amongst public service pension schemes.
27. 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.
28. 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)**

29. 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

30. 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:**

31. The Chair of the Pension Fund Committee has been consulted on this report.

### **RISK MANAGEMENT AND IMPLICATIONS:**

32. None.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

33. None.

### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

34. 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**

35. None.

### **EQUALITIES AND DIVERSITY**

36. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

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

### **WHAT HAPPENS NEXT**

38. No next steps are planned.

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#### **Contact Officers:**

Sandy Armstrong      Technical Manager  
Paul Titcomb          Head of Accounting and Governance

**Consulted:** Pension Fund Committee Chair

**Annexes:** None

**Sources/background papers:** None

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