



SURREY LOCAL PENSION BOARD REPORT

SURREY COUNTY COUNCIL

SURREY LOCAL PENSION BOARD

DATE: 15 NOVEMBER 2024

LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER

SUBJECT: LGPS – BACKGROUND PAPERS

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. Pension Review

The Chancellor announced a landmark pensions review. More can be found in paragraphs 6 and 7.

2. Abolition of Lifetime Allowance (LTA)

Further updates following the removal of the LTA and the introduction of the new regime. More can be found in paragraph 36.

3. Further McCloud regulations laid

Regulations laid to preclude the McCloud underpin figures in Annual Benefit Statements provided to 31 August 2024 for affected members. More about McCloud can be found in paragraphs 14 to 21.

4. Pensions Dashboards

As the LGPS moves closer to the connection date of 31 October 2025, the LGA issues guidance on connection and AVCs. More about Pensions Dashboards can be found in paragraphs 22 to 28.

LGPS Updates

5. Following the general election, the Department for Levelling Up, Housing and Communities (DLUHC) has reverted to its former name, the Ministry of Housing, Communities and Local Government (MHCLG).
6. The Government announced a [pensions review](#) on 20 July 2024 as part of its mission to 'boost growth and make every part of Britain better off'. The review will look at how to 'unlock the investment potential of the £360 billion LGPS' and 'tackle the £2 billion that is being spent on fees'. The review will also consider the benefits of further consolidation to cut down on 'fragmentation and waste' in the LGPS and the Government will consider legislating to mandate pooling if insufficient progress is made by March 2025.
7. [HM Treasury published the Terms of Reference](#) for Phase One of the Review, confirming focus will be on investments, driving scale and consolidation in defined contribution workplace schemes and the LGPS. On 4 September 2024 the Government published a [Call for Evidence](#) inviting input, data and information from interested parties to inform the first phase of the Pension Investment Review. The Call for Evidence closed on and responses have been sent from the [Local Government Pensions Committee \(LGPC\)](#) and the [SAB](#). The second stage of the Pensions Review is expected to look at the issue pensions adequacy and fairness, such as the gender pensions gap.
8. The [National LGPS Frameworks](#) for Additional Voluntary Contributions (AVC) Services launched in July 2024.
9. MHCLG has issued updated guidance on flexible retirement to cover how the McCloud remedy affects calculations for flexible retirement, together with the calculation of a death grant where a member dies after taking flexible retirement.
10. The Local Government Association (LGA) has made improvements to the [lump sum calculator](#) tool on the national LGPS member website, together with introducing a new [maximum AVC lump sum calculator](#). Both calculators reflect the lump sum limits in force since April 2024.
11. The LGA have published legal advice on payment of death grants to genealogy companies.
12. The LGPS Governance Conference which takes place on 30 and 31 January 2025 in Bournemouth, is [open for booking](#). The conference can be attended in person or online and is aimed at councillors and others who attend pension committees and local pension boards.
13. Fundamentals training for 2024 is also open for booking. This is a three-day training course aimed at councillors and others who attend pension committees and local pension boards and provides a scheme overview and covers current issues in LGPS administration, investment and governance. More information can be found on pages 11 and 12 in the LGA's [September bulletin](#).

McCloud

14. The [LGPS \(Information\) Regulations 2024](#) were laid on 28 August 2024 and came into force on 23 September 2024 with backdated effect to 1 October 2023. These regulations remove the requirement to include estimated underpin information in the 2024 Annual Benefit Statement's (ABS), which had to be issued by 31 August 2024, however, underpin information must be included in 2025 ABS. The regulations also provide a discretion to not include the underpin for a particular class of members for the 2025 statements, but this cannot be used as a blanket approach for all statements. Where authorities choose to use this discretion, the affected members must be informed.
15. The LGA have updated the technical guide on annual benefit statements to reflect their understanding of what must be included as a result of the McCloud remedy and the introduction of pensions dashboards from 2025.
16. The MHCLG issued new actuarial guidance on incoming and outgoing transfers, pension debits, CETVs on divorce which provide additional information about how the McCloud remedy affects the relevant calculations.
17. The Government Actuary's Department (GAD) have published new guidance on applying the McCloud remedy to retrospective cases, together with an interest calculator for retrospective McCloud calculations.
18. The LGA are regularly meeting with representatives from MHCLG, the Department for Education and Capita to discuss the operation of the McCloud remedy for teachers with excess service and the Teachers' Pension Scheme (TPS) [website](#) sets out a brief summary of the process. TPS have [updated the timeline for excess service cases](#) and communications are being sent to employers based on region. Once employers have completed the first stage by verifying the service details held by TPS for those affected, the next stage is for employers to provide the information to administering authorities to enable LGPS records to be created. TPS is finalising the template for these final stages and the LGA will advise as soon as the template is available.
19. The Government Actuary's Department (GAD) have confirmed how to record extra payments due to the underpin in GAD transaction data and that these payments should be treated as a transaction relating to the career average main section (even where the member was in the 50/50 section), in the Scheme year in which payment was received.
20. Errors have been identified in Club transfer out quotations provided by the TPS for members affected by the McCloud remedy and they are investigating the matter.
21. The LGA have published forms for administering authorities to use to collate information from members' about any public service pensions history where it would appear, based on information and membership held in a particular fund, the member is not to be protected by the McCloud remedy.

Pensions Dashboard Programme (PDP)

22. The LGA have published the [Pensions Dashboards connection guide](#) and the [AVCs and Pensions Dashboards administrator guide](#). The connection guide aims to assist administering authorities identify the steps required to connect to the pensions dashboards ecosystem and whilst it does not duplicate information elsewhere, it does provide a summary of each topic together with links to the information. Authorities will need to create a project plan to implement dashboards and this guide will assist with the actions, decisions and recommended timings to enable connection by 31 October 2025. The AVCs and Dashboards administrator guide aims to establish common approaches on the preparation and provision of AVC view data to the pensions dashboards ecosystem.
23. The PDP updated its [draft code of connection](#) with mostly technical or terminology clarifications. The draft code sets out how pension providers, schemes and dashboard providers are to connect to the dashboards ecosystem. Chris Curry, PDP Principal published a [blog](#) on the updated code of connection.
24. The PDP published version 1.1 of the [draft technical standards](#).
25. The [PDP has confirmed](#) users of pensions dashboards will verify their identity with GOV.UK One Login which will make it easier for those who have previously registered with One Login for other Government service.
26. The Pensions Regulator (TPR) published the [Pensions dashboards compliance and enforcement policy](#), together with a [response](#) to the consultation on the policy and have updated its [breach of law guidance](#). TPR also published a [blog on pensions dashboards compliance](#) to accompany the policy release.
27. TPR expects schemes to connect to the dashboards ecosystem in line with the timetable set in [DWP's guidance on connection: the stage timetable](#).
28. TPR has produced a ['hot topics'](#) article focusing on some of the issues it is hearing about through engagement with the industry.

Scheme Advisory Board (SAB)

29. Following the general election, the [King's Speech](#) set out the Government's plans and priorities for the first parliamentary session and included in this is the Bill on Audit Reform and Corporate Governance, which could pave the way for separation of pension funds from host authority audit in England. The SAB previously called for this in a [letter in 2022](#) and was assured its recommendation would be taken forward once a suitable legislative vehicle had been identified.
30. The GAD has now completed the scheme cost assessment as required under the LGPS regulations and the [SAB cost management process final report](#) was completed using [methodology and assumptions](#) determined by the Board. The scheme cost was assessed as being 1 percent above the target cost and

so the Board could make a recommendation to amend benefits to bring scheme costs back towards the target cost and following discussion the Board agreed not to make any recommendations for change in its [letter to the Secretary of State about the outcome](#).

31. MHCLG appointed the GAD to review and report on [the 2022 fund valuations](#) in accordance with section 13 of the Public Service Pensions Act 2013. The purpose of the report is to examine whether the 87 separate fund valuations have achieved the four aims as set out in the Act, being compliance, consistency, solvency and long-term cost efficiency. The report includes three recommendations for the SAB which are being considered.
32. The Board Secretariat [wrote to MHCLG](#) officials asking for a review of the regulations and actuarial factors used in shared cost additional pension contributions (SCAPCs) and is one of the first recommendations of the Gender Pensions Gap working group.
33. The SAB have been revising the guidance for funds to follow when reviewing their Funding Strategy Statement (FSS) and the guidance is nearing the final stages awaiting the approval process and it is hoped will be available before the end of the calendar year.
34. The SAB issued a [statement of fiduciary duty and dealing with lobbying](#) and it is hoped this will help administering authorities deal with increasing levels of interest in how LGPS funds are invested and manage discussions with stakeholders and at board and committee meetings.
35. The SAB Secretariat is seeking an opinion from Counsel on whether there is a need to update the [previous advice received on the nature of fiduciary duty](#) for administering authorities.

His Majesty's Revenue and Customs (HMRC)

36. HMRC has acknowledged technical inaccuracies in the legislation introduced to implement the new regime following the abolition of the LTA and plans to introduce new legislation to address the issues after the parliamentary recess. HMRC undertook a short technical consultation and the [Pensions \(Abolition of Lifetime Allowance Charge etc\) \(No.3\) Regulations 2024](#) were laid on 7 October 2024 and will come into force on 18 November 2024.

The Pensions Regulator (TPR)

37. TPR will be sending out scheme return notices to managers of public service pension schemes in October 2024, which must be returned within six weeks of receiving the notification.

The Pensions Ombudsman (TPO)

38. TPO held a forum for stakeholders from across the industry and more can be found in the event in a [blog](#). TPO encourages stakeholders to join their future events and [subscribe to the TPO mailing list](#) to receive updates and event invitations directly.

39. TPO published its [corporate plan](#) outlining priorities and areas of work for the year with top priorities.

Other News and Updates

40. The Court of Appeal dismissed the appeal in the [Virgin Media Ltd v NTL](#) case on 25 July 2024. The High Court had previously ruled that:

- a) amendment of pension scheme rules in respect of Section 9(2)B rights were void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test
- b) this applied to rights built up before and after the change in rules
- c) all amendments are affected by the ruling, not just those that have a negative impact on section 9(2)B rights.

41. The appeal concerned (b) only and the Court of Appeal upheld the High Court's ruling and it is understood the ruling will apply to the LGPS and HM Treasury are currently assessing the implications for all public service pension schemes. The LGA expect to provide further information once there is more clarity on the position.

42. The Money and Pension Service (MaPS) have now [launched](#) digital Pension Wise appointments for anyone over the age of 50 with a defined contribution pension.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

45. 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 – MONITORING OFFICER:

46. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY:

47. There are no equality or diversity issues.

OTHER IMPLICATIONS:

48. There are no other implications.

NEXT STEPS:

49. No next steps are planned.

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Annexes:

1. None.

Sources/Background papers:

1. None.

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