



Local Pension Board

Date Monday 26 July 2021
Time 2.00 pm
Venue Committee Room 2, County Hall, Durham

Business

Part A

Items which are open to the Public and Press

1. Apologies for Absence
2. Declarations of Interest (if any)
3. The Minutes of the Meeting held on 11 March 2021 (Pages 21 - 26)
4. Observations from Pension Fund Committee held on 26 July 2021
5. Regulatory and Administration Update (Pages 27 - 36)
6. Pension Administration Report (Pages 37 - 54)
7. Pensions Regulator Code of Practice - verbal update
8. Membership of Board - verbal update
9. Border to Coast Pension Partnership Joint Committee Membership - verbal update
10. Date of Next Meeting
11. Any Other Business

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
16 July 2021

To: **The Members of the Local Pension Board**

Scheme Employer Representatives:

Councillor A Hopgood (2 vacancies)

Scheme Member Representatives:

N Hancock and L Oliver (1 vacancy)

Contact: Jill Errington

Tel: 03000 269703

Pension Fund Committee



Abbreviations

List of commonly used abbreviations

AB	Alliance Bernstein, the Fund's Bonds manager
ACS	Authorised Contractual Scheme, the collective investment scheme used by BCPP for asset pooling
AUM	Assets Under Management
BCPP	Border to Coast Pensions Partnership, the Fund's asset pool
CBRE	Coldwell Banker Richard Ellis, the Fund's Real Estate manager
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
COO	Chief Operating Officer
COP	Conference of Parties, a UN conference on climate change
CPI	Consumer Price Index
CSR	Corporate Social Responsibility, a term under which companies report their social, environmental and ethical performance
DAA	Dynamic Asset Allocation
DGF	Diversified Growth Fund

EM	Emerging Markets
EMEA	Europe, Middle East & Africa
ESG	Environmental, Social, and Governance – factors in assessing an investment’s sustainability
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
FTA	FTSE Actuaries UK Gilts Index Series
FTSE	Financial Times Stock Exchange
GEM	Global Emerging Markets
GRESB	Global ESG Benchmark for Real Assets
HMT	Her Majesty’s Treasury
Infra	Infrastructure
IRR	Internal Rate of Return
ISS	Investment Strategy Statement
JC	Joint Committee
LGA	Local Government Association
LGPS	Local Government Pension Scheme
LAPFF	Local Authority Pension Fund Forum
LIBOR	London Inter Bank Offered Rate, a benchmark interest rate at which global banks lend to one another
LPB	Local Pension Board
MAC	Multi Asset Credit
MHCLG	Ministry of Housing, Communities and Local Government
MSCI	formerly Morgan Stanley Capital International, publisher of global indexes

NED	Non-Executive Director
NT	Northern Trust, the Fund's Custodian
OECD	Organisation for Economic Co-operation and Development
PF	Pension Fund
PFC	Pension Fund Committee
PLSA	Pensions and Lifetime Savings Association
PRI	The UN-supported Principles for RI
RI	Responsible Investment
RPI	Retail Price Index
S&P	Standard & Poor's, ratings agency and provider of equity indices
S151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board
SDG	the UN's Sustainable Development Goals
SILB	Sterling Index Linked Bonds
SONIA	Sterling Over Night Index Average, the overnight interest rate paid by banks
TCFD	Taskforce on Climate Related Financial Disclosures
TER	Total Expense Ratio
TPR	The Pensions Regulator

Author(s)

Paul Cooper

Tel: 03000 269798

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Glossary of commonly used terms

A

Active Management

Appointing investment professionals to track the performance of the Fund's mandates, making buy, hold and sell decisions about the assets with a view to outperforming the market.

Active Member

A current employee who is contributing to the pension scheme.

Actuary

An independent professional who advises the Council in its capacity as Administering Authority on the financial position of the Fund.

Actuarial Valuation

The Fund's actuary carries out a valuation every three years and recommends an appropriate rate of contributions for each of the Fund's participating employers for the following three years. The valuation measures the Fund's assets and liabilities, with contribution rates set according to the Fund's deficit or surplus.

Additional Voluntary Contributions (AVCs)

An option available to active members to build up a pot of money which is then used to provide additional pension benefits. The money is invested separately with one of the Fund's external AVC providers.

Administering Authority

The LGPS is run by local Administering Authorities. An Administering Authority is responsible for maintaining and investing its own Fund for the LGPS.

Admission/Admitted Body

An organisation whose employees can become members of the Fund by virtue of an admission agreement made between the council in its capacity as Administering Authority and the organisation. It enables contractors who take on council services to offer staff transferred to the organisation continued membership of the LGPS.

Asset Allocation

The apportionment of the Fund's assets between different types of investment (or asset classes). The long-term strategic asset allocation of the Fund will reflect the Fund's investment objectives and is set out in the Investment Strategy Statement.

Authorised Contractual Scheme (ACS)

A collective investment scheme used by BCPP. An ACS is a form of investment fund that enables a number of investors to 'pool' their assets and invest in a professionally managed portfolio of investments, typically gilts, bonds, and quoted equities. Regulated by the Financial Conduct Authority, it is "tax transparent"; making it particularly useful for pooling pension assets.

B

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared.

Border to Coast Pension Partnership (BCPP)

The Fund's chosen asset pool. BCPP has 11 Partner Funds who collectively have around £45bn of assets. The Partner Funds have appointed a Board of Directors, chaired by Chris Hitchen, which is responsible for ensuring that Border to Coast is run effectively and in line with the guiding principles set by the shareholders. The Chief Executive Officer, Rachel Elwell, is responsible for the day to day running of Border to Coast along with her team.

Border to Coast Joint Committee

As part of their oversight, BCPP Partner Funds formed a Joint Committee which consists of the Chairs of each of the Partner Fund Pension Committees together with other non-voting representatives.

C

CARE (Career Average Revalued Earnings)

From 1 April, 2014, the LGPS changed from a final salary scheme to a Career Average (CARE) scheme. The LGPS remains a defined benefit scheme but benefits built up from 2014 are now worked out using a member's pay each scheme year rather than the final salary at leaving.

Cash Equivalent Value (CEV)

This is the cash value of a member's pensions rights for the purposes of divorce or dissolution of a civil partnership.

Consumer Price Index (CPI)

A method of measuring the changes in the cost of living, similar to the Retail Price Index. Since April 2011 LGPS pensions are increased annually in line with movement in the Consumer Price Index during the 12 months to the previous September.

Commutation

A scheme member may give up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible Shares

Shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

Custodian

A financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange. Custody is currently provided to the Fund by Northern Trust.

D

Death Grant

A lump sum paid by the Fund to the dependents or nominated representatives of a member who dies.

Deferred Member/Pensioner

A scheme member who has left employment or otherwise ceased to be an active member of the scheme who retains an entitlement to a pension from the Fund.

Defined Benefit Scheme

A pension scheme like the LGPS where the benefits that will ultimately be paid to the employee are fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the future pension promise.

Denomination

The face value of a bank note, coin or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction or the currency a financial asset is quoted in.

Designating Body

Organisations that can designate employees for access to the LGPS. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, among others, can be designated for membership of the scheme.

Discretion

The power given by the LGPS to enable a participating employer or Administering Authority to choose how they will apply the scheme in respect of several its provisions. For some of these discretions it is mandatory to pass resolutions to form a policy as to how the provision will apply. For the remaining discretionary provisions, a policy is advised.

Direct Property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Diversified Growth Funds (DGF)

An alternative way of investing in shares, bonds, property and other asset classes; DGFs are funds that invest in a wide variety of asset classes in

order to deliver a real return over the medium to long-term. The Fund's DGF is managed by BlackRock.

E

Employer Contribution Rates

The percentage of an employee's salary participating employers pay as a contribution towards that employee's LGPS pension.

Employer Covenant

The covenant is an employer's legal obligation and financial ability to support their defined benefit (DB) obligation now and in the future.

Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

ESG

ESG is the consideration of environmental, social and governance factors alongside financial ones in the investment decision-making process. E, S, and G are the three key factors in assessing an investment's sustainability

F

Fiduciary Duty

Fiduciary duties exist to ensure that those who manage other people's money act in beneficiaries' interests rather than their own.

Financial Instruments

Tradable assets of any kind, which can be cash, evidence of an ownership interest in an entity or a contractual right to receive or deliver cash or another financial instrument.

Fixed Interest Securities

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date that can be traded on a recognised stock exchange in the meantime.

Fund of Funds (FoF)

A fund that holds a portfolio of other investment funds.

G

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

I

Index

A calculation of the average price of shares, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Internal Rates of Return (IRR)

The internal rate of return (IRR) is a metric used to estimate the profitability of potential investments. Generally, the higher an IRR, the more desirable an investment is to undertake.

L

Local Government Pension Scheme (LGPS)

The LGPS is collectively the largest public sector pension scheme in the UK, which provides DB benefits to employees of local government employers and other organisations that have chosen to participate.

Local Pension Board (LBP)

Since April 2015, each Administering Authority is required to establish and operate a Local Pension Board. The Pension Board is responsible for assisting the Administering Authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator. The Board is made up of equal representation from employer and scheme member representatives.

M

Myners Principles

A set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom. The Myners' principles for defined benefit schemes cover:

Effective decision-making

Clear objectives

Risk liabilities

Performance assessment

Responsible ownership

Transparency and reporting.

O

Ordinary Shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at the general meetings of that company and receive dividends on those shares if a dividend is payable.

P

Partner Funds

The Fund's chosen asset pool, BCPP, has 11 Partner Funds - Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear, Warwickshire.

Pension Liberation Fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits. The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Pensions Online

The Fund's online portal where scheme members may view their pensions records, complete retirement calculations, and update personal details.

Pensions Regulator

The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. TPR make sure that employers put their staff into a pension

scheme and pay money into it. TPR also make sure that workplace pension schemes are run properly so that people can save safely for their later years.

Pooled Funds

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Pooling in the LGPS

Central government requires local authorities to pool their pension assets, to achieve four principles:

1. Cost savings through economies of scale
2. Improved governance
3. Improved approach to responsible investment
4. Improved ability to invest in infrastructure

Proxy Voting

Proxy voting allows shareholders to exercise their right to vote without needing to attend AGMs. This can involve shareholders with voting rights delegating their votes to others who vote on their behalf.

Q

Quantitative Easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like Government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

R

Related Party Transactions

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Responsible Investment (RI)

Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while practising active ownership. RI can help deliver sustainable, long-term returns for investors.

Retail Price Index

A method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which LGPS pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011, the Government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index (CPI).

Return

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

Rule of 85

Under previous LGPS regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. If the sum of the member's age and the number of whole years of their scheme membership was 85 or more, benefits were paid in full. If the total was less than 85, the benefits were reduced. The Rule of 85 was abolished on 1 October, 2006 - however, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

S

Scheduled Body

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Spot Rate

The price quoted for immediate settlement on a commodity, security or currency. It is based on the value of an asset at the moment of the quote, which in turn is based on how much buyers are willing to pay and how much sellers are willing to accept depending on factors such as current market value and expected future market value.

State Pension Age (SPA)

The earliest age at which State Pension can be paid, which different to the earliest age LGPS may be claimed. Under the current law, the State Pension age is due to increase to 68.

Stock Lending

This is loaning a stock, derivative or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower and title is returned at the end of the loan period.

T

TCFD

The Taskforce on Climate Related Financial Disclosures was set up to develop voluntary, consistent, climate related financial risk disclosures to guide companies in providing information to investors, lenders, insurers and other stakeholders. It is expected that MHCLG will consult on mandatory TCFD disclosures in the LGPS by the end of 2021.

The Pension Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement. TPAS is an executive non-departmental public body, sponsored by the Department for Work and Pensions.

Transfer Value

A transfer value is a cash sum representing the value of a member's pension rights.

Transferred Service

Any pension that members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

U

UK Stewardship Code

A code first published by the FRC in 2010 to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of their beneficiaries. The Code was revised in 2020.

Unrealised gains/losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Author(s)

Paul Cooper

Tel: 03000 269798

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DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in Remote Meeting - This meeting is being held remotely via Microsoft Teams on **Thursday 11 March 2021 at 2.00 pm**

Present:

Councillor A Hopgood - Chair

Scheme Member Representative:

Ian Densham

Paul Cooper – Pensions Manager
Beverley White – Finance Manager
Ashleigh Phillips – Pensions Team Leader
Bryan Smith – Legal Manager

1 Apologies for Absence

Apologies for absence were received from Councillor Fraser Tinsley and Les Oliver.

2 Declarations of Interest

Ian Densham reported that he was now also a member of Tyne and Wear Local Government Pension Scheme by virtue of his employment as a casual customer services assistant for Tyne and Wear Metro.

3 The Minutes of the Meeting held on 3 December 2020

The Minutes of the meeting held on 3 December 2020 were agreed as a correct record.

a Matter Arising from the Minutes

As requested at the last meeting Paul Cooper provided a summary of the decisions taken by the Pension Fund Committee between 12 March and 3 December 2020:

11 June 2020

The Committee approved the investment of 15% of the Fund's total asset allocation to BCPP's Sterling Index-Linked Bond sub-fund, and approved the transition from the Fund's existing Index-Linked Gilt holdings with Royal London Asset Management (RLAM).

10 September 2020

There were no investment decisions made at this meeting.

3 December 2020

The Committee considered BCPP'S Responsible Investment Policy and authorised the Corporate Director of Resources to amend the Fund's Investment Strategy Statement.

The Committee noted the Fund's Exit Policy and authorised the Corporate Director of Resources to make a determination on the amount of any exit credit payable to an existing employer, in line with the Policy.

In terms of investment decisions, the Committee approved the investment of 15% of the Fund's total asset allocation to BCPP's MAC Sub-fund and approved the transition from the Fund's existing Global Bond holdings with Alliance Bernstein.

Paul Cooper advised that in advance of each of the investment decisions being made the Committee undertook training supported by Officers of the Fund as well as Mercer, the Fund's Adviser and Anthony Fletcher, the Fund's Independent Investment Adviser. The Committee also received presentations from BCPP in the training sessions. Following discussion with the Local Pension Board Chair, he would circulate the training materials used at each of the training sessions so that Board Members could be assured that the Committee had made informed investment decisions.

4 Observations from Pension Fund Committee held on 11 March 2021

Local Pension Board Members Councillor Hopgood and Ian Densham were in attendance at the Pension Fund Committee, and had no particular observations to make. The Board members considered that the Committee had asked pertinent questions of Officers, Advisers and BCPP.

Paul Cooper added that the Committee received a presentation from BCPP which included progress with pooling and performance.

RESOLVED:

That the information given be noted.

5 Communications Review

The Board considered a report from the Corporate Director of Resources which provided details of how different stakeholder groups receive communication from the Pension Fund, and explained plans to develop the communication strategy (for copy see file of Minutes).

The online services for active and deferred members had been well-utilised since it was launched, and would be available for pensioners with effect from 1 April 2021. He would report back to the Board on progress.

Following a question from the Chair about access to on-line services, Paul Cooper advised that in three written notifications, members had been invited to opt out of using the on-line portal, and those who had would continue to receive written communications.

In response to questions from Ian Densham, Paul Cooper confirmed that the on-line portal for scheme employers was operational and included monthly data collection. Monthly data collection was useful for larger employers, but not necessarily for smaller scheme employers where there were few monthly changes. The Pensions Team had worked proactively with employers during the pandemic, and had provided guidance to all employers on the furlough scheme.

Resolved:

That the report be noted.

6 Internal Dispute Resolution Procedure (IDRP) Cases

The Board considered a report from the Corporate Director of Resources which provided a summary of the outcomes of internal dispute cases and Pensions Ombudsman cases the Pension Fund had been involved in since April 2020 (for copy see file of Minutes).

Resolved:

That the report be noted.

7 LGPS Administering Authority Discretions

The Board considered a report from the Corporate Director of Resources which advised of the choices available to the Administering Authority under the regulations governing the Local Government Pension Scheme (LGPS)

and how these were being exercised within the Pension Fund (for copy see file of Minutes).

The Board was satisfied that the way the Council exercised its discretions under the LGPS was robust.

Resolved:

That the report be noted.

8 Local Pension Board Annual Report

The Board considered a report of the Corporate Director of Resources which provided an overview of the work completed by the Local Pension Board during 2020/21 (for copy see file of Minutes).

The Pension Fund Committee would receive the report for information.

At its next meeting the Board would set its Work Programme for the following two years.

The Chair also noted that scheme employer representatives on the Board may change following the forthcoming elections so it would be useful for any new members to be involved in setting the Work Programme.

Resolved:

That the information be noted.

9 Date of Next Meeting

Resolved:

That the next meeting of the Local Pension Board be held following the meeting of Pension Fund Committee on a date to be confirmed in June 2021.

10 Any Other Business

Ian Densham referred to the forthcoming elections which could see a change in the membership of the Pension Fund Committee and a loss of knowledge and experience. Paul Cooper advised that member training would be provided before the first meeting of the Committee following the elections, and the Committee would continue to receive the support of the Fund's Advisers.

The Chair highlighted the importance of specific training for the Chair who would also represent Durham as a shareholder of BCPP.

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Local Pension Board

26 July 2021

Regulatory and Administration Update



Report of Paul Darby, Corporate Director of Resources (Interim)

Purpose of the Report

- 1 This report briefs the Board on developments in matters that are both Local Government Pension Scheme (LGPS) specific, as well as providing an update on non-LGPS specific matters which are of interest.

Executive summary

- 2 There are a number of developments that will potentially impact the requirements placed upon the Fund, both specific to the LGPS and more generally. This report seeks to keep the Board updated with those developments

Recommendation(s)

- 3 The Local Pension Board is asked to note the report.

Background

- 4 This report provides an update to the Board on important pensions administration and governance matters that are currently relevant. The report is split into 2 main sections:
 - (a) LGPS specific matters, and;
 - (b) Non-LGPS specific matters that are of interest to the Board.

LGPS Specific Matters

MHCLG Consultation – LGPS: Fair Deal – Strengthening Pension Protection

- 5 In January 2019, MHCLG launched a consultation that would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provider. If the proposed amendments are introduced, the option for staff to be granted access to a Government Actuary's Department (GAD) certified broadly comparable scheme will be removed.
- 6 MHCLG are currently considering the responses received, with a consultation response expected in due course. Officers will continue to monitor the position.

MHCLG consultation – LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk

- 7 In May 2019 MHCLG consulted on a number of changes to the LGPS, encompassing the following areas:
 - amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle
 - a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
 - proposals for flexibility on exit payments
 - proposals for further policy changes to exit credits
 - proposals for changes to the employers required to offer local government pension scheme membership
- 8 On 27 February MHCLG published a partial response to the consultation, covering proposals on exit credits only. MHCLG

confirmed their intention to amend the Regulations providing greater discretion to Administering Authorities over the amount of any exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 were subsequently laid before parliament, coming into force on 20 March 2020 with backdated effect to 18 May 2018. The Fund has published its policy in relation to Exit Credits, which will be reviewed in light of a recent High Court judgement that provided further direction to LGPS Funds.

- 9 MHCLG has also published a partial response in respect of employer contributions and flexibility on exit payments. Officers will work with the Fund's Actuary to update the Funding Strategy Statement after appropriate consultation with Scheme Employers.

Ongoing Consultation – Guaranteed Minimum Pensions (GMP)

- 10 In February 2017 the Treasury consulted on options for how the Guaranteed Minimum Pension (GMP) element of pensions paid to those members who will reach state pension age on or after 6th December 2018 should be indexed.
- 11 In January 2018 the Treasury published its response to this consultation, acknowledging that it is a complex area with more time required to identify a long-term solution. As a result, the existing interim solution was extended, covering those members of public service schemes reaching state pension age between 6th April 2016 and 5th December 2018 to those that reach state pension age on or before 5th April 2021.
- 12 On 23 March 2021 Her Majesty's Treasury (HMT) discounted conversion (of GMP into main scheme benefits) as their long-term policy solution and instead will make full GMP indexation the permanent solution for public service pension schemes. Currently members covered by the interim solution have their GMP pensions fully uprated by their scheme in line with CPI. The new policy will extend this to members whose State Pension Age (SPA) is on or after 6 April 2021.
- 13 The Fund's Actuary will provide further detail at the Fund's Annual Meeting in November. In particular, the Actuary will outline the Funding implications of HMT's decision.

LGPS Scheme Advisory Board (SAB)

SAB Review – Academies

- 14 In 2017 SAB instigated a review of the participation of existing academies and commissioned Price Waterhouse Coopers to investigate issues of academy participation in the LGPS and prepare a report for the Board. The report made no recommendations but set out three broad types of approach or mechanisms to try and resolve these issues. These are:
- non-regulatory measures within the LGPS
 - regulatory measures within the scheme, and
 - measures outside of the LGPS, including through primary legislation.
- 15 The SAB review had been split between a funding working group and an administration working group. Work on the administration working group was put on hold due to competing work pressures and the project is no longer part of SAB's current projects.

SAB Review – Tier 3 Employers

- 16 In addition to the review of Academy participation, above, SAB also commissioned work in respect of 'Tier 3' employers participating in the LGPS. Broadly, Tier 3 employers are those employers which:
- (i) have no tax raising powers,
 - (ii) are not backed by an employer with tax raising powers;
 - (iii) are not an academy.
- 17 SAB had established a small working group to review concerns expressed by Tier 3 employers and the ways in which they may be resolved. The working group had been tasked with reporting back to the SAB with a set of recommendations for further consideration.
- 18 The project is no longer part of SAB's current projects. Officers will continue to monitor the position.

SAB Review – Good Governance in the LGPS

- 19 SAB is currently examining the effectiveness of current LGPS governance models with a focus on standards, consistency, representation, conflict management, clarity of roles and cost. The Board will consider a detailed paper in May 2020 which will likely result in new statutory guidance on Governance Compliance, with consideration in particular likely to be given to:
- (a) changes to the scheme's regulatory provisions on Governance Compliance Statements,

- (b) revised statutory guidance on Governance Compliance Statements,
 - (c) independent assessment of Governance Compliance Statements, and;
 - (d) establishing a set of Key Performance Indicators (KPIs)
- 20 SAB have recently completed their report on Good Governance and submitted an Action Plan to MHCLG to take the recommendations of the project forward. A more detailed update to the Pension Fund Committee, and overview of the recommendations proposed to MHCLG will be provided in due course.

SAB Review – Responsible Investment Guidance

- 21 In November 2019, SAB drafted guidance for Responsible Investment in the LGPS, to clarify the parameters within which investment decisions can be made with regard to the integration of ESG factors. Following feedback, SAB has decided to take stock until more is known about the government’s position on the proposed climate change provisions in the Pension Schemes Bill and the implications of the Supreme Court’s judgement involving the Palestine Solidarity Campaign.
- 22 Notwithstanding this decision, SAB have progressed with further work in respect of Responsible Investment (RI), including the production of an RI A-Z Guide. It is intended that the A-Z Guide will provide LGPS stakeholders a “one stop shop for information, links and case studies in this fast growing and complex arena”. The guide will evolve over time, as new entries are added. The A-Z Guide can be found online at the following link <https://ri.lgpsboard.org/items>.
- 23 The Board has also established an RI Advisory Group (RIAG). The main role of the group will be to advise SAB on all matters relating to RI. It will also be responsible for assisting the Board in maintaining the online A-Z Guide. The Group will also assist SAB in developing recommendations to MHCLG on how TCFD reporting should be applied to the LGPS.

Cost Control Mechanism/McCloud

- 24 The Cost Control Mechanism in the LGPS and other public sector schemes sets both a cost ‘ceiling’ and ‘floor’ in respect of the ongoing affordability of public sector pensions. This creates a “cost corridor” designed to keep schemes within 2% of target costs. It had not previously been possible to assess the value of the public service pensions arrangements with any certainty due to the anticipated

implications of the Court of Appeal judgements in McCloud and Sargeant.

- 25 The Fund's position on McCloud has been discussed previously, with the Actuary outlining in detail how the issue was to be reflected in the 2019. The approach taken added an additional 0.9% to the employer contribution rate for all employers at the 2019 valuation.
- 26 Before the impact of McCloud, provisional cost management assessments indicated floor breaches in most schemes, that may have resulted in an improvement to benefits or reduction in member contributions. At the request of HMT, GAD carried out a review of the Cost Control Mechanism across the public sector.
- 27 Following GAD's review, HMT are consulting on reforms to the cost control mechanism intended to "establish a fairer balance of risks between taxpayers and scheme members, and create a more stable mechanism". The proposed reforms would operate only in the reformed public sector schemes, would widen the existing cost corridor from 2% to 3%, and would introduce an "economic check" where there is a cost breach to ensure that broader economic conditions are considered.
- 28 Additionally, there are proposed changes to the discount rate used to determine contribution rates in the unfunded public sector schemes. This discount rate, however, is used in the production of actuarial factors in the LGPS.

Non- LGPS Specific Matters

Public Sector Exit Payments Caps

- 29 The Small Business, Enterprise and Employment Act 2015 introduced the concept of a 'public sector exit payments cap'. The legislation provides that exit payments to be paid to a person are not to exceed £95,000. The 2015 Act provided the overarching principles of how the exit cap was to operate, but the detail was to be prescribed in regulations that were expected to soon follow.
- 30 After a period of delay the Treasury launched a new consultation on this matter in April 2019. Included in the consultation were draft regulations called 'The Restriction of Public Sector Exit Payment Regulations 2019' which provided detail on how the exit cap should operate from an employer's perspective.

- 31 Under the Regulations, the cap was to remain at £95,000 and include:
- redundancy payment(s);
 - any payment to offset an actuarial reduction to a pension arising by virtue of early retirement (known as 'strain on the fund' or 'early release' cost);
 - any payment made pursuant to an award of compensation under the ACAS arbitration scheme or a settlement or conciliation agreement;
 - any severance payment or ex gratia payment;
 - any payment in the form of shares or share options;
 - any payment on voluntary exit;
 - any payment in lieu of notice due under a contract of employment;
 - any payment made to extinguish any liability under a fixed term contract;
 - any other payment made, whether under a contract of employment or otherwise, in consequence of termination of employment or loss of office.
- 32 Most significantly for the LGPS, was the inclusion of the 'strain on the fund' costs are included towards the cap. These costs of allowing unreduced access to pension benefits for members over 55 can exceed £95,000 for scheme members with long periods of membership.
- 33 Separately to the Exit Payment Regulations, MHCLG consulted on further reforms to the LGPS Regulations that would accommodate the Exit Cap within the Scheme. As MHCLG's proposed changes were not implemented concurrently with the Exit Payment Regulations, there was legal uncertainty for both LGPS Administering Authorities and participating employers due to the conflicting legislation.
- 34 On 12 February however the Exit Cap was unexpectedly disapplied, after the Treasury issued the 'Exit Payment Cap Directions 2021'. The Treasury will bring forward at pace revised proposals in respect of public sector exits. The Board will be updated as further details emerge.

Mandatory TCFD Reporting

- 35 Using powers granted under the Pension Schemes Bill, the Department for Works and Pensions (DWP) has consulted on draft regulations requiring occupational pension schemes to meet climate governance requirements, publish a Taskforce on Climate-related Financial Disclosures (TCFD) report and include a link to the report in their annual report and accounts.
- 36 Whilst the regulations will not apply to the LGPS it is expected that MHCLG will bring forward similar proposals requiring TCFD disclosures in the LGPS. At the time of writing, consultation on such requirements in the LGPS is expected in September.
- 37 The Fund's pooling partner, Border to Coast Pensions Partnership (BCPP) are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and have just published their second TCFD report aligned with the recommendations. This covers the approach to climate change across the four thematic areas of Governance, Strategy, Risk Management, and Metrics and Targets. The report demonstrates the improvements and developments made across the four key areas. The report can be found online at the following link <https://www.bordertocoast.org.uk/sustainability/>.
- 38 BCPP will support Partner Funds ahead of any mandatory reporting requirements through the Officers Operation Group RI workshops, delivering training, and by providing reporting. BCPP have held discussions to understand all Partner Funds' requirements on carbon reporting on assets, including those that are currently not held in the pool.
- 39 A BCPP procurement for carbon data, including forward-looking metrics (scenario analysis), taking place this year will take into account the reporting requirements of Partner Funds for equity and fixed income portfolios. Obtaining carbon data for Private Markets is more challenging and BCPP are looking into solutions for these portfolios held in the pool. An overview of TCFD was included in training for members of the Pension Fund Committee in December. A more detailed report, and further training will be provided to the Committee as details of MHCLG's anticipated consultation on TCFD emerge.

UK Stewardship Code 2020

- 40 The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund has previously

signed up the Code, and BCPP also publish a UK Stewardship Code compliance statement.

- 41 Due to the significant changes in the Investment Market since the introduction of the first Code, The UK Stewardship Code 2020 is now being introduced. This new Code expands on the previous requirements and comprises a set of 12 Principles which require reporting and disclosure on an 'apply and explain' basis.
- 42 The LGPS (Management and Investment of Funds) 2016 Regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship, day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed a Responsible Investment Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds.
- 43 Officers are currently working with peers at BCPP Partner Funds to consider the new Code and will work together, and in conjunction with BCPP, to ensure compliance. A more detailed report will be provided to the Committee in due course.

Consultation on Minimum Pension Age

- 44 A consultation entitled 'Increasing the normal minimum pension age: consultation on implementation' was launched on 11th February and runs until 22nd April 2021. The consultation proposes that, due to increases in longevity and changing expectations of how long individuals will remain in work and in retirement, the minimum pension age would increase from 55 to 57 in 2028. The minimum age a scheme member can currently retire voluntarily in the LGPS is 55.

TPR Code of Practice

- 45 The Pensions Regulator (TPR) has consulted on a single Code of Practice to cover all regulated schemes. Presently, the Regulator has a specific Code for Public Service Pensions. Whilst the new Code does not extend TPR's powers in the LGPS beyond its existing remit on governance and administration, there are some concerns over how the provisions of the Code fit with the LGPS. SAB have responded on behalf of the LGPS.

Boycotts, Divestment and Sanctions Bill

- 46 The government's legislative programme was laid out in May. The programme includes a Boycotts, Divestment and Sanctions Bill the purpose of which will be to stop public bodies from taking a different approach to UK Government sanctions and foreign relations and will cover purchasing, procurement and investment decisions.

Author(s)

Paul Cooper

Tel: 03000 269798

Local Pension Board

26 July 2021

Pension Administration Report



Report of Paul Darby, Corporate Director of Resources (Interim)

Purpose of the Report

- 1 This report briefs the Board on the Fund's pension administration and service provision to members, as well as providing an update Key Performance Information.

Executive summary

- 2 Pension administration services have been provided to members uninterrupted since lockdown. Communication with members has continued through the provision of the Fund's Telephone and Online Services. 1,254 retirements have been processed since lockdown, whilst in the first quarter of 2021/22, 227 retirement cases were processed with 97.70% of those retirees receiving a statement within 10 days of the team receiving the necessary information. This report seeks to provide the Board an overview of pension administration performance.

Recommendation(s)

- 3 The Board is asked to note the report.

Background

- 4 This report provides an update to the Board on pensions administration performance, its key communications with members, and any issues impacting the service provided to scheme members.

Key Performance Indicators (KPIs)

- 5 Included in Appendix 1 are a number of Performance Indicators, with the aim of making the Board aware of administration performance in key areas. Reporting is included for the first quarter of 2021/22, ie. 1 April to 30 June 2021. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.
- 6 In the first quarter, the administration team processed 227 retirement cases. Measured in line with the Disclosure requirement of providing scheme member a statement containing retirement information within two months of retirement, the Fund met this target in 80.18% of the 227 cases. The majority of failures were as a result of late information from employers. In respect of performance within the administration team's control, the Fund provided a statement containing retirement benefit information within 10 days of receiving all required information in 97.79% of cases in the quarter.
- 7 In respect of deferment cases, the Fund were notified of 237 early leavers in the quarter. In line with Disclosure requirements, the Fund wrote to members in 99.50% of these cases within two months to provide each member information as to the rights and options available.
- 8 To 30 June 2021, the pension administration team received 3,405 telephone calls to the Fund's Helpline. Of these calls, the team answered 98.00% of scheme members' calls first time. In respect of Online services for members, 13,934 members have registered for the Fund's Pensions Online portal, where 10,619 online calculations have been completed, 7,518 changes have been transacted and 1,116 secure messages have been sent.

Services to members during Lockdown

- 9 Since the beginning of the covid-19 crisis and UK lockdown, the pension administration team have worked from home. During this time, the Fund's Telephone Helpline, Pensions Online portal and email inbox have been available to members uninterrupted. Since lockdown, the team have processed 1,254 retirements (lump sum paid, new pensioner payroll records created), benefits have been paid to 1,060 bereaved families, and 303 transfers have been paid in or out.

Prudential

- 10 Members of the LGPS are able to increase their benefits through an Additional Voluntary Contribution (AVC) facility. As such, each Administering Authority is required to have arrangements with an AVC provider (often a insurance company or building society). Durham County Council Pension Fund offers its members two providers: Prudential and Standard Life.
- 11 One of the providers, Prudential, has recently introduced a new ICT system across its business. The implementation has resulted in delays for members who have invested through Prudential. In particular, claims for cash at retirement, and the processing of contributions have been delayed.
- 12 A copy of communications received from Prudential is included for information in Appendix 2. Where the Fund has been made aware of delays in payment of cash retirement, these cases have been escalated with Prudential to ensure resolution. Additionally, the Fund has escalated the matter nationally through the regional Pensions Officer Forum (NEPOF). The Pensions Regulator is aware of Prudential's performance issues.

Annual Benefit Statements

- 13 Annual Benefit Statements will be made available online for all active and deferred members of the Scheme by 31 August 2021. Unless a member has opted out of the service, the Statements will be made available through the Fund's Pensions Online portal. A copy of the Statement for active members is included in Appendix 3.

Author(s)

Paul Cooper

Tel: 03000 269798

Appendix 1: Performance Indicators

Performance to 30 June 2021

Category	Performance Indicator	Cases in Quarter	Performance in Quarter	Cases in Year to Date	Performance in Year to Date
Retirements – Disclosure	Within two months of retirement provide a statement containing retirement benefit information.	227	80.18%	227	80.18%
Retirements – in Fund’s control	Within 10 days of receiving all required information provide a statement containing retirement benefit information.	227	97.79%	227	97.79%
Deferments - Disclosure	Within two months of being notified of a leaver, provide that member information as to the rights and options available.	237	99.50%	237	99.50%
Telephone Helpline	Calls from Scheme Members answered first time	3,405	98.00%	3,405	98.00%

Category	Performance Indicator	Total Registrations to date	Total Online Calculations Completed by Scheme Members	Total Changes Transacted Online by Scheme Members	Secure messages sent by Scheme Members Online
Online Portal	Total Registrations, and Activity through Pensions Online portal (https://pensionsonline.durham.gov.uk/)	13,934	10,619	7,518	1,116

«TITLE» «FIRSTNAME» «LASTNAME»
 «ADDRESS1»
 «ADDRESS2»
 «ADDRESS3»
 «ADDRESS4»
 «POSTCODE»

Our Reference:
 CPHLR0521/1

Plan name:
 <Plan name>

Plan number:
 <Plan number>

June 2021

Dear Pension Manager

Our service performance

As you may be aware, we have experienced some delays in the processing of investments and claims. I am very sorry for the impact of these delays on you as a client of Prudential and upon your scheme members.

We are working through a service recovery plan which aims to bring our service levels back to normal, and provide you and your members with the quality of support you deserve.

To help with this recovery, we have recruited additional colleagues to improve the performance in all areas.

We have made material improvements over the last year to the processing time for a retirement claim, and I expect this to continue to improve. However, there are some older claims we are addressing as a matter of priority.

Complaints

Affected members have rightly taken action to complain to us about the service received. We are addressing these complaints and, where appropriate, paying compensation.

Contribution processing

We have also experienced delays in the processing of contributions. We have taken action to ensure that where an investment has been delayed, the date of processing reflects the date of receipt, rather than the date of processing; ensuring that scheme members are not 'out of market' for a significant period of time.

"Prudential" is a trading name of The Prudential Assurance Company Limited which is registered in England and Wales. Registered office at 10 Fenchurch Avenue, London EC3M 5AG. Registered number 15454. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

One of the challenges we have experienced in dealing with the backlog of processing is that contributions and the supporting data provided by payroll administrators are not always correctly referenced or have incomplete data. The payroll administrators have been contacted for additional information where required. We will be doing more work with them to improve the format and referencing of payments and data. This will, in turn, help us to improve the service we provide.

Scheme Revisions and Annual Benefit Statements

As a consequence of the servicing delays outlined above, unfortunately there is a timing impact on the production of the annual scheme revision information and Annual Benefit Statements. The provision of your scheme annual revision information is expected to be at least 8 weeks later than usual.

I am very conscious of the impact delays of this kind have on you and your members. We are working to produce the scheme revision information and Annual Benefit Statements as quickly as possible.

I know this information will be unwelcome and I'm sure, will cause additional concern to you as a client of Prudential. We have informed the Pensions Regulator of the delays and challenges you and your members have experienced.

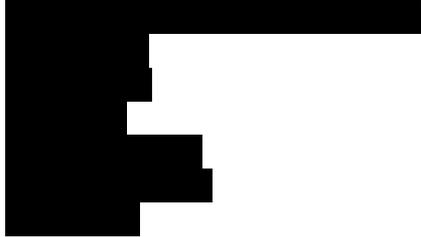
I would like to re-affirm our commitment to improving the service we provide to you and your members, and we will update you regularly on our progress.

Yours faithfully



Clare Bousfield
Director of Prudential Assurance Company Limited

Contact: Pensions
Telephone: 03000 264322
Email: pensions@durham.gov.uk
Your Ref:
Our Ref: [REDACTED]



Dear [REDACTED]

**Local Government Pension Scheme (LGPS)
Annual Statement of Benefits at 31st March 2021**

I am pleased to provide your Annual Benefit Statement for 2021. Included is the value of your benefits as at 31/03/21 and a projection of the value of your benefits at your Normal Pension Age.

As you may be aware, from 1st April 2014 the LGPS changed from a Final Salary scheme (FS) to a Career Average Revalued Earnings scheme (CARE). Each calculation method has different definitions of pensionable pay, different membership rules and different rates for building up your benefits. This statement shows the breakdown of benefits built up in both schemes.

Please note the figures shown in the statement are **not guaranteed** and should not be used to make any final decision on drawing your benefits. When you decide to leave the scheme your employer will provide us with a detailed breakdown of your pay which we will use to calculate your final benefits.

If you have any questions regarding the benefits shown please contact the pensions team via the online portal www.durham.gov.uk/pensionsonline, or telephone 03000 264322.

Yours sincerely

Pensions

Please ensure the following details are correct as at 31st March 2021 as any inaccuracies may affect your calculations. Please let us know if any changes are needed.

PERSONAL DETAILS

Name: [REDACTED]

Date of Birth: [REDACTED]

NI Number: [REDACTED]

Partnership status: Single

Date joined scheme: 01/09/1990

Career Average Revalued Earnings (CARE)

Main section pay £30,426.12

50/50 section pay £0.00

This is the actual pay you received and paid pension contributions on from 1st April 2020 to 31st March 2021.

Please check and contact your **employer** if you think that the figures shown are not accurate. It is particularly important to check the figures if you receive enhancements or any variable element of pay.

Final Salary (if service prior to 1st April 2014 exists)

Pensionable Pay as at 31/03/21 £30,426.12

Membership as at 31/03/14 35 years 087 days

The Pensionable pay used in the final salary scheme is your full-time equivalent salary.

Please check and contact your **employer** if you think that the figures shown are not accurate. It is particularly important to check the figures if you receive enhancements or any variable element of pay.

Your actual benefits will be based on your final salary figures which will be provided and checked at the time you leave the scheme.

Please do not use the figures on this statement as definitive information to base any financial decisions on, the figures are not guaranteed and should only be used as an indication of benefits

Value of benefits as at 31st March 2021

Section of Scheme at 31st March 2021: Main Section

CARE Pension Build up (post 1st April 2014 service)

Opening Balance	£3,810.90
1.7% Cost of living adjustment	£64.79
Main Section 01/04/20-31/03/21	£620.94
50/50 Section 01/04/20-31/03/21	£0.00
Additional Pension Purchased	£0.00
Transfers in	£0.00
'Scheme Pays' Deduction	£0.00
CARE Divorce Debit	£0.00
Closing Balance	£4,496.63

Since 2014 each year 1/49th of your main section pay (1/98th of 50/50 section pay if applicable) is put into your pension account. This is adjusted annually to take into account any cost of living adjustment.

Final Salary Benefits (pre 1st April 2014 service)

Annual Pension	£14,509.72
Lump Sum	£33,442.10

Pre 14 benefits are calculated using membership and final fulltime equivalent salary.

Annual Pension = $1/80 \times \text{membership at 31 March 2008} \times \text{final pay} + 1/60 \times \text{membership from 1 April 2008} \times \text{final pay}$

Lump sum = $3/80 \times \text{membership to 31 March 2008} \times \text{final pay}$

Total Value of your benefits at 31st March 2021

Annual Pension **£19,006.35**

Lump Sum **£33,442.10**

Survivor's Pension **£0.00**

Upon retirement you have the option of reducing your annual pension in exchange for a one-off lump sum. Based on the above the maximum conversion would give you.

Reduced Annual Pension £14,009.91

Maximum Lump Sum £93,399.38

These figures represent the value of your benefits in the scheme at 31st March 2021 and **do not** include any early retirement reductions which could be applied if you leave the scheme before your normal retirement age.

The figures are net of completed deductions incurred from Scheme Pays tax charges and Court Order (Divorce) debits. Benefits can be taken anytime between 55 and 75, an actuarial adjustment will be applied if taken before or after Normal Pension Age. Reductions may be waived under current rules at age 55 or over if you leave on redundancy or business efficiency grounds, or at any age if you are assessed as being eligible to retire on the grounds of permanent ill health.

Please note the above figures do not include any Additional Voluntary Contributions (AVCs) which you may have been paying.

Projected benefits if you continue to contribute until your Normal Pension Age (NPA)

Your NPA is the age when you can draw your benefits without reduction, under current rules the date of your NPA is 29 July 2021.

Under the CARE scheme NPA is linked to State Pension Age (SPA) (with a minimum age of 65), this means your NPA may change if the Government changes SPA.

You can check your SPA at www.gov.uk/state-pension-age

The NPA for Final Salary benefits differs, for most people this will be age 65.

If your NPA in the CARE scheme differs from that in the Final Salary scheme an actuarial increase for the period between dates is included in the projections. This is based on current factors and may differ to those in place when benefits are drawn.

The projections are based on your earnings at 31st March 2021 and do not assume any inflation or cost of living adjustments. They assume you remain in the Main Section of the scheme until NPA. The figures are net of deductions incurred from Scheme Pays tax charges and Court Order (Divorce) debits.

CARE Benefits at Normal Pension Age

Annual Pension	£4,700.78
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Final Salary Benefits at Normal Pension Age

Annual Pension	£15,026.66
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Lump Sum	£33,482.14
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Total Value of your benefits at Normal Pension Age

Annual Pension	£19,727.44
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Lump Sum	£33,482.14
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Survivor's Pension	£0.00
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You may opt to reduce your annual pension to provide for a larger tax free lump sum.

For every £1 of annual pension given up you will receive £12 tax free lump sum.

Under current regulations if you exchanged the maximum amount your benefits could be:

Reduced Annual Pension	£14,475.62
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Maximum Lump Sum	£96,503.98
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Please note that the maximum tax free lump sum that can be taken by any scheme member is £268,275, amounts over this will incur a tax charge.

Benefits payable in the event of Death in Service:

Lump Sum Death Grant:	£91,278.36
Survivor's Pension	£0.00

If you die in service a death grant of three times your assumed pensionable pay may be payable.

This will generally be paid to either the person (or people) nominated on your 'Expression of Wish' form or to your next of kin if you have not completed a form.

You can view and update your nomination details at any time via the member portal at www.durham.gov.uk/pensionsonline

If you have not registered for the portal, and wish to make or amend a nomination, forms are available at www.durham.gov.uk/lgps (under LGPS forms) or by contacting the Pensions Team on 03000 264322 or pensions@durham.gov.uk.

The LGPS automatically provides a pension for your husband, wife, registered civil partner, co-habiting partner (subject to conditions) and for eligible children* on your death.

*eligible children – are children who at the date of your death are

- under 18 and wholly or mainly dependent on you
- aged over 18 and under 23, dependent on you, and in full-time education or training or undertaking vocational training, or
- in some cases a dependent child of any age with a disability may be classed as an eligible child

The survivor benefits shown in this statement are calculated on the basis of the current partnership status held, no survivor pension (other than for eligible children) is payable if a member is single or does not have an eligible cohabiting partner.

The calculation for survivor benefits is:

Pre14 element = $1/160 \times \text{membership at 31 March 2014}^* \times \text{final pay}$

CARE element = $1/160\text{th}$ of the pensionable pay you received in each year plus, an enhancement equal to $1/160\text{th}$ of your assumed pensionable pay for each year of membership you would have built up from your date of death to your Normal Pension Age.

*Please note that the survivor benefit payable to a surviving pre-leaving spouse or civil partner is based on all membership, the survivor benefit payable to:

- an eligible cohabiting partner will not include any membership before 6 April 1988
- a widow of a male member who married after leaving the Scheme, a survivor of a same sex marriage if the marriage occurred after leaving, or a civil partner of a post leaving civil partnership will not include any pre-6 April 1978 membership
- a widower of a female member who married after leaving will not include any pre-6 April 1988 membership

Increasing Your Pension Benefits.

If you wish to increase your LGPS benefits you can do so in the following ways:

Additional Pension Contributions (APCs) – APCs allow you to buy extra pension (up to a maximum of £7,316) which will be added to your annual pension each year. The cost of buying extra pension varies with age and the length of time they are paid over. For more information please visit www.lgpsmember.org/more/apc/index.php

Additional Voluntary Contributions (AVCs) – You can pay AVCs to one of our AVC providers (Standard Life or Prudential). With AVCs you can choose how much to pay and when to start and stop payments. This will build up a pot of money that can be used upon your retirement. For information about the other ways you can use your AVC plan see the national LGPS website - www.lgpsmember.org/more/AVCOptions.php

If you would like more information about AVCs from Standard Life you can visit their website www.standardlifepensions.com/lgps Alternatively you can call **0345 2798831** (9am to 5pm weekdays calls are charged at local rates and may be recorded for training purposes.).

If you would like more information about AVCs from Prudential please call Pension Connection on **0800 7310466** or email durhamavc@prudential.co.uk with your daytime phone number for a call back to discuss your options. Pension Connection are open 9am to 6pm weekdays, calls are charged at local rates and may be recorded for training purposes. You can also visit the Prudential website www.pru.co.uk/rz/localgov/england-wales/

Reducing Your Pension Contributions

The LGPS offers you the flexibility to pay half your normal contribution rate and build up half your normal pension whilst retaining full life and ill-health cover. This is called the 50/50 section of the LGPS. It is designed to help members stay in the scheme, building up valuable pensions benefits during times of financial hardship.

The 50/50 section is designed to be a short-term option, your employer is required re-enrol you back into the main section of the scheme approximately every three years on a re-enrolment date set by them. You are also able to revert back to the main section of the LGPS at any time by informing your employer in writing. You can obtain an election form to do this from either your employer or your pension fund.

If you are in the 50/50 section and your pay is reduced to zero because of sickness, your employer will move you back into the main section of the scheme from the next pay period (if your pay is still zero). This will also apply if your pay reduces to zero during a period of ordinary maternity and adoption leave (usually the first 26 weeks) or paternity leave.

Opportunity to represent the members of your Fund

Durham County Council is the Administering Authority of the Durham County Council Pension Fund (part of the Local Government Pension Scheme (LGPS)), and as such is responsible for administering the Pension Fund - this includes managing the investments, collecting and investing contributions and paying scheme benefits. In 2015 a Local Pension Board was established to assist the Administering Authority in its role as a scheme manager of the Pension Fund.

The Local Pension Board is made up of three pension scheme member representatives and three employer representatives. There is currently a vacancy on the Board for one of the member representative roles.

If you are interested in this unpaid role, please email paul.cooper3@durham.gov.uk

Pensions Online

The Durham County Council Pension Fund's online member portal is now active and available for registration and use.

The Pensions Team hope that you will enjoy the key benefits that the portal offers, including:

- View your salary and service details
- Update your personal and nomination information
- Get a quick 'snapshot' of your potential future benefits
- Run retirement quotes
- View and download your Annual Benefit Statements

If you have not yet registered, you can do so by visiting www.durham.gov.uk/pensionsonline

McCloud Judgement

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all of the main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

Regulations are required to remove the discrimination from the LGPS and are not expected before 2023. This means it has not been possible to reflect the impact of the judgment in your annual benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim. For more information, see the frequently asked questions on the national LGPS website at https://lgpsmember.org/news/story/mccloud_qanda.php

LGPS Videos – Pensions Made Simple

The Local Government Authority (LGA) have developed a series of short, easy to understand videos explaining various elements of the LGPS. Links to the videos can be found within the Pensions Online portal or, directly at <https://www.lgpsmember.org/more/Videos.php>

Beware of Pensions Fraud

If you are considering leaving the Scheme to transfer your LGPS benefits you need to guard against Pension Liberation Fraud (also known as Pension Scams).

Anyone can be the victim of a pension scam, no matter how financially aware they think they are. It's important that everyone can spot the warning signs. Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making

promises they have no intention of keeping. The pension money is often invested in unusual, high risk investments.

Many scammers can also persuade savers to transfer their money into single member occupational schemes, or other occupational pension schemes. Scammers will sometimes promise savers early access to their pension pot through loans or 'loopholes'. Savers could lose all their money and face a high tax bill from HM Revenue and Customs (HMRC) if they withdraw their pension savings before the age of 55.

All pension savers should speak to an independent adviser authorised by the Financial Conduct Authority (FCA) before making a transfer. In the LGPS you may be required to do so. Please read the Pensions Regulator's booklet to find out more, available online at the following link: <https://www.thepensionsregulator.gov.uk/en/pension-scams>

General Data Protection Regulation

The Durham County Council Pension Fund is a Data Controller under the General Data Protection Regulation (GDPR). This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, a copy of our corporate privacy statement is available at www.durham.gov.uk/dataprivacy

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