



Local Pension Board

Date Thursday 16 June 2022
Time 2.00 pm
Venue Council Chamber, County Hall, Durham

Business

Part A

Items which are open to the Public and Press.

1. Election of Chair
2. Apologies for Absence
3. Declarations of Interest (if any)
4. The Minutes of the Meeting held on 14 March 2022
(Pages 21 - 26)
5. Observations from Pension Fund Committee held on 16 June
2022
6. Regulatory Update (Pages 27 - 68)
7. Pension Administration Report (Pages 69 - 78)
8. Training
9. Satisfaction Survey
10. Date of Next Meeting
11. Any Other Business

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
8 June 2022

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

Scheme Employer Representatives:

Councillors A Hopgood and D Stoker

Scheme Member Representatives:

N Hancock, L Oliver and W Pattison

Contact: Martin Tindle

Tel: 03000 269 713

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

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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.

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DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Monday 14 March 2022** at **2.00 pm**

Present:

Councillor A Hopgood (in the Chair)

Members of the Board:

Councillor D Stoker

Scheme Member Representatives:

Mr N Hancock, Mr L Oliver and Mrs W Pattison

1 Apologies for Absence

There were no apologies for absence.

2 Declarations of Interest

There were no Declarations of Interest.

3 The Minutes of the Meeting held on 27 January 2022

The Minutes of the meeting held on 27 January 2022 were agreed as a correct record and were signed by the Chair.

4 Observations from Pension Fund Committee held on 14 March 2022

The Pensions Manager, Paul Cooper informed the Board of the standard items considered by the meeting of the Pension Fund Committee in March, including the value and performance of the fund. He noted that the Committee had received reports relating to accounting policies, regulation and training. He added that the Committee had also received reports relating to investment decisions, with the private market programme with BCPP continuing and also a new Climate Opportunities Fund which represented a three year commitment.

The Board noted the Committee had discussed issues relating to the Russian invasion of Ukraine and the impact upon the pension fund, noting the fund's limited direct exposure. The Chair asked what percentage of the fund the exposure represented. The Pensions Manager noted it was around 0.5 percent, although realistic value had depreciated such that the value was close to zero. He added there was the larger impact of the invasion as a contagion on wider markets, being a larger impact on the Fund overall. The Chair noted members of the public had written to the Council wanting the Council to withdraw any Russian investments it may have within the pension fund. The Pensions Manager noted that while one Russian security had been traded, it was not possible to withdraw or trade out of the other securities due to sanctions and their value was close to zero. Councillor D Stoker noted the reduction in the US of around 10 percent, with the Pensions Manager noting a reduction in global equities and bonds.

RESOLVED:

That the information given be noted.

5 Regulatory Update

The Board considered a report from the Corporate Director of Resources which provided details on developments in matters that were both Local Government Pension Scheme (LGPS) specific, as well as providing an update on non-LGPS specific matters of interest (for copy see file of Minutes).

The Pensions Manager noted that the Board had been given many of the details at its January meeting and noted that the most material change since then related to the Government White Paper on Levelling Up, which contained DLUHC's ambition for five percent of LGPS to be invested in support of 'local' projects. He explained that it was expected that consultation would be in the summer and that 'local' was thought to mean within the UK rather than within the region or area. He added that Local Pension Funds may be required to establish a plan to do so, though it was not expected to be mandatory to deploy capital. It was noted that pooling requirements had softened previously in respect of UK infrastructure funding. The Pensions Manager noted that it was expected BCPP would launch an impact investment opportunity, with a return being the first target, the second being a tangible impact, such as job creation for example. He added that the Committee, in December, had agreed to due diligence being undertaken in respect of establishing a North East Regional Investment Fund in respect of SMEs and jobs in the North East, with the completion of diligence approaching.

In relation to Boycotts, Divestment and Sanctions, the Pension Manager noted a Bill brought forward in terms of preventing public bodies, including LGPS, taking a different approach to UK Government in terms of sanctions and that Royal Assent was expected in March.

The Chair noted the points raised in respect of the Levelling Up White Paper and the potential to invest in the wider UK rather than in the local area.

RESOLVED:

That the report be noted.

6 Pension Administration Report

The Board considered a report from the Corporate Director of Resources regarding the Fund's pension administration and service provision to members, as well as providing an update on Key Performance information (for copy see file of Minutes).

The Pensions Manager advised of the performance in the third quarter of 2021/22 with 204 retirement cases, 531 early leavers, 2,329 telephone calls to the Fund's Helpline and 14,762 members had registered for the Fund's Pensions Online portal. He explained that it was planned to expand the KPIs for 2022/23 to include areas such as deaths, transfers and estimates, and informed the Board as regards the services that had continued to be offered to members during lockdown and issues relating to AVCs and Prudential.

The Chair asked if members were surveyed on issues beyond the KPIs, and L Oliver noted the complaints procedure. The Pension Manager noted that the next agenda item referred to dispute resolution. The Chair noted that obtaining additional feedback would be helpful, the Pensions Manager noted that he would consider an approach to surveying members ahead of the June meeting with an option to utilise Annual Benefit Statements in August for a survey. L Oliver noted the possibility that scheme members may be upset as regards facts and figures, rather than responding to how enquires were dealt with. The Chair agreed that focus should be feedback on the services provided. N Hancock noted that those he had spoken to had been very complimentary as regards the service provided, with some feedback as regards not fully understanding the wording used. The Pensions Manager noted the points raised as regards tailoring a survey for members and would feedback to the Board.

RESOLVED:

That the report be noted.

7 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 2021 (for copy see file of Minutes).

The Chair asked as regards whether responsibility was with the member in terms of transferring out of the LGPS. The Pensions Manager noted the Regulator made it a responsibility of the Pension Fund to be diligent before progressing a transfer out, other than a transfer to another LGPS, School or Public Sector Scheme such as NHS where matters are more straight forward. He added that if any issues were discovered they would be flagged up with the member.

L Oliver asked how the IDRP cases were heard. The Pension Manager noted three stages, first speaking to the Pensions Section for an explanation, before an independent adjudicator looking at due process, not to overturn, but could 're-run' the process if felt required. He added the second stage would be for Legal at the Council to review the case, and the third stage would be for the member to escalate to the Pensions Ombudsman for a final decision. N Hancock noted some members felt that an adjudicator could overturn a decision or that the view of the Independent Registered Medical Practitioner is responsible for making the decision – neither of which is the case.

RESOLVED:

That the report be noted.

8 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 Chair noted the point raised at the last agenda item as regards fund member expectations in terms of an adjudicator being able to overturn decisions and added she felt it was important that was clear upfront they could not. The Pensions Manager noted he would speak to Legal and Trade Unions, adding the small number of such cases, mostly relating to ill health.

In response to a question from W Pattison relating to annual statements and estimates, the Pension Manager noted that a set of data given on the statement reflected the statutory information that was required but was somewhat limited, whereas through the Fund's own portal more tailored information was available.

He added there was a review at a national level, however certain set information had to be included in Annual Statements, for example estimates at the last 31 March and at state retirement age. He noted a half-way measure was to set out the information and signpost that bespoke information could be found by logging on to the portal.

RESOLVED:

That the report be noted.

9 Date of Next Meeting

The next meeting would be held on 16 June 2022 at 2.00 p.m.

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Local Pension Board

16 June 2022

Regulatory Update



Report of Paul Darby, Corporate Director of Resources

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 Committee 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 Committee.

LGPS Specific Matters

DLUHC Consultation – LGPS: Fair Deal – Strengthening Pension Protection

- 5 In January 2019, The Department for Levelling Up Housing and Communities (DLUHC), formerly 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 DLUHC are currently considering the responses received, with a consultation response expected in due course. Officers will continue to monitor the position.

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

- 7 In May 2019 DLUHC 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 DLUHC published a partial response to the consultation, covering proposals on exit credits only. DLUHC 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 DLUHC has also published a partial response in respect of employer contributions and flexibility on exit payments. The Fund is currently finalising its policy approach to Employer Flexibilities.

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 full impact of from a funding perspective will become more clear during the 2022 Valuation process.

Additionally, the Fund has gone through a significant exercise to reconcile the GMP data it holds. Individual GMP values can often misalign with the values held by HMRC with discrepancies occurring both in terms of membership periods for which GMP accrued, and the GMP value itself. Following the conclusion of the reconciliation exercise, the Fund is finalising its strategy for the rectification

process. Both the Committee and Local Pension Board will be consulted on the Fund's rectification strategy.

Levelling Up White Paper – LGPS Local Investment Plans

- 14 In February 2022 the government published its Levelling Up whitepaper which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. The whitepaper indicates government intention to “work with Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas”.
- 15 The Fund does not presently have a specific strategic allocation to local investment but is currently finalising an impact investment in the North-East which would support SME finance in the region. Additionally, as part of their strategic plan BCPP will consider development of impact investing capabilities which will consider opportunities to support local investment decisions.
- 16 The LGPS Scheme Advisory Board have indicated that in the context of ‘local’ the whitepaper refers to UK rather than local to a particular LGPS fund. The Board have also advised that their understanding is that there will be no mandatory requirement beyond the requirement to have a plan. Further details will emerge over the period up to an expected autumn consultation which is expected to also include the outstanding climate risk and reporting regulations and statutory pooling guidance.

LGPS Scheme Advisory Board (SAB)

SAB Review – Academies

- 17 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.
- 18 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

- 19 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.
- 20 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.
- 21 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

- 22 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. SAB's work 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)
- 23 SAB have recently completed their report on Good Governance and submitted an Action Plan to DLUHC to take the recommendations of the project forward. A more detailed update to both the Committee

and Local Pension Board, and overview of the recommendations proposed to DLUHC will be provided in due course.

SAB Review – Responsible Investment Guidance

- 24 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. Committee will be updated as the matter progresses.
- 25 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>.
- 26 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 DLUHC on how the Taskforce on Climate-Related Financial Disclosures (TCFD) reporting should be applied to the LGPS.

Cost Control Mechanism & Review

- 27 The Committee has been informed previously of the Cost Control Mechanism in the LGPS and other public sector schemes which 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.
- 28 Before the impact of McCloud, provisional cost management assessments indicated floor breaches in most public sector 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.
- 29 Members were informed previously that 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.

- 30 The Fund's own position on McCloud has also been discussed previously, with the Actuary outlining in detail how the issue was to be reflected in the 2019 Valuation. The approach taken added an additional 0.9% to the employer contribution rate for all employers at the 2019 valuation.
- 31 In July 2021 however, it was confirmed that the impact of McCloud would be classed as "member costs" for the purpose of the 2016 cost control review, with the pause on the review lifted. This was confirmed by HMT Directions in October 2021. Subsequently, SAB found that the LGPS showed only a slight reduction in costs. Despite this slight reduction, SAB confirmed that they are no longer recommending any LGPS benefit structure changes. SAB has however reaffirmed its commitment to revisiting both Tier 3 ill health and contribution rates for the lowest paid members.
- 32 Whilst it appears that the 2016 Cost Review is coming to a conclusion, it should be noted that the Fire Brigade Union is considering a judicial review of the decision to include the McCloud remedy as a "member cost". If successful, the 2016 review may be reopened.
- 33 When the Cost Cap Mechanism was first introduced in 2016 across the public sector it was anticipated that the mechanism would be triggered only by "extraordinary" event. As noted above however, the initial assessment of public sector schemes showed cost floor breaches leading to HMT's request for a review of the mechanism.
- 34 Following a review by GAD, the government have taken forward three main principles to adjust the mechanism for the 2020 review, so that the new Cost Control Mechanism will:
- (a) Be based on the reformed scheme only, ie. in the LGPS the mechanism will assess post 2014 costs only
 - (b) Adjust the cost floor and ceiling from +/-2% to +/- 3%
 - (c) Introduce an economic check linked to GDP

McCloud

- 35 The Committee has been kept up to date with the impact and issues surrounding the McCloud judgement itself. To recap briefly, when the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December

2018, 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 main public sector schemes, including the LGPS, to remove this age discrimination.

- 36 In July 2021, the Public Service Pensions and Judicial Offices Bill was laid before Parliament. This bill seeks to amend the Public Service Pensions Act 2013 by making provision to rectify the unlawful discrimination by the 2014 Scheme. If made law, it would enable the LGPS to make provision for final salary benefits to be paid in respect of the remedy period. It is expected that the Bill will gain royal assent in March.
- 37 The estimated cost across the whole of the LGPS is £1.8bn. As noted above, the Fund made an estimated provision for the impact at local level at the last Valuation. In terms of scheme member impact, HMRC have recently announced a range of measures intended to protect members from annual and lifetime allowance impacts.
- 38 Whilst it is anticipated that the necessary LGPS Regulations will not come into force until 2023, Officers of the Fund are actively working with Participating Employers to ensure all of the necessary data is collected to be able to properly implement the anticipated remedy.

Non- LGPS Specific Matters

Public Sector Exit Payments Caps

- 39 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.
- 40 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.
- 41 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.
- 42 Most significantly for the LGPS, was the inclusion of the 'strain on the fund' costs being 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.
- 43 Separately to the Exit Payment Regulations, DLUHC consulted on further reforms to the LGPS Regulations that would accommodate the Exit Cap within the Scheme. As DLUHC'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.
- 44 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 Local Pension Board will be updated as further details emerge.

Mandatory TCFD Reporting

- 45 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.

- 46 Whilst the regulations will not apply to the LGPS it is expected that DLUHC 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 soon.
- 47 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/>.
- 48 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.
- 49 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.
- 50 An overview of TCFD was included in training for members of the Committee last year. A more detailed report, and further training will be provided to the Committee on the details of DLUHC's anticipated consultation on TCFD (now expected in the autumn), and the availability of data through BCPP. The Local Pension Board will be updated as further details emerge.

UK Stewardship Code 2020

- 51 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.

- 52 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.
- 53 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.
- 54 Together with peers at BCPP Partner Funds, Officers are working to consider the new Code and how to ensure compliance. A more detailed report will be provided to the Committee in due course.

Consultation on Minimum Pension Age

- 55 A consultation entitled 'Increasing the normal minimum pension age: consultation on implementation' was launched on 11th February and ran 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. When the policy was first announced, it was intended that the NMPA would be 10 years earlier than the State Pension Age. The minimum age a scheme member can currently retire voluntarily in the LGPS is 55.
- 56 The Finance Act gained Royal Assent on 24 February, which will increase the minimum retirement age in the UK from 55 to 57 from April 2028. It is unclear at the time of writing whether DLUHC will amend the regulations to introduce protected pension age into the LGPS. The LGA have advised that the change is not material, such that scheme members must be informed of the change. Nonetheless, the Fund will inform its active members with Annual Benefit Statements.

TPR Code of Practice

- 57 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.

- 58 The Regulator plans to carry out a full review of the comments received through the consultation which it will consider carefully. TPR does not now expect to lay the new code before Parliament before Spring 2022 so it is unlikely that the Code will become effective before Summer 2022. The Local Pension Board's existing Workplan addressing the existing 'Public Service Pension Code of Practice' has been rolled forward until the revised Code emerges.
- 59 A copy of the rolled forward workplan and a summary of the Regulator's proposed Consolidated Code are included in Appendix 1 and 2.

Boycotts, Divestment and Sanctions

- 60 The government's legislative programme was laid out in May 2021. The programme included a Boycotts, Divestment and Sanctions (BDS) Bill the purpose of which was to be to stop public bodies from taking a different approach to UK Government sanctions and foreign relations covering purchasing, procurement, and investment decisions.
- 61 In advance of the BDS Bill an amendment to the Public Services Pensions Bill passed, which proposed conferring powers to the Secretary of State to make guidance in respect of BDS. The clause would enable the Secretary of State to issue guidance to LGPS administering authorities that they may not make investment decisions that conflict with the UK's foreign and defence policy.
- 62 The Public Services Pensions Bill gained royal assent, but this does not place any immediate duty on Funds. For the position to change for the LGPS, a full 12 week consultation would be required. The latest SAB Guidance on the matter is included in Appendix 3.

Pension Scams and new Restrictions on Transfers

- 63 From 30 November 2021 new regulations ('the Occupational and Personal Pension Schemes Conditions for Transfers Regulations 2021') place greater restrictions on transferring out of the Pension Fund. The new Regulations require the Fund to carry out greater due diligence to protect scheme members from falling foul of Pension Scams.

- 64 The Fund will be required to notify members seeking to transfer out, that the transfer can only proceed if there are no due diligence red flags, or, if the transfer is to a public service scheme, master trust or collective money purchase scheme. The Fund already provides warnings to its scheme members of the risks of pension scams through the Pensions Regulator's 'Scams warning' – a copy of which has previously been provided to the Local Pension Board. The Fund has also worked with the Regulator to provide a bespoke warning through the Online Portal. In light of the new Regulations however, Officers have amended the Fund's transfer process to reflect the new requirements.

Stronger Nudge

- 65 The government has introduced legislation to ensure that individuals are made aware of 'Pension Wise' guidance as part of the process for taking or transferring Defined Contribution (DC) pension savings. Whilst the LGPS is not a DC Scheme, the legislation is applicable to the Scheme's AVC provision.
- 66 The 'Stronger Nudge' requirement is introduced by the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30). These 'Nudge' Regulations require the Fund to refer scheme members who are seeking to take or transfer their AVCs to the Pension Wise service.
- 67 The requirement applies to all applications received on or after 1 June 2022 in respect of retirees taking payment of their AVCs, and those aged over 50 seeking to transfer their AVCs to another DC Scheme. The Fund has amended its processes and paperwork to ensure compliance with the Nudge Regulations. The Fund will offer to book a Pension Wise appointment at a date and time suitable for the scheme member where required. It should be noted, that scheme members retain the right to opt out of receiving Pension Wise guidance.
- 68 LGA guidance is included in Appendix 4, and the Fund's amended process map is included for the Board's information in Appendix 5.

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Appendix 1: Local Pension Board Work Plan

Work Plan Rolled Forward:

Meeting	Topics to be considered	Comments
December 2021	<ul style="list-style-type: none"> Review Pension Fund Annual Report and Accounts 	
March 2022	<ul style="list-style-type: none"> Member and Employer Communications 	<ul style="list-style-type: none"> Review Standard communications and Communications Strategy
	<ul style="list-style-type: none"> Internal disputes cases & Pension Ombudsman cases 	<ul style="list-style-type: none"> Review and consider any lessons learned
June 2022	<ul style="list-style-type: none"> Review Performance Statistics - Review KPIs 	
	<ul style="list-style-type: none"> The Pensions Regulator Code of Practice 	<ul style="list-style-type: none"> Consider gap analysis against Code of Practice
	<ul style="list-style-type: none"> Review training approach 	<ul style="list-style-type: none"> Consider Board members, Committee members and Officers involved in scheme administration
September 2022	<ul style="list-style-type: none"> Assist in development and review of asset voting and engagement processes 	<ul style="list-style-type: none"> Consider compliance with UK Stewardship Code
December 2022	<ul style="list-style-type: none"> The Pensions Regulator Code of Practice 	<ul style="list-style-type: none"> Consider gap analysis against Code of Practice
	<ul style="list-style-type: none"> Review Pension Fund Annual Report and Accounts 	
March 2023	<ul style="list-style-type: none"> Member and Employer Communications 	<ul style="list-style-type: none"> Review Standard communications and Communications Strategy
	<ul style="list-style-type: none"> Internal disputes cases & Pension Ombudsman cases 	<ul style="list-style-type: none"> Review and consider any lessons learned

June 2023	<ul style="list-style-type: none"> • Review Performance Statistics - Review KPIs 	
	<ul style="list-style-type: none"> • Review final valuation report outcome 	
September 2023	<ul style="list-style-type: none"> • Employer and Administering Authority Discretions 	<ul style="list-style-type: none"> • Review approach and application
December 2023	<ul style="list-style-type: none"> • The Pensions Regulator Code of Practice 	<ul style="list-style-type: none"> • Consider gap analysis against Code of Practice
	<ul style="list-style-type: none"> • Review Pension Fund Annual Report and Accounts 	

Appendix 2: TPR Consolidated Code Proposals

Number	Module Title		Comments / Overview
<u>The Governing Body</u>			
TGB006	Meetings and Decision-making	NEW	In most cases meet at least quarterly. Written meeting records to be held with a list of required info to be noted. Establish a process for meetings e.g. set frequency, develop policy on how/when extraordinary meetings should be held, create process for rescheduling meetings, agree responsibilities for agenda setting etc. Retention of documentation surrounding decision making. Consider ways to publish additional information such as information requested by the governing body to encourage member engagement and promote transparency.
TGB016	Remuneration policy	Best Practice	Not needed by Public service schemes but could be adopted as best practice. Remuneration policy sets out levels and means for remunerating those undertaking activities in relation to the scheme paid for by the governing body

			and/or sponsoring employer. Need to establish policy and keep written record. Consider any outsourced service provider including actuarial, legal advisory and investment services.
TGB010	Managing advisers and service providers	NEW	Establish agreed and documented policies for making appointments to the scheme - review at least biannually. Consider tender processes. Consider degree of delegation. Review relevant frameworks for specialist functions if required. Carry out due diligence prior to appointments. Agree accountability and performance indicators, escalation points, process of recording decisions etc. Consider data protection legislation when sharing information. Be aware of obligations, professional conduct rules and whistleblowing requirements that may be placed on some advisers. Regularly assess performance against agreed KPIs and set objectives. Periodically review the market of service providers. Develop a process to ensure that improvements are made where poor service is identified. Plan effectively for replacing or transitioning to new service providers.

TGB033	Assurance of governance and Internal controls	Existing	New material on assurance - statutory external audit undertaken only provides assurance on financial elements but cannot provide assurance on member benefits for example. Adequate internal controls i.e Internal Audit will help with this.
TGB022	Continuity Planning	Best Practice	Best practice to have a BCP in place should there be a disruption to the activities of the scheme. Scheme should seek to ensure continuity and regularity in the performance of the scheme.
<u>Funding on investment</u>			
FAI001	Investment governance	BP	Not required in legislation but LGPS scheme managers should approach investment governance in the same way. Ensure scheme manager and those involved in investment decisions have required skills & knowledge. Appoint suitably qualified advisers. Produce statement of investment principles (FSS? ISS?) Document objectives, role and responsibilities of

			those involved in decision making. Assess investment performance at least quarterly. Ensure there is sufficient expertise to challenge any advice given. Formally consider performance of investment managers/advice providers triennially and act on any issues identified.
FAI005	Investment monitoring	BP	Not required in legislation but LGPS scheme managers should approach investment governance in the same way. Governing bodies should be confident that investment governance is carried out in accordance with legal obligations, with scheme members best interests in mind, and by people with the right expertise. Governing bodies should have procedures in place to monitor scheme investment and performance, and set expectations for investment managers.
<u>Administration</u>			
ADM001	Adminstration	NEW	Scheme managers are required under legislation to establish and operate internal controls which adequate to ensure the scheme is administered and

			<p>managed in accordance with the scheme regulations. Maintain sufficient scheme knowledge, understand administrator responsibilities. Include administration as a regular agenda item on meetings. Develop long term admin strategy. Maintain proper administration, monitor and reviewing reports and challenging where appropriate, have a BCP.</p>
ADM002	Financial Controls	NEW	<p>Scheme managers are required under legislation to establish and operate internal controls which adequate to ensure the scheme is administered and managed in accordance with the scheme regulations. Understand the procedures and controls the administrator operates to ensure that financial transactions are processed promptly and accurately. Annually review all processes and systems related to financial transactions and improve where necessary. Have expected SLAs in place and monitor performance against these. Ensure comms with employers is maintained so that necessary information is shared timely and accurately. Ensure that finance data is processed accurately so</p>

			that core transactions can be processed accurately.
ADM014	Transfers	NEW	Governing bodies should ensure that they have the necessary administrative procedures in place to deal with transfer requests without undue delay.
ADM003	Scheme Records	NEW	Maintain complete and accurate records. Establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed in accordance with scheme rules.
ADM006	Data Monitoring	NEW	Records must be maintained. Scheme managers should establish and operate internal controls securing this. Monitor data regularly, ensuring its complete and accurate. Ensure info is received regarding material errors. Plan for improving data where necessary and monitor this. Reconcile member records with info held by the employer. Reconcile scheme membership regularly. Assess the need for data review at least annually including

			common and scheme data. Ensure processes meet the requirements of data protection legislation. Understand obligations of data protection law.
ADM0015	Maintenance of IT systems	NEW	Maintain appropriate IT systems, which are reviewed and maintained regularly with processes for transmission of information. ICT systems should be able to meet scheme's need and legal requirements. Service providers should be able to demonstrate that they meet expectations of TPR. Ensure cyber security measures are in place. Record planned and executed changes to systems. Written policy on maintaining, upgrading and replacing hardware which should be able to meet the current and anticipated system requirements. Manage planned and future admin software updates.
ADM0016	Cyber controls	NEW	Governing bodies should take steps to reduce the risk of cyber incidents occurring and appropriately manage any incidents that arise. Properly functioning cyber controls will assist in complying with data protection legislation. Scheme managers should establish and operate adequate internal

			<p>controls to reduce cyber risk. Ensure governing body has knowledge and understanding of cyber risk.</p> <p>Understand the need for confidentiality, integrity and availability of the systems and services processing personal data. Ensure cyber risk is listed in the risk register and reviewed regularly. Assess at intervals the vulnerability of the scheme's key functions, systems and assets and service providers to this risk. Consider specialist skills and expertise to understand and manage this risk. Ensure controls are in place .i.e anti-malware, anti-virus applications etc. Ensure systems and data are backed up regularly. Have policies in place for the use of devices for remote and home working. Maintain a cyber incident response plan.</p>
<u>Communications and disclosure</u>			
CAD001	General Principles for member communications	NEW	Guidelines as to how, when, what information is passed to members and

			in what format to meet legal obligations when communicating with members.
CAD005	Scams	NEW	As part of internal controls appropriate steps should be taken to mitigate the risk of scams. Due diligence should be carried out where appropriate for transfers and requests for early retirement. Governing bodies should ensure that members are made aware of such risks by providing clear information on how to stop a scam in all relevant comms to members and on scheme website etc. The PSIG code of good practice is a helpful tool to help protect members from scams.

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The Local Government Pension Scheme Advisory Board - England and Wales

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Boycotts Divestment and Sanctions

Details

 Last Updated: 11 March 2022



11 March 2022 Public Service Pensions and Judicial Offices Bill – Amendment on investment in line with UK foreign and defence policy

The amendment was accepted in the Lords and will now form part of the Act which will in turn amend the Public Service Pensions Act 2013 as follows:

SCHEDULE 3

Scope of scheme regulations: supplementary matters

12 The administration and management of the scheme, including—

(a) the giving of guidance or directions by the responsible authority to the scheme manager (where those persons are different); including guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy.

Following questions raised by peers (some of which resulted from briefings drafted by the secretariat) during the debate the minister (Viscount Younger of Leckie) provided a number of clarifications which are set out below and summarised in the questions and answers shown.

All extracts taken from Lords Hansard 9th March 2022

Q. Does the amendment change anything for LGPS Funds after Royal Assent of the Bill?

A. No nothing is required from funds at that point

Local Government Pensions

SAB

England and Wales

Scheme Developments

Investment Pooling
McCloud
MiFID II
Public Sector Exit
Payments
BDS

“It is important to note that the amendment would place no immediate duty on scheme managers to take any such investment or divestment decisions.”

“As I set out in opening, Commons Amendment 54 does not put a requirement on schemes to make any immediate decisions regarding their investments.”

Q. What would be required to change the position for LGPS funds?

A. A formal 12-week consultation process is promised

If the responsible authority were to issue guidance or directions, this would be subject to the usual 12-week consultation.”

“I reiterate that this would involve extensive engagement with the LGPS community over the usual 12-week consultation period, during which time all views and concerns would be considered. Any guidance or directions produced would set the parameters out in detail.”

Q. Would the guidance impact on consideration of ESG matters in investment decisions?

A. It would appear to be aimed at ‘political decisions’ which don’t meet the Law Commission tests and there is a conflict with UK foreign and defence policy

“Administering authorities can of course make decisions based on sound environmental, social and governance—so-called ESG—considerations. For example, funds may well choose to not invest based on legitimate concerns over a company’s polluting activities or its poor governance.”

“... any parameters related to this amendment would involve extensive engagement with the LGPS community over a number of months, during which time all views and concerns would be considered, so as to ensure they do not inadvertently restrict proper account of ESG matters.”

“Any guidance or directions issued would not seek to restrict decisions that meet the Law Commission’s test for investment decisions influenced by non-financial considerations except in a very narrow area concerned with UK foreign and defence policy.”

“If issued, such guidance would seek to provide protection to LGPS funds by preventing decisions which would otherwise have been subject to challenge under the aforementioned Law Commission tests. To reiterate, this power would not be used to restrict the proper account of ESG matters in investment decisions.”

Q. When might a direction be issued under this power?

A. It seems under the same conditions as the current power to direct as set out in Investment regulation 8

“Administering authorities must have regard to guidance issued by the responsible authority. Directions allow responsible authorities to direct specific action by a scheme manager. For example, direction may be considered appropriate if the responsible authority is satisfied that the administering authority is failing to act in accordance with guidance.”

“A power to issue directions is part of the existing statutory framework regarding investments, as set out in LGPS investment regulations in 2016. As was set out in guidance on the regulations, before issuing any directions the Secretary of State must consult the administering authorities concerned and, before reaching a decision, must have regard to all relevant evidence, including reports under Section 13 of the Public Service Pensions Act 2013, reports from the scheme advisory board or from the relevant local pension board, and any representations made in response to the consultation with the relevant administering authority. I can therefore assure the House that any directions or guidance issued under the new power relating to BDS in the LGPS would be subject to the same safeguards.”

11th March 2022

[9 March 2022 Letter from the Secretary of State to Pension Committee Chairs](#)

[4 March 2022 Note on LGPS Investments in Russia](#)

[23 Feb 2022 Amendment to Public Service Pensions and Judicial Offices \(PSPJO\) Bill briefing](#)

[11th May 2021 Boycotts Bills in Queen’s speech](#)

[8th June 2020 - Summary of Supreme Court Boycotts judgment](#)

[11th May 2020 - SAB issues statement on Supreme Court boycotts judgment](#)

[29th April 2020 - Supreme Court Judgment on LGPS boycotts](#)

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Stronger Nudge to Pensions Guidance

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Background

The Government is introducing legislation to ensure that individuals are made aware of Pension Wise guidance as part of the application process for taking or transferring their defined contribution (DC) pension savings. The aim is to protect people by helping them make informed decisions.

Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options.

LGPS administering authorities will need to offer to book a Pension Wise appointment for members as part of the application process for taking in-house AVCs. The requirement also applies when a member aged 50 or over makes contact about transferring their in-house AVCs to another defined contribution scheme to access them.

Members are able to opt out of taking Pension Wise guidance.

The regulations

The stronger nudge requirement is introduced by the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30). In this guide, these regulations are called the Nudge Regulations.

The Nudge Regulations come into force on 1 June 2022. They amend the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734). In this guide, these regulations are called the Disclosure Regulations 2013.

The Nudge Regulations modify the Pensions Schemes Act 1993 where the requirement to nudge applies.

They apply to LGPS administering authorities in England, Wales and Scotland.

In brief

The Nudge Regulations affect LGPS members when they apply, or contact you about applying, to take or transfer their AVCs. The requirement to refer AVC members to Pension Wise:

- applies to applications you receive on or after 1 June 2022
- applies to all applications to take payment of AVCs in the LGPS
- replaces the requirement to signpost members to Pension Wise where it applies
- only applies to transfers where the member is 50 or over and transferring their AVCs to access them in another defined contribution scheme (some exemptions apply).

A member can opt out of taking guidance. Where the member is applying to take payment of their AVC in the LGPS, they will generally need to opt out in a separate communication. Members do not need to opt out of guidance in a separate communication when they apply to transfer their AVCs.

You must not proceed with an application unless you receive confirmation that the member has received guidance or opted out of receiving guidance.

In this guide, the term 'guidance' means guidance from Pension Wise.

The Nudge Regulations refer to 'any person' applying or making contact about applying to take or transfer AVCs. In this guide, we assume it is always the member that applies or makes contact.

The requirements

From 1 June 2022, if a member contacts you about:

- taking payment of their AVCs, or
- transferring their AVCs to another scheme,

you may need to refer them to take guidance from Pension Wise.

As part of the member's wake-up journey, you must refer members to take guidance from Pension Wise in the wake-up pack. This must be provided to members at least four months before their specified retirement date or normal pension age, whichever is earliest.

Referring to Pension Wise

You must:

- offer to book a Pension Wise appointment at a time and date and of a type that is suitable for the member. They can attend an online, face to face or telephone appointment
- where the member accepts the offer, take reasonable steps to book the appointment
- provide the telephone number and website address for Pension Wise so the member can book the appointment themselves if they want to
- explain their application cannot proceed unless you receive confirmation that they have received guidance or they opt out of receiving guidance
- explain how the member can opt out of receiving guidance.

You must repeat the steps above if the member contacts you again about their application unless they confirm they have received guidance or they provide an opt out notification. Where you must deliver the nudge a further time, it may be practical to deliver it verbally over the telephone, especially if the contact from the member is by phone.

If, at any point whilst you are repeating these steps, the member confirms they have received guidance you can treat the referral as complete.

We understand there will be a specific web address for pension schemes to use to book online appointments for members. This is to allow MaPS to track when appointments are booked as a result of the nudge. It will be confirmed soon. The telephone number you need to provide is the same number that you provide in the wake-up pack. DWP has confirmed this is not changing.

Exemptions on transfers

If a member applies to transfer, or makes contact about transferring their AVCs, you do not need to refer them to Pension Wise if any of the exemptions apply:

- the member is under the age of 50
- receiving flexible benefits is not the purpose, or one of the purposes, of the transfer eg they are transferring to consolidate their pensions
- for transfers to occupational schemes, the member confirms they have already been referred to Pension Wise by the receiving scheme in relation to the application and they have either received or opted out of taking guidance. The confirmation can be given verbally or in writing.
- the member is transferring to a personal or stakeholder pension scheme which is regulated by the Financial Conduct Authority (FCA). This is because these schemes are required to provide the Stronger Nudge under FCA rules.

The requirement to refer to Pension Wise does not apply to members entitled to a cash transfer sum who make contact about transferring their AVCs.

The Pensions Regulator (TPR) and the Department for Work and Pensions (DWP) have informed us that, in their views, the requirement does apply to pension credit members on transfer. See also the section on [Transfer out time limits](#).

For clarity, the requirement to refer to Pension Wise does apply to pension credit members when they apply or make contact about taking payment of their AVCs.

Opting out of guidance

The Nudge Regulations require members to opt out in a separate communication, unless one of the conditions in the [When a separate opt out notification is not required](#) section is met.

The Nudge Regulations provide that an opt out notification can be given verbally or in writing. It will be up to each administering authority to decide whether to build verbal opt out notifications into their processes. If you decide you only wish to accept written opt out notifications, you will need to bear in mind that a member has the right to opt out verbally.

Where a verbal opt out notification is made, you will need to make sure you carry out your agreed verification process and make a record of the conversation, the date and time etc and that the sole purpose of the conversation was to opt out. You will need to make it clear to members wishing to opt out by a phone call that you cannot discuss any other matter on that call.

The opt out notification must be in connection with the application or communication in relation to the application.

In their [response to the consultation on the Stronger Nudge](#), DWP confirms a separate notification can be achieved by a separate digital form or postal form. We understand this to mean that as long as the opt out notification is recorded on a separate form (ie not a statement on an existing form which the member simply ticks), it does not have to be submitted separately either by post or as part of an online journey. The member can return the opt out notification alongside any other option forms relating to the application.

For clarity, administering authorities can include a Pension Wise declaration form with the option to opt out of guidance alongside an offer to book a Pension Wise appointment and any other information on options they send.

If you deliver the nudge verbally, the member will need to make a separate telephone call to opt out of guidance, where applicable.

When a separate opt out notification is not required

When a member applies to transfer their AVC, they are not required to opt out of guidance in a separate communication. We will change the AVC transfer out discharge forms to include a section on Pension Wise guidance in due course. In the meantime, you will need to make the changes to your local versions and refer the member to Pension Wise in the covering letter, where applicable.

When a member applies to take payment of their AVC, they are not required to opt out in a separate communication if one of the following applies:

- the member confirms they have received guidance from Pension Wise in the 12 months before you received the application or communication (excluding date of receipt)
- the member confirms they have received regulated financial advice in relation to their application in the 12 months before you received the application or communication (excluding date of receipt)
- the member is accessing their benefits as a serious ill health lump sum.

In our view, given that most administering authorities will refer members to Pension Wise in writing and will provide a specific Pension wise declaration form, it may be simpler to request that all members applying to take payment of their AVC opt out in a separate notification. Where a member does not opt out in a separate communication, you will need confirmation provided by the member that they meet one of the criteria above.

Serious ill health commutation is only an option for deferred members who left the LGPS before 1 April 2008 (England and Wales) or 1 April 2015 (Scotland) who are certified as having a life expectancy of less than one year. It only applies to the main scheme benefits. It does not apply to AVCs. Where it applies, the member needs to

first take their AVCs in one of the permissible ways eg take the AVC as tax free cash or buy an annuity on the open market.

The Nudge Regulations only provide that the member must qualify for a serious ill health lump sum within the meaning of paragraph 4(1) of Schedule 29 to the Finance Act 2004 (ie where all or part of their lifetime allowance is available and a registered medical practitioner has confirmed that they are expected to live for less than one year). Our understanding of this is that the qualification does not necessarily have to apply to the member's LGPS benefits.

No action from the member

You must not proceed with an application until you receive confirmation that the member has received guidance or an opt out notification in respect of the application. This does not stop you from providing further information or quotes by post or email, which could also include a Pension Wise declaration form for the member to complete to either opt out or confirm they have received guidance.

If the member does not provide you with an opt out notification or confirm they have received guidance and they contact you again about taking their AVC or transferring their AVC to another scheme to take them, you will need to go through the steps set out in [Referring to Pension Wise](#) again.

Transfer out time limits

Where you are required to refer a member to Pension Wise, the six-month time limit for paying the transfer from the date of the application only applies if, within that period, the member confirms they have either received guidance or opted out of guidance.

If the member does not confirm they have received guidance or provided an opt out notification, then you are not required to pay the transfer within six months of the date of the application.

However, if a pension credit member applies to transfer their AVCs, the six-month time limit for payment will always apply – even where you have not received confirmation that the pension credit member has received guidance or an opt out notification. This is because new Regulation 18D(3) in the Disclosure Regulations 2013 only provides that the six-month limit is disapplied where the scheme rules state the pension credit member must also transfer out, at the same time, any AVC benefits they have built up in their own right. The LGPS does not contain this rule.

DWP has confirmed that this is unintentional. It is an error in the drafting of the regulations. They are speaking with TPR about a possible extension to the time limit in the very few cases where this will apply.

New record keeping requirements

Where you are required to refer a member to Pension Wise you must keep a record of:

- confirmation that a member has received guidance from Pension Wise in relation to an application – we understand Pension Wise will email the member to confirm that an appointment has taken place and provide a summary of the guidance.
- the opt out notification in relation to an application
- confirmation provided by the member that they do not need to opt out in a separate communication.

The Nudge Regulations provide that you can accept verbal or written confirmation of the above. We also recommend that you keep a record of the confirmation if a member informs you one of the [Exemptions](#) applies. The Nudge Regulations do not specify how long you are required to keep the records for.

Frequently asked questions

When does the requirement to refer members to Pension Wise start?

From 1 June 2022. It applies when a member applies to take their AVCs or makes contact about taking payment of or transferring their AVCs.

It applies if you receive the application or communication on or after 1 June 2022, even if the date of retirement is before 1 June 2022.

It does not apply if you receive the application or communication before 1 June 2022 and the date of payment or retirement is after 1 June 2022.

You must also refer members to Pension Wise in the wake-up pack. The wake-up pack must be provided to members at least four months before their specified retirement date or normal pension age, whichever is earliest.

Do the Nudge Regulations apply in all cases where a member applies to take, or makes contact about taking, their AVCs?

Yes. They also apply when you contact a member about taking their AVCs eg as part of the wake up journey.

When do the Nudge Regulations apply to transferring AVCs?

In practice we think it is unlikely you will need to refer members to Pension Wise when they apply to transfer their AVCs. You are only required to refer to Pension Wise when:

- the member is age 50 or over

- the member is transferring with the intention of accessing their AVCs as flexible benefits in the receiving scheme
- the receiving scheme is **not** a personal or stakeholder pension that is regulated by the FCA – these schemes are required to provide the Stronger Nudge under FCA rules.
- the receiving scheme has not offered to refer the member to Pension Wise in relation to the application.

We think it is unlikely that a member will transfer their AVCs to an occupational pension scheme for any other reason than to consolidate. Some occupational pension schemes do provide for the payment of AVCs before payment of main scheme benefits. So technically, it is possible for a member to transfer their AVC to an AVC arrangement linked to an occupational pension scheme with the intention of taking payment of the AVCs.

Group personal pensions and self-invested personal pensions both fall within the definition of a personal pension. Therefore, there is no requirement to refer to Pension Wise when a member transfers their AVCs to one of these schemes.

We understand this outcome is line with the policy intention.

What does transferring with the intention of accessing flexible benefits mean?

Regulation 18(C)(3)(b) of the Nudge Regulations provides there is no requirement to refer to Pension Wise on transferring where ‘receiving flexible benefits is not the purpose, or one of the purposes, of the application’.

[DWP’s response to the consultation](#) also confirms that where members are consolidating or transferring without the intention of accessing flexible benefits you do not need to refer them to Pension Wise.

DWP has confirmed that it is up to each administering authority to decide in what timeframe they expect someone to access their flexible benefits in the receiving scheme. We think it would be reasonable to apply the exemption when a member transfers their AVC with the intention of accessing it within three months. We think this is most likely to happen when a member wishes to take their AVC in one of the ways that is not available to them in the LGPS eg to take flexi access drawdown.

Does the requirement to refer replace the requirement to signpost to Pension Wise?

Yes. Where you are required to refer a member to Pension Wise, it replaces the requirement to signpost members to Pension Wise.

What will the guidance provided by Pension Wise cover?

We understand the guidance will only cover the six options available to ordinary defined contribution (DC) members - most of which will not be applicable to LGPS members unless they transfer their AVC to another provider.

We have raised our concerns with DWP and DLUHC that LGPS members may be provided with information that is not appropriate. DWP has confirmed that it would be reasonable for you to include the information below when you refer members to Pension Wise:

- a list of the options that Pension Wise will discuss with them and set out which ones don't apply
- confirmation that Pension Wise will not be able to discuss the options available to them in the LGPS
- it is possible the Pension Wise adviser will refer them to the pensions arm of MoneyHelper
- they may wish to contact MoneyHelper for advice in any event, as they can provide help on their LGPS pension as well as their AVC.

The six options Pension Wise discusses are:

1. Retire later or delay taking your pension pot
2. Get a guaranteed retirement income (annuity)
3. Get a flexible retirement income (pension drawdown)
4. Taking your pension as a number of lump sums
5. Take your whole pension in one go
6. Mix your options.

Are we still required to provide a risk warning?

Yes. The risk warning should be provided with the application form or any other method that allows the member to take payment of their AVC plan. The risk warning tells the member about the risks associated with the options offered in the LGPS. We recommend that you ask members to sign a declaration to confirm they have read the risk warning.

We will update the template generic risk warning (England and Wales) shortly.

Does the requirement to signpost members to Pension Wise still apply in some cases?

Yes. The requirement to signpost still applies unless it is replaced by the requirement to refer to Pension Wise.

What is the difference between signposting and referring to Pension Wise?

Signposting only requires you to inform the member that pensions guidance is available, that it is free and impartial, how to access it etc. You do not need to

confirm that members have accessed guidance or opted out of accessing it before proceeding with an application.

Referring requires you to carry out the steps in [Referring to Pension Wise](#).

Can an AVC application form be included with a letter informing the member of their options at retirement?

In our view, yes. There is nothing preventing you from including the application form with the AVC options letter, as well as the information set out in the section [Referring to Pension Wise](#), the risk warning and the Pension Wise declaration form.

However, [the Pensions Regulator's guidance on the Stronger Nudge](#) recommends that you do not send out an application form for any options when you refer members to Pension Wise. They recommend this as best practice – it is not a legal requirement.

It will be up to each administering authority to decide their own approach. You may wish to consider how appropriate Pension Wise guidance is going to be as part of the decision-making process.

What resources will the LGA provide to assist administering authorities?

We will update the relevant AVC template letters and risk warning (England and Wales) in the next few weeks. Scottish authorities will need to check with their AVC providers that they are able to meet the new requirements.

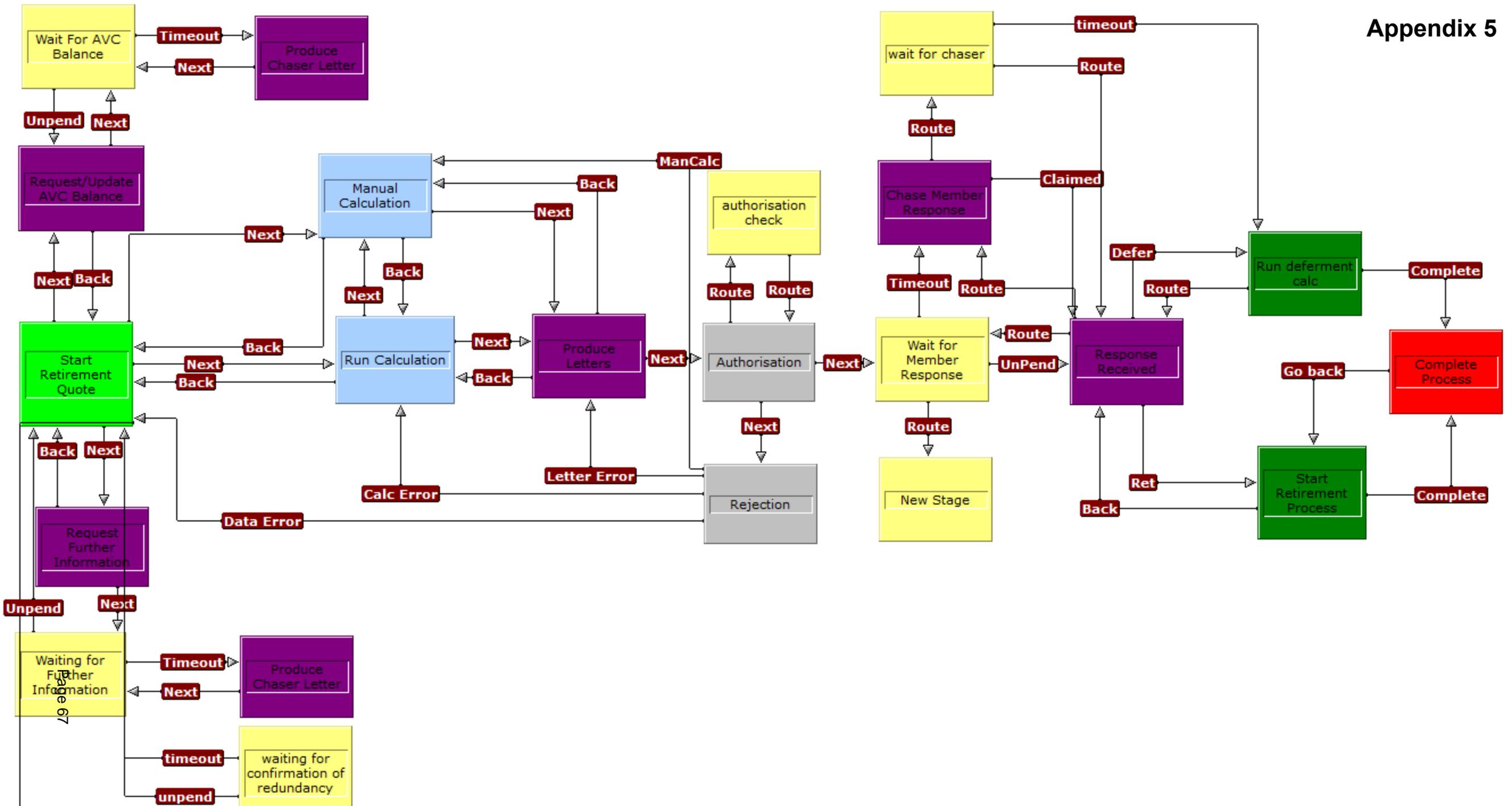
We will also provide a template Pension Wise declaration form the member can use to confirm if they have taken guidance or are opting out of guidance.

As confirmed in the [When a separate opt out notification is not required](#), we will update the AVC transfer discharge forms in due course.

We will update the AVC technical guide and consider if any further documents are needed in due course.

Disclaimer

The information contained in this guide has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGPC Secretariat or the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this guide.



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Local Pension Board

16 June 2022

Pension Administration Report



Report of Paul Darby, Corporate Director of Resources

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 on key performance information.

Executive summary

- 2 Pension administration services have been provided to members uninterrupted since lockdown and working from home guidance. Communication with members has continued through the provision of the Fund's Telephone and Online Services. During the period following lockdown, the Fund paid benefits to 1,774 retirees. Whilst in the final quarter of 2021/22, 175 retirement cases were processed with 98.29% 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 final quarter of 2021/22, ie. up to 31 March 2022. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.
- 6 In the final quarter, the administration team processed 175 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within one months of retirement, the Fund met this target in 87.43% of the 175 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 98.29% of cases in the quarter.
- 7 In respect of deferment cases, in line with Disclosure requirements the Fund provided 371 early leavers information as to their rights and options available. Of the 371 deferment cases, 98.65% of these cases were within one month of the Fund being notified of an early leaver.
- 8 During the third quarter, the pension administration team received 1,504 telephone calls to the Fund's Helpline. Of these calls, the team answered 98.50% of scheme members' calls first time. In respect of Online services for members, 15,995 members have registered for the Fund's Pensions Online portal, where 18,733 online calculations have been completed, 11,061 changes have been transacted and 1,898 secure messages have been sent.
- 9 It is proposed that the KPI reporting provided to the Local Pension Board is expanded during 2022-23 to reflect KPI data on pension transfers, estimates, and deaths. Reporting will commence from 1st April, though the first full quarter of data (to 30th June) will not be available until the Board's September meeting.
- 10 Recognising the key role played by the Fund's participating employers in delivering services to members, the Fund recently commissioned training tailored for those employers. The three

training sessions provided an overview of Fundamental Employer Responsibilities, Ill Health Retirements, and Pensionable Pay respectively. 90 places were booked by employers across the three sessions. Feedback from the sessions has been positive.

Services to members during Lockdown

- 11 From the beginning of the covid-19 crisis and UK lockdown, the pension administration team worked from home. During that time, the Fund's Telephone Helpline, Pensions Online portal and email inbox were available to members uninterrupted. Since commencing working from home, the team processed 1,774 retirements (lump sums paid, new pensioner payroll records created), benefits were paid to 1,282 bereaved families, and 392 transfers were paid in or out.
- 12 From mid-September the Team returned to the office on a hybrid basis but in line with work from home guidance, the Team returned to home-based working in mid-December. The Fund's teams have again returned to the office on a hybrid basis and continue to deliver services on a business as usual basis.

Prudential

- 13 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 an insurance company or building society). Durham County Council Pension Fund offers its members two providers: Prudential and Standard Life.
- 14 It was reported to the Board previously, that one of those 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 had been delayed. Board Members were previously provided with a copy of communications received from Prudential.
- 15 The Fund is cautiously optimistic of improvement in the service received. Whilst issues remain with scheme members reporting extensive waiting times to their calls to Prudential., performance overall has improved with scheme members' contributions being allocated more quickly and remaining up to date. Disinvestment timescales have also improved and are currently within the 30-day SLA. The Fund has received delayed accounting information – an issue affecting LGPS clients of Prudential across the country.

- 16 Both the Pensions Regulator (nationally) and External Auditor (locally) have been made aware of the issues. Prudential have recently written to the Local Government Association (LGA) with an update on the national position – a copy is attached in Appendix 2.
- 17 Officers continue to monitor the situation and will continue to feedback to the Board.

Scheme Member Annual Communications

- 18 A copy of the 2021 Annual Benefit Statement was shared with the Board at its July 2021 Meeting. Since that meeting, all Annual Benefit Statements for both Active and Deferred members of the Scheme were made available ahead of the statutory deadline of 31 August 2021. Unless a member has opted out of the service, the Statements were be made available through the Fund's Pensions Online portal. A paper copy was provided to the small number of members who have opt-ed out.
- 19 In April the Fund wrote to all of its c21,000 pensioners to notify those members of the annual increase. The letters were made available through the Fund's Pensions Online portal, and like Annual Benefit Statements, paper copies were posted to those who have opt-ed out of the online service. In addition to the rate of increase, important information for LGPS pensioners and topical relevant information was included. A copy of the Pensions Increase letter is included in Appendix 3.

Author(s)

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Appendix 1: Performance Indicators

Performance to 31 March 2022

Category	Performance Indicator	Cases in Quarter	Performance in Quarter	Total Cases in 2021-2022	Performance in 2021-2022
Retirements – Disclosure	Within two months of retirement provide a statement containing retirement benefit information.	175	87.43%	1,068	86.65%
Retirements – in Fund’s control	Within 10 days of receiving all required information provide a statement containing retirement benefit information.	175	98.29%	1,068	98.99%
Deferments - Disclosure	Within one month of being notified of a leaver, provide that member information as to the rights and options available.	371	98.65%	1,993	86.70%
Telephone Helpline	Calls from Scheme Members answered first time	1504	98.50%	9,206	98.47%

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/)	15,995	18,733	11,061	1,898

Jo Donnelly
Head of Pensions
Local Government Association
18 Smith Square
Westminster
London
SW1P 3HZ

29th April 2022

Dear Jo

M&G plc administration delays for Local Government AVCs

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

Acknowledgement of delays

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

Description of problems

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

Actions taken to improve service

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

Expected timescales for resumption of normal service

Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandonment rate of less than 5% with a call wait time of less than 2 minutes.

Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

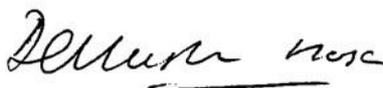
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at www.pru.co.uk/login

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

The Pensions Regulator

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg
Head of Corporate Pensions

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