Local Pension Board

Date **Thursday 16 March 2023**
Time **2.00 pm**
Venue **Committee Room 2, County Hall, Durham**

Business

Part A

Items which are open to the Public and Press.

1. Apologies for Absence
2. Declarations of Interest (if any)
3. Minutes of the Meeting held on 8 December 2022 (Pages 21 - 28)
4. Observations from Pension Fund Committee held on 16 March 2023
5. Regulatory Update (Pages 29 - 66)
6. Pension Administration Report (Pages 67 - 76)
7. Communications Review (Pages 77 - 84)
8. Internal Dispute Resolution Procedure (IDRP) Cases (Pages 85 - 92)
9. Pension Fund Breaches - Verbal Update
10. Shared Cost Salary Sacrifice AVCs - Verbal Update
11. Date of Next Meeting
12. Any Other Business

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
8 March 2023

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 (Chair)

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

Author(s)

Paul Cooper Tel: 03000 269798

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Glossary of commonly used terms

A

Active Management

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

Active Member

A current employee who is contributing to the pension scheme.

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions (AVCs)

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

Administering Authority

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

Admission/Admitted Body

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

Asset Allocation

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

Authorised Contractual Scheme (ACS)

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

B

Benchmark

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

Border to Coast Pension Partnership (BCPP)

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

Border to Coast Joint Committee

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

C

CARE (Career Average Revalued Earnings)

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

Cash Equivalent Value (CEV)

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

Consumer Price Index (CPI)

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

Commutation

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

Convertible Shares

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

Custodian

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

D

Death Grant

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

Deferred Member/Pensioner

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

Defined Benefit Scheme

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

Denomination

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

Designating Body

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

Discretion

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

Direct Property

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

Diversified Growth Funds (DGF)

An alternative way of investing in shares, bonds, property and other asset classes; DGFs are funds that invest in a wide variety of asset classes in order to deliver a real return over the medium to long-term. The Fund's DGF is managed by BlackRock.

E

Employer Contribution Rates

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

Employer Covenant

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

Equities

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

ESG

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

F

Fiduciary Duty

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

Financial Instruments

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

Fixed Interest Securities

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

Fund of Funds (FoF)

A fund that holds a portfolio of other investment funds.

G

Guaranteed Minimum Pension (GMP)

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

I

Index

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

Internal Rates of Return (IRR)

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

L

Local Government Pension Scheme (LGPS)

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

Local Pension Board (LBP)

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

M

Myners Principles

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

Effective decision-making

Clear objectives

Risk liabilities

Performance assessment

Responsible ownership

Transparency and reporting.

O

Ordinary Shares

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

P

Partner Funds

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

Pension Liberation Fraud

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

Pensions Online

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

Pensions Regulator

The Pensions Regulator (TPR) s 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 LPGS by the end of 2021.

The Pension Advisory Service (TPAS)

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

Transfer Value

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

Transferred Service

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

U

UK Stewardship Code

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

Unrealised gains/losses

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

Author(s)

Paul Cooper Tel: 03000 269798

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DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Thursday 8 December 2022** at **2.00 pm**

Present:

Councillor A Hopgood (Chair)

Members of the Board:
Councillor D Stoker, N Handcock and L Oliver

1 Apologies for Absence

Apologies for absence were received from W Pattison and Head of Pensions (LGPS), P Cooper.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes from the meeting held 16 June 2022 were agreed as a correct record and singed by the Chair.

4 Observations from Pension Fund Committee

N Hancock gave a brief update on the issues and discussions at Pension Fund Committee, noting the same general picture in terms of markets, with some positive predictions for the future.

The Chair asked if the Pension Fund Committee Members were still challenging Officers and advisors in respect of their reports and presentations. N Hancock noted there had been many questions put to the representative from Border to Coast Pension Partnership (BCPP), Milo Kerr, adding there had not been any other Fund Managers in attendance.

The Chair noted that 11 Local Authorities were pooled with BCPP, with BCPP then appointing fund managers for externally managed funds and resourcing appropriately for internally managed funds.

The Principal Accountant, L Mitchell noted that there were other fund managers outside of the pool, namely Mondrian, CBRE and Alliance Bernstein. L Oliver asked if the intention was for all to transferred and pooled in BCPP, L Mitchell confirmed that there is a plan to pool all of the Funds assets, subject to the agreement of the Committee.

Resolved:

That the information given be noted.

5 Annual Report and Accounts

The Board considered a verbal update from the Principal Accountant, L Mitchell which provided details on the Annual Report and Statement of Accounts.

The Board noted that the report and accounts had been approved by the Council's Audit Committee at its meeting on 28 November 2022, and Pension Fund Committee at its meeting held 12 December 2022, with delegated authority for the Corporate Director of Resources to sign off in early 2023. She noted that the External Auditors, Mazars had noted they anticipated giving an unqualified opinion, with substantial assurance.

Resolved:

That the update be noted.

6 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 Team Leader, Alastair Johnson noted specific issues relating to LGPS Fair Deal, an update to the new Government Department, the Department for Levelling Up, Housing and Communities (DLUHC), changes to the Local Valuation Cycle from three to four years.

Another issue was the GMP rectification, with a strategy to come forward to the Pension Fund Committee and Local Pension Board in due course. Other issues included: the Levelling Up White Paper; Academies and Tier 3 Employers; Good Governance in the LGPS; Responsible Investment; Mandatory Climate-Related Financial Disclosures (TFCDs); Cost Control Mechanism and Review; and the McCloud Judgement.

The Pensions Team Leader, A Johnson noted non-LGPS specific matters which included: Public Sector Exit Payment Caps; UK Stewardship Code 2020; Increasing the UK Minimum Pension Age; The Pensions Regulator (TPR) Code of Practice; Boycotts, Divestment and Sanctions; Pension Scams and new Restrictions on Transfers; and Stronger Nudge.

The Chair noted the information relating to Academies, with the Department for Education (DfE) guarantee for their participation in the LGPS increasing to £20million.

N Hancock asked as regards Tier 3 Employers, noting comments from the Head of Pensions (LGPS), Paul Cooper at the Pension Fund Committee that those employers would be receiving letter setting out their contribution rates, and expressed concern that increasing rates may lead to pressure for some employers to come out of the Scheme. The Pensions Team Leader, Ashleigh Phillips noted that Tier 3 Employers may see a slight decrease and a lower rate, however, there would inevitably be some fluctuations and occasions where higher contributions are required.

Resolved:

That the report be noted.

7 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 Team Leader, A Phillips advised the Board as regards performance, and noted improvement in terms of Prudential AVCs and their telephone response times, with a new account manager in place.

The Chair asked as regards the results from the customer satisfaction, the Pensions Team Leader, A Phillips noted that the results were set out separately at agenda item 11.

Resolved:

That the report be noted.

8 Pensions Dashboard

The Board considered the information as regarding the Pensions Dashboard from the Pensions Regulator (for copy see file of Minutes).

The Pensions Team Leader, A Phillips explained as regards the Government initiative and explained that it would hold data on all pensions that an individual would have, from most UK pension schemes. She noted that work was ongoing, with data accuracy being an issue for some, with the Fund scoring highly in terms of The Pension Regulator's common and conditional data measures. The latest review of common data indicated a score of 98.50%. She explained as regards work with the Council's provider, CIVICA in linking to the Dashboard.

L Oliver asked if a move to the Dashboard would mean that the DCC Portal would close. The Pensions Team Leader, A Phillips noted that was not the case, reiterating that the Dashboard would include pension pots from all an individual's schemes, linked to their National Insurance Number. The Pensions Team Leader, A Johnson noted that the Dashboard would include basic information and contact details. The DCC Portal would offer significantly more functionality to the Fund's members in respect of their Durham pension than Dashboard.

The Chair noted she could see the benefits of such a Dashboard and having information in one place, in cases of a death or change of employment, however, that it would be a lot of work for Local Authorities. The Pensions Team Leader, A Phillips noted the Head of Pensions (LGPS) would be providing an update at the March meeting.

Resolved:

That the update be noted.

9 Procedure for Reporting Breaches

The Board considered a report from the Corporate Director of Resources which provided details on the procedure for reporting breaches of the law. (for copy see file of Minutes).

The Pensions Team Leader, A Phillips noted that the procedure had been agreed by the Pension Fund Committee at its meeting in September, and explained that a log was kept to monitor breaches and potential issues and, if material, report straight to the Local Pension Board to ask how to take forward. She added that the Head of Pensions (LGPS) would bring monitoring reports to the Board on a six month basis, unless a material breach.

The Chair asked if it covered all breaches and was something all Pension Funds had to do. The Pensions Team Leader, A Phillips reiterated as regards the procedure and how material breaches would be dealt with, adding as regards issues in terms of data cleansing, and matching of records.

Resolved:

(a) That the report be noted.
(b) That the Board receive periodic reporting on Pension Fund breaches.

10 Pension Fund Responsible Investment and Voting Policy

The Board noted a report for information from the Corporate Director of Resources which provided details on BCPPs Responsible Investment (RI) and Voting Policy (for copy see file of Minutes).

The Pensions Team Leader, A Phillips noted that the Pension Fund Committee had adopted the Policy for all investments, within he BCPP Pool and outside of the Pool, with any comments to be passed on to BCPP.

The Chair noted that most questions about investments from the public tended to be in relation to whether pensions investments were being made in ethical funds.

Resolved:

That the report be noted.

11 Satisfaction Survey

The Pensions Team Leader, A Johnson gave a verbal update as regards the satisfaction survey that had been included within the Annual Benefits Statement sent to Fund Members. He explained that from around 40,000 members, response was extremely limited with only four responses received. From those extremely limited returns, three-quarters noted they were satisfied. He added that he understood from attendance at meetings of an LGA Communications Group, on which Durham is a member, that such low returns were not uncommon and had actively discussed engagement with the group.

The Chair suggested that a retail voucher for all submissions may increase returns, with the Pensions Team Leader, A Johnson noting that in the past a wordsearch with a prize of £10 had been used in an attempt to increase the number of returns and reiterated that engagement was an issue being looked at by DCC and other Pension Funds.

The Chair noted she would have expected most returns to have been negative and that people, in general, only spent the time to response if they were unhappy. The Pensions Team Leader, A Johnson noted that was often the case and that the lack of response could be interpreted as some level of satisfaction. He added that some other funds had considered incentives to respond and the matter had been discussed at the LGA Communications meeting.

The Chair asked if the survey had been online. The Pensions Team Leader, A Johnson explained that there had been a link to the online survey, with a paper option upon request. L Oliver asked if the survey had been sent to those who were retired or still in service. The Pensions Team Leader, A Johnson advised that it had been sent to Active and Deferred scheme members through their Annual Statements. He added that if individuals had opted out within the Pensions Portal, they would have received a paper copy, else an online version. He noted the need to balance the cost and environmental impact of producing paper copies and the value of the survey results.

N Hancock asked as regards the usage figures from the Portal. The Pensions Team Leader, A Phillips noted that there were around 18,000 people registered, with 26,000 calculations, 13,000 changes and 2,500 messages received by the Pensions Team. The Chair asked if would be possible to add something to the end of each interaction via the Portal to ask for customer feedback on their use of the portal. Officers noted the suggestion and would look into the matter.

Resolved:

That the update be noted.

12 Date of Next Meeting

The next meeting would be held on 16 March 2023 at 2.00 p.m.

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Local Pension Board

16 March 2023

Regulatory Update

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

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

Executive summary

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

Recommendation(s)

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

Background

4 This report provides an update to the Board on important pensions administration and governance matters that are currently relevant. The report is split into 2 main sections:

(a) LGPS specific matters, and;

(b) Non-LGPS specific matters that are of interest to the Board.

LGPS Specific Matters

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. The Chair of the LGPS Scheme Advisory Board (SAB), has written to DLUHC to request an update on the Fair Deal policy. The Ministry was asked whether the policy was under active consideration and how the SAB could contribute to the process. 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 has finalised its policy approach to Employer Flexibilities following consultation with participating employers – the Pension Fund Committee have been asked to approve the consolidation of the Fund's policies on Employer Flexibilities and Employer Exits.

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 conclusion of 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 has set out a proposed approach to GMP Rectification, with a separate report presented to the Committee, included in Appendix 1, setting out this approach.

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 recently finalised an impact investment in the North-East which will support SME finance in the region, which is understood to meet the definitions set out in the whitepaper. Meanwhile, as part of their strategic plan, BCPP are progressing 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 consultation which is expected to also include statutory pooling guidance.

17 Separately, On December 9th, the Chancellor of the Exchequer announced a set of reforms (Appendix 2 - 'the Edinburgh Reforms') intended to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in 'early 2023' on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy. The Committee and Board will be kept informed.

Mandatory TCFD Reporting

18 The Board have previously been informed that, using powers granted under the Pension Schemes Bill, the Department for Works and

Pensions (DWP) 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.

19 Whilst the regulations will not apply to the LGPS it was always expected that DLUHC would bring forward similar proposals requiring TCFD disclosures in the LGPS.

20 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/.

21 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.

22 A BCPP procurement for carbon data, including forward-looking metrics (scenario analysis), 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. Additionally, Officers are working with the Fund actuary to consider how to reflect climate scenario analysis in 2022 valuation reporting.

23 On 1 September DLUHC launched its consultation regarding governance and reporting of climate change risks. The consultation seeks views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

24 The consultation proposes that LGPS administering authorities would calculate the 'carbon footprint' of their assets and assess how the value of each fund's assets or liabilities would be affected by different temperature rise scenarios, including the ambition to limit the global average temperature rise to below 2 degrees set out in the Paris Agreement. The consultation (previously shared with the Board)

closed on 24 November 2022. As discussed with the Committee previously, Officers prepared a response in consultation with the Chair and Vice Chair of the Committee. A copy of the response has previously been shared with the Committee and Board.

25 An overview of TCFD was included in training for members of the Committee last year. A more detailed report will be shared with the Committee and Board on the details of the TCFD expectations, as well as the availability of data through BCPP, and scenario analysis commissioned through the Fund actuary.

Cost Control Mechanism & Review

26 The Board 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.

27 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.

28 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.

29 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.

30 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.

31 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.

32 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.

33 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

34 The Board 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.

35 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. Now made law, the Bill established the overarching framework for the retrospective changes required for the McCloud. Additionally, however, LGPS Amendment Regulations are required to make the necessary changes to the Scheme Regulations.

36 It is expected that later this year DLUHC will set out its decisions on its intended approach to McCloud for the LGPS and re-establish a SAB McCloud-implementation group. It is anticipated that draft Regulations will be published and come into force in October 2023. The Regulations will be supplemented by Statutory Guidance,

following a period of consultation. The LGA is currently working with DLUHC to help deliver the McCloud remedy for the LGPS.

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 late 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.

39 Additionally, Officers continue to work with the Fund's software suppliers to ensure solutions are as effective as possible. Note that, DLUHC are also working directly with the LGPS software suppliers to discuss the implementation of the McCloud remedy. The LGA's Communications Working Group is beginning work on member communications, and the Fund's software supplier have established a McCloud Project Board – the Durham Fund is represented on both groups.

40 Finally, as part of the McCloud remedy for the Teachers' Pensions Scheme (TPS), Chapter 1 Part 1 of the Public Service Pensions and Judicial Offices Act 2022 means that some teachers may be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. This exercise will be administratively challenging for both the TPS and individual LGPS Funds. The LGA is currently working with DfE to identify how to identify affected members.

DLUHC Consultation on Change to the LGPS Revaluation Date

DLUHC has issued a consultation on changing the in-scheme revaluation date from 1 to 6 April, with effect from 1 April 2023. The proposed change will remove the impact of high inflation (10.10% for 2023 revaluation) on the Annual Allowance and reduce the number of members incurring a consequent tax charge. The Fund is working with its software supplier to ensure processes are in place to implement the change. The Committee and Board will be updated after the end of the short consultation.

LGPS Scheme Advisory Board (SAB)

SAB Review – Academies

41 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.

42 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.

43 Separately, the DfE guarantee for Academy participation in the LGPS has been increased to £20m. A copy of the Secretary of State's statement has previously been shared with the Committee.

44 Government has previously indicated plans for every school to be in, or in the process of joining, an academy trust. This has potential impact on the make-up of scheme membership, and admissions to the Fund. Officers will continue to monitor the position and keep the Board informed.

SAB Review – Tier 3 Employers

45 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.

46 Examples of Tier 3 employers include universities, further education colleges, housing associations and charities.

47 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.

48 Whilst the third Tier Employer review is no longer part of SAB's current projects, an Office for National Statistics (ONS) review of the Further Education sector may change the classification of Colleges within the LGPS.

49 It is proposed that Colleges are reclassified as 'public sector', with the possibility of tighter restrictions on debt / borrowing. Additionally, the Department for Education (DfE) is considering putting in place a guarantee, similar to the one already provided for academies which would provide greater protection to LGPS Funds.

50 The DfE is collating relevant data directly from LGPS actuaries to better understand Colleges' funding requirements and consider the merits of providing the additional covenant assurances. Officers will continue to monitor the position, to ensure that the correct level of prudence is taken in finalising rates for Colleges in the Fund's triennial valuation. The Fund will initially maintain the rates for Colleges in line with the 2019 valuation, but will reconsider the position after the outcome of the College reclassification.

SAB Review – Good Governance in the LGPS

51 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)

52 SAB have completed their report on Good Governance and submitted an Action Plan to DLUHC to take the recommendations of the project forward. It is expected that the next stage is for DLUHC to take the recommendations forward for implementation through legislation and / or Statutory Guidance. 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

53 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. The Board will be updated as the matter progresses.

54 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.

55 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.

SAB Correspondence – LGPS Audit

56 In August 2022 the SAB Chair, Cllr Roger Phillips, wrote to DLUHC proposing a separation of pension fund accounts from main local authority accounts, due to each having the potential to delay the other. On 15 February the Minister for Local Government, Lee Rowley MP, responded (Appendix 3) to the SAB welcoming the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts. The Minister has asked his officials to consider the scope for developing this further. The Board will be kept informed as the matter progresses.

Non- LGPS Specific Matters

Public Sector Exit Payments Caps

57 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.

58 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.

59 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 (know 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 of loss of office.

60 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.

61 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.

62 On 12 February however the Exit Cap was unexpectedly disapplied, after the Treasury issued the 'Exit Payment Cap Directions 2021'. The Treasury will bring forward at pace revised proposals in respect of public sector exits. The Board will be updated as further details emerge.

UK Stewardship Code 2020

63 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.

64 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 compromises a set of 12 Principles which require reporting and disclosure on an 'apply and explain' basis.

65 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.

66 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 Pension Fund Committee in due course.

Increasing the UK Minimum Pension Age

67 The Board have previously been informed of the intention to raise the Normal Minimum Pension Age (NMPA) in the UK and members will recall that a consultation entitled ‘Increasing the normal minimum pension age: consultation on implementation’ was launched on 11th February and ran until 22nd April 2021.

68 The consultation proposed 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 that the State Pension Age. The minimum age a scheme member can currently retire voluntarily in the LGPS is 55.

69 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. The Act provides for protected pension ages for members who meet entitlement conditions. The government will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether LGPS members who qualify for protection will be allowed to receive payment before 57.

70 The LGA have advised that the change is not material, such that scheme members must be immediately informed of the change. Nonetheless, the Fund informed its active and deferred members of the proposed change within this year’s Annual Benefit Statements.

TPR Code of Practice

71 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.

72 The Regulator plans to carry out a full review of the comments received through the consultation which it will consider carefully. TPR do not currently have a firm final publication date for the new code. 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.

Boycotts, Divestment and Sanctions

73 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.

74 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.

75 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. SAB Guidance on the matter was previously shared with the Board.

Pension Scams and new Restrictions on Transfers

76 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.

77 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.

78 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. Scheme Members were again warned against scams in 2022 Annual Benefit Statements.

Stronger Nudge

79 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.

80 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.

81 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. Further detail of the Fund’s compliance has been provided to the Local Pension Board.

Dashboard

82 The Board have previously been briefed on pensions dashboards — apps, websites or other tools — which savers will be able to use to see their pension information in one place. It is the government’s intention to create a national Pensions Dashboard that will enable savers to see all their pensions information in one place online, including on their State Pension. It is hoped that through the Dashboard savers will be able to make better informed decisions about their retirement, as well as find lost and forgotten pots.

83 Like all large pension schemes, the LGPS will be required to connect and supply data to the government’s national Pensions Dashboard. It was expected that pensions schemes would start to connect to the Dashboard from August 2023, with the LGPS expected to connect in Autumn 2024. However, the Pensions Minister, Laura Trott MP, made a statement on 2 March announcing the intention to amend the staging timetable to allow more time for the technological system enabling dashboards to be delivered. As a result all schemes' deadlines will be changing. The Committee will be kept informed.

Author(s)

Paul Cooper Tel: 03000 269798

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Pension Fund Committee

16 March 2023

Pension Fund – GMP Rectification

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

1 This report highlights the need for the Pension Fund to complete a rectification of LGPS pensions in payment due to the implications arising from a reconciliation of Guaranteed Minimum Pension data held by the Fund and HMRC.

Executive Summary

2 Guaranteed Minimum Pension (GMP) is an element of pension accrued by scheme members in respect of service prior to April 1997. The amount of GMP is calculated by HMRC based upon service records held by HMRC and UK pension funds. Following the closure of HMRC's GMP support, all defined benefit schemes in the UK were required to undertake a reconciliation of the GMP data held locally with the corresponding record held by HMRC. As the value of GMP affects the rate of annual pension increase enjoyed by pensioners, discrepancies in this data can lead to both under and overpayments.

3 Having carried out its reconciliation, the Pension Fund has identified 1,282 pensioners whose pension needs to be corrected due to discrepancies between the data held by the Fund and that held by HMRC. Correcting the pensions in payment will result in the Fund paying an estimated £247k in arrears due to underpayments. It is also proposed that overpayments totalling £250k are written off.

Recommendation(s)

4 The Committee are recommended to:

(a) Note the report and agree that the Corporate Director of Resources commits the additional resources necessary to bring to a conclusion the GMP Rectification,

(b) Note the approach taken by the Fund in reconciling its GMP liabilities, and the setting of a £2 per week reconciliation tolerance,

(c) Agree to the correction of all under / overpaid pensions going forward,

(d) Agree to payment of all arrears that have accrued due to underpayments, with interest paid at 1% above the Bank of England Base Rate; and,

(e) Agree to write off overpayments that have resulted from the GMP Reconciliation.

Background

5 From 6 April 1978 to 31 March 2016 the State Pension was made up of a basic element and an additional element known as the State Second Pension – known previously as State Earnings Related Pension Scheme or 'SERPS'. Occupational pension schemes were able to 'contract out' of SERPS, and in return their members could pay reduced National Insurance contributions.

6 Like all other public sector pension schemes the Local Government Pension Scheme (LGPS) contracted-out of SERPS. As such, the public sector schemes, including the LGPS, were required to ensure that their scheme members were paid a pension at least equal to that which would have been due under SERPS. This amount is known as the Guaranteed Minimum Pension (GMP). GMP accrued in two distinct periods – that which was earned before April 1988 ('pre-88 GMP'), and that which was earned after April 1988 ('post-88' GMP). Accrual of GMPs ceased in April 1997.

7 GMP that has accrued becomes payable from State Pension Age (SPA), and pension funds must check the value of the GMP against the pension currently in payment. The value of the LGPS pension payable almost always exceeds the GMP. On rare occasions where an LGPS pension is less than the GMP however, then that pension must be uplifted to the value of the GMP on and from SPA.

The Impact of GMP

8 In addition to checking the level of pension in payment at SPA against the value of GMP, the Pension Fund must also take the GMP into account when calculating annual increases for the Fund's 21,346 pensioners. For pensioners who attained SPA before 6 April 2016, the Fund pays lower increases to those pensioners who have accrued a GMP. As set out below, the Fund is not responsible for all of the increases due on GMPs:

Tranche of pension	**Who pays increase?**
Pre-88 GMP	DWP, through State Pension
Post-88 GMP	LGPS Fund, up to 3% DWP, through State Pension, increase in excess of 3%
Pension in excess of GMP	LGPS Fund

9 The Fund is not responsible for paying any increase on the pre-88 GMP – the increase on this amount is paid as part of the State Pension. Additionally, for pensioners who attained SPA before 6 April 2016 and who also have a post-88 GMP, the process is more complicated. The Fund has responsibility for the first 3% of any increase on the post-88 GMP, with any increase in excess of 3% paid as part of the State Pension. An example of how this works is shown in the table below, reflecting the application of the 2023 annual increase of 10.10%:

	2022 Starting pension (£ p/a)	**Increase on pre-88 GMP paid by LGPS**	**Increase on post-88 GMP paid by LGPS**	**Increase on excess over GMP**	**2023 Increased Pension**
Pensioner, with no GMP	£1,000	n/a	n/a	£1,000 x 10.10% = £101	£1,101.00
Pensioner, with £100 pre-88 GMP only	£1,000	£zero	n/a	£900 x 10.10% = £90.90	£1090.90
Pensioner, with £100 pre and £100 post-88 GMP	£1,000	£zero	£100 x 3% = £3	£800 x 10.10% = £80.80	£1083.80

10 On 6 April 2016, a new State Pension was introduced, replacing the two-tier system which included the State Second Pension. The change caused uncertainty over responsibility for the ongoing increases (known as indexation) to GMP. This led to an interim solution for members attaining SPA on or after 6 April 2016, whereby LGPS funds took responsibility for paying all of the increase on both pre-88 and post-88 GMPs. In 2021, the interim solution was made permanent. The Pension Fund therefore pays full increases to all pensioners attaining SPA after April 2016.

Problems with GMP data

11 In 2008 the Government announced that £126m of overpayments had been made to 95,000 pensioners in the five centrally managed public service pension schemes (the NHS, Teachers, Armed Forces, Judicial and Civil Service schemes). The overpayments had arisen due to the incorrect recording of GMP values, which had been reconciled against values held by HMRC. The inaccuracies had led to the incorrect application of pensions increase over a 30-year period.

12 The sources of the errors leading to the £126m overpaid in the centrally managed public sector schemes was not always the same for each individual. The interaction between the State Pension system and occupational pension schemes is noted as being complex, with shared responsibility for GMP indexation as noted previously. The historic, paper-based, administrative process for establishing and transacting GMP accrual was complex and fragmented, vulnerable to error. Indications in 2008 were that the locally managed public service pension schemes, such as the LGPS, were not affected to the same extent as the centrally managed schemes.

13 In a December 2008 statement to the Commons, the Minister for the Cabinet Office announced the Government's decision not to recover monies already overpaid to pensioners in the centrally managed schemes, but to correct ongoing payments on and from April 2009. It was noted that it was not cost-effective to seek recovery of historic overpayments. Those pensioners who were underpaid, were paid full arrears with interest.

14 Subsequently, following the end of the State Second Pension and Contracting-Out in 2016, HMRC announced its intention to stop supporting the reconciliation of GMP. Ahead of the cessation of its GMP support, HMRC would make full information on GMP liabilities available to all former contracted-out pension schemes to allow pension funds to undertake a full reconciliation. It was a requirement in both the public and private sectors for all Defined Benefit pension schemes, like the LGPS, to carry such a reconciliation with HMRC.

The Need for GMP Reconciliation

15 GMP reconciliation is the process of comparing a pension fund's GMP data with that held by HMRC. The process seeks to investigate any discrepancies between pension fund data and HMRC data, with the aim of achieving consistent GMP data and benefit records. HMRC's approach placed the investigative responsibility for all reconciliation queries back onto the individual pension fund.

16 Following HMRC's requirement to undertake such a reconciliation exercise, the Pension Fund registered with HMRC's scheme reconciliation service and received an initial data file listing the contracted-out periods and GMP data for members who had left contracted-out employment.

17 When the Pension Fund Committee considered the GMP Reconciliation in March 2017 it was noted that not all variances were to be investigated, and that a tolerance would be set. An HM Treasury

working group provided the following recommendation on how any discrepancies should be dealt with:

"*Where discrepancies are small, for example if a service period discrepancy is less than a year, or if the discrepancy in weekly GMP amount is no more than £2, schemes should use the data provided by HMRC in respect of any individuals who have not reached state pension age, or the data held by the scheme in respect of any individuals who have reached state pension age*."

18 Following agreement of the Pension Fund Committee to commit the necessary resources to carry out the GMP Reconciliation, the Fund worked with its software supplier Civica, to carry out the GMP Reconciliation. This was a significantly protracted process, with many delays due to changes in HMRC delivery dates.

19 The subsequent reconciliation involved detailed investigative work, reviewing decades of data and benefit accrual. Ultimately, the Fund's GMP and membership data was compared to that which was held by HMRC. Where service could be matched within the recommended tolerances, the GMP value provide by HMRC was accepted to be correct. Where service did not match this was queried with HMRC.

20 Following the completion of the reconciliation and closure of HMRC's Scheme Reconciliation Service, the Fund was issued with a final data cut from HMRC, based on the completion of all queries. There is no opportunity for pension funds to further query the data due to the Reconciliation Service closure. Following receipt of the final data cut, the Fund undertook a final rematching exercise against this data cut.

21 The rematching process identified 2,715 pensioners who had attained SPA as being in scope of rectification, based on the recommended £2 per week reconciliation tolerance. This population included a number of pensioners who reached SPA after April 2016, and are therefore entitled to, and have been receiving, full increase on their GMP. The estimated population of pensioners for whom rectification will impact the rate of pension increase is therefore reduced to 1,282.

LGPS Rectification

22 Following the completion of the Pension Fund's GMP Reconciliation, the Fund must now go through a process of correcting the data held and implementing an approach to pensions currently paid at the incorrect rate. This stage of the process is known as the GMP Rectification. Initial work has been undertaken with the Fund's software supplier to run results through it's GMP Rectification solution. The solution will provide bulk data correction, and calculation of arrears.

23 The results from this initial work have helped to verify the number of pensioners who require an adjustment to their pensions and helped to scope the scale of work required to rectify records for other membership populations. The GMP Rectification will facilitate the payment of correct pension benefits going forward and inform the delivery of member communications.

24 The Rectification exercise is necessary as pension schemes have a duty to pay the correct benefits to the right members at the right time. Additionally, the Pensions Regulator regards accurate record keeping as fundamental to good governance, falling within the statutory duty to establish and operate adequate internal controls. Inaccuracies in scheme data such as GMP can result in over or understatement of scheme liabilities.

25 As noted, this initial work following the final rematching exercise has revealed 1,282 pensioners who are in receipt of a pension paid at the incorrect rate due to the impact of incorrect GMP on the annual pension increase exercise. Of this population, 677 cases ran through the automated software solution without manual intervention. The results from these 677 cases provide an indication of the scale of over / under payments across the total population as estimated in the table below:

Under / Overpayment Range	**Estimated Number of Pensioners**	**Estimated Over/Under Payment Accrued**
Overpayment £3,000+	23	-£120,227
Overpayment £2000-£3000	11	-£26,402
Overpayment £1000-£2000	36	-£49,146
Overpayment £500-£1000	44	-£31,302
Overpayment £250-£500	32	-£11,645
Overpayment up to £250	282	-£11,374
No Change	670	£0
Underpayment up to £250	121	£2,844
Underpayment £250-£500	15	£5,137
Underpayment £500-£1000	8	£5,799
Underpayment £1000-£2000	17	£25,532
Underpayment £2000-£3000	8	£19,227
Underpayment £3000+	15	£189,073
Total	**1,282**	

26 The scale of over / underpayments is significantly lower than that experienced in other centrally managed schemes. Additionally, the corrected pensions that become due to the 1,282 affected pensioners is also lower – with no individual pensioner anticipated to see an increase or decrease of more than £10 per month to their pension. The impact on the Fund's pensioners is shown in the table below:

Monthly Pension Variance	**Estimated Number of Pensioners**
Reduction greater than £50	0
Reduction between £20 and £50	0
Reduction between £10 and £20	0
Reduction between £2 and £10	47
Reduction between £1 and £2	40
Reduction between £0.03 and £1	165
No material impact	933
Increase between £0.03 and £1	66
Increase between £1 and £2	17
Increase between £2 and £10	13
Increase between £10 and £20	0
Increase between £20 and £50	0
Increase greater than £50	0
Total	**1,282**

27 The approach to under / overpayments across the LGPS is still emerging, as Funds experienced significant delays in receipt of final data cuts from HMRC. HM Treasury's GMP working group made clear however that there is an expectation that pensioners who have been underpaid, should be paid their pension arrears in full, with interest. Payment of the arrears will incur an estimated cost to the Pension Fund of £247k + interest.

28 Treasury guidance also clarifies that in the case of the LGPS, decisions on whether and how to recover overpayments are a matter for the relevant local authority. As the Fund participates in the North of England Pension Officer's Forum (NEPOF) with 7 other LGPS Funds based in

the northeast; the Fund has been able to discuss progress with regional peers. Amongst those funds, only one has concluded their Rectification exercise to date. That fund took the decision to correct all pensions going forward, but to write off any past overpayments; consistent with the approach taken in the centrally managed funds.

29 There is a possible reputational risk associated with either writing off overpayments, or conversely from trying to reclaim such overpayments from elderly scheme members. The context must be noted that the recipients of the overpayments are highly unlikely to have any awareness of having been overpaid, due to the complexity of the GMP calculation underlying the overpayment. Additionally, it would not be cost effective to seek to recover small overpayments from the Fund's pensioners who would have the right to appeal against the decision to do so.

30 The Pension Fund does, however, have an obligation to correct errors of which it has become aware. It is therefore proposed to correct overpaid pensions at the earliest opportunity, but to write off the overpayment that has accrued to date. This will write off an estimated £250k of overpayments from the Pension Fund and would be consistent with central government approach, and the emerging approach in the wider LGPS.

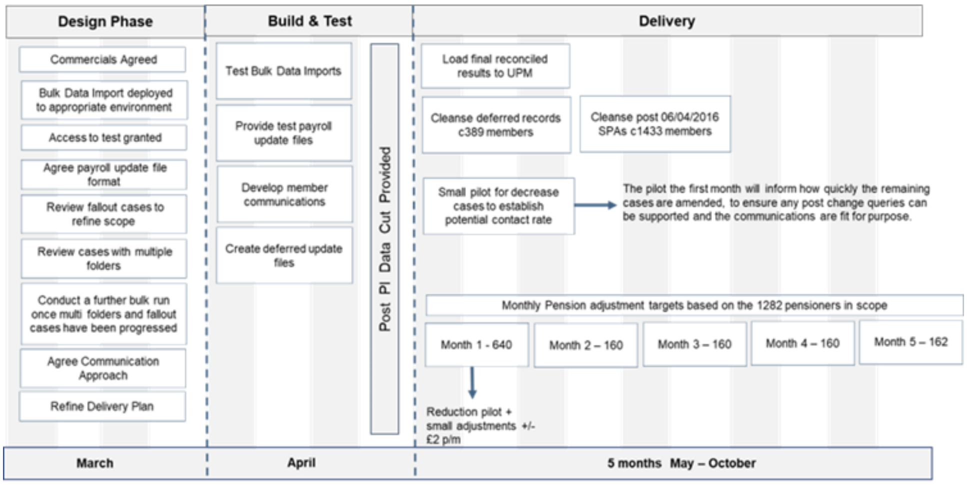
31 It should be noted that the modelling of impact at both pensioner and total fund level is based upon initial analysis only. Further quality checks will be undertaken, and the pattern seen in the 677 cases which did not require manual intervention has been applied to the whole population. The results could therefore be under / overestimated. Additionally, as the rectification will occur after the 2023 pensions increase exercise in April, the under / overpayments will be further exacerbated by CPI of 10.10%.

32 There is also significant further work to correct the records of those membership populations whose rate of pension is not affected by the exercise – including pensioners who attained SPA after April 2016, deferred members, and active members with membership before April 1997. Bulk Data Import (BDI) through the Fund's software supplier will be utilised to correct all records on the Fund's pension administration database. The proposed project delivery plan is shown below

33 Whilst it is initially planned that monthly pensions are corrected over a 5-month period May – October, due to the lower than expected over / underpayments, this period is likely to be shortened after reviewing the success of the pilot in May. Member communications will be developed ahead of the pilot, and it is proposed that a written notification is sent to all pensioners whose change in monthly pension would trigger a payslip

(i.e. a change of £5 or more) - consideration will be given to communications for smaller adjustments. Active and Deferred members will be kept informed through online Annual Benefit Statements.

Next Steps



34 It has been a protracted process to get to the stage where the Fund is able to progress its GMP Rectification. Subject to the Committee’s agreement to the proposed strategy, the Fund’s software supplier will be engaged to complete the Rectification through a Contract Change Notice. Communications will be developed, with the intention that all under / overpayments are corrected before October with pensioners notified of their own position as required. Both the Pension Fund and Corporate Risk Register will be updated as the project progresses.

Author(s)

Paul Cooper Tel: 03000 269798

Appendix 2

UK Parliament

Written questions, answers and statements

Financial Services

Statement made on 9 December 2022

Statement UIN HCWS425

Statement made by

Jeremy Hunt
The Chancellor of the Exchequer
Conservative
South West Surrey
Commons

Statement

In the Autumn Statement, I set out the government's strategy for boosting growth by investing in our people, in the infrastructure that connects our country, by creating the right environment for business investment, and by supporting our world-leading financial services companies and innovators. Alongside this, I identified five growth sectors – one being financial services – for which the government will prioritise the review of retained EU law, to ensure we identify changes that will support these sectors to grow.

I am today setting out a bold collection of reforms taking forward the government's vision for an open, sustainable, and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens. These reforms will create jobs, support businesses, and power growth across all four nations of the UK.

The UK is one of the world's leading financial centres and our financial services sector is one of the engines of the UK's economy. Financial and related professional services employ over 2.3 million people, two thirds of whom are outside of London, with hubs in Belfast, Birmingham, Cardiff, Edinburgh, Glasgow, Leeds, and Manchester.[1] In 2021, the financial services sector contributed £173.6 billion to the UK economy, 8.3% of total economic output.[2]

The announcements being made today build on the reform agenda the government is taking forward through the Financial Services and Markets (FSM) Bill. The government's approach recognises and protects the foundations on which the UK's success as a financial services hub is built: agility, consistently high regulatory standards, and openness. This approach will ensure that the sector benefits from dynamic and proportionate regulation, and that consumers and citizens benefit from high quality services, appropriate consumer protection, and a sector that embraces the latest technology.

I have set out below details of the measures being taken forward, which I look forward to delivering in close collaboration with our vibrant financial services sector.

A competitive marketplace promoting effective use of capital

Building a smarter regulatory framework for the UK

The government has today published its policy statement *Building a smarter financial services framework for the UK*. A copy will be deposited in the Library. This is an ambitious plan for repealing retained EU law in financial services and replacing it with a new framework tailored to the UK, embracing the new opportunities presented by our position outside the EU.

Our approach includes:

- Publishing draft Statutory Instruments to demonstrate how the government can use the powers within the FSM Bill to reform the prospectus and securitisation regimes and to ensure the Financial Conduct Authority (FCA) has sufficient rulemaking powers to regulate payments services and e-money. Overhauling the prospectus regime will enable the government to implement recommendations from Lord Hill's UK Listing Review, helping to widen participation in the ownership of public companies, simplify the capital raising process for companies on UK markets, and make the UK a more attractive destination for Initial Public Offerings. The government is also committed to working with the FCA and Prudential Regulation Authority (PRA) to bring forward relevant reforms identified in HM Treasury's 2021 review of the Securitisation Regulation.
- Plans to repeal the regulations for the European Long Term Investment Fund (ELTIF), without replacement. This reflects the fact that no ELTIFs have been established in the UK, removing unnecessary retained EU law, and that the newly established Long Term Asset Fund (LTAF) regime provides a fund structure better suited to the needs of the UK market. Firms have already begun to seek FCA authorisation for funds taking advantage of this new structure.
- Publishing the *Short Selling Regulation Review*, a Call for Evidence on the UK's regime for regulating short selling, with the aim of putting in place a regulatory regime tailored to the UK, which supports market integrity and bolsters the competitiveness of UK financial markets.
- Publishing *PRIIPs and UK Retail Disclosure*, a consultation on a proposed alternative framework for retail disclosure in the UK. Following the repeal of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the new framework for retail disclosure in the UK will work more effectively with the UK's dynamic capital markets and foster more informed retail investor participation.
- Publishing the *Information Requirements in the Payment Account Regulations Consultation* which examines proposals to remove unnecessary customer information requirements related to bank accounts imposed by the EU in the Payment Accounts Regulations. This would reduce unnecessary regulations on banks, freeing them up to better meet the needs of UK customers.

Updating banking regulation and the ring-fencing regime

The government will bring forward secondary legislation in 2023 to improve the functionality of the ring-fencing regime. These reforms, in response to the independent review on Ring-fencing and Proprietary Trading, will benefit customers, the financial services industry, and the economy, while maintaining appropriate financial stability safeguards. The government will also issue a public Call for Evidence in the first quarter of 2023 to review the practicalities of aligning the ring-fencing and resolution regimes.

The PRA intends to consult on removing rules for the capital deduction of certain non-performing exposures (NPEs) held by banks. This would allow the PRA to apply a judgement-led approach to address the adequacy of firms' provisioning for NPEs, help to simplify the UK rulebook and avoid the unnecessary gold plating of prudential standards. Such an approach would be possible only because of our regulatory freedoms outside the EU.

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Ensuring a regulatory focus on growth and competitiveness

The government is legislating through the FSM Bill to introduce new secondary objectives for the FCA and PRA to provide for a greater focus on growth and international competitiveness while maintaining their existing primary objectives. To further support this aim, I will today lay before Parliament new remit letters for the FCA and the PRA which will set clear, targeted recommendations for how the regulators should have regard to the government's economic policy.

Separately, the government and regulators will separately commence a review of the Senior Managers & Certification Regime in Q1 2023. The government will launch a Call for Evidence to look at the legislative framework of the regime, and the FCA and PRA will review the regulatory framework. The government's Call for Evidence will be an information gathering exercise to garner views on the regime's effectiveness, scope and proportionality, and to seek views on potential improvements and reforms.

Wholesale markets reforms

The government is committed to strengthening the UK's position as a world-leading wholesale capital markets centre, and is taking forward reforms to the Markets in Financial Instruments Directive (MiFID) framework through the Wholesale Markets Review. Measures in the FSM Bill deliver key elements of this. To further support this agenda, the government:

- Will today lay before Parliament The Markets in Financial Instruments (Investor Reporting) (Amendment) Regulations 2022, which will remove burdensome EU requirements related to reporting rules. This also builds on the reforms brought forward through The Markets in Financial Instruments (Capital Markets) (Amendment) Regulations 2021 laid in June 2021.
- Will bring forward secondary legislation in Q1 2023 to remove burdens for firms trading commodities derivatives as an ancillary activity, for example, when manufacturers seek to fix the future price of their purchases of specific raw materials.
- Is committing, alongside the FCA, to having a regulatory regime in place by 2024 to support a consolidated tape for market data. A consolidated tape will bring together market data from multiple platforms into one continuous feed. This will improve market efficiency, lower costs for firms and investors, and make UK markets more attractive and competitive.
- Will launch the Investment Research Review: an independent review of investment research and its contribution to UK capital markets competitiveness. The review is part of the government's wider commitment to enhance the UK's ability to attract companies to list and grow.
- Will establish a new industry-led Accelerated Settlement Taskforce to explore the potential of faster settlement of financial trades in the UK. Reducing settlement times from the current industry standard of two days could reduce counterparty risk and increase operational efficiency. The taskforce will bring together industry stakeholders to recommend an approach that works for the UK.

Unlocking investment to drive growth across the whole economy

The UK's financial services sector is an engine for growth across all four nations of the UK. The government is therefore bringing forward measures that will unleash the sector to drive investment and growth.

The government set out its plans to reform Solvency II at Autumn Statement, unlocking more than £100bn pounds for UK insurers to invest in long-term productive assets. HM Treasury is working with BEIS to deliver the recommendations made to government as part of the Secondary Capital Raising Review, and more broadly on reforms to corporate governance, to further enhance the attractiveness of UK public markets.

Going further, the government announces today that it:

- Will, in early 2023, consult on new guidance to the Local Government Pension Scheme (LGPS) in England and Wales on asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.
- Is committed to accelerating the pace of consolidation so that no pension savers are left in poorly governed and underperforming schemes. In the new year DWP will lead the way by consulting on a new Value for Money framework, alongside the FCA and the Pensions Regulator, which will set required metrics and standards in key areas such as investment performance, cost and charges and quality of service that all schemes must meet.
- Will amend the tax rules for Real Estate Investment Trusts (REITs). With effect from April 2023, new rules will remove the requirement for a REIT to own at least three properties, where they hold a single commercial property worth at least £20 million; and amend the rule that applies to properties disposed of within three years of significant development activity, to ensure that this rule operates in line with its original intention.
- Has today published a technical consultation, *VAT treatment of fund management: consultation*, which sets out proposals for legislative reform intended to codify existing policy to give legal clarity and certainty, not to make policy changes. The consultation seeks input on whether the proposed changes achieve this objective.

A World Leader in Sustainable Finance

The government is ensuring that the financial system plays a major role in the delivery of the UK's net-zero target, and is acting to secure the UK as the best place in the world for responsible and sustainable investment. The UK is the world's premier financial centre for sustainable finance. The government is acting to ensure the UK retains global leadership in this rapidly growing sector. To deliver on its commitment align the financial services sector with Net Zero and to support the sector to unlock the necessary private financing, the government:

- Will publish an updated Green Finance Strategy early 2023.
- Will consult in Q1 2023 on bringing Environmental, Social, and Governance (ESG) ratings providers into the regulatory perimeter. HM Treasury will also join the industry-led ESG Data and Ratings Code of Conduct Working Group, recently convened

by the FCA, as an observer. These services are increasingly a component of investment decisions, and the government wants to ensure improved transparency and good market conduct.

A sector at the forefront of technology and innovation

Our regulatory framework for financial services must support innovation and leadership in emerging areas of finance. To ensure the sector is prepared to embrace and facilitate the adoption of cutting-edge technologies, the government is:

- Setting up a Financial Market Infrastructure Sandbox in 2023, and is legislating to implement this in the FSM Bill. This will enable firms to test and adopt new technology and innovations, such as distributed ledger technology, in providing the infrastructure services that underpin markets.
- Working with the regulators and market participants to bring forward a new class of wholesale market venue, which would operate on an intermittent trading basis. This highly innovative approach would be a global first and would act as a bridge between public and private markets, boosting the UK as a destination for all companies to get the investment they need to create jobs and grow.
- Legislating in the FSM Bill to establish a safe regulatory environment for stablecoins – which may be used for payments – and ensure the government has the necessary powers to bring a broader range of investment-related cryptoasset activities into UK regulation.
- Publishing its formal response to the consultation on expanding the Investment Manager Exemption to include cryptoassets, which will facilitate their inclusion in the portfolios of overseas funds managed in the UK. The government intends for this change to be made through HMRC regulations this year
- Bringing forward a consultation in the coming weeks to explore the case for a central bank digital currency – a sovereign digital pound – and consult on a potential design. The Bank of England will also release a Technology Working Paper setting out cutting-edge technology considerations informing the potential build of a digital pound.

Delivering for consumers and businesses

The government is committed to a financial services sector that supports the real economy and will continue to work with the regulators and industry to ensure that the sector is delivering for people and businesses across the UK. The government:

- Has published a consultation, *Reforming the Consumer Credit Act 1974*. By modernising the regulation of consumer lending, reform will update consumer protections and ensure they work well in a modern and increasingly digital economy. It will also increase accessibility of credit products by allowing firms to better serve consumers through more innovative credit products.
- Has consulted on reforms to remove well-designed performance fees from the pensions regulatory charge cap and will lay regulations early in the New Year. This will provide clarity for industry and ensure pension savers can benefit from investing in UK innovation.
- Is committed to working with the FCA to examine the boundary between regulated financial advice and financial guidance, with the objective of improving access to helpful support, information and advice, while maintaining strong protections for consumers.

I am confident that the measures announced today, in tandem with the work taken forward through the FSM Bill, will deliver for this key growth sector, and the people and businesses that rely upon it.

Documents relating to all announcements can be found on GOV.UK www.gov.uk/government/collections/financial-services-the-edinburgh-reforms

[1] State of the Sector Report (July 2022) available at: State of the sector: Annual review of UK financial services 2022 - GOV.UK (www.gov.uk)

[2] House of Commons Library ‘Financial services: contribution to the UK economy’: https://commonslibrary.parliament.uk/research-briefings/sn06193/

Statement from

Treasury

Linked statements

This statement has also been made in the House of Lords

Treasury

Financial Services

Baroness Penn

The Treasury Lords Minister

Conservative, Life peer

Statement made 14 December 2022

HLWS437 Lords

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Appendix 3

Department for Levelling Up, Housing & Communities

Lee Rowley MP
Parliamentary Under-Secretary of State for Local Government and Building Safety

Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

Our Ref:20072812

Councillor Roger Phillips
Chair, LGPS Advisory Board
Local Government Association
Smith Square
London
SW1P 3HZ

15 February 2023

Dear Roger,

Thank you for your letter dated 3 August to Paul Scully MP regarding delays in the external audit of local authority accounts, including pension fund accounts. I am replying as since 1 November, this matter falls within my ministerial responsibilities. Please accept my apologies for the delay in responding to you.

I recognise the scope and complexity of issues affecting external local audit, and the impact that this is having on reporting by local authorities and LGPS funds. The Pension Fund Annual Reports and the Scheme Annual Report are vital in maintaining transparency and accountability of the LGPS to members, employers, and taxpayers, and in informing the work that the Scheme Advisory Board does to help maintain the scheme.

I welcome the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts, in addition to the package of support for local audit already in place. I have asked my officials to consider the scope for developing this further.

I would like to thank you and the Scheme Advisory Board for your hard work, and commitment to making the LGPS a valuable part of the lives and futures for millions of workers.

Yours sincerely,

Lee

LEE ROWLEY MP

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Appendix 4 – Summary of Key Changes

Paragraph	Notes
9 – LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk	Confirming proposal to consolidate Employer Flexibilities and Exits Policies
12 – GMP	Proposed GMP Rectification approach as presented Committee set out in Appendix 1
17 – Levelling Up whitepaper	Outline of Edinburgh Reforms
50 – Tier 3 Employers	Confirmation of approach to College participation in the 2022 valuation
56 – Audit	Correspondence between SAB and DLUHC re proposed separation of pension fund and host authority accounts

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Local Pension Board

16 March 2023

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.

3 In the third quarter of 22/23, 225 retirement cases were processed with 97.78% 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)

4 The Board is asked to note the report.

Background

5 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)

6 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 third quarter of 2022/23, ie. up to 31 December 2022. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.

7 Additionally, as the Fund develops enhancements to its KPI reporting to the Local Pension Board, data is now included for both Transfers and Estimates. These KPIs reflect how quickly a scheme member receives details of their cash-equivalent transfer value and projection of estimated retirement benefits respectively.

8 In the third quarter, the administration team processed 225 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 80.44% of the 225 cases. The majority of failures were as a result of late information from Fund employers. In respect of performance within the administration team's control, the Fund provided a statement containing retirement benefit information within 10 days of receiving all required information in 97.78% of cases in the quarter.

9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 343 early leavers information as to their rights and options available. Of the 343 deferment cases, 95.34% of these cases were within one month of the Fund being notified of an early leaver.

10 The Fund received 23 requests for transfer-out information during quarter two. Of these requests, 100% of scheme members were provided information as to the transfer rights and options available to them within one month. Therefore, the administration team provided a quotation of the cash-equivalent transfer value to which a member is entitled in respect of 100% requests within three months.

11 In respect of Estimates, the Fund received 2,780 requests for a statement of estimate pension entitlement in the quarter. It should be noted that the vast majority of these requests are transacted through

the Fund’s online Portal. Of 2,780 requests in the quarter, 100% were provided within two months of the initial request.

12 During the second quarter, the pension administration team received 3,712 telephone calls to the Fund’s Helpline. Of these calls, the team answered 99.70% of scheme members’ calls first time. In respect of Online services for members, 18,679members have registered for the Fund’s Pensions Online portal, where 29,853 online calculations have been completed, 13,971 changes have been transacted and 2,592 secure messages have been sent.

13 Recognising the key role played by the Fund’s participating employers in delivering services to members, the Fund has commissioned training tailored for those employers. Three sessions were held in January 2023, covering:

(a) Understanding how the LGPS works

(b) Importance of Data – impact on members and employers

(c) Pensions terminology and historic issues

14 It is pleasing to note that 67 different representatives from the Fund’s participating employers attended one or more of the sessions. Additionally, the Fund held its Annual Meeting on 9 November. The Annual Meeting provides an opportunity for the Fund to pass on relevant information and to enable participating employers to ask or raise any issues about the Fund. The Annual Meeting is designed to enhance the stewardship and reporting of the Fund’s activities.

Services to members during Lockdown

15 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.

16 From mid-September 2021 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 2021. 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

17 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.

18 As 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.

19 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. Although the Fund received delayed accounting information for 20-21, the accounting information for 21-22 was received on time.

20 It is disappointing to note however, that some Prudential AVC members haven't been able to access their statements online over a period of one year due to a system issue. This has impacted three LGPS members at two different employers. Members who receive their Prudential statements in paper format have been unaffected. Whilst this is not a breach of the law for which the Fund is responsible, it has nevertheless been recorded on the Fund's breach register. Prudential have confirmed that they have self-reported to the Regulator, so there is not a requirement to consider reporting.

21 Both the Pensions Regulator (nationally) and External Auditor (locally) have been made aware of the wider issues. Prudential have recently written to the Local Government Association (LGA) with an update on the national position – a copy of which was previously shared with the Local Pension Board. Officers continue to monitor the situation and will continue to feedback to the Board.

Scheme Member Annual Communications

22 All Annual Benefit Statements for both Active and Deferred members of the Scheme were made available ahead of the statutory deadline of 31 August 2022. 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.

23 At the request of the Local Pension Board, a customer satisfaction survey was included in the Annual Benefit Statements sent to both active and deferred members. The response rate, however, was extremely low. Officers will consider an alternative method of capturing Scheme Member satisfaction.

24 In April 2022 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 was previously shared with the Board.

Author(s)

Paul Cooper Tel: 03000 269798

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Appendix 1: Performance Indicators

Performance to 31 December 2022

Category	Performance Indicator	Cases in Quarter	Performance in Quarter	Total Cases in 2022-2023	Performance in 2022-2023	Performance in 2021-2022
Retirements – Disclosure	Within two months of retirement provide a statement containing retirement benefit information.	225	80.44%	696	83.05%	86.65%
Retirements – in Fund's control	Within 10 days of receiving all required information provide a statement containing retirement benefit information.	225	97.78%	696	98.13%	98.99%
Deferments - Disclosure	Within one month of being notified of a leaver, provide that member information as to the rights and options available.	343	95.34%	1,186	95.70%	86.70%

Transfers Out – Disclosure	Within one month of a request, provide that member information as to the transfer rights and options available.	23	96.88%	94	98.94%	-
Transfers Out – Quotation	Within three months of a request, provide a quotation of the cash equivalent transfer value to which a member is entitled.	23	100%	94	100%	-
Estimates	Within two months of a request, provide a statement of estimated pension entitlement online or in writing.	2,780	100%	8,951	100%	-
Telephone Helpline	Calls from Scheme Members answered first time	3,712	99.70%	12,653	99.37%	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/)	18,679	29,853	13,971	2,592

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Pension Fund Committee

16 March 2023

Communications Review

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

1 To provide Board Members with details of how different stakeholder groups receive communication from the Pension Fund, and to explain plans to develop the communication strategy.

Executive summary

2 This report outlines the requirements of the Pension Fund to publish and maintain a Communications Policy Statement, how this requirement is met, and future developments that will improve communications with members and employers.

Recommendation(s)

3 The Board is asked to note the report and provide any comments on the Fund's communications.

Background

4 Under the Local Government Pension Scheme (LGPS) Regulations 2013, a Pension Fund Administering Authority is required to publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and Scheme employers.

5 Specifically, the statement must set out the Administering Authority's policy on:

a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

b) the format, frequency and method of distributing such information or publicity; and

c) the promotion of the Scheme to prospective members and their employers.

Fund Communications

6 The Council's Pension Fund Communications Policy Statement is attached as Appendix 1. This Statement includes the Council's policy on the issues set out in paragraph 5 above. The Statement is published each year as part of the Pension Fund Annual Report and is available on the Council's website.

7 Key points to note include the following:

- Newsletters for all categories of member are currently only produced as required. Typically, for active members this means newsletters are produced whenever there is a change to regulations or legislation that affects the benefits an active member is entitled to, or the choices they have. The provision of online services for members means that information can be shared with members more quickly and efficiently.

- All active members and deferred members receive an annual benefit statement. For actives this is issued by the end of August each year and for deferred members it is issued in April or May, shortly after the annual pension increase has been applied. Benefit Statements are now made available to all members online.

- Scheme employers are briefed on key issues and developments in the LGPS by email.

8 Since the launch of online services for active and deferred members of the Scheme, over 18,500 members have registered and started to use the service. These members have completed around 30,000 online calculations and have transacted almost 14,000 changes online. Members have also been able to send queries securely through the portal, and over 2,500 responses have been sent to members this way. KPI reported in respect of the online service is reported to the Local Pension Board quarterly.

9 The Pensions Team continues to work closely with Civica, the Fund's pensions administration software provider, to develop its web-based communication platform for scheme employers. The majority of scheme employers currently utilise the platform to run benefit estimates, allowing employers to see the cost of allowing an employee to access benefits early on redundancy or business efficiency grounds. The Team has also rolled out secure information exchange for employers, replacing many paper forms.

10 The latest development for employers, is Monthly Data Collection (MDC), allowing automated data collection each month, significantly reducing the year end burden for both the Pensions Team and participating employers.

11 The Team continues to develop the online portal for members and will work with Civica to further enhance the online calculator that has been popular with users of the service.

Author(s)

Paul Cooper Tel: 03000 269798

Appendix A: Communications Policy Statement

COMMUNICATIONS POLICY STATEMENT

Durham County Council is the administering authority for the Durham County Council Pension Fund. This Communication Policy Statement has been drawn up to comply with regulation 61 of the Local Government Pension Scheme Regulations 2013 and to ensure the Council offers clear communication to stakeholders of the Local Government Pension Scheme.

WHO WE COMMUNICATE WITH:

- Scheme members (active members, pensioners and deferred members);
- Representatives of scheme members;
- Prospective scheme members;
- Employers participating in the scheme;
- Advisers (for example actuaries, investment advisers, Local Government Pensions Committee);
- Other bodies (for example prospective employing authorities and their representatives).

KEY OBJECTIVES:

- To ensure communication is clear, factual and concise;
- To ensure communication is designed and delivered in a manner appropriate to its audience;
- To ensure that the correct information reaches the right people at the right time.

COMMUNICATING WITH SCHEME MEMBERS

Scheme members need access to detailed information about the scheme and their own benefits to allow them to make informed choices about their own pension benefits.

The Fund provides:

- **Scheme literature**

  The pension section produces a summary guide to benefits in the scheme along with specific guides for certain circumstances, such as how divorce can affect scheme benefits or on the internal dispute resolution procedure.

- **Annual benefit statements**

  All active members are sent a benefit statement each year setting out the benefits they have earned in the scheme up to 31 March that year. All deferred members are sent a benefit statement each year setting out the current value of their deferred benefits payable at the earliest date on or after age 60 that unreduced benefits can be paid to them. The statement also sets out the effect of pension increases on their benefits since they left service.

  Benefit Statements are made available online annually for all active and deferred members. A paper copy will be provided to members who opt-out of online receipt.

- **Newsletters**

  All active members and pensioners are sent a copy of each issue of the relevant newsletter.

- **Telephone helpline**

  All communications contain contact telephone numbers for general enquiries. Active members, pensioners and deferred members can contact the Pension Administration Team by telephone between 8:30am and 4:30pm on weekdays. Bulk communications also contain the email address where general enquires can be submitted.

- **Online Portal**

  All scheme members can inform the Fund of personal changes, and update their nomination online. Members can see the information that the Fund holds, whilst active members can produce an estimate of their prospective retirement benefits on demand.

COMMUNICATING WITH EMPLOYERS PARTICIPATING IN THE SCHEME

Employers need to be kept up to date with developments in the scheme and need to be informed of consultation exercises that could influence the future of the scheme.

Employers are sent information on scheme developments as and when changes are proposed to the scheme. Employers are often sent copies of circulars provided by the Employers' Organisation or are directed to copies of these circulars via web-links. Where possible this is provided by email.

Meetings with individual employers are arranged as necessary or as requested to deal with any significant pension issues that arise. Support is provided to employers who want to provide further pension information to their employees - this includes pre-retirement seminars and mid-life seminars.

All employers are invited to attend the Annual Meeting of the Pension Fund Committee. Copies of the annual report and accounts for the Pension Fund are distributed at this meeting and are also sent to all employers in the scheme.

COMMUNICATING WITH PROSPECTIVE MEMBERS

The Pension Administration Team issues pension packs to prospective members. These contain a summary of the benefits of scheme membership, information comparing the scheme with other pension options, a nomination form, an opt-out form and an authorisation form for investigating potential pension transfers into the scheme.

COMMUNICATING WITH REPRESENTATIVES OF SCHEME MEMBERS

The Pension Administration Team produces a summary guide to benefits in the scheme along with specific guides for certain circumstances, such as how divorce can affect scheme benefits or on the internal dispute resolution procedure. This information is available to representatives of scheme members.

The Pension Administration Team telephone helpline is also available between 8:30am and 4:30pm on weekdays for any queries representatives of scheme members may have.

The main local government unions are represented on the Pension Fund Committee. This means they are sent agenda items and minutes from the meetings as well as being able to participate in the meetings (in a non-voting capacity). Scheme members are represented on the Local Pensions Board.

FUND PUBLICATIONS

COMMUNICATION DOCUMENT	AVAILABLE TO	WHEN PUBLISHED
Starter Packs	Prospective members	When required

Summary scheme guide	Prospective members Active members	When required
Newsletter: Pensions News	Active members	When required
Annual benefit statement	Active members Deferred members	Once per year
Newsletter: Years Ahead	Pensioners	When required
Payslips	Pensioners	Once a year or upon a change to net pension of more than £5
P60s	Pensioners	Once per year
Pension Increase Information	Pensioners	Once per year
Update letter on changes to regulations and other issues	Employers	When required
Valuation report	Employers	Every three years
Report and accounts	All stakeholders	Once per year – distributed to all employers and available on the DCC website and on request to all

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Local Pension Board

16 March 2023

Internal Dispute Resolution Procedure (IDRP) Cases

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

1 To provide Board Members with a summary of the outcomes of any internal dispute cases or Pensions Ombudsman cases in which the Pension Fund has been involved in since April 2022.

Executive summary

2 Since April 2022, 7 scheme members or their representatives have made an appeal under the Pension Fund's IDRP process. These applications were of a varying nature.

3 Of the 7 applications, 7 were reviewed at Stage 1 by the adjudicator, who in 5 cases upheld the original decision. Three of these cases were then progressed to be reviewed at Stage 2 of the IDRP Process, with two cases being turned down and one remaining ongoing.

Recommendation(s)

4 The Board is asked to note the report.

Background

5 Scheme members with an unresolved complaint concerning their pension benefits are able to make use of the Pension Fund's two stage Internal Dispute Resolution Procedure (IDRP). Whenever a scheme member initially receives a benefit from the scheme, they are made aware of this procedure – a copy of the information sent to the scheme members about the procedure is enclosed as Appendix 1.

Review of IDRP Cases

6 From 1 April 2022 to 1 March 2023 the Fund has received a total of 7 applications under the IDRP process. The first stage of the process is an application to the Fund's adjudicator. There have been a total of 7 applications to the adjudicator during 2022/23. Four of these applications related to ill-health retirement, one related to the recovery of proceeds of crime and two appeals relate to disputes concerning transfers out.

7 In 5 of the 7 applications the adjudicator upheld the Council's original decision, one case was referred back to the employer to gather further information. The remaining case exceeded the appeal time limit.

8 The Council's Occupational Health Team is responsible for submitting ill health retirement applications to an independent doctor for review where the individual worked (or formerly worked) for the Council. As the Council represents around two thirds of the non-active members, most of the ill health retirement applications are initially processed by the Council's Occupational Health Team.

9 The Council's Occupational Health Team provide up to date instructions to the independent doctors that provide opinions in respect of ill health retirement applicants, partly as a consequence of previous comments made by the adjudicator. For example, the instructions now make it clear that the independent doctors need to be clear about the probability of success of any untried treatments if they are going to make reference to any such treatments in their report. The Fund continues to monitor the reasons for disputes referred back for further consideration.

Stage Two Appeals and Ombudsman Rulings

10 The Pension Fund monitors all Stage Two Appeals, and any rulings of the Pensions Ombudsman in respect of the Fund and its employers.

11 Three cases which were reviewed at Stage One during 2022/23 were progressed to Stage Two Appeals. In all cases the adjudicator

upheld the original decision causing the individuals to initiate Stage Two of the IDRP. These cases related to ill-health retirement, dispute over a transfer-out, and recovery of proceeds of crime respectively.

12 One of these cases remains ongoing, however the other two appeals which were considered have been turned down. This has resulted in one of the individuals progressing their appeal to the Pension Ombudsman and this remains ongoing.

13 A further two appeals which remained outstanding at Stage Two during 2021/22 have now been completed, with both being turned down. Both of these cases related to ill-health retirement.

14 The Pension Fund has also received one favourable Pensions Ombudsman ruling during 2022/23.

15 Officers will continue to monitor the IDRP cases, making suggestions to employer processes where deemed necessary. These cases will continue to be reported to Pension Board annually.

Author(s)

Paul Cooper Tel: 03000 269798

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THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

Internal Disputes Resolution Procedure

Introduction

1. Decisions regarding your membership of the LGPS will initially be made by your employing authority in respect of such matters as the amount of your pensionable earnings, date of scheme entry etc.

2. Other matters regarding your membership will then be determined by Durham County Council in its role as administrator of the LGPS, e.g. the amount of service transferred into the scheme from a previous employment.

Note: In the case of Durham County Council employees, both items (1) and (2) will be determined by the same authority. It will however be the responsibility of the employing service to determine issues under (1) and the Pensions Group to determine issues under (2).

What should you do if you are unhappy with any aspect of your pension scheme membership?

Initially you should contact the Durham County Council Pensions Team by telephoning 03000 264322, or by email at pensions@durham.gov.uk. They will be able to explain any questions you have about scheme membership and service, and, if necessary, direct you to the contact person within your employing authority.

If you are still unhappy with the explanation you have been given, or if you have not been provided with an explanation, you may refer the matter to the adjudicator.

You must apply to the adjudicator within six months of being notified of the decision which is the cause of your complaint.

Who is the adjudicator?
The adjudicator for Durham County Council Pension Fund is **Mr Yunus Gajra, Development Manager (Strategic), West Yorkshire Pension Fund, P.O. Box 67, Bradford, BD1 1UP**

When referring your complaint to the adjudicator, you must send a signed letter and include the following information:

- Your full name, address, date of birth, National Insurance number, the name of your employer and your job title (If your complaint is on behalf of another person, you must submit all of the above details in respect of that person and explain your relationship to them).
- A statement setting out the details of the disagreement, enclosing any relevant letters or documentation.

What happens next?
Within two months of receiving your complaint the adjudicator must reach a decision and confirm his decision in writing to you, your employer and Durham County Council Pension Fund.

If he is not able to reach a decision within two months he must write to you to tell you why this is the case and to give you an estimate of when he is likely to be able to reach a decision (the expected decision date).

What should I do if I am not satisfied with the findings of the adjudicator?
If you are not satisfied with the findings of the adjudicator you may refer the matter to the Administering Authority at the following address:

Pensions Group
Resources
County Hall
Durham
DH1 5UE
When referring your complaint to the Administering Authority you must send a signed letter which includes the information in section C2 and a statement that you wish the decision to be reconsidered by the Administering Authority.

Your application must be made by the relevant date as follows:

- Within six months of the date the adjudicator’s decision was received.

- If the adjudicator was unable to reach a decision within two months and he wrote to you giving you an expected decision date, you must submit your application within seven months from the expected decision date.

- If the adjudicator did not make a decision and did not provide an expected decision date, you must submit your application within nine months from the date on which your application was made to the adjudicator.

Note: You may also refer your complaint to the Administering Authority should the adjudicator fail to reply to you within the timescales set out overleaf.

What happens next?

Within two months of receiving your complaint, the Administering Authority must confirm its decision in writing to you and to your employer. If it is not possible to reach a decision within two months it must write to you to tell you why this is the case and to give you an estimate of when a decision is likely to be made.

Is there anything else I can do after referring my complaint to the Administering Authority?

When the Administering Authority gives you its decision, it will also give you details about the services provided by TPAS and the Pensions Ombudsman.

What is TPAS?

The Pensions Advisory Service (**TPAS**) is an independent non-profit organisation that provides free information, advice and guidance on all types of pension schemes. You can contact TPAS through your local Citizens Advice Bureau or in writing to:
11 Belgrave Road,
London
SW1 1RB
Or by telephone on 08456012923 Or online at www.pensionsadvisoryservice.org.uk
Note: If you want the Pensions Ombudsman to consider your complaint, you should normally contact TPAS first. If TPAS is unable to resolve your complaint and believes that maladministration has occurred, or that the decision made by the Administering Authority is incorrect, they will recommend that you refer your complaint to the Ombudsman.
You can ask TPAS for help at any time if you are having difficulties in resolving your complaint under the dispute procedure.

What is the role of the Pensions Ombudsman?

The Pensions Ombudsman can investigate complaints of maladministration or disputes of fact or law relating to decisions made about your pension. Unless your complaint relates only to maladministration, you must follow the procedure set out in this leaflet before referring you complaint to the Ombudsman. This means that you must refer your complaint to the adjudicator and then to the Administering Authority before the Pensions Ombudsman will commence an investigation.
If, however, your complaint is about maladministration, i.e. the way your case has been handled by either the adjudicator or the Administering Authority, you do not need to wait until the Internal Disputes Resolution Procedure has been completed.
You can contact the Pensions Ombudsman in writing at:
11 Belgrave Road,
London
SW1 1RB
By telephone on 020 7630 2200 or email enquiries@pensions-ombudsman.org.uk
You can find out more about the Pensions Ombudsman by visiting their web site at:
www.pensions-ombudsman.gov.uk

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