



Local Pension Board

Date Thursday 15 June 2023
Time 2.00 pm
Venue Committee Room 1A/1B, County Hall

Business

Part A

Items which are open to the Public and Press.

1. Apologies for Absence
2. Declarations of Interest (if any)
3. The Minutes of the Meeting held on 16 March 2023
(Pages 21 - 26)
4. Observations from Pension Fund Committee held on 15 June
2023
5. Regulatory Update (Pages 27 - 48)
6. Pension Administration Report (Pages 49 - 66)
7. KPI Reporting - Verbal Update
8. Local Pension Board Training - Verbal Update
9. Pension Fund Communications - Verbal Update
10. Date of Next Meeting - 14 September 2023
11. Any Other Business

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
7 June 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

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Glossary of commonly used terms

A

Active Management

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

Active Member

A current employee who is contributing to the pension scheme.

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions (AVCs)

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

Administering Authority

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

Admission/Admitted Body

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

Asset Allocation

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

Authorised Contractual Scheme (ACS)

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

B

Benchmark

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

Border to Coast Pension Partnership (BCPP)

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

Border to Coast Joint Committee

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

C

CARE (Career Average Revalued Earnings)

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

Cash Equivalent Value (CEV)

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

Consumer Price Index (CPI)

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

Commutation

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

Convertible Shares

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

Custodian

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

D

Death Grant

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

Deferred Member/Pensioner

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

Defined Benefit Scheme

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

Denomination

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

Designating Body

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

Discretion

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

Direct Property

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

Diversified Growth Funds (DGF)

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

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

E

Employer Contribution Rates

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

Employer Covenant

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

Equities

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

ESG

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

F

Fiduciary Duty

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

Financial Instruments

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

Fixed Interest Securities

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

Fund of Funds (FoF)

A fund that holds a portfolio of other investment funds.

G

Guaranteed Minimum Pension (GMP)

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

I

Index

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

Internal Rates of Return (IRR)

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

L

Local Government Pension Scheme (LGPS)

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

Local Pension Board (LBP)

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

M

Myners Principles

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

Effective decision-making

Clear objectives

Risk liabilities

Performance assessment

Responsible ownership

Transparency and reporting.

O

Ordinary Shares

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

P

Partner Funds

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

Pension Liberation Fraud

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

Pensions Online

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

Pensions Regulator

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

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

Pooled Funds

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

Pooling in the LGPS

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

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

Proxy Voting

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

Q

Quantitative Easing

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

R

Related Party Transactions

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

Responsible Investment (RI)

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

Retail Price Index

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

Return

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

Rule of 85

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

S

Scheduled Body

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

Spot Rate

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

State Pension Age (SPA)

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

Stock Lending

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

T

TCFD

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

The Pension Advisory Service (TPAS)

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

Transfer Value

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

Transferred Service

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

U

UK Stewardship Code

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

Unrealised gains/losses

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

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DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Thursday 16 March 2023** at **2.00 pm**

Present:

Miss W Pattison (Chair)

Members of the Committee:

Councillors A Hopgood and D Stoker; and N Hancock

1 Apologies for Absence

Apologies for absence were received from L Oliver.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes from the meeting held 8 December 2022 were agreed as a correct record and signed by the Chair.

4 Observations from Pension Fund Committee

N Hancock noted his disappointment with the number of Pension Fund Committee Members with voting rights in attendance, only seven from 16. He added that he hoped it was not a trend, with Councillor A Hopgood noting it was an issue she had previously raised with the Chair of the Committee. The Head of Pensions (LGPS), Paul Cooper, noted there had been fewer Members in attendance than usual, however he noted that the meeting had been quorate. Councillor A Hopgood asked as regards substitute Members, and whether the attendance could be looked at and reported back to the council's Group Leaders. The Head of Pensions (LGPS) agreed to collate this information as requested, and suggested collating attendance information from the last two years and including information on substitutes.

The Chair asked if there was a rule in terms of minimum attendance, Councillor A Hopgood noted for Durham County Councillors it was attendance at a meeting of any Council Committee the Councillor was a member of in a six-month period.

The Head of Pensions (LGPS) noted that the significant items had related to the Guaranteed Minimum Pension (GMP) Rectification; Funding Strategy Statement (FSS), concluding the valuation process; and in Part B changes to the Investment Strategy following training Members had received on the proposed strategy.

RESOLVED:

That the information given be noted.

5 Regulatory Update

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

The Head of Pensions (LGPS) noted issues referred to included: Managing Risk and Exit Policy, GMP; the Levelling Up White Paper and Edinburgh Reforms. He noted the Fund's support for the launch of the North East Regional Investment Fund which met the aims of the Levelling Up agenda ahead of any requirements; adding that Durham was very much ahead of the curve in terms of pooling.

Councillor A Hopgood asked how low other Funds were in terms of their percentage of pooled funds. The Head of Pensions (LGPS) explained that some funds had zero pooled funds and that while the Government policy was clear in terms of pooling, the legal absolute legal required states that Funds should simply have a plan for pooling in place. He noted that DLUHC have made clear that intention is that Funds get with the requirement to pool, and statutory guidance may be issued.

The Head of Pensions (LGPS) noted that the approach for Further Education Colleges was subject to expected Department for Education guarantees, therefore a temporary rate had been used in valuation, the same rate as set the last time. The rates will be revisited when there is greater certainty over that guarantee.

The Head of Pensions (LGPS) explained that the Scheme Advisory Board Chair had written to the Department for Levelling Up, Housing and Communities (DLUHC) as regards Pension Fund Accounts being separated out from the main Local Authority Accounts and noted that a Government Working Group was now looking at the matter, with many relevant bodies, such as the Chartered Institute of Public Finance and Accountancy (CIPFA), feeding into the process.

The Head of Pensions (LGPS) noted that following the Government Budget, Annual Allowance would increase from £40,000 to £60,000 and the Lifetime Allowance charge would be abolished from April 2023. He noted that the Opposition had indicated their intention to rollback the changes if elected. Councillor A Hopgood noted the arguments for the merits of the changes, however, noted she could see why it may be felt it would not fix the problems intended, in terms of encouraging NHS staff to continue working for longer or coming out of retirement. The Head of Pensions (LGPS) noted that many in that situation already managed their position carefully and that it would not affect many within the LGPS.

The Head of Pensions (LGPS) noted as regards the background to GMP Rectification and explained that finalised data, as set out in the table at paragraph 26 of the report, was comparatively very good, with no pensioner having an estimated reduction greater than £10. He noted that any overpayment would be corrected, however, there would be no recovery of any historic overpayments. In terms of underpayments, he explained that these would also be corrected, however, with arrears and interest calculated at the Bank of England base rate plus one percent. He noted the agreement of the Pension Fund Committee in terms of the work and approach and added that communications for pensioners was being developed.

Councillor A Hopgood noted the positive figures as set out in the table in terms of the lower numbers of pensioners impacted and the low level of impact and thanked the Team for their work.

The Chair asked as regards the modelling set out at paragraph 25. The Head of Pensions (LGPS) explained half the population had been modelled, and then it was applied to the remaining half, with any non-standard records requiring manually assessing. The Chair asked if there was associated cost in terms of the communications required to go out to pensioners. The Head of Pensions (LGPS) noted there was a cost and explained the Council's software provider, Civica, were helping in terms of the data, though the Fund would have final say on communications issued.

RESOLVED:

That the report be noted.

6 Pension Administration Report

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

The Head of Pensions advised of the performance in the third quarter of 2022/23 with 225 retirement cases, 343 early leavers, 3,712 telephone calls to the Fund's Helpline and 18,679 members had registered for the Fund's Pensions Online portal. He noted that in relation to the satisfaction survey, while a good idea, there had not been much of a response. He added that was likely in part that most people would not have concerns, however, the Pensions Team were looking at other ways to capture information via the web portal. He noted an example would be when people look to retire and to then ask at that point, adding the greater value for money in terms of utilising online methods.

The Pensions Team Leader, Ashleigh Phillips explained as regards the improved performance in respect of Prudential, one of two providers in respect of Additional Voluntary Contributions (AVCs) and explained that while the Fund received delayed accounting information for 2020/21, the accounting information for 2021/22 had been received on time. She noted the issues relating to three scheme members from two employers had been impacted in terms of accessing their statements online due to a system issue. It was added those receiving paper statements had not been affected. She noted that whilst it was not a breach of the law for which the Fund was responsible, it had nevertheless been recorded on the Fund's breach register and Prudential confirmed that they have self-reported to the Regulator.

RESOLVED:

That the report be noted.

7 Communications Review

The Board considered a report from the Corporate Director of Resources which outlined 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. The Head of Pensions (LGPS) noted no changes had been proposed.

RESOLVED:

That the report be noted.

8 Internal Dispute Resolution Procedure (IDRP) Cases

The Board considered a report from the Corporate Director of Resources regarding Internal Dispute Resolution Procedure (IDRP) Cases (for copy see file of Minutes).

The Head of Pensions (LGPS) explained as regards the right every scheme member has to appeal any decision from the Pension Fund or Employer and noted the Board could take assurance that the right to appeal was open. He noted that the low number of appeals was an assurance that a high service level was being maintained and explained they most commonly were related to ill-health retirements. The Chair asked who heard the appeals, the Head of Pensions (LGPS) explained that initial contact was via a Pension Fund Officer who would ask for information, then an external adjudicator would be appointed. He noted the adjudicator had no powers to direct an outcome, rather could ask the Fund to look again at a particular case. He added that should the matter remained unresolved following adjudication, then DCC's Legal Team would look at the issue, operating a Chinese Wall, and should the issue not be resolved to the satisfaction of the member, they had the choice to take the issue to the Pensions Ombudsman for final resolution.

N Hancock noted his experience in terms of the ill-health retirements and low numbers of appeals, with the Head of Pensions (LGPS) noting the high bar set in Regulation to qualify for an ill health pension entitlement.

RESOLVED:

That the report be noted.

9 Pension Fund Breaches

The Head of Pensions (LGPS) noted that there had been no material breaches in the last six months, other than issues with Prudential in terms of AVCs, which were not a Local Authority breach though listed for our information. He reiterated that Prudential had reported themselves to the Regulator.

RESOLVED:

That the verbal update be noted.

10 Shared Cost Salary Sacrifice AVCs

The Head of Pensions (LGPS) gave a verbal update on the Shared Cost Salary Sacrifice AVCs, explaining that the Council was the biggest employer within the Pension Fund and was setting up the Shared Cost Salary Sacrifice AVCs, noting the savings in terms of National Insurance for both employer and employees.

The Chair noted that it sounded a good scheme and asked when it would come into effect. The Pensions Team Leader noted it was expected to go live from summer 2023 through a partnership with 'AVC Wise', with communications being developed and with first payments through the new scheme expected to come off pay slips in July. Pensions Team Leader A Phillips noted that three employers within the Fund had already set up the scheme and had provided positive feedback, being mutually beneficial for both employers and employees.

RESOLVED:

That the verbal update be noted.

11 Date of Next Meeting

The next meeting would be held on 15 June 2023 at 2.00 p.m.

Local Pension Board

15 June 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 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 commenced implementation of its approach to GMP Rectification, with a separate report previously presented to the Committee and Board.

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 (previously shared with the Board) intended to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting 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. It is currently expected that the first LGPS TCFD reporting will become due in late 2025.

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 has been granted permission to appeal against the High Court's judgement to

allow the inclusion of the McCloud remedy as a “member cost”. Whilst the High Court previously dismissed the case, the Court of Appeal has granted permission to appeal the ruling. 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 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.

- 37 Following its 2020 consultation, on 30 May 2023 DLUHC launched a consultation seeking views on issues relating to the McCloud remedy, and the draft scheme regulations which would implement the remedy. At the time of writing Officers are considering the contents of the consultation, but an initial summary is set out in Appendix 1.
- 38 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. 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.
- 39 Additionally, 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

- 41 Following a short consultation, DLUHC has implemented changes to the in-scheme revaluation date from 1 to 6 April, with effect from 1 April 2023. The change has the effect of removing the impact of high inflation (10.10% for 2023 revaluation) on the Annual Allowance and will 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 reflect the change in Annual Statements and Pension Savings Statements.

LGPS Scheme Advisory Board (SAB)

SAB Review – Academies

- 42 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.

43 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.

44 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.

45 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

46 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.

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

48 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.

49 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.

- 50 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.
- 51 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

- 52 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)
- 53 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

- 54 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.

- 55 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>.
- 56 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

- 57 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 (previously shared with the Board) 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.

SAB – Sharia Compliance

- 58 The SAB has received legal advice suggesting that it should instruct an expert in Islamic finance to provide evidence on Sharia Compliance in the LGPS. Consequently, the Board has commissioned an expert in the field of Sharia finance and will subsequently instruct counsel upon receipt of the evidential findings. The Committee will be updated as further information emerges.

Non- LGPS Specific Matters

Public Sector Exit Payments Caps

- 59 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.
- 60 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.
- 61 Under the Regulations, the cap was to remain at £95,000 and include:
- redundancy payment(s);
 - any payment to offset an actuarial reduction to a pension arising by virtue of early retirement (known as 'strain on the fund' or 'early release' cost);
 - any payment made pursuant to an award of compensation under the ACAS arbitration scheme or a settlement or conciliation agreement;
 - any severance payment or ex gratia payment;
 - any payment in the form of shares or share options;
 - any payment on voluntary exit;
 - any payment in lieu of notice due under a contract of employment;
 - any payment made to extinguish any liability under a fixed term contract;
 - any other payment made, whether under a contract of employment or otherwise, in consequence of termination of employment or loss of office.
- 62 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.

- 63 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.
- 64 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

- 65 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.
- 66 Due to the significant changes in the Investment Market since the introduction of the first Code, The UK Stewardship Code 2020 is now being introduced. This new Code expands on the previous requirements and comprises a set of 12 Principles which require reporting and disclosure on an 'apply and explain' basis.
- 67 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.
- 68 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

- 69 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.
- 70 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 than the State Pension Age. The minimum age a scheme member can currently retire voluntarily in the LGPS is 55.
- 71 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.
- 72 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 last year's Annual Benefit Statements.

TPR Code of Practice

- 73 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.
- 74 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

- 75 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.
- 76 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.
- 77 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

- 78 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.
- 79 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.
- 80 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.
- 81 Following a major data breach at third-party pensions administrator, Capita, the Pensions Regulator has reminded pension funds of the importance of warning members about scams. A reminder will be

provided to all active and deferred scheme members in their Annual Benefit Statements. A copy of the Pensions Regulator's statement on the Capita Breach is included in Appendix 2.

Stronger Nudge

- 82 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.
- 83 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.
- 84 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

- 85 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.
- 86 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 Board will be kept informed.

Changes to Pension Taxation

- 87 In the Spring Budget, the Chancellor announced changes to pension taxation. The Annual Allowance (which is the maximum amount of pensions savings an individual can make each year before incurring a tax charge) was increased from £40,000 to £60,000 from 6 April 2023. Changes have also been made to the Lifetime Allowance, the charge for which will be reduced to zero from 6 April 2023, before being fully abolishing entirely in a future Finance Bill.
- 88 Officers will ensure that scheme members are appropriately advised of the implications through Annual Statements, and Pensions Savings Statements. All participating employers were made aware of the changes, enabling them to alert their employees who are most likely to be affected.

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Appendix 1: Summary of 2023 McCloud consultation

- **Aggregation** – DLUHC now proposes that service does not need to be aggregated for a member to qualify for McCloud, but, where a member who qualifies for underpin protection leaves and re-joins the LGPS or holds concurrent posts and LGPS membership ends in one post, that it is required in order for underpin figures to be recalculated when they next have an underpin
- **Club transfers** – DLUHC is now proposing that members will not need to have transferred their previous service in another public service pension scheme into the LGPS to qualify for underpin protection in the LGPS. Instead, if an LGPS member had membership of another public service pension scheme on or before 31 March 2012 and did not have a disqualifying gap, they would have underpin protection on their LGPS service in the underpin period (even if the previous service was not transferred to the LGPS)
- **Flexible retirement** – DLUHC proposes that a protected member will have a second underpin date if they took flexible retirement between 1 April 2014 and 31 March 2022 and continued to build up pension in the underpin period after their flexible retirement and before they reached their final salary normal pension age. The proposed treatment of partial flexible retirement is also set out. The approach may lead to multiple underpin and final underpin dates and will be complex to administer but DLUHC intends that the approach will deliver consistent protection
- **Divorce** – actuarial guidance will be updated to reflect the McCloud remedy and there will be minor changes to how pension debits are reflected in underpin calculations
- **Injury allowances** – DLUHC does not believe that any special provisions are required in relation to this group
- **Excess teacher service** - excess teacher service is pensionable in the LGPS, and members will be retrospectively admitted to the LGPS for the period they were in the TPS reformed scheme during the remedy period
- **Compensation** - draft regulations include provisions regarding payment of and applications for compensation
- **Interest** – draft regulations set out the interest applicable and the period applicable for various types of payment (e.g. retrospective pension/lump sum addition, direct/indirect compensation for financial loss/Part 4 tax loss)

Capita cyber security incident

Published: 12 May 2023.

Capita has recently experienced a cyber security incident and it is now known that some data has been exfiltrated from their servers.

As trustees, you are responsible for the security of your members' data. If you use Capita's services, you should check whether your pension scheme's data could be affected. Make sure you keep communicating with Capita as the situation evolves.

This situation is likely to cause concern to members and you should be prepared to answer their queries. You should contact your members proactively to [warn them about pension scams](#)

(</en/trustees/communicate-to-members/warn-members-about-pension-scams>)

and keep them updated while you confirm whether a data breach has taken place. You should also monitor increased or unusual [transfer requests](#)

(</en/document-library/scheme-management-detailed-guidance/administration-detailed-guidance/dealing-with-transfer-requests>)

If there has been a data breach in your scheme, you may need to notify affected individuals and should direct them to [data breaches guidance for individuals from the National Cyber Security Centre](#)

(<https://www.ncsc.gov.uk/guidance/data-breaches>)

. You may also need to [notify us](#)

(</en/document-library/codes-of-practice/code-1-reporting-breaches-of-the-law>)

and the [Information Commissioner's Office](#)

(<https://ico.org.uk/for-organisations/report-a-breach>)

This incident shows the importance of having a robust cyber security and business continuity plan in place. Make sure you have read our [cyber security guidance](#) (</en/document-library/scheme-management-detailed-guidance/administration-detailed-guidance/cyber-security-principles>)

and check that your own plans are up to date.

We may engage with you further to understand the steps you have taken and what progress you have made.

Is this page useful? Yes / No

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Appendix 3 – Summary of Key Changes

Paragraph	Notes
25 – Taskforce on Climate-related Financial Disclosures (TCFD)	Confirming expected implementation from 2024, with first reporting in late 2025
31 – Cost Control Mechanism	Fire Brigade Union granted permission to appeal High Court judgement on Cost Control Mechanism
37 – McCloud	Government Consultation on issues relating to McCloud remedy (summarised in Appendix 1)
58 – LGPS Sharia Compliance	Evidence sought on LGPS compliance with Sharia
81 – Scams	Major data breach at Capita – copy of Regulator Statement in Appendix 2
87 – Changes to Pension Taxation	Confirmation of changes to Annual Allowance and Lifetime Allowance

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Local Pension Board

15 June 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 fourth quarter of 22/23, 178 retirement cases were processed with 100% 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 fourth quarter of 2022/23, ie. up to 31 March 2023. 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 fourth quarter, the administration team processed 178 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within one month of retirement, the Fund met this target in 80.90% of the 178 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 100% of cases in the quarter.
- 9 In respect of deferment cases, in line with Disclosure requirements the Fund provided 306 early leavers information as to their rights and options available. Of the 306 deferment cases, 96.73% of these cases were within one month of the Fund being notified of an early leaver.
- 10 The Fund received 34 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 1138 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 1138 requests in the quarter, 100% were provided within two months of the initial request.

- 12 During the second quarter, the pension administration team received 3,527 telephone calls to the Fund's Helpline. Of these calls, the team answered 99.50% of scheme members' calls first time. In respect of Online services for members, 19,626 members have registered for the Fund's Pensions Online portal, where 34,236 online calculations have been completed, 16,967 changes have been transacted and 2,899 secure messages have been sent.

Scheme Employer Communications

- 13 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.
- 14 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
- 15 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 16 Ahead of the implementation of the 2022 Valuation, effective from 1 April 2023, all participating employers were provided with their indicative contribution rate for the following 3 years. The rates were ultimately certified by the Fund Actuary ahead of the deadline of 31 March 2023, and the Valuation Report was published on the Fund's area of the council's website www.durham.gov.uk/lgps. As required, the Report was shared with the Scheme Advisory Board and DLUHC.
- 17 All employers were notified of the publication of the Valuation Report. At the same time, the Fund took the opportunity to provide an annual update to its participating employers, covering:
 - (a) Changes to pensions tax, as reported in the Board's Regulatory Update (paragraph 87)
 - (b) Revision to Employee Contribution Bands

- (c) Updated Payroll and HR Guides to the LGPS
- (d) Auto Enrolment Bands for 2023/24
- (e) Approach to Annual Benefit Statement Communications

Scheme Member Annual Communications

- 18 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.
- 19 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.
- 20 In April 2023 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.

Prudential

- 21 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.
- 22 As reported to the Board previously, one of those providers, Prudential, introduced a new ICT system across its business during 2020-21. The implementation resulted in delays for members who have invested through Prudential. In particular, claims for cash at retirement and the processing of contributions were delayed. Board Members were previously provided with a copy of communications received from Prudential.
- 23 The Fund remains cautiously optimistic of improvement in the service received. Occasional issues remain with scheme members reporting an increase in 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.

- 24 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.
- 25 Prudential recently reintroduced their 'LG AVC Forum', on which the Fund is represented. The forum is led by Prudential's Head of Corporate Pensions. As part of their drive to improve their service, it is proposed that these sessions are held every 6 months. Prudential are also working closing with LGA and the LGPS Technical Group, and are keen to improve engagement with both LGPS Funds and LGPS employers and hope that by investing time in these areas it will improve customer experience and expectation.
- 26 The update provided Officers with an insight into the changes implemented by Prudential in order to rectify the poor service experienced by many Funds, but also outlined the future changes planned for implementation, aimed at further service improvement.
- 27 Overall, Prudential are currently working within their expected service SLAs and their phone call abandonment rates are within industry standards. Going forward management information will be available to all Funds so that performance can be monitored at an individual fund level. This will be shared with the Board when available.
- 28 Prudential have recognised the challenges faced by many Funds regards receipt of AVC scheme revision information, which is required for inclusion in the Annual Report and Accounts. Whilst Prudential aim to get fully audited information to Funds by September 2023 (within their statutory deadline) they will be conducting an exercise during May which will provide an unaudited figure for Funds for use in the Annual Report and Accounts.
- 29 Officers will continue to monitor service levels and will feedback to the Board. A summary from the Prudential Forum is included in Appendix 2.

Author(s)

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Appendix 1: Performance Indicators

Performance to 31 March 2023

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.	178	80.9%	874	82.61%	86.65%
Retirements – in Fund’s control	Within 10 days of receiving all required information provide a statement containing retirement benefit information.	178	100%	874	98.47%	98.99%
Deferments - Disclosure	Within one month of being notified of a leaver, provide that member information as	306	96.73%	1,492	95.91%	86.70%

	to the rights and options available.					
Transfers Out – Disclosure	Within one month of a request, provide that member information as to the transfer rights and options available.	34	100%	128	99.22%	-
Transfers Out – Quotation	Within three months of a request, provide a quotation of the cash equivalent transfer value to which a member is entitled.	34	100%	128	99.22%	-
Estimates	Within two months of a request, provide a statement of estimated pension entitlement online or in writing.	1,138	100%	10,089	100%	-
Telephone Helpline	Calls from Scheme Members answered first time	3527	99.5%	16,180	99.4%	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/)	19,626	34,236	15,545	2,899

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Local Government AVC Forum with M&G

18th May 2022

Introduction

Thank you for attending the Forum last week. As promised, a summary of the slides and main messages has been provided.

I expect to run another of these Forum in November this year in order to ensure regular communication and engagement.

This summary is intended to provide Pension Fund officers with an Aide Memoire of the comments made in the Forum. It should not be used with scheme members.

If you have any questions, please contact the Corporate Pensions Client Management Team on corporate.pension.enquiries@prudential.co.uk

Yours sincerely



Alastair Hogg

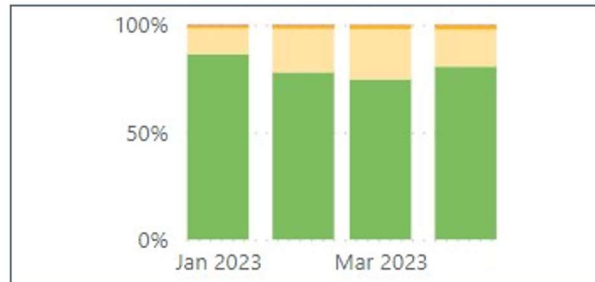
Head of Corporate Pensions

Service Performance

General Servicing Update –Year to End April

- End to end customer journey measurement is in place:
- Targets:
 - 80% of work in Upper
 - 95% in Upper and Lower
 - Less than 1% in Tail
- Overall general performance in 2023 has maintained improved levels of service experienced by scheme members
- Focus continues on delivery of service and further improvement activity to ensure this is maintained
- Complaint trends and customer insight are key drivers to understand where further improvements can be made

All Local Government AVC Schemes, January to April 2023



Closed date	Upper	Upper + Lower	Lower to tail	Tail	Total
01/04/2023	80.5%	97.7%	2.0%	0.4%	100%
01/03/2023	74.6%	98.0%	1.7%	0.3%	100%
01/02/2023	77.9%	98.1%	1.4%	0.5%	100%
01/01/2023	86.4%	98.3%	1.2%	0.5%	100%

7

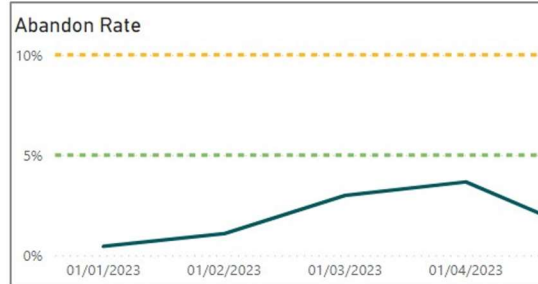
Key Points

- Service is measured on an “end to end” Customer Journey basis meaning that the piece of work is only closed when the whole transaction has been completed.
- Following the poor performance of service in 2021, improvements to processes were introduced in 2022, the performance of service and administration has significantly improved. From an oversight perspective, it is expected that 95% of work will be in the Upper and Lower categories.
- Focus continues on maintaining service and improving quality of delivery.

Voice Performance

Voice Performance update – January to end April 2023

- Average wait times for calls is less than 2 minutes apart from end of Tax Year where this increased due to seasonal demand
- Voice abandonment rate averaging under 5% (industry standard), again impacted at end of tax year
- Program of activity in voice to enhance quality of customer interactions when on the telephone



Date	Offered	Answered	Aband'd	Ab Rate	ASA	AHT	Max Wait
01/05/2023	1,190	1,172	13	1.1%	31	747	405
01/04/2023	6,200	5,840	227	3.7%	148	778	7,544
01/03/2023	7,792	7,426	233	3.0%	109	734	2,755
01/02/2023	6,448	6,269	70	1.1%	50	681	2,150
01/01/2023	6,496	6,358	29	0.4%	22	702	969
Total	28,126	27,065	572	2.0%	80	724	7,544

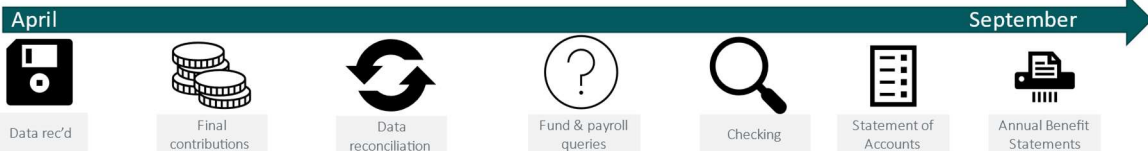
Key Points

- M&G's voice teams have provided a stable service since the beginning of the year and indeed through much of 2022. Programme of activity underway to enhance customer experience when customers call
- An increase in call volumes in March and early April caused by Tax Year end meant that waiting times increased but not above the key measures.

Scheme Revisions

Scheme Revisions, Report and Accounts, Annual Benefit Statements

Full Scheme Revisions Process



The Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 6.

Snapshot Process



Snapshot of Funds Under Management on *Cash Accounting* basis as at 31st March can be provided to help pension funds complete annual statement of accounts. (As distinct from the *Accrual Accounting* basis provided by the full Revision process)

11

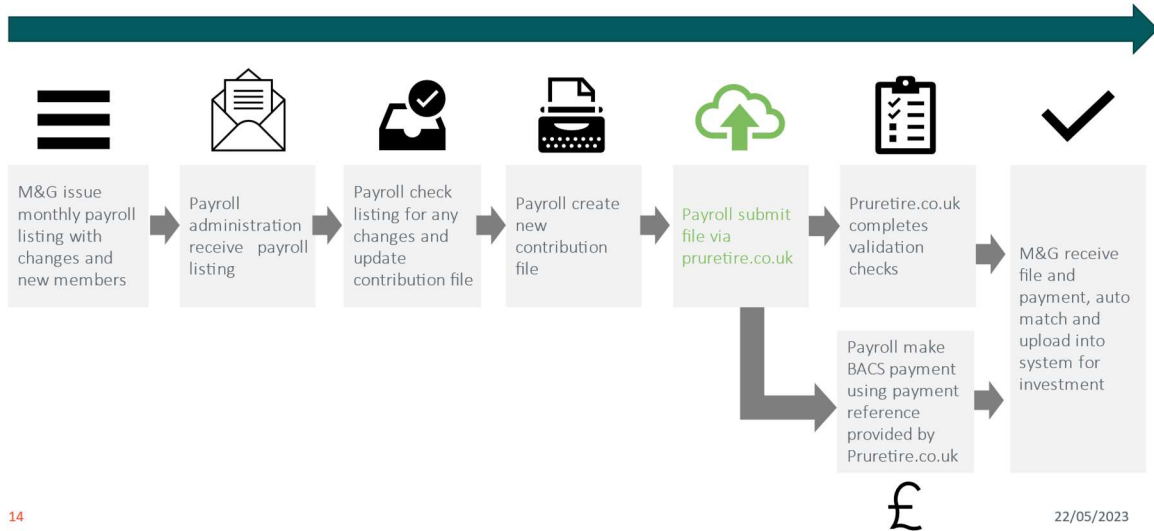
22/05/2023

Key Points

- The full scheme revision process which leads to the production of full Statement of Accounts and Annual Benefit statements, takes a number of months to complete.
- Final data and contributions can be received anywhere up to (and occasionally beyond) 22nd April.
- M&G is conscious of the need for Councils to include pension fund information in their draft accounts by 31st May.
- The full AVC statement of accounts cannot be made ready by 31st May.
- According to the LGPS Regulations 2016 Section 4 (1)(b), because AVCs are invested separately from the Pension Fund, they are not included in the accounts.
- In order to assist Councils, M&G is proposing to offer a “snapshot” of the AVC scheme funds under management at a specific date – 31st March – in order to give a reasonable indication of the funds but noting that the snapshot is not a reconciled and audited figure and is therefore subject to adjustment when the checked Statement of Accounts is provided to the scheme.

Contribution Processing – Project Advance

Contribution Processing



Online submission rules

- Contribution files to use M&G specified format
- One contribution file and payment to be submitted per payroll per pay period
- Teachers pension and Local Government pension contributions to be ring fenced from each other, submitted on different files
- Contribution files to be submitted before payment is made
- BACS payment reference numbers will be provided by M&G's online portal. This matches the file to the payment
- Negative amounts on a contribution file will cause it to fail system validation
- The total amount on the contribution file must equal the BACS payment submitted

Key Points

- This work is to introduce straight through processing of member contributions, removing the need for manual intervention or processing.
- Payrolls will be asked to upload data through M&G's secure portal and to observe file naming conventions
- M&G will contact payrolls to assist them through this process and provide support where required

Member engagement

<https://www.mandg.com/pru/workplace-pensions/employees/public-avc-schemes/legal>

Your AVCs. Your future.

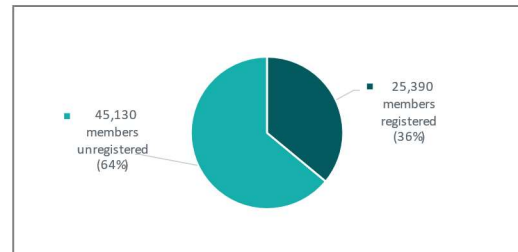


LG AVC webpage usage (Main landing page)

- Main page visits: c6,000 hits per month
- Average dwell time: 5 mins
- New AVC page visits: c3,000 hits per month
- Tax relief page: c780 hits per month

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LG Member registrations for MyPru



Benefits of online registration

- Online benefit statements
- Increased number of documents available on line

Key Points:

- There are two main M&G websites available for LGPS members. On the left is the information and online joining page. This page receives c6,000 hits a month.
- The other site is MyPru which allows scheme members to manage their savings for example by changing their investments or opting to increase their contributions.
- Members can also access their Annual Benefit Statements
- M&G can provide you with material to help encourage members to register for MyPru. The registration web address is pru.co.uk/registernow

Pension Fund Administration Requests:

A request was made for there to be a simplified method of uploading administration requests from pension funds. M&G is investigating how this process might be improved. In the interim, a revised on line form has been created which will provide a better experience for administrators. The form is available using the link below:

<https://www.mandg.com/dam/pru/shared/documents/en/lavf10048.pdf>

Technical Update

Regulatory changes

1. Reasons to be cheerful 1, 2 and 3 -joining the dots

Simpler Annual Benefit Statements

- M&G launched the new Annual Benefit Statement ahead of the regulatory due date of 1st October 2022.
- The new style statement is being used for all DC Pension schemes (not just “workplace schemes”) as M&G believe this will drive greater pension engagement for all scheme members.
- 2 page statutory summary information at front with the usual ABS information in the additional information sections
- The new style statement will be available online as well as loose leaf paper version which uses less paper than the booklet format previously used.

Pensions Dashboard

- M&G has an active project to support delivery and is working with the Pensions Dashboard to the current timeline to connect and provide data by June 2023. Customer testing is ongoing through 2023 with a target go live date of 2024 for members.
- M&G is appointing Heywoods to be our 3rd party ISP provider to connect to the MaPS Pensions Dashboard.
- Implementation date has been delayed DWP working on updated timetable for schemes to provide data to Dashboard to be published before Summer recess 2023

Financial Reporting Council AS TM1 SMPI valuation assumptions and illustrations

- M&G has an active project to update the assumptions used in the ABS and Dashboard
- All statements issued from 1st October 2023
- Standardised assumptions on investment returns and inflation
- Standardised pension illustrations:
 - No lump sum
 - Pension payable for members lifetime monthly in advance
 - Single life only
 - 5 year guarantee period
- Enables a simple like for like comparison between schemes.

Regulatory changes

2. Spring Budget 2023

Lifetime Allowance (LTA)

- 2024/25 onwards – to be abolished
- 2023/24 – remains at £1,073,100
- BUT – no LTA Excess Charge (previously 55% if taken as lump sum / 25% if taken as pension) instead taxed as additional income at individual’s highest marginal rate
- Standard maximum lump sum frozen at 25% of 2023/24 LTA £268,275 based on £1,073,100

LTA Protections

- From 6 April 2023 individuals able to build up further pension without losing existing LTA protections
- Higher maximum lump sums for individuals earlier LTA protections.

Other Allowance changes 6 April 2023

- **Annual Allowance (AA)** increased from £40,000pa to £60,000pa
- **Money Purchase Annual Allowance (MPAA)** from £4,000 to £10,000pa
- **Tapered Annual Allowance (TAA)** increased from £4,000 to £10,000, with increases to the start of the income point for adjustment to income (from £240,000 to £260,000)

Other pension tax changes Addressing the “Net Pay Anomaly”

- To be introduced from 2024/25 tax year
 - Tax relief for pension contributions for non tax payers in “Net Pay schemes”
 - HMRC will invite eligible pension members to apply, with basic rate tax credit to their bank account on their pension contributions
 - Brings pensions tax relief into line with individuals paying contributions through “Relief at Source schemes”

Technical Update

Regulatory changes 3. Other areas of interest

Normal Minimum Pension Age (NMPA)

NMPA increases from 55 to 57 on 6 April 2028

- Protections in place in respect of individuals in pension scheme before 4 November 2021 where scheme rules at 11 February 2021 provided for unqualified right to a minimum pension age below 57.
- M&G verifying scheme rules provisions with Trustees / Statutory scheme sponsors– LGA confirmed unqualified right to age 55
- Individuals with Protected Pension Age transferring to another pension scheme may be able to retain protected age on transfer to another scheme
- NMPA 57 applies for new starters 4 November 2021 onwards
- Existing protected pension age below age 55 remain

Increase to National Minimum Wage

- Rate increased 1 April 2023 from £9.50ph to £10.42
- Increases minimum threshold for salary sacrifice

Hours	1 April 2022	1 April 2023
35 hours per week	£17,290	£18,964
40 hours per week	£19,760	£21,674

- Some members paying through Salary Sacrifice could be affected and may need to fall out of these arrangements.

