



Local Pension Board

Date Thursday 12 September 2024
Time 2.00 pm
Venue Committee Room 1A/1B, County Hall, Durham

Business

Part A

Items which are open to the Public and Press.

1. Apologies for Absence
2. Declarations of Interest (if any)
3. The Minutes of the Meeting held on 24 June 2024 (Pages 21 - 26)
4. Observations and Feedback from:
[Pension Fund Committee](#) held 12 September 2024
5. Pension Administration Report (Pages 27 - 56)
6. Regulatory Update (Pages 57 - 82)
7. Pensions Dashboard Preparation (Pages 83 - 94)
8. Border to Coast Pension Partnership Strategy - Verbal Update
9. Pension Fund Statement of Accounts - Verbal Update
10. Date of Next Meeting - 17 December 2024
11. Any Other Business

Helen Bradley
Director of Legal and Democratic Services

County Hall
Durham
4 September 2024

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

Scheme Employer Representatives:

Councillors A Hopgood

Scheme Member Representatives:

L Oliver and W Pattison (Chair)

Contact: Martin Tindle

Tel: 03000 269 713

Pension Fund Committee



Abbreviations

List of commonly used abbreviations

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

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

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

Author(s)

Paul Cooper

Tel: 03000 269798

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Glossary of commonly used terms

A

Active Management

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

Active Member

A current employee who is contributing to the pension scheme.

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions (AVCs)

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

Administering Authority

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

Admission/Admitted Body

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

Asset Allocation

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

Authorised Contractual Scheme (ACS)

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

B

Benchmark

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

Border to Coast Pension Partnership (BCPP)

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

Border to Coast Joint Committee

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

C

CARE (Career Average Revalued Earnings)

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

Cash Equivalent Value (CEV)

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

Consumer Price Index (CPI)

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

Commutation

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

Convertible Shares

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

Custodian

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

D

Death Grant

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

Deferred Member/Pensioner

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

Defined Benefit Scheme

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

Denomination

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

Designating Body

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

Discretion

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

Direct Property

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

Diversified Growth Funds (DGF)

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

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

E

Employer Contribution Rates

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

Employer Covenant

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

Equities

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

ESG

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

F

Fiduciary Duty

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

Financial Instruments

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

Fixed Interest Securities

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

Fund of Funds (FoF)

A fund that holds a portfolio of other investment funds.

G

Guaranteed Minimum Pension (GMP)

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

I

Index

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

Internal Rates of Return (IRR)

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

L

Local Government Pension Scheme (LGPS)

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

Local Pension Board (LBP)

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

M

Myners Principles

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

Effective decision-making

Clear objectives

Risk liabilities

Performance assessment

Responsible ownership

Transparency and reporting.

O

Ordinary Shares

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

P

Partner Funds

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

Pension Liberation Fraud

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

Pensions Online

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

Pensions Regulator

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

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

Pooled Funds

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

Pooling in the LGPS

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

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

Proxy Voting

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

Q

Quantitative Easing

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

R

Related Party Transactions

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

Responsible Investment (RI)

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

Retail Price Index

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

Return

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

Rule of 85

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

S

Scheduled Body

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

Spot Rate

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

State Pension Age (SPA)

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

Stock Lending

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

T

TCFD

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

The Pension Advisory Service (TPAS)

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

Transfer Value

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

Transferred Service

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

U

UK Stewardship Code

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

Unrealised gains/losses

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

Author(s)

Paul Cooper

Tel: 03000 269798

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DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Monday 24 June 2024** at **2.00 pm**

Present:

W Pattison in the Chair

Members of the Committee:

Councillor A Hopgood

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 of the meeting held 22 March 2024 were agreed as a correct record and signed by the Chair.

4 Observations and Feedback from Pension Fund Committee

The Head of Pensions (LGPS), Paul Cooper noted Councillor A Hopgood had attended the meeting of the Pension Fund Committee held 24 June 2024 and presented the Annual report of the Local Pension Board to the Committee.

The Head of Pensions (LGPS) noted that the Committee had received a number of reports, including in Part A: review of the Committee's Terms of Reference; Internal Audit update; External Audit Strategy; and a Regulatory update. He noted that under Part B, Members of the Committee received reports in respect of Global Equity Alpha investment performance, as well as regular performance reporting on the Fund's mandates.

Councillor A Hopgood asked as regards performance of Global Equity Alpha and the Funda Managers and structure. The Head of Pensions (LGPS) noted the current position and explained as regards fees.

RESOLVED:

That the verbal update be noted.

5 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 (LGPS) noted the new format and gave details in respect of performance of the Pension's Portal and transfers.

A Hopgood asked as regards performance of those areas outside of control of the Pensions Team. The Head of Pensions (LGPS) explained that whilst not in the Fund's control these processes were not always the Employer's fault either - he noted an example where an employee may retire on ill health, and where that may elongate the process. A Hopgood asked whether it was worth feeding back to Government that such indicators could never be realistically at 100 percent. The Head of Pensions (LGPS) noted that a raft of new KPIs from Government would look to focus more on elements that were under the control of Pensions Teams.

The Chair asked as regards measures A1 and A2 both stating 188 cases, and whether they were the same. The Head of Pensions (LGPS) noted that A1 referred to all cases, and A2 referred to the 10-day target for the element within control of the Pensions Team.

RESOLVED:

That the report be noted.

6 Regulatory Update

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

The Head of Pensions (LGPS) noted that the main issues were set out within the appendices, with Appendix 1 referring to the new suite of KPIs, Appendix 2 referring to gender pay gap, and Appendix 3 referring to a letter from the Local Government Minister to all Chief Executives and s151 Officers asking whether the current number of Pension Funds was right, or whether they could consolidate further.

Councillor A Hopgood asked whether there was any consequence for those Funds that had not yet demonstrated pooling progress. The Head of Pensions (LGPS) explained that there may be issues for those Funds, reminding the Board of the progress that Durham had made with Border to Coast Pensions Partnership (BCPP) in respect of pooling, with a looming 2025 deadline against which Fund may be assessed. He added it appeared that there appeared to be a desire for fewer pools, of larger scale, noting the current largest pool being around £60 billion, with Government referring to economies of scale of up to and beyond £100 billion. The Head of Pensions (LGPS) noted that there is an argument that consolidation should follow pooling, to first realise the benefits in terms of pooling, such as increased resilience and professionalism, as well as savings in terms of fees. He noted continued cross-party desire for greater LGPS support for "UK Plc", however, he would note that the first duty was a fiduciary one to make sufficient returns in order to pay pensions.

A Hopgood noted she felt that the near-term focus should be on what was broken - namely those Funds that had yet to demonstrate pooling progress, noting the risks associated with consolidation.

RESOLVED:

That the report be noted.

7 Pensions Regulator Single Code of Practice Update

The Board considered an update on the Pensions Regulator Single Code of Practice (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the Pensions Team Leader, Ashleigh Phillips would cover the update, reminding the Board that the new Single Code of Practice (COP) would consolidate 14 COPs into one, reiterating that it was important to understand which elements applied to the whole pensions industry, which applied to the LGPS, and which did not. He noted the agenda paper set out the progress being made in terms of compliance.

The Pensions Team Leader noted that the new code covered five main areas: Governing Bodies; Funding and Investment; Administration; Communications and Disclosure; and Reporting to the Pensions Regulator.

The Head of Pensions (LGPS) explained that in respect of the UK Stewardship Code, a lot of work had been undertaken via BCPP and that Pension Fund Officers were working together. He noted in respect of Mandatory TCFD Reporting, it was likely to be no earlier than Christmas 2025 in terms of requirements to report.

Councillor A Hopgood noted caution regards changing positions in respect of climate change, and the risk of investing too much resource at this early stage.

The Pensions Team Leader gave further details in respect of Administration and reporting to the Regulator. The Head of Pensions (LGPS) noted a report to come back to the Board in March 2025, following the end of an external review. The Pensions Team Leader noted that one of the larger areas of work was that of cybersecurity, with a big push within the LGPS to address. The Chair noted her experience with cybersecurity, adding that being proactive was cheaper and noted the importance of insurance. The Chair and Councillor A Hopgood reiterated the importance of cybersecurity and impact and reputational damage that could result from a successful cyber-attack. The Chair noted she would share further information with Officers, as required.

RESOLVED:

That the update be noted.

8 Internal Dispute Resolution Procedure

The Board considered a report from the Corporate Director of Resources regarding a summary of the outcomes of any internal dispute cases or Pensions Ombudsman cases in which the Pension Fund has been involved in during 2023/24 (for copy see file of Minutes).

The Head of Pensions (LGPS) noted it was a right for scheme members to be allowed to appeal any decisions made and explained there had been 17 appeals within the period, a relatively low number. He added that 13 of the 17 appeals upheld the original decision, with three having progressed to Stage 2, one having been turned down, two ongoing. He explained that after Stage 2, a final stage would be consideration by the Pensions' Ombudsman. He explained that the Ombudsman could issue an interim finding, where it could be to note no issue, or to suggest a remedy with the scheme member. He added should any matter progress to a full decision, then this would be published, and the Local Authority named.

Councillor A Hopgood asked as regards compensatory payments, set out at paragraph seven of the report. The Head of Pensions (LGPS) noted that this can be a small amount when compared to reputational risk, however, some cases related to old transfer cases. The Pensions Team Leader reminded the Board that scheme members were allowed to transfer, however, it was important to not only give those individuals sufficient information but also to evidence that information had been given, so that the scheme member could make an informed decision.

Councillor A Hopgood made an analogy to mortgage payment protection payments, and the high number of claims following high profile advertising as regards claims of being mis-sold those policies. The Head of Pensions (LGPS) noted that there were a number of companies that would canvass scheme members in terms of making a complaint, however, he reiterated that the number we received were relatively small, with none currently sufficient to refer to the Ombudsman.

RESOLVED:

That the report be noted.

9 Pension Fund Breach Monitoring 2023/24

The Board considered a report from the Corporate Director of Resources in relation to Pension Fund Breach Monitoring for 2023/24 which also gave an overview of the operation of the Durham County Council Pension Fund's policy on management of breaches (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the report contained appendices that set out the policy in respect of reporting breaches, The Pensions Regulator's code of practice in respect of breaches. He added the final appendix set out the breach log and details of the actions taken.

The Pensions Team Leader noted that any issues on the log would be monitored, to ensure it can be evidenced going forward. The Head of Pensions (LGPS) noted that the Pension Fund Committee had agreed that the Local Pension Board would have oversight in respect of breaches, to be reported annually in June. He added should there be a major issue, then this would be brought to the attention of the Board sooner. The Pensions Team Leader noted that the guidance from The Pensions Regulator was very clear in terms of what issues to report.

RESOLVED:

That the report be noted.

10 Date of Next Meeting - 12 September 2024

The next meeting would be held on 12 September 2024 at 2.00pm.

Local Pension Board

12 September 2024

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 The Fund is focused on providing a quality service to its members, throughout their membership, ultimately ensuring timely payment of accurate pensions. The Fund continues to seek to develop its approach to communication, seeking to effectively utilise the Fund's Telephone and Online Services. To date, 26,116 scheme members have registered for the Fund's online portal.
- 3 In the first quarter of 2024/25, 286 retirement cases were processed with 95.10% of those retirees receiving a statement within 10 days of the team receiving the necessary information to do so.
- 4 This report seeks to provide the Board an overview of key pension administration performance information relating to services to the Fund's scheme members. In addition to the Local KPI monitoring regularly provided to the Board, additional information relating to KPIs in revised guidance is included to assist the Board in monitoring the Fund's service delivery.

Recommendation(s)

- 5 The Board is asked to note the report.

Background

- 6 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.

Local Key Performance Indicator (KPI) Monitoring

- 7 Included in Appendix 1 are a number of Performance Indicators, with the aim of making the Board aware of administration performance in key areas. Reporting is included for the first quarter of 2024/25, as well as the respective numbers for previous financial years. The data covers services to members in respect of retirement, deferment (leaving scheme before pension payable), Helpline support, and Online services.
- 8 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. Revised guidance on the production of LGPS KPI data has recently been issued and is covered in more detail in the Regulatory update elsewhere on the Board's agenda.
- 9 In the first quarter of 2024/25, the administration team processed 286 retirement cases. Measured in line with the Disclosure requirement of providing scheme members a statement containing retirement information within two months of retirement, the Fund met this target in 82.87% of the 286 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 95.10% of cases in the quarter.
- 10 In respect of deferment cases, in line with Disclosure requirements the Fund provided 263 early leavers information as to their rights and options available. Of the 263 deferment cases, 97.34% of these cases were within one month of the Fund being notified of an early leaver.
- 11 The Fund received 33 requests for transfer-out information during quarter four and of these requests, 100% of scheme members were provided information as to the transfer rights and options available to them within one month. In the quarter, 21 cash-equivalent transfer

values were supplied to scheme members, of which 95.24% were within three months of the initial request.

- 12 In respect of Estimates, the Fund received 3,933 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 3,933 requests in the quarter, 100% were provided within two months of the initial request.
- 13 During the second quarter, the pension administration team received 4,083 telephone calls to the Fund's Helpline. Of these calls, the team answered 99.10% of scheme members' calls first time. In respect of Online services for members, 26,116 members have registered for the Fund's Pensions Online portal to date, where 55,872 online calculations have been completed, 21,872 changes have been transacted and 4,398 secure messages have been sent.
- 14 There are no material breaches of law to report to the Local Pension Board in the quarter, but a full summary of breach monitoring and minor breaches for the year ended 31 March 2024 was included on the Board's agenda in June.
- 15 A summary of Local Pension Administration KPIs are included from page 2 of Appendix 1.

Scheme-Standard KPI Monitoring

- 16 The updated guidance for preparing the LGPS Fund Annual Report contains provisions for standardised performance indicators to be used across the LGPS in England and Wales. This guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and MHCLG. It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.
- 17 The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance outlines that funds should use their best endeavours to comply with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The guidance will be kept under regular review.

- 18 The guidance is available online at:
<https://lgpsboard.org/images/Guidance/Annual%20Report%20Guidance%202024.pdf>.
- 19 The Fund has begun the implementation of these 'Scheme-Standard' KPIs, to assist the Board with their monitoring of the Fund's service delivery. The Scheme-Standard KPIs are set out from page 6 of Appendix 1. On page 8, are a number of KPIs which follow the new guidance and will be reported to the Board quarterly. It is anticipated that over time, this set of KPIs which will become standard across the LGPS, will replace the Fund's own local KPIs.
- 20 It can be noted that the range of KPIs are broadly similar to the reporting Officers already provide to the Board in the local KPI reporting, with only minor differences in the time periods measured.
- 21 The monitoring for the first Quarter of 2024/25 shows that following the death of a scheme member, the Fund contacted the bereaved family / next of kin / solicitors within 5 days of being notified of a death in 90.76% of cases processed (B1). It should be noted that it is not always appropriate to write out this soon, for reasons of sensitivity. Additionally, the Fund the sets up processes (and measures this KPI) as soon as it finds out about a death – the Fund does not necessarily know the details of the next of kin at this stage (for example when being notified by a current or former employer).
- 22 In terms of retirement monitoring, in 98.23% of cases processed during the first quarter, communications outlining retirement options were issued to retirees within 15 days of the Fund being able to do so (B4). Similarly, the Fund issued options in respect of prospective deferred pensions coming into payment within 15 days, in 97.28% of cases processed (B5). 99.52% of retirement cases were finalised within 15 days of the Fund being able to do so (B6); and 98.47% of retirement lump sums were paid within 15 days of the Fund being able to do so (B7). Along with deaths, retirements are the Fund's highest priority area of processing. Retirement estimates (B15) processed in the quarter were all issued (100%) within 15 days.
- 23 In respect of early leavers from the Fund, in the first quarter of 2024/25 the Fund outlined deferred benefit options to leavers within 30 days for 97.34% of cases processed (B8). For scheme members leaving without an entitlement to benefits, refunds of contributions were paid within 10 days of the Fund being able to do so, in 87.50% of cases processed in quarter one (B11). It should be noted, that whilst this is slightly lower performance than all of the Fund's other KPI measures, early leavers and in particular those without an

entitlement to benefits, are the Fund's lowest priority area of processing.

- 24 For transfers into the Fund processed during the quarter, in all cases (100%) relevant communications were issued to members within 15 days (B9). Regarding scheme members transferring out, relevant communications were issued to members for all cases (100%) completed in the quarter, within 15 days (B10). The Fund issued all (100%) divorce quotations in the quarter within 45 days (B12).
- 25 Pages 10-11 and 13-19 of Appendix 1 set out the KPIs which the Fund will report annually within its Annual Report – it is not proposed to report these measures to the Board with any greater frequency. Fund Officers have reviewed the guidance and expect to comply with the majority of reporting requirements for the 2023/24 Annual Report, but will exercise judgement where to do so would require disproportionate effort or cost. These annual measures will be presented to the Board in December, following completion of the Annual Report.
- 26 Finally, set out in Page 12 of Appendix 1 are the limited number of KPIs which the Fund is still developing and/or undertaking quality assurance of the data. It is anticipated that performance against all of these four measures will be reported to coming Board meetings, before the end of the municipal year.

Scheme Employer Communications

- 27 The Fund held its Annual Meeting on 9 November 2023. 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. The next Annual Meeting will be held on 7 November 2024.
- 28 Recognising the key role played by the Fund's participating employers in delivering services to members, the Fund has previously 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

- 29 It is pleasing to note that 67 different representatives from the Fund's participating employers attended one or more of the sessions.
- 30 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.
- 31 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 previous Regulatory Updates to the Local Pension Board
 - (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
- 32 On 10 August 2023 the Scheme Advisory Board published a detailed report that pulls together data from all of the 2022 local fund valuation reports. This 2022 Scheme Valuation Report aims to provide a rich source of information about a range of vital issues for scheme members, employers and other stakeholders. A copy of both the scheme-wide report, and the Fund's 2022 Valuation Report was previously shared with the Board. Further detail on the Government Actuary Department's review of the 2022 Valuations is included elsewhere on the Board's agenda.
- 33 Officers are in the process of upgrading the Fund's online Employer Hub. It is anticipated that this will improve the service provided to participating employers and offer the same level of enhancement as the Fund's scheme member portal. By offering more efficient interactions between Fund and Employers, service levels to scheme members should also be enhanced.
- 34 Working in collaboration with the Fund's software supplier on its development, development of the Hub represents significant step forward as the Fund seeks to further digitise its processes and interactions with its employers. The new web-based portal will facilitate more streamlined and efficient workflows and reduce manual

tasks with the aim of improving productivity. The Hub seeks to enhance the experience of employer participation in the Fund and provide easier access to important information and services.

- 35 Fund Officers have carried out extensive testing on the new Hub, undertaking testing on hundreds of individual test cases executed over several weeks. The Team evaluated all features and functionality of the module, from user interface elements to back-end processes, ensuring they met or exceeded the established practices. This rigorous testing phase served to identify and rectify potential issues, ensuring a seamless and efficient user experience upon launch.
- 36 It is intended to roll out the new Hub to selected scheme employers in 2024 with a window to provide feedback. Following on from this live testing, all feedback will be reviewed and the Fund's Systems Team will implement any improvements identified by the test group. The final product will then be rolled out to all employers and training/assistance provided by the Systems Team.

Scheme Member Annual Communications

- 37 All Annual Benefit Statements for both Active and Deferred members of the Scheme were made available ahead of the statutory deadline of 31 August 2023. Unless a member has opted out of the service, the Statements were made available through the Fund's Pensions Online portal. A paper copy was provided to the small number of members who have opted out. A copy of the was previously shared with the Board.
- 38 In April 2024 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 opted out of the online service. In addition to the rate of increase, important information for LGPS pensioners and topical relevant information was included.
- 39 At the time of writing, all Annual Benefit Statements for deferred and active members of the scheme have been calculated and uploaded to the Fund's Online Portal and notifications are due to be issued to scheme members before the statutory deadline of 31 August.

AVCs

- 40 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.
- 41 The Fund regularly monitors performance of all AVC providers to ensure that member's AVC benefits are processed within agreed SLAs. Where concerns are raised either by a Scheme Member or a Scheme Employer, the Fund is able to escalate issues directly with an Account Manager at each provider. Overall the AVC providers are all currently working within their expected service SLAs and phone call abandonment rates are within industry standards.
- 42 During 2023 Prudential 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, 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.
- 43 LGPS Employers in the Fund now have the option to implement a Salary Sacrifice AVC (SSAVC) scheme via a service provided by My Money Matters (formerly AVC Wise). This scheme has been popular nationally amongst LGPS Employers; and the Pension Fund currently has six employers offering the scheme to their staff, including its largest employer Durham County Council.
- 44 The SSAVC scheme has advantages to both Scheme Members and Employers, due to the NIC savings associated with paying an AVC via salary sacrifice. This provides members with a cheaper, more affordable way to save extra towards retirement, whilst reducing staff costs for Employers.
- 45 Officers have monitored the implementation of the AVC Wise scheme amongst Fund Employers, each of which has gone smoothly and has correlated with an increase in AVC take up amongst employees at those employers.
- 46 AVC providers are required to send the Pension Fund annual accounting information, for inclusion in the Fund's Annual Report and Accounts. Although this information has a statutory deadline of 30 September, LGPS AVC providers are aware of the Fund's obligation

to publish the Report and Accounts at a much earlier date. Both Standard Life and Prudential were able to provide this information within Durham's deadlines and the figures were included in the Pension Fund's 2023-24 Annual Report and Accounts document.

- 47 Officers will continue to monitor service levels and will feedback to the Board.

McCloud

- 48 After reforming public service pension schemes in 2014 and 2015, the Government introduced transitional protections for older members. However, in December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them. This ruling is called the 'McCloud judgment'. As a result of the ruling, changes have been made to the LGPS to remove the age discrimination. These changes are known as the 'McCloud remedy', on which the Board has been briefed previously and whose main provisions are set out elsewhere on the agenda.
- 49 The Fund has been collecting and inputting missing service data for the period from 1 April 2014 from all scheme employers, with data received from the largest employers and the majority of smaller employers.
- 50 Officers of the Fund continue to work closely with its software supplier with imminent updates to support the upload of data from employers, as well as delivery of a module to allow for the calculating of service for missing data. A dedicated McCloud project team is now in place. Once all data has been successfully uploaded, the McCloud remedy will be applied to all 'new' leavers. A module is expected to become available from our software supplier in the New Year, to allow a bulk recalculation of all historical cases.

Dashboard

- 51 The Board have previously been briefed on the upcoming Pensions Dashboard initiative. The Fund is committed to contributing to the success of the project, recognising its role in facilitating better retirement planning for individuals. A key aspect of the Fund's preparation is data cleansing and ongoing management of data quality.

- 52 As part of its commitment, the Fund is finalising a data improvement plan. Recognising that the efficiency of the Pension Dashboard Project relies on the quality of data across the industry, the Fund will seek to eliminate any inconsistencies or errors within the existing dataset.
- 53 A specific update on the approach that the Fund will follow is included elsewhere on the Board's agenda.

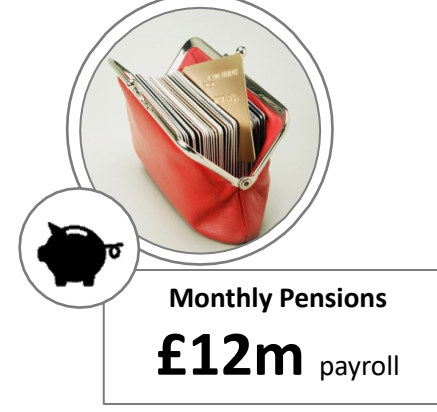
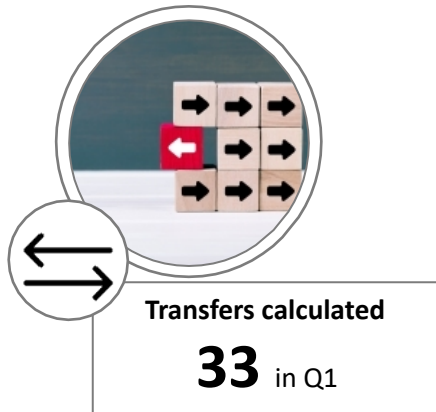
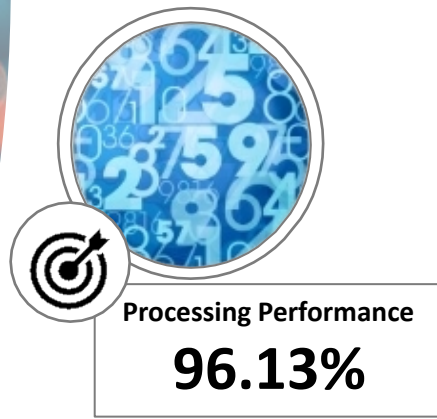
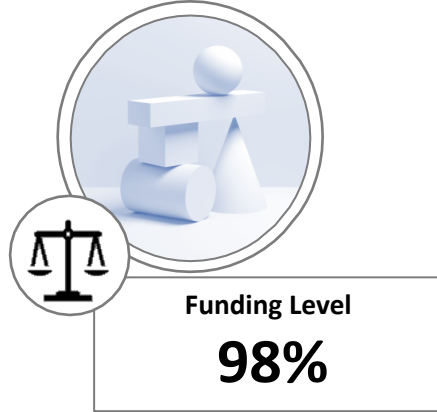
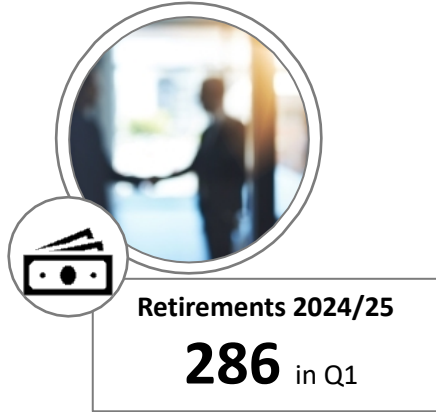
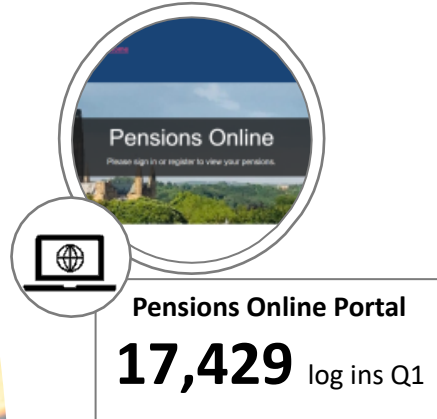
Author(s)

Paul Cooper

Tel: 03000 269798

Pension Administration Performance Indicators 2024/25 – Quarter 1

Durham County Council Pension Fund Administration 2024/25 Q1



*

*Measures in Fund's control, excluding self-service (ie. weighted average of local KPIs A2, A3, A5)

Local Performance Indicators

2024/25 Service Key Performance Indicators

Local KPI monitoring: A – Casework Processing

Page 40

Key Performance Indicators		Performance Target	Total Cases Q1 2024/25	Performance Q1 2024/25	Performance 2023/24	Performance 2022/23	Performance 2021/22
A1	Retirements Disclosure - Within two months of retirement provide a statement containing retirement benefit information.	100%	286	82.87%	81.94%	82.61%	86.65%
A2	Retirements in Fund's Control - Within 10 days of receiving all required information provide a statement containing retirement benefit information.	100%	286	95.10%	98.23%	98.47%	98.99%
A3	Deferment Disclosure - Within one month of being notified of a leaver, provide that member information as to the rights and options available.	100%	263	97.34%	96.07%	95.91%	86.70%
A4	Transfers out Disclosure - Within one month of a request, provide that member information as to the transfer rights and options available.	100%	33	100%	100%	99.22%	-
A5	Transfers out Quotation - Within three months of a request, provide a quotation of the cash equivalent transfer value to which a member is entitled.	100%	21	95.24%	93.00%	99.22%	-
A6	Estimates - Within two months of a request, provide a statement* of estimated pension entitlement online or in writing.	100%	3,933	100%	100%	100%	-

2024/25 Service Key Performance Indicators



Local Government Pension Scheme

Local KPI monitoring: B – Communications & Engagement

Key Performance Indicators		Total Cases Q1 2024/25	Performance Target	Performance 2024/25	Performance 2023/24	Performance 2022/23	Performance 2021/22
B1	Pensions Helpline - Calls from Scheme Members answered first time	4,083	100%	99.10%	99.30%	99.40%	98.47%
Key Performance Indicators			Total Registrations to date	Total Online Calculations Completed	Total Self-Service Online Changes	Secure messages sent Through Portal	
B2	Online Portal Since Launch - Total Registrations & Activity through Pensions Online portal (https://pensionsonline.durham.gov.uk/)		26,116	55,872	21,872	4,398	
Key Performance Indicators			Total Log ins 2024/25 Q1	Individuals logging in 2024/25 Q1	Total Log ins during 2023/24	Individuals logging in 2023/24	
B3	Online Portal in Year - Total logins through Pensions Online portal during year (https://pensionsonline.durham.gov.uk/)		17,429	5,808	52,931	9,142	
Key Performance Indicators			Performance Target	Performance 2023/24	Performance 2022/23	Performance 2021/22	
B4	Annual Benefit Statements – Statements made available online* by 31 st August for active members known to the Fund		100%	100%	100%	100%	

*paper copies made available to those opting out of online services

LGPS Scheme-Standard Performance Indicators

Service Performance Indicators 2024/25

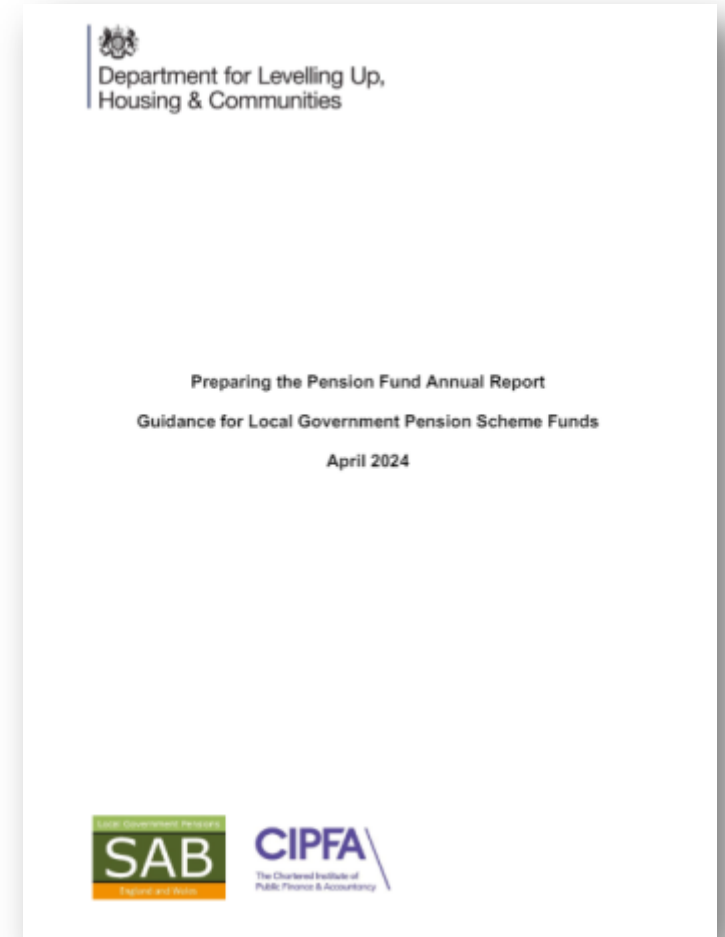
Performance Requirements based on:

The updated guidance for preparing the LGPS Fund Annual Report contains provisions for standardised performance indicators to be used across the LGPS in England and Wales. This guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.

The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance says that funds should use their *best endeavours* to comply with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The guidance will be kept under regular review.

The guidance is available online at:

<https://lgpsboard.org/images/Guidance/Annual%20Report%20Guidance%202024.pdf>



Service Performance Indicators

2024/25 Scheme-Standard KPI monitoring

B – Casework Processing Time – Q1

Key Performance Indicators		Proposed Target Days	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	90.76%	-
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	98.23%	-
B5	Communication issued to deferred member with confirmation of pension and lump sum options	15 days	97.28%	-
B6	Communication issued to active member with confirmation of pension and lump sum options	15 days	99.52%	-
B7	Payment of lump sum (both actives and deferreds)	15 days	98.47%	-
B8	Communication issued with deferred benefit options	30 days	97.34%	-

Service Performance Indicators

2024/25 Scheme-Standard KPI monitoring

B – Casework Processing Time – Q1

Key Performance Indicators		Proposed Target Days	% completed within fund target in year	% completed in previous year
B9	Communication issued to scheme member with completion of transfer in	15 days	100%	-
B10	Communication issued to scheme member with completion of transfer out	15 days	100%	-
B11	Payment of refund	10 days	87.50%	-
B12	Divorce quotation	45 days	100%	-
B15	Member estimates requested by scheme member and employer	15 days	100%	-

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting



A – Total Casework – To be reported in Annual Report

Key Performance Indicators		Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members					
A2	New dependent member benefits					
A3	Deferred member retirements					
A4	Active member retirements					
A5	Deferred benefits					
A6	Transfers in (including interfunds in, club transfers)					
A7	Transfers out (including interfunds out, club transfers)					

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

A – Total Casework – To be reported in Annual Report

Key Performance Indicators		Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A8	Refunds					
A9	Divorce quotations issued					
A10	Actual divorce cases					
A11	Member estimates requested either by scheme member and employer					
A12	New joiner notifications					
A13	Aggregation cases					
A14	Optants out received after 3 months membership					

Service Performance Indicators

2024/25 Scheme-Standard KPI monitoring – In Development



Local Government
Pension Scheme

B – Casework Processing Time – Work in progress to provide Board reporting

Key Performance Indicators		Proposed Target Days	% completed within fund target in year	% completed in previous year
B2	Communication issued confirming the amount of dependents pension	10 days		
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days		-
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days		
B14	Communication issued to new starters	40 days		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

C – Communications and engagement – To be reported in Annual Report

Key Performance Indicators		% as at 31 March	% in previous year
KPI	Engagement with online portals		
C1	% of active members registered		
C2	% of deferred member registered		
C3	% of pensioner and survivor members		
C4	% total of all scheme members registered for self-service		
C5	Number of registered users by age		
C6	% of all registered users that have logged onto the service in the last 12 months		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

C Communications and engagement – To be reported in Annual Report

Key Performance Indicators		Number in Year	Number in Previous Year
KPI	Communication		
C7	Total number of telephone calls received in year		
C8	Total number of email and online channel queries received		
C9	Number of scheme member events held in year (total of in-person and online)		
C10	Number of employer engagement events held in year (in-person and online)		
C11	Number of active members who received a one-to-one (in-person and online)		
C12	Number of times a communication (i.e newsletter) issued to each of: Active Members / Deferred Members / Pensioners		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

D – Resources – To be reported in Annual Report

Key Performance Indicators		Number in Year	Number in Previous Year
D1	Total number of all administration staff (FTE)		
D2	Average service length of all administration staff		
D3	Staff vacancy rate as %		
D4	Ratio of all administration staff to total number of scheme members (all staff including management)		
D5	Ratio of administration staff (excluding management) to total number of scheme members		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

E – Data Quality – To be reported in Annual Report

Key Performance Indicators		Current Year	Previous Year
KPI	Annual Benefit Statements		
E1	Percentage of annual benefit statements issued as at 31 August		
	Short Commentary if below 100%		
	Data Category		
E2	Common data score		
E3	Scheme Specific data score		
E4	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date		
E5	Percentage of active, deferred and pensioner members with an email address held on file		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

E – Data Quality – To be reported in Annual Report

Key Performance Indicators		Current Year	Previous Year
KPI	Employer performance		
E7	Percentage of employers set up to make monthly data submissions		
E8	Percentage of employers who submitted monthly data on time during the reporting year		

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

F Investments – To be reported in Annual Report

UK Listed Equities		Pooled	Under Pool Management	Not Pooled	Total
KPI	UK Exposure - £m Asset values as at 31 March				
F1	UK Listed Equities				
	UK Government Bonds				
	UK Infrastructure				
	UK Private Equity				
	Total				
F2	Total Private Equity Exposure - £m Asset values as at 31 March				
F3	Levelling Up Investment - £m Asset values as at 31 March				

Service Performance Indicators

2024/25 Scheme-Standard Annual KPI Reporting

G – Pooled Assets – To be reported in Annual Report

Assets Pooled		Pooled	Under Pool Management	Not Pooled	Total
G1	Total				
Pooling Savings		Total			
G2	Cumulative Pooling Savings since inception	£			
G3	Pooling Savings in year to 31 March	£			

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Pension Fund Committee

12 September 2024

Local Pension Board



Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

- 1 This report briefs the Committee 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 Committee updated with those developments.

Recommendation(s)

- 3 The Pension Fund Committee is asked to note the report.

Background

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

LGPS Specific Matters

Levelling Up White Paper – LGPS Local Investment Plans

- 5 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”.
- 6 The Fund committed the necessary capital to enable 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. The Fund’s initial £18m cornerstone commitment enabled the launch of the fund in region, which has subsequently attracted additional capital. The regional fund now has £98m of committed capital in the North-East.
- 7 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.
- 8 Separately, On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (which were previously shared with the Committee) intended to drive growth and competitiveness in the financial services sector. It was also expected that there would be a consultation on new guidance on Local Government Pension Scheme asset pooling.

MHCLG Consultation – LGPS: Next Steps on Investments

- 9 A detailed briefing was considered by both the Pension Fund Committee and Local Pension Board in September 2023, following

the launch of DLHC's consultation 'LGPS: Next Steps on Investments'.

- 10 Since 2015, the Pension Fund has worked in collaboration with 10 local authority partners to pool its c£3.5bn assets through its chosen pooling company, Border to Coast Pension Partnership. As of summer 2023, the Fund has pooled all of the liquid assets in its investment strategy. The Fund has benefitted from the availability of a Private Markets programme through the pool, extensive Responsible Investment resource, and has generated cost savings which are reported annually in the Fund's Annual Report and Accounts.
- 11 More widely however, progress on pooling has stalled across much of England and Wales. Despite a clear policy intention to deliver pooling, in the absence of guidance or regulation, many Administering Authorities have chosen to retain their assets outside of their respective pool.
- 12 In light of the lack of progress, MHCLG consulted on pooling consolidation, setting Administering Authorities a deadline of 2025 to pool liquid assets and introducing enhanced reporting requirements on pooling progress. The consultation proposed that a smaller number of larger pools would provide greater economies of scale, and that greater collaboration should be pursued. In a wide-ranging consultation, the government also proposed directing LGPS Funds in the way in which they invest. In particular, targets were proposed for allocations to investments which support UK Levelling Up and allocations to Private Markets more generally.
- 13 Following consultation with the Committee and Board, the Fund responded to the consultation and separately, worked with its pooling partners to formulate a collective response.
- 14 Subsequently, on 22 November, MHCLG responded to the consultation. The Fund is considering the consultation response individually, and collectively with its pooling Partners. The SAB is continuing to read and absorb the response, and a SAB update will follow soon. On January 16 SAB representatives met the minister for local government, Simon Hoare MP, in person. Topics discussed included McCloud; the next steps on investments consultation; as well as government progress on the Good Governance recommendations and on the climate risk reporting consultation response.
- 15 The Minister later went on record at the LGA conference in February expressing that he was giving "serious thoughts to the prudence of retaining 87 LGPS funds"; and subsequently in discussion with the

All-Party Parliamentary Group (APPG) for Local Authority Pension Funds on 22 February, the Minister outlined the intention to explore the pros and cons of 87 Administering Authorities in England and Wales, recognising that it “may well be that 87 is the right number”. The APPG discussion is available online at the following link <https://www.youtube.com/watch?v=p8fPHqVUYN8>.

- 16 On 15 May, the Minister wrote to all Administering Authorities in England asking that they respond by July 19 setting out their responses to a number of questions. The questions relate to the completion of pension asset pooling by the March 2025 deadline, as well as to how funds ensure that they are run efficiently, with appropriate governance structures in place.
- 17 Subsequently, Officers of the Fund were invited in person to a roundtable with the Minister, to discuss related matters.
- 18 In the Ministerial letter, Funds were specifically asked whether they could achieve long-term savings and efficiencies if they were to become part of a larger fund through merger or creation of a larger pensions authority. The council responded in its capacity as Administering Authority of the Pension Fund.

HM Treasury – Pensions Review – Terms of Reference: Phase One

- 19 On 16 February HM Treasury published the Terms of Reference the Chancellor’s review of the pensions system, with the Chancellor appointing the Minister for Pensions to lead the review. The review will focus on both defined contribution workplace schemes and the LGPS.
- 20 It is proposed that the review will work closely with the Minister of State at MHCLG, Jim McMahon MP, and will look at “how tackling fragmentation and inefficiency can unlock the investment potential of the £360 billion LGPS in England and Wales”.
- 21 The Policy remit for the first phase of the review will focus on:
 - (a) Driving scale and consolidation of defined contribution workplace schemes;
 - (b) Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;
 - (c) The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and

- (d) Encouraging further pension investment into UK assets to boost growth across the country.

22 In developing its recommendations, the review will have regard to “improving the affordability and sustainability of the LGPS in the interest of members, employers and local taxpayers”, the “role of pension funds in capital and financial markets to boost returns and UK growth” and a “wide range of external viewpoints” including local government.

23 The terms of reference note that co-creation with the LGPS will be an essential part of the process, with the initial findings from the first phase expected to report later this year, ahead of the introduction of the Pension Schemes Bill. The terms of reference are published online at the following link:

<https://www.gov.uk/government/publications/pensions-review-terms-of-reference-phase-one/terms-of-reference>.

Review of the LGPS 2022 Fund Valuations - Section 13 Report

24 The Government Actuary's Department (GAD) has published its report to the Ministry of Housing, Communities and Local Government on the 2022 fund valuations, which is required by section 13 of the Public Service Pensions Act 2013.

25 The purpose of the report is to examine whether the separate 87 fund valuations have achieved the 4 aims set out in the Act – they are compliance, consistency, solvency and long-term cost efficiency.

26 As part of the process, GAD also analysed other data provided by the funds and their actuaries and undertook engagement exercises with relevant funds. GAD assess all funds against a number of measures, each of which is RAG rated:

- Red: A material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure solvency and/or long-term cost efficiency may be considered.
- Amber: A potential issue that we would expect funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long-term cost efficiency.
- White: An advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.

- Green: There are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long-term cost efficiency.
- 27 GAD engaged with the Fund on their 'Deficit Reconciliation' measure – having noted that the Fund's deficit recovery end point had increased. In the engagement, it was noted that the Fund is close to being fully funded and the end point for deficit recovery increased by only one year. This was part of a package of changes which included an increase in prudence within the funding basis; and an increase in the surplus buffer for those employers in surplus.
- 28 The Fund's actuary, Aon, provided evidence that total contributions payable following the valuation are greater than those which would have been required had the 2019 valuation basis been retained, with a three-year reduction in the deficit recovery end point. GAD noted that in effect, the one-year increase in end point reflected the new deficit arising due to the Fund's increase in prudence.
- 29 Following engagement, GAD adopted a white flag for the Fund against this measure. A detailed update on the current funding position and the Fund's valuation approach will be provided to the Committee and Board, as well as participating employers, in November.

Mandatory TCFD Reporting

- 30 The Committee 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.
- 31 Whilst the regulations will not apply to the LGPS it was always expected that MHCLG would bring forward similar proposals requiring TCFD disclosures in the LGPS.
- 32 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/>.

- 33 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.
- 34 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.
- 35 On 1 September 2022 MHCLG 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).
- 36 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 Committee) 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 is has previously been shared with the Committee and Board.
- 37 An overview of TCFD was included in training for members previously, as well as a dedicated training session with the Fund's Actuary focused on scenario analysis. Further training will be provided to the Committee on the details of the TCFD expectations, as well as the availability of data through BCPP. It has been anticipated that the first LGPS TCFD reporting may become due in late 2025.

Cost Control Mechanism & Review

- 38 The Committee has been informed previously of the Cost Control Mechanism in the LGPS and other public sector schemes which sets both a cost 'ceiling' and 'floor' in respect of the ongoing affordability of

- public sector pensions. This creates a “cost corridor” designed to keep schemes within target costs.
- 39 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.
- 40 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.
- 41 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 Fund’s own valuation, which added an additional 0.9% to the employer contribution rate for all employers back at the 2019 valuation.
- 42 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.
- 43 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 granted permission to appeal the ruling.
- 44 The full judgment in the Fire Brigades Union and British Medical Association vs HM Treasury Cost Control Mechanism appeal has now been published. The Court of Appeal agreed with the earlier ruling from the High Court (published in March 2023) which ruled in favour of HM Treasury on all grounds. The Court of Appeal’s judgment can be read online at <https://www.bailii.org/ew/cases/EWCA/Civ/2024/355.html>.
- 45 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.

- 46 The Government Actuary's Department (GAD) completed the valuation of the Scheme in England and Wales as at 31 March 2020. This was the first scheme valuation undertaken since revisions were made to the cost control mechanism, which the Government consulted on in 2021. The methodology by which this is undertaken was revised, widening the cost corridor (the amount by which the scheme costs could vary from the target cost before action was taken to address it) from 2% to 3%.
- 47 The process was also revised to include consideration of the wider economic situation through a new “economic check” that was introduced alongside the previously established core cost control mechanism. The valuation found that the cost control mechanism, as a whole, is not breached and there is no proposal to make any changes to scheme benefits.
- 48 Subsequently, SAB announced on 19 April that it would shortly be publishing the final report of the separate scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used.
- 49 GAD has now completed the scheme cost assessment required under Regulation 116. The final report was completed using methodology and assumptions determined by the Board, following discussion at the Cost Management, Benefit Design and Administration Committee. Scheme costs were assessed as being 20.5 per cent of pensionable pay - 1 per cent above the 19.5 per cent target overall cost.
- 50 This is within the range where the SAB may make recommendations to amend benefits to bring scheme costs back towards the target cost but is not obliged to. Following discussion, the SAB agreed not to recommend any changes in its letter informing the Secretary of State of the outcome.

McCloud

- 51 The Committee has been kept up to date with the impact and issues surrounding the McCloud judgement itself. To recap briefly, when the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.

- 52 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. The estimated cost across the whole of the LGPS is £1.8bn. As discussed with the Committee in the past, the Fund made an estimated provision for the impact at local level back at the 2019 Valuation.
- 53 Following its 2020 consultation, on 30 May 2023 MHCLG launched a consultation seeking views on issues relating to the McCloud remedy, and the draft scheme regulations which would implement the remedy. A summary has previously been shared with the Board and Committee.
- 54 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. The LGA's Communications Working Group meanwhile, is working on member communications, and the Fund's software supplier have established a McCloud Project Board – the Durham Fund is represented on both groups.
- 55 Additionally, 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.
- 56 Whilst software solutions are in place to ensure that the 'underpin' is correctly provided for some categories of members, manual intervention will be required for others. The Fund continues to work with its software supplier in consideration of future Annual Benefit Statements, with the Pensions Regulator outlining that whilst accurate Benefit Statements are still expected to be issued accurately and on time and that failure to do so would be a reportable breach, a risk-based approach will be taken in response to any such breach.
- 57 MHCLG launched a limited technical consultation on potential changes to the LGPS regulations concerning McCloud protection and annual benefit statements (ABS); and in particular on whether underpin information is included in ABSs for Scheme years 2023/24 and 2024/25. The consultation contains draft regulations that would

mean administering authorities do not need to include estimated underpin information in the 2023/24 ABSs.

- 58 This would implement the approach set out in the Ministry's response to the 2020 McCloud consultation, which set out that "the inclusion of an underpin estimate within a member's total pension on their ABS will not be required until the ABSs for the 2024/25 scheme year are issued". The amendment would be backdated to 1 October 2023, so that it captures 2023/24 ABS that were sent before the regulations are made. The Ministry is also considering a further change which would extend this to the 2024/25 ABS, giving Funds discretion not to include the estimated underpin information for certain members or classes of members if they consider it reasonable to do so.
- 59 Officers of the Fund continue to work closely with its software supplier with imminent updates to support the upload of data from employers, as well as delivery of a module to allow for the calculating of service for missing data. A dedicated McCloud project team is now in place. Once all data has been successfully uploaded, the McCloud remedy will be applied to all 'new' leavers. A module is expected to become available from our software supplier in the New Year, to allow a bulk recalculation of all historical cases. Detailed reporting will be provided to the Local Pensions Board.

MHCLG Consultation – LGPS: Fair Deal – Strengthening Pension Protection

- 60 In January 2019, the Ministry of Housing, Communities, and Local Government (MHCLG), formerly DLUHC, 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.
- 61 MHCLG 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 MHCLG 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. On 17 October 2023, the SAB Chair wrote to MHCLG for an update with progress with the implementation of New Fair Deal in LGPS. Officers will continue to monitor the position.

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

- 62 In May 2019 MHCLG consulted on a number of changes to the LGPS, encompassing the following areas:
- amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle
 - a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
 - proposals for flexibility on exit payments
 - proposals for further policy changes to exit credits
 - proposals for changes to the employers required to offer local government pension scheme membership
- 63 On 27 February MHCLG published a partial response to the consultation, covering proposals on exit credits only. MHCLG confirmed their intention to amend the Regulations providing greater discretion to Administering Authorities over the amount of any exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 were subsequently laid before parliament, coming into force on 20 March 2020 with backdated effect to 18 May 2018.
- 64 MHCLG 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, which was considered and approved by the Committee.

Ongoing Consultation – Guaranteed Minimum Pensions (GMP)

- 65 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.
- 66 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.

- 67 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.
- 68 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.
- 69 This work was brought to a conclusion in October 2023, with the Fund communicating with affected pensioners ahead of October pensions payroll. As previously highlighted to the Board and Committee in March 2023, individual overpayments would be exacerbated by the April 2023 pensions increase of 10.10%. However, around 550 pensions in payment were adjusted and despite this higher than usual rate of inflationary increase, 83% of pensions changed by no more than £10 per month.
- 70 The total amount of arrears paid to underpaid pensioners was c£41k whilst the total amount of overpayments written-off by the Fund was c£171k. Both the value of arrears and value of write offs compare favourably with initial modelling. The number of pensions in payment requiring rectification were lower than initially anticipated at the beginning of the project, and less than amounts experienced by similarly sized LGPS Funds who have completed their rectification. This is at least in part, due to accurate historic record keeping.

Changes to the LGPS Revaluation Date and Lifetime Allowance

- 71 Following a short consultation, MHCLG 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 in conjunction with its software supplier ensures that processes are in place to maintain the accuracy of Annual Statements and Pension Savings Statements.

- 72 On 12 March 2024, the Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 were laid before Parliament. The Regulations came into force on 6 April 2024, along with the related provisions of the Finance Act 2024. The Regulations make a large number of mostly minor changes to legislation relating to the abolition of the lifetime allowance.
- 73 Subsequently, on 22 March, the LGA issued guidance for administering authorities which sets out how funds should approach all the different types of calculations affected by the changes, and the updates that LGPS Funds will need to put in place. The Fund has worked closely with the LGA to ensure that the small number of cases which are affected by the change, are processed correctly.

LGPS Scheme Advisory Board (SAB)

SAB Review – Academies

- 74 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.
- 75 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. In the meantime, SAB has produced guidance for converting Academies intended to provide information and common nomenclature for common actuarial approaches adopted by LGPS funds on a local authority (LA) school's conversion to academy status. The Fund will consider how best to utilise the guide to support converting schools.
- 76 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.

SAB Annual Report

- 77 On 12 June, the Scheme Advisory Board published its LGPS Scheme Annual Report. The aim of the Scheme Annual Report is to provide a

single source of information about the status of the Local Government Pension Scheme for its members, employers, and other stakeholders. The report aggregates information supplied in the 86 fund annual reports, as of 31 March 2023, for the reporting year 2022/23 and can be found online at <https://lgpsboard.org/index.php/foreword-2023>.

SAB Review – Tier 3 Employers

- 78 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.
- 79 Examples of Tier 3 employers include universities, further education colleges, housing associations and charities.
- 80 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.
- 81 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.
- 82 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.
- 83 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

- 84 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)
- 85 SAB have completed their report on Good Governance and submitted an Action Plan to MHCLG to take the recommendations of the project forward. It is expected that the next stage is for MHCLG to take the recommendations forward for implementation through legislation and / or Statutory Guidance.
- 86 A further update to both the Committee and Local Pension Board will be provided at such time as there is progress on the implementation of the Good Governance recommendations.

SAB Review – Responsible Investment Guidance

- 87 In November 2019, SAB drafted guidance for Responsible Investment in the LGPS, to clarify the parameters within which investment decisions can be made with regard to the integration of ESG factors. Following feedback, SAB has decided to take stock until more is known about the government's position on the proposed climate change provisions in the Pension Schemes Bill and the implications of the Supreme Court's judgement involving the Palestine Solidarity Campaign. Committee will be updated as the matter progresses.
- 88 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>.

- 89 The Board has also established an RI Advisory Group (RIAG). The main role of the group will be to advise SAB on all matters relating to RI. It will also be responsible for assisting the Board in maintaining the online A-Z Guide. The Group will also assist SAB in developing recommendations to MHCLG on how the Taskforce on Climate-Related Financial Disclosures (TCFD) reporting should be applied to the LGPS.

SAB Correspondence – LGPS Audit

- 90 In August 2022 the SAB Chair, Cllr Roger Phillips, wrote to MHCLG 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 to the SAB welcoming the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts. A copy of the correspondence was previously shared with the Committee. The Minister has asked his officials to consider the scope for developing this further. The Committee will be kept informed as the matter progresses.
- 91 The SAB issued a short response to the MHCLG consultation on "Addressing the local audit backlog in England". The consultation was discussed at the Compliance and Reporting Committee when it met on 12th February. The Committee agreed that the Board should express concern that if there were wide-spread disclaiming of LGPS administering authority accounts in order to meet the new deadlines, then there would be knock-on consequences for the 18,000 scheme employers that rely on information from the pension fund audit in order to complete their own audits.
- 92 Essentially, the scheme employer auditor will need to do further work to gain assurance on the information provided to it by the LGPS actuary on its assets and liabilities under the scheme, which will be material, depending on a range of factors. The SAB's response also took the opportunity to re-emphasise the representations it made in its earlier letter asking that pension fund audit should be separated out from the host authority audit.

SAB – Preparing the Annual Report

- 93 The SAB Compliance and Reporting Committee (CRC) has convened a working group to review the 2019 CIPFA 'Preparing the Annual Report' guidance and has identified several areas within the current guidance which now require updating and clarification. A priority has been to streamline the guidance and reduce duplication wherever

possible with other reporting obligations – SAB reported that this direction was supported by MHCLG.

- 94 The updated guidance has now been published. The guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (MHCLG). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.
- 95 The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance sets out that funds should use their best endeavours to comply fully with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The new reporting requirements have been set out in detail for both the Committee and Board. Officers are consulting with the Local Pension Board over ongoing monitoring of compliance.
- 96 Following completion of the Annual Report guidance, the CRC has agreed its next priority will be to revise the Funding Strategy Statement (FSS) guidance. This was last updated in 2016 and the aim is to create content in relation to:
- setting up of academies on conversion
 - use of employer flexibilities and deferred debt arrangements
 - employer representations around asset strategies and partial terminations
 - treatment of exit debts and credits
 - consultation with employers.

SAB – Sharia Compliance

- 97 Committee members have previously been briefed on the issue of LGPS members opting out of the scheme on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination on behalf of the scheme. The SAB had 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 commissioned an expert in the field of Sharia finance seeking advice on whether the LGPS is Sharia compliant, and the range of views that Muslim members and potential

members might have on that question. The Board commissioned Mufti Faraz Adam of Amanah Advisors to produce a report.

- 98 This report has now been received by SAB and examines the issue primarily from the starting point that a statutory defined benefit pension scheme, like the LGPS, is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.
- 99 The SAB hopes that the report will offer comfort to Muslim members of the LGPS in the knowledge that they can continue to participate in the scheme. Indeed, SAB hopes that the report may encourage some who had opted out of the LGPS to opt back in and ensure that they benefit from the employer contribution to their pension, as well as the valuable benefits that the LGPS offers. A copy of the report was previously shared with the Board.

SAB - Gender Pay Gap

- 100 The Scheme Advisory Board has written to Treasury, suggesting that a consistent and active approach to the gender pensions gap is taken across public sector pension schemes. The Board set out that a gender pensions gap analysis, like that commissioned by the Board, would give a dynamic picture of how scheme members' salaries change over time and illustrates the different trajectory of men and women's careers.

Non- LGPS Specific Matters

Public Sector Exit Payments Caps

- 101 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.
- 102 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.

- 103 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.
- 104 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.
- 105 Separately to the Exit Payment Regulations, MHCLG consulted on further reforms to the LGPS Regulations that would accommodate the Exit Cap within the Scheme. As MHCLG's proposed changes were not implemented concurrently with the Exit Payment Regulations, there was legal uncertainty for both LGPS Administering Authorities and participating employers due to the conflicting legislation.
- 106 On 12 February however the Exit Cap was unexpectedly disapplied, after the Treasury issued the 'Exit Payment Cap Directions 2021'. The Treasury intended to 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

- 107 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.
- 108 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.
- 109 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.
- 110 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 for consideration by the Pension Fund Committee in due course – the Board will be kept up to date.

Increasing the UK Minimum Pension Age

- 111 The Committee 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.
- 112 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.

- 113 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.
- 114 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 Annual Benefit Statements.

TPR Code of Practice

- 115 The Pensions Regulator (TPR) has consulted on a single Code of Practice to cover all regulated schemes. Previously, the Regulator had a specific Code for Public Service Pensions (Code of Practice 14). Whilst the new Code does not extend TPR's powers in the LGPS beyond its existing remit on governance and administration, there had been some concerns over how the provisions of the Code fit with the LGPS. SAB subsequently responded on behalf of the LGPS.
- 116 The Regulator carried out a full review of the comments received through the consultation, and subsequently published its General Code of Practice ('the Code') which has been laid in Parliament and which is expected to come into force on 27th March 2024. It replaces Code of Practice 14 for Public Sector Pension Schemes and brings together 10 previous TPR Codes into one single Code.
- 117 The Regulator's research on governance and administration shows that the LGPS already has high standards of governance in place, but the Code provides an opportunity for Funds to review current practices, but also presents challenges during what is an already busy time within the LGPS. Clarity is required on which parts of the Code specifically apply to the LGPS and what these mean for funds and how they should be applied in practice. The SAB is working to support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities.
- 118 Officers will continue to consult with the Local Pension Board, whose work plan will be informed by the General Code of Practice. A copy of the Code has previously been shared with the Committee and Board; and a detailed overview of the Code, its applicability to the LGPS, and main provisions, was considered by the Board in June. An

external review of the extent of the Fund's compliance with the Code is proposed before the end of the Municipal Year.

Boycotts, Divestment and Sanctions

- 119 The legislative programme was laid out in May 2021, 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.
- 120 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. The Public Services Pensions Bill gained royal assent, but this does not place any immediate duty on Funds.
- 121 It was intended however to implement the commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill. 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 and Committee.
- 122 It was previously reported to members that the dissolution of Parliament before the 2024 General Election meant that the Bill falls, as it has not proceeded through all stages and therefore cannot be given Royal Assent prior to dissolution. Officers will check whether the government commits to bringing the Bill back to Parliament in future.

Pension Scams and new Restrictions on Transfers

- 123 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.
- 124 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.

- 125 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.
- 126 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. The Committee have previously been informed of the Pensions Regulator's statement on the Capita Breach.
- 127 On 10 August 2023, the Money and Pensions Service (MaPS) published its evidence review into pension scams in the U K. The key findings are:
- there remain significant challenges to estimate the scale of the problem
 - the types of scams and tactics are very similar to investment scams
 - the financial and emotional cost to individuals is high, going beyond financial loss and impacting on health and relationships
 - scams can happen to anyone
 - once an individual has been targeted, there is a high risk of retargeting
 - government bodies, administrators and other organisations have at their disposal a range of touchpoints to provide strong protection against scams.

Stronger Nudge

- 128 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.

- 129 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.
- 130 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

- 131 Pensions dashboards are digital services — 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.
- 132 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.
- 133 Subsequently, DWP confirmed that The Pensions Dashboards Programme (PDP) is currently in reset, as part of refreshing its delivery plan for a new connection deadline of 31 October 2026. The process aims to allow DWP the opportunity to review the programme and reset the plan. It also provides the time to ensure required resources are in place to complete the delivery of the technical solution and documentation to support connection.

- 134 An summary of the preparation checklist the Fund will follow is included elsewhere on the Board's agenda.

Changes to Pension Taxation

- 135 In the 2023 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 were also made to the Lifetime Allowance, which reduced to zero from 6 April 2023, before being fully abolishing entirely in a subsequent Finance Bill.
- 136 Officers will continue to 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.

Author(s)

Paul Cooper

Tel: 03000 269798

Dashboard Preparation Checklist - August 2024

Area	Action	Due Date
Governance	Sign up for Dashboard on-line news alerts	ASAP & ongoing
Governance	Keep up to date with latest information and developments	ASAP & ongoing
Governance	Discuss dashboards implementation with your relevant stakeholders and establish if they are up to date with the latest information and developments	ASAP & ongoing
Governance	Make sure pensions dashboards are a standing agenda item at Pensions Committee and Local Pensions Board meetings	ASAP & ongoing
Governance	Make sure Committee and Board are up to date with the latest guidance and developments both industry wide and within the Fund	ASAP & ongoing
Governance	Decide how main scheme data will be cleansed and made digitally accessible	ASAP & ongoing
Governance	Agree with AVC provider how AVC value data will be cleanse, made digitally accessible and reconciled to main scheme records	ASAP & ongoing
Internal Controls	Incorporate dashboards data requirements into wider data management plan including approach to cleansing, digital accessibility and reconciling AVC data	ASAP
Internal Controls	Regularly review wider data management plan to determine where we are at	Ongoing once incorporated into plan
Internal Controls	Set up internal controls register to implement dashboard	ASAP
Connection	Make sure Fund and relevant stakeholders know the 'connection deadline' and 'connect by' dates	ASAP
Connection	If requirements are met, decide if we wish to defer connection and apply to DWP if this is the case	09/08/2024

Connection	If approval to defer connection is obtained let all relevant stakeholders know the new connection deadline	ASAP after confirmation of deferral obtained
Record Keeping	If connection deadline is changed, keep a record of reasons why it was changed and the parties communicated with when making the decision to defer, and also the date approval was obtained	ASAP after confirmation of deferral obtained
Connection	Discuss changing your 'connect by' date with your ISP	31/12/2024
Connection	Create a new connection plan and inform PDP that we wish to change the 'connect by' date	01/04/2025
Connection	Obtain a new 'connect by' date from PDP and inform all relevant stakeholders	Upon receipt of confirmation from PDP
Record Keeping	keep a record of why the 'connect by' date was changed the parties communicated with when arriving at the decision, and the date the decision was made	01/04/2025
Record Keeping	Keep a record of communication with PDP informing them that we have changed our 'connect by' date and a record of the new 'connect by' date	Upon receipt of confirmation from PDP
Connection	Register with the MaPS governance register	by the date specified in the PDP online connection hub
Budget	Decide on connection budget and obtain approval	ASAP
Record Keeping	Keep a record of how we decided on the connection budget and the parties communicated with in making the decision	ASAP
Budget	Decide on potential business as usual budget and provide advance notice to approving officer of this cost	ASAP
Budget	Decide on business as usual budget and obtain approval	Six months before DAP

Record Keeping	Keep a record of how we decided on business as usual budget and parties communicated with when making the decision	Six months before DAP
Connection	Decide on route to connection - either directly or using an ISP	ASAP
Record Keeping	Keep a record of how we decided on route to connection and parties communicated with in making this decision	ASAP
Connection	Choose ISP and contractually engage them	31/10/2024
Record Keeping	Keep a record of how we chose ISP and the parties communicated with in making this decision	31/10/2024
Internal Controls	Make sure ISP is on track to connect us to dashboards by connection date and in accordance with staging timeline	From appointment and ongoing
Policy	Decide on what personal data will be used to form matching criteria for both main scheme and AVC	31/10/2024
Policy	Keep matching criteria policy under review	ongoing
Record Keeping	Keep a record of matching criteria for at least six years from the end of the scheme year in which the decision was made	31/10/24 and ongoing
Record Keeping	Keep a record of how we decide on matching criteria and the parties we communicated with in making this decision	31/10/24 and ongoing
Governance	produce or update data protection impact assessment to take account of matching criteria policy decision	31/10/2024
Internal Controls	Assess if the personal data that forms matching criteria (main scheme and AVC data) is accurate and digitally accessible	ASAP
Internal Controls	If required, put plans in place to improve the accuracy and digital accessibility of the personal data (both main scheme and AVC data)	ASAP
Internal Controls	If a plan is put in place to improve the accuracy and digital accessibility of the personal data that forms the matching criteria (both main scheme and AVCs) confirm the plan has delivered its improvements	ongoing after plan put in place
Internal Controls	Ensure a process in place to maintain the accuracy and accessibility of the personal data used to form the matching criteria (both main scheme and AVC)	Ongoing
Data	Understand what main scheme view data is needing to be returned for members who access dashboards and in what timescale	ASAP

Policy	Agree with the AVC providers how the AVC view data will be sent to the ecosystem	ASAP
Internal Controls	Multiple Source - Monitor the AVC providers progress to connect to the ecosystem by the 'connect by' date	ASAP and ongoing
Internal Controls	Single source - Confirm we can store the AVC view data in a digitally accessible mode	ASAP
Internal Controls	Single source - Agree the frequency and format by when the AVC view data will be sent by the AVC providers	ASAP
Data	Assess the main scheme view data for accuracy and digital accessibility	ASAP
Data	Assess the AVC view data for reconciliation with main scheme records, accuracy and digital accessibility	ASAP
Internal Controls	If required, put plans into place to improve the reconciliation, accuracy and digital accessibility of the main scheme and AVC view data	After initial review
Internal Controls	If a plan is put in place to improve the reconciliation with main scheme records, accuracy and digital accessibility of the main scheme and/or AVC view data, confirm that the plan has delivered its improvements	ongoing after the plan is put in place and by 31 October 2025
Internal Controls	Make sure a process is in place to maintain the reconciliation with the main scheme records, accuracy and digital accessibility of the main scheme and AVC view data	Ongoing and after 31/10/25
Policy	Decide whether to name the most recent employers (max 10) or confirm if there are multiple employers and inform the ISP - applicable to main scheme benefits and AVCs	01/04/2025
Data	Where a single source approach is used, agree with the AVC providers with whom the member should contact to find out more about their AVC benefits and inform the ISP	01/04/2025

Data	Complete the check list of decisions concerning value data	01/04/2025
Data	Agree the AVC illustration date with the AVC providers and where approach 2 is used, inform the ISP	01/04/2025
Data	Discuss the potential workaround for the illustration date issue with the AVC providers ie use 'two-submission method' or 'all-in-one submission method' by 1 April 2025	01/04/2025
Data	Agree with the AVC providers if we are going to provide AVC projections in certain circumstances and where approach 2 is used inform the ISP	01/04/2025
Record Keeping	Keep a record of how we agreed the AVC illustration data and the parties communicated with when doing so	date of decision
Record Keeping	Keep a record of the discussion with the ISP on how best to display the AVC illustration date on the dashboard	date of decision
Record Keeping	Keep a record of how we agreed whether to provide AVC projections in certain circumstances and the parties communicated with in doing so	date of decision
Record Keeping	Keep a record of how we agreed the AVC payable dates and the parties communicated with in doing so	date of decision
Data	Where main scheme value data is already stored - check UPM to make sure we can send this data to the ecosystem within the statutory timescales	01/04/2025
Data	Where main scheme value data is out of date or we do not have the value data stored in UPM we will need to decide how and on what illustration date we are going to calculate this data and send it to the ecosystem within the statutory timescales	01/04/2025
Data	Consider introducing monthly data collection to achieve the timescales set out	Ongoing
Data	If multiple source approach is adopted and AVC value data is already stored - check with AVC providers to make sure they are able to provide AVC value data to the ecosystem,, using the same illustration date as the main scheme benefits within the statutory timescales	01/04/2025

Data	If single source approach is adopted and AVC value data is already stored - check with the AVC providers to make sure they are able to send AVC value data using the same illustration date as the main scheme benefits, to us well within the timescales set out, so that we can send AVC value data to the ecosystem within the statutory timescales	01/04/2025
Data	If multiple source approach is adopted and AVC value is not already stored or is out of date - agree with the AVC providers how and on what illustration date (this must be consistent with the date we use to calculate main scheme value data) they are going to calculate AVC value data and provide it to the ecosystem within the timescales set out	01/04/2025
Data	If single source approach is adopted and AVC value data is not stored or out of date - agree with the AVC providers how and on what illustration date (must be consistent with the date used for main scheme value data) they are going to calculate AVC value data and provide it to us to send to the ecosystem within the timescales set out	01/04/2025
Record Keeping	Keep a record of how we decided/agreed to calculate main scheme and AVC value data, including where the data is out of date or missing and the parties communicated with when doing so	date of decision
Data	Agree with the AVC providers how we will determine the status of a member - ie new joiner or not	01/04/2025
Record Keeping	Keep a record of how we decided/agreed to determine the status of a member - ie new joiner or not, and the parties communicated with in doing so	date of decision
Governance	We must: understand the operational information requirements; responsibilities; discuss the operation information requirements with the ISP; create separate processes to provide the operational information that lies outside of the ecosystem	From the outset of implementation
Record Keeping	We must keep operational information for at least six years from the end of the scheme year to which it relates	From the DAP
Internal Controls	We must create a plan to record the operational information and regularly review the plan to make sure the operational information is recorded and maintained	From the outset of the implementation

		From the DAP
Internal Controls	We must have processes in place to identify breaches of the law and, if necessary, report them to TPS	
Internal Controls	We must have risk management processes in place, including processes for monitoring the resolution of issues between the scheme and relevant third parties	From the outset of implementation
Record Keeping	We must keep clear audit trails of how we took steps to prepare to comply with our pensions dashboards duties	From the outset of implementation
Record Keeping	We must keep a record of steps taken to resolve any issues which arise, such as communications with third parties	From the outset of implementation
Record Keeping	We must keep a record of compliance as set out in the MaPS reporting standards	From the outset of implementation
Governance	Register our 'key dashboards contact' and our nominated contacts with TPR	ASAP

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Dashboard - Challenges / decisions to be made and recorded

Area	Challenge	LGA Recommendation
Calculations	Where value data cant be drawn from an ABS ran in the last 13 months, or any no other calcs on file; Should we: -Calculate value data each time a dashboard user requests view data OR -draw the data from a monthly bulk stored ABS calculation	Recommend draw data from a monthly ABS run
Revaluation of Deferreds	How to revalue deferred benefits	Recommend including PI calculated up to the illustration date
Rounding	Whether value data provided should be exact or rounded?	Recommend following existing approach in how you quote values in ABS
Members over NPA	How to calculate value data for members over NPA	For deferred members of the 1995 scheme - recommend returning 'details not available' along with administrative data. This is because benefits should already be in payment and not displayed on dashboard. For members of later schemes, recommend using scheme last year-end date as illustration date with late retirement increases included
Benefits with tranches linked to different NPAs	How to calculate value data where a member has tranches of membership with a benefits payable unreduced from different dates	Recommend you quote a single value as at: the illustration for accrued benefits and a normal pension age for estimated retirement income
Survivor Benefits	How to indicate whether survivor benefits are present where the member has different tranches of membership within a single benefit	Recommend returning an indicator to show the value data includes contingent survivor benefits
GMP Equalisation	Whether to account for GMP equalisation in value data	GMP Equalisation for PSPS is under review by HMT and sponsoring government departments. Until the outcome is known GMP equalisation cannot be accounted for within value data

GMP Stalemate	Whether to include individuals who HMRC shows as entitled to a GMP, but you believe the GMP did not accrue in your Fund or has been extinguished.	HMRC agreed in 2019 that any queries of this nature should be raised with HMRC and not to record such individuals on your system because you believe they were not members of your Fund. Therefore we recommend you exclude these individuals as you should not hold record of them.
GMP values	How to calculate value data for members with a GMP	Recommend you do not include the GMP when calculating value data unless the member has passed the age at which GMPs are payable (60 women, 65 man) If this is the case, where appropriate you should uplift the value data to reflect the amount of GMP
AVC	Whether AVC view data should be provided to dashboards by you or the AVC provider	Initially recommended AVC provider to provide data directly, however some AVC providers cannot do this. Needs to speak to AVC providers
Pension Debits	How to display value data where members benefits are subject to a pension debit	Recommend following existing approach in how you quote values in ABS
Scheme Pays Debits	How to display value data where members benefits are subject to a scheme pays debit	Recommend following existing approach in how you quote values in ABS
More than one UPM record	How to display view data where the member holds more than one benefit in the LGPS	Recommend view data for each benefit should be supplied to dashboard separately
Transfers in and Additional benefits	How to display additional benefits gained from a transfer in, purchased by a member or awarded by an employer	Recommend including additional benefits within value data without separating them out
Data refresh trigger	Value data can be no more than 12/13 months out of date depending from where the data is retrieved. However circumstances change far more frequently and you will need to decide what changes in circumstances warrant the dashboard data being refreshed	Recommend that you refresh data at the minimum of monthly so that value data can be drawn from data always within 1 month old. If you refresh data regularly will need to consider what illustration date is used to calculate accrued values

Flexible Retirements	For members who have flexibly retired and taken partial payment, or has flexibly retired but it active in the scheme again. Whether you should show the unpaid view data.	DWP have confirmed that the unpaid data view/continued accrual view data is not in scope of regulations. This means data will not be shown on dashboard
Suspended Tier 3 IHR	Whether to display the view data where Tier 3 benefits have been suspended	FDWP have confirmed that whilst the pension is in payment they are out of scope and should not be displayed. However once the pension becomes suspended and the member is deferred again they are back in scope.
Preserved Refunds	Should members with frozen refunds be treated as relevant members for dashboard purposes	DWP have indicated such members should not be treated as relevant members for dashboard purposes
Undecided Leavers	Undecided leavers - where you are informed of a leaver but have not yet calculated benefits. It can be manually set by you or automatically set by some software systems when a leaver is processed, however not all systems offer a temp status of undecided	Not all undecided leavers are in the scope of dashboards - such as refunds, transfers out, retirements etc. However some will be deferred benefits and in scope. MaPS have advised you will need to send undecided leavers to dashboard indicating that the data is unavailable as a transaction is outstanding. The ISP should be able to help with these cases

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