Bath & North East Somerset Council

Improving People's Lives

Pension Board

Date: Tuesday, 23rd May, 2023
Time: 2.00 pm
Venue: Brunswick Room - Guildhall, Bath

Board Members: Nick Weaver, Helen Ball (Member Representative), Steve Harman (Employer Representative), David Yorath (Member Representative), Tony Whitlock (Employer Representative), Stuart Anstead (Employer Representative) and Alison Wyatt (Member Representative)

Chief Executive and other appropriate officers
Press and public

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NOTES:
1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

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Further details of the scheme can be found at:

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6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505

Pension Board - Tuesday, 23rd May, 2023

at 2.00 pm in the Brunswick Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC

6. ITEMS FROM MEMBERS

7. MINUTES OF PREVIOUS MEETING: 8TH DECEMBER 2022 (Pages 7 - 18)

8. PENSION FUND ADMINISTRATION - OVERVIEW & SUMMARY PERFORMANCE REPORT (Pages 19 - 30)

   The purpose of this report is to present the Fund’s administration performance for the three months to 1 31 March 2023 vs key performance indicators (KPI’s).

9. TECHNICAL & COMPLIANCE UPDATE (Pages 31 - 98)

   The purpose of this report is to update the Pension Fund Board on any proposed regulatory matters that could affect scheme administration.

10. RISK MANAGEMENT UPDATE - RISK REGISTER (Pages 99 - 108)

    The purpose of this report is to update the Pension Board with the quarterly review of the risk register.

11. INVESTMENT AND FUNDING STRATEGY UPDATE (Pages 109 - 114)

Every three years the Fund is required by the regulations to undertake a triennial valuation which sets the long-term funding strategy. As future investment returns are a key component of the funding strategy, the investment strategy is also reviewed to ensure it can deliver the expected return.

12. PENSION BOARD - TRAINING AND WORK PLAN UPDATE (Pages 115 - 122)

The purpose of this report is to receive regular updates on Training and Work Plan issues from the Board and request high level training needs from Board Members.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 8th December, 2022

PRESENT:- Nick Weaver (Chair), Helen Ball (Member Representative), Steve Harman (Employer Representative), David Yorath (Member Representative), Stuart Anstead (Employer Representative) and Alison Wyatt (Member Representative)

Officers: Nick Dixon (Head of Pensions), Jeff Wring (Director, One West), Liz Woodyard (Group Manager for Funding, Investment & Risk), Geoff Cleak (Pensions Manager), Tariq Rahman (Audit Manager) and Carolyn Morgan (Governance and Risk Advisor)

29 EMERGENCY EVACUATION PROCEDURE

The Chair welcomed everyone to the meeting and asked the Democratic Services Officer to read out the Emergency Evacuation Procedure.

30 APOLOGIES FOR ABSENCE

Councillor Paul Crossley and Tony Whitlock had sent their apologies to the Board.

31 DECLARATIONS OF INTEREST

There were none.

32 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

33 ITEMS FROM THE PUBLIC

There were none.

34 ITEMS FROM MEMBERS

There were none.

35 MINUTES OF PREVIOUS MEETING: 4TH OCTOBER 2022

The Board approved the minutes of the previous meeting and they were duly signed by the Chair.

36 EXTERNAL AUDIT - UPDATE

Beth Bowers, Senior Manager, Grant Thornton introduced this item to the Board. She explained that the pension fund's report was in its final draft stage, subject to a small piece of procedural work relating to the Council's audit and the value of their infrastructure assets. She added that a Statutory Instrument was currently progressing through Parliament and that a decision was due to be made by the end of the year.

She referred the Board to the four significant risks identified in the Audit Plan.

Management override of controls

Our testing of estimates, judgements and journals has not identified any evidence of management override of controls.

Improper revenue recognition (rebutted)

Our audit work has not identified any issues in respect of improper revenue recognition.

Valuation of Level 3 investments

Our audit work has not identified any significant issues in relation to this risk.

Expenditure recorded includes fraudulent transactions (rebutted)

Our audit work has not identified any issues in respect of improper expenditure recognition.

She highlighted the following further areas from the report.

Level 3 Investments: £1,312m

Our findings identified some estimation differences due to timing issues. The total aggregate difference identified was a potential overstatement of the estimates by £8.6m.

Level 2 Investments: £4,217m

Similarly to level 3, we identified some estimation differences. Most of these were not above our trivial threshold. The total aggregate difference identified was a potential understatement of the estimates by £9.3m.

Independence and ethics

Audit of Brunel Pension Partnership Limited (BPP) – We do not consider the audit of BPP as a threat to our independence as Avon Pension Fund cannot exercise control over BPP.

Fees

The Fund disclosed Audit Fees relating to 2021/22 of £41,655 in its statements. Our proposed fees for 2021/22 are £53, 655. The difference of £12,000 relates to the proposed additional fees included in the report.

The Fund disclosed Audit Related Fees relating to 2021/22 of £7,000 in its statements. Our proposed fees for 2021/22 are £12,000. The difference of £5,000 relates to the proposed additional fees included in the report.

The proposed fees for our IAS 19 letters of assurance to admitted body auditors has increased by £5,000 since planning. This reflects the additional work undertaken this year to enable us as a Pension Fund auditor to respond to the increased number of areas of assurance sought by the admitted body auditors. We anticipate these higher fees to continue going forward.

The Chair asked if any changes were planned for the CIPFA framework.

Beth Bowers replied that no significant changes to the code for Funds was planned for 2022/23.

Steve Harman commented that whilst understanding the majority of the report that it was a complicated report to navigate. He asked if there was anything that could be done to enable members of the Fund to understand it easier / have clarity.

Beth Bowers agreed that it was a technical report, but said that comfort should be assured in their findings.

The Chair asked if the teams involved in the audit at Grant Thornton and the Council were likely to change within the coming year.

Beth Bowers replied that a contract had been agreed for 2023/24 and that they were in the process of arranging the portfolios for 2022/23. She said that it was likely that either herself or Peter Barber would retain working with the Avon Pension Fund.

She added that for the audit in 2023/24 they would look to ensure that not all of the previous key auditors would rotate away from working on the Avon Pension Fund.

The Group Manager for Funding, Investment & Risk said that she was not aware of any forthcoming changes within the Council team and added that the continuity offered from Grant Thornton really does help.

The Director, One West asked if context could be given to the 150% increase in fees.

Beth Bowers replied that a small increase was due for 2022/23 and then as part of the new contract for 2023/24 they would increase further. She said that the increase would give more certainty of actual fees and reduce the amount of unknown factors. She added that standards of auditing have increased vastly along with the time they take to complete, in 2018/19 it was three weeks and this current one had been two months.

David Yorath commented that the report contained a lot of information and that he would welcome a summary of key facts if possible in the future.

The Head of Pensions said that if it is possible they would try to summarise the key findings in some way and would work with Grant Thornton on this if necessary.

Alison Wyatt asked if Grant Thornton had been happy with the management responses received.

Beth Bowers replied that all the findings had been accepted and that they had received very detailed responses. She thanked the Finance & Systems Manager (Pensions) and others within the team for all their work.

The Board **RESOLVED** to note the report.

37 BRUNEL UPDATE

The Group Manager for Funding, Investment & Risk gave a presentation to the Board on this item, a summary is set out below.

<u>Listed Market portfolios</u>

- Difficult market environment for the ESG style across Brunel portfolios.
- However trend through the year has improved as energy shock, inflation and recession largely priced into markets.
- Managers are maintaining their philosophy on investing.

<u>Private Markets</u>

- Capital committed to the infrastructure and private debt portfolios is being invested and is on track.
- Property asset values have been most affected by rising interest rates and expect this to negatively affect returns over next few quarters.

<u>Climate Policy and 2022 Stocktake</u>

- Brunel and clients completed review of current policy;
- Brunel drafting their revised policy due 1Q23

<u>Managing Climate Risk – current Fund targets:</u>

- To implement a <2°C aligned portfolio by committing to net zero emissions by 2050, or earlier. Now widely accepted policy will need to aim for 1.5°C to achieve net zero by 2050. Will require significant government, industry policy shifts.
- To reduce the carbon intensity of the equity portfolio over time with the aim of being 30% less carbon intensive than the benchmark by 2022. This was achieved in 2020 and the inclusion of carbon intensive targets will be reviewed.

The strategic investment review will consider whether any targets be accelerated.

Liability Driven Investing update

- What happened?
  - UK government bond yields rose towards 5% over very short period.
- What was impact on our LDI strategy?
  - In the volatility, hedging 'triggers' were breached meaning the level of assets hedged increased. Trigger framework suspended given highly volatile moves in markets.
  - This meant we had to put up more 'collateral' to support our position and this was sourced from equities.
  - Asset allocation did not change, as equity assets were switched from equities held through Brunel to passive equity funds held within the QIF providing the collateral.

- What is the current position?
  - The fund has greater hedging in place; 40% of the LDI portfolio assets are now hedged against interest rates and inflation; positive for stability of employer contributions.
  - Collateral held in the portfolio has increased – though this does not impact APF's risk profile or future growth prospects.
  - Governance & decision-making process worked well in stress conditions.

The Board **RESOLVED** to note the presentation.

38 SUMMARY OF LIQUIDITY PROFILE

The Group Manager for Funding, Investment & Risk gave a presentation to the Board on this item, a summary is set out below.

Cashflow and Liquidity analysis

As Fund membership profile matures, cashflow becomes more important

• Need to avoid being a seller of assets in falling markets to fund pensions
• Income generating investments become more appropriate

Input when agreeing strategic allocation to 'illiquid' assets

• Current allocation to illiquid assets is 32.5%
• Max. increase is 5% - adequate liquidity to meet cash calls
• Recommend maintain a 5% 'buffer'

Liquidity analysis determines plan for managing cash requirements

• Collateral plan for risk management strategies
• Liquid cash strategy holds highly liquid assets to meet private market calls

The Board **RESOLVED** to note the presentation.

39 ANNUAL REPORT & SUMMARY OF ACCOUNTS

The Group Manager for Funding, Investment & Risk gave a presentation to the Board on this item, a summary is set out below.

<u>Avon Pension Fund – Key facts and figures (as at 31st March 2022)</u>

- Fund Membership:
  - 130,143 – Fund Members
  - 39,559 – Members paying contributions
  - 43,396 – No longer paying in
  - 36,951 – Pensioners receiving a pension
  - 10,237 – Undecided leavers

- Fund Value:
  - £5.82 billion - a rise of £513 million on the previous year.

- Funding level:
  - As at March 2022 the funding level was estimated at 97% with a deficit of £198 million.

Admin costs of £2.7m were 18% below budget.
Governance costs of £1.9m were 13% below budget.
Annual Investment fees were £19m.

A smaller member focussed report is planned for publication next year.

The Chair asked the Head of Pensions if he would like to address the Board and give his initial thoughts on the status of the Fund having joined the organisation only recently.

The Head of Pensions stated that he was broadly positive in terms of the status of the Fund and said that it was well managed. He added that investment has been robust, whilst being intelligently managed in respect of the fund's overarching risk/return profile and its alignment with the liability profile.

He said that the culture, teamwork ethic and collaborative nature of the officers was very positive.

He stated that a challenge remains around the recruitment and retention of staff and that there were some backlogs in meeting members' service needs. He added that work relating to digital upgrades, the McCloud remedy and the Pension Dashboard were also challenges for the service.

He informed the Board that a review of delivery plans was ongoing.

The Chair thanked him for his comments and the Group Manager for Funding, Investment & Risk for her presentations.

40 INTERNAL AUDIT UPDATE

The Audit Manager introduced the report to the Board. He explained that the last report on this subject to the Pension Board was on 21st September 2021.

He stated that since the last Internal Audit update report was presented they have issued three reports, with the following opinions.

- Pensions Payroll – Substantial Assurance
- COP14, Maintaining Contributions & Member Information – Substantial Assurance
- APF Cyber Essentials – N/A Briefing Paper

He informed the Board that in terms of the two ‘Assurance Reports’ (Pensions Payroll & COP14) there weren’t any significant weaknesses reported and a ‘Substantial Assurance’ rating was assigned.

The Chair commented that he felt that it was a great result for both reports to achieve that rating.

Stuart Anstead asked if there were any issues raised regarding the timing of payments in relation to joining / leaving the Fund.

The Audit Manager replied that no issues had been raised.

The Pensions Manager added that the majority of cases for retirements are resolved timely. He said that there was a small backlog caused by AVC issues and missing data from employer.

He added that there had been an increase in retirements recently and that they were working with employers to improve the receipt of information / data.

The Board **RESOLVED** to note the report and outcomes of the Internal Audit work carried out on the Avon Pension Fund.

41 INTERNAL AUDIT APF CYBER ESSENTIALS REVIEW

The Board, having been satisfied that the public interest would be better served by not disclosing relevant information, **PROPOSES**, in accordance with the provisions of the Section 100(A)(4) of the Local Government Act 1972 that the public should be excluded from the meeting for this item of business, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

42 BREACHES REPORT

The Governance & Risk Advisor introduced the report to the Board. She informed them that a summary of regulatory breaches recorded for the period October 2021 to September 2022 could be found in Appendix 1 and stated that there were no material breaches recorded in this period.

The Board **RESOLVED** to note the report.

43 STATUTORY REPORTING AND YEAR END

The Pensions Manager introduced the report to the Board and highlighted the following areas from within it.

Year End Exercise

In preparation the Fund must undertake an annual exercise to reconcile member data supplied by employers at each 31st March year end. There are 454 active employers of which 272 provide member data digitally to the Fund on a monthly basis covering 86% of active scheme membership (35,139 members). The remaining employers continue to provide data annually.

Where the employer annually submits a data return it invariably will require further scrutiny and employer engagement to reconcile. The Fund is aiming to digitalise all employer returns as part of its published Administration Strategy.

Annual Benefit Statements

Officers completed work to reconcile data returns ahead of the statutory ABS exercise. Summarily, 93.53% of active member statements were issued ahead of the 31st August deadline.

Pensions Savings Statements

For the 2021/22 tax year the Fund engaged with Hyman's Robertson to provide professional consultancy support, guidance and officer training. Detailed analysis and work undertaken by officers to complete the annual process to assess member savings has been completed. All statements were issued ahead of the statutory deadline of 6th October.

Accounting for Tax – Event Reporting

As a pension scheme administrator of a registered pension scheme the Fund must send pension scheme reports and pay tax charges to HMRC. Fund officers registered with HMRC have responsibility to submit Accounting for Tax (AFT) returns using the new Managing pensions scheme online service.

The Pensions Regulator - Annual Scheme Return

Public service schemes have a legal obligation to supply the Pensions Regulator annually with certain information via a scheme return. The information required includes scheme details, employer details and governance details. The annual scheme return notice for 2021/2022 was received from TPR on 23rd November with a request to complete by 2nd January 2023. Officers are currently working through the return and a copy will be included at the next Pension Board meeting.

The Board **RESOLVED** to note the report.

44 UPDATE ON LEGISLATION

The Pensions Manager introduced the report to the Board and highlighted the following areas from within it.

McCloud Judgment

It is expected that the expected timing for guidance and regulations will be delayed (relative to the earlier timetable issued by DLUHC). It has been confirmed that certain Teachers will also be eligible for LGPS membership due to the McCloud remedy. The inclusion of certain Teachers in relation to the LGPS remedy will also add to the administrative burden and further guidance awaited on how to deal with such cases.

Pension Dashboard

The main development over recent months was the laying of a draft of The Pensions Dashboard Regulations 2022 before each House of Parliament by DWP. These were debated on 15th November by MPs and Peers and approved.

SCAPE Discount Rate

Response to June 2021 consultation expected in coming weeks, including potential revision to SCAPE discount rate.

CARE Revaluation Date

Consideration currently being given to amending the revaluation date to 6 April from 1 April due to increasing number of members potentially subject to annual allowance charges. Nothing definitive published yet.

Staff

Technical Compliance Officer now in post.

David Yorath asked if the CARE date could only be moved once.

The Pensions Manager replied that it does not specify.

The Board **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

45 RISK MANAGEMENT UPDATE - RISK REGISTER

The Governance & Risk Advisor introduced the report to the Board. She explained that the Fund has reviewed its risk management process and documented it in a new risk management policy. She added that the policy sets out the Fund's approach to risk, process for review and update of the risk register and also sets out the roles and responsibilities of all those involved in the management of risk within the Fund including the role of the Pension Board and Pension Committee.

She stated that the new risk register was attached as Appendix 1 and it identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. She added that it sets out the mitigating actions.

She informed them that the risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter. All risks are also reviewed when there has been a material change to the risk.

She said that the risk register sets out how risks are linked to the relevant Fund strategy documents and how they are reported to Pension Committee and Pension Board.

Alison Wyatt asked if they were now confident that all issues raised were now covered within the risk register.

The Governance & Risk Advisor replied that she believed they were, with the only exception being the audit work that was ongoing regarding Cyber Essentials compliance.

The Head of Pensions added that from a management perspective this is seen as a live document that will be reviewed regularly and updated.

Stuart Anstead asked if the Board could be given an indication of what the scoring mechanism is and whether the score is residual, post mitigation.

The Governance & Risk Advisor replied that the highest possible risk score was 25 and that there were 5 levels of impact and 5 levels of likelihood.

The Director, One West added that he believed the scores shown were residual.

Alison Wyatt commented that it would be helpful to show pre and post mitigation scores.

The Director, One West replied that they had sought to focus on the most significant risks and would take the comments made on board in terms of future reports.

The Board **RESOLVED** to note the report.

46 PENSION BOARD WORKPLAN & TRAINING PLAN

The Governance & Risk Advisor introduced the item to the Board. She stated that all training had been completed for this current cycle and that a short planning session was due to take place in January for the Board to discuss new meeting dates, workplan items and training / workshop needs.

The Board **RESOLVED** to note the update.

The meeting ended at 11.57 am

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Bath & North East Somerset Council	
MEETING:	**LOCAL PENSION BOARD**
MEETING DATE:	**23 May 2023**
TITLE:	**PENSION FUND ADMINISTRATION** **Overview & Summary Performance Report**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Performance against SLA & Workload Appendix 2 – TPR Data Improvement Plan Appendix 3 – Service & Transformation Plan (to be circulated by 18 May 2023)	

1 THE ISSUE

The purpose of this report is to present the Fund's administration performance for the three months to 1 31 March 2023 vs key performance indicators (KPI's).

2 RECOMMENDATION

The Pension Board is asked to Note:

2.1 Fund performance for the three months to 31 March 2023

3 BUSINESS CONTINUITY

3.1 The Pension team moved back to the Keynsham Civic Centre in October 2022. All full-time staff now work in a hybrid way with a minimum of 2 office days per week. This move supports improved training & development and team working.

4 WORKLOAD & PERFORMANCE

4.1 Appendix 1 provides details of APF performance to 31 March 2023, for KPI's measured vs SLAs. The Fund continues to operate below its desired target of >90% for most case types (Annex 1) and the case-by-case breakdown (Annex 2) demonstrates an overall general maintenance from previous quarters.

4.2 The fund is now in the early stages of preparing a service improvement plan to address failing targets and member services. The plan spans 2 years to December 2025. The fund anticipates a difficult period over the next 6 months before service standards begin to improve.

4.3 From 65% of services meeting SLAs in Q3 2022 to 75% in Q1 2023, we are targeting "90% 2025". Further details are shared in a presentation in Appendix 3 (to be circulated separately).

4.4 Following reduction in the SCAPE discount rate on 30 March 23, we are holding c.800 cases for processing until GAD release new factors, expected in June 2023.

4.5 Following the 10.1% inflation increase for pensions, the teams experienced a high level of phone calls from pensioners who received an additional lump sum in their pension. An additional 300 calls were received in the last week in April. The increase also meant the team had to re-visit c.100 members who left between 31 March and 5 April 2023, to recalculate pension and write to members.

5 RESOURCE RECRUITMENT & TRAINING

5.1 Recruitment and retention remain a key factor impacting business operations with 12 (17%) of 71 FTEs vacant. The service improvement plan presentation will cover this in further detail with plans to tackle recruitment in 3 phases over the next 12 months.

5.2 The fund also has a high volume of temporary posts due to projects and other business change. As part of the transformation project, a restructure is planned to take place during 2023 to finalise the permanent structure, subject to BANES' support.

5.3 Key people have left the fund in the last few months, namely the Pensions Manager retiring in March and the Payroll Team leader resigning in April. Both posts have been successfully filled. The Payroll loss had a significant impact on the fund to ensure business as usual for payroll and signifies a period of change for the fund.

6 YEAR END & VALUATION

6.1 The vast majority of employers submitted year-end data files by the deadline of 30 April 2023. The fund is now validating and loading data to finalise the year-end process by 30 June before moving to the annual benefit statement process.

6.2 Employer returns will be scrutinised in the Autumn for penalty fines for late or poor data returns, with further details will be reported to the Board in the December report.

7 ANNUAL BENEFIT STATEMENTS.

7.1 The Public Service Pensions Act 2013 requires Funds to produce Annual Benefit Statements by 31 August annually.

7.2 The fund is on track with the ABS project although, with recent regulation changes and impacts to the member services team, we are unlikely to clear as many outstanding leaver cases as planned.

7.3 The Quality Assurance team has started testing provisional data and the templates for ABS are being finalised.

8 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

8.1 The Fund maintains a Common Data score above 95%. The TPR report summarises an annual view of outstanding cases for the last 12 months, please refer to **Appendix 2.**

9 PROGRESS ON KEY PROJECTS

9.1 The fund has recently undergone a change review programme to encapsulate all current ongoing projects for administration. Projects include regulatory change, ongoing housekeeping, and transformational projects to progress the funds digital administration strategy. A presentation on the funds change programme will be given to the Board.

10 MEMBER AVC ARRANGEMENTS – CHANGE OF PROVIDER

10.1 Following a review of the AVC market, the Fund has successfully moved members to Legal & General as their sole AVC provider. All existing contracts (with a few exceptions) have been migrated in a phased approach to L&G.

10.2 Active member contributions were moved from January 2023, followed by the transfer of active and deferred pots in March 2023. The fund is now in a period of formalising business as usual with L&G.

11 RISK MANAGEMENT

11.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

12 EQUALITIES STATEMENT

12.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

13 CLIMATE CHANGE

13.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund's climate targets are being reviewed and will be changed before the end of 2023.

14 CONSULTATION

14.1 The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

Contact person	Claire Newbery, Pensions Operations Manager; Tel 01225 395247
Background papers	Various statistical documents.
Please contact the report author if you need to access this report in an alternative format	

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Fund Performance against SLA – KPI's As at 31 March 2023 **Appendix 1**

Annex 1 Overall Performance by Case Type

		Cases Last Quarter				
		Measured Against SLA				
		Total Processed	Total Processed in Target	Percentage Processed within Target	Total Processed within 5 days of Target	Percentage Processed within 5 days of Target
Retirement (from Active)	**Quote - 15 days**	296	228	77.03%	36	89.19%
	Payment - 15 days	233	214	91.85%	5	93.99%
Retirement (from Deferred)	**Quote - 30 days**	52	20	38.46%	11	59.62%
	Payment - 15 days	282	261	92.55%	14	97.52%
Deaths	**Notification - 5 days**	141	125	88.65%	14	98.58%
	Payment - 10 days	106	100	94.34%	6	100.00%
Refund of contributions	**Quote - 10 days**	717	329	45.89%	100	59.83%
	Payment - 10 days	224	161	71.88%	30	85.27%
Deferreds (early leavers)	**30 days**	758	451	59.50%	307	100.00%
Transfers In	**Quote - 10 days**	49	29	59.18%	4	67.35%
	Payment - 10 days	44	27	61.36%	9	81.82%
Transfers Out	**Quote - 10 days**	830	440	53.01%	134	69.16%
	Payment - 10 days	26	19	73.08%	2	80.77%
Estimates	**Member - 15 days**	119	98	82.35%	10	90.76%
	Employer - 15 days	69	60	86.96%	6	95.65%
Divorce	**Quote - 45 days**	64	62	96.88%	0	96.88%
	Actual - 15 days	3	3	100.00%	0	100.00%
Starters	**40 days**	1739	1739	100.00%	0	100.00%
		5752	4366	75.90%	688	87.87%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Annex 2
Case No's vs Target

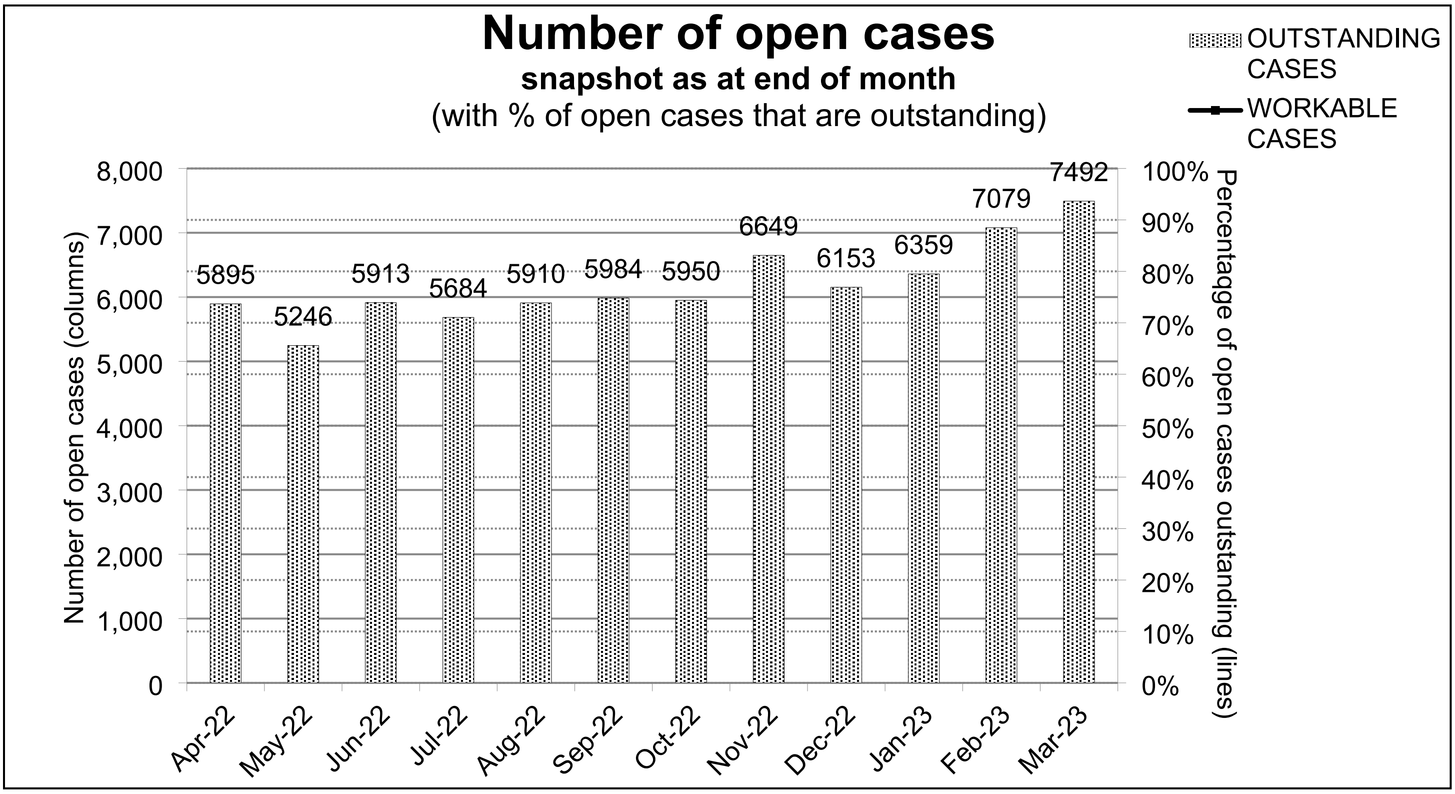
		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	**Quote - 15 days**	11	96	74	58	36	20	6	6
	Payment - 15 days	7	149	42	23	5	10	3	1
Retirement (from Deferred)	**Quote - 30 days**	23	31	7	1	2	3	3	5
	Payment - 15 days	5	208	32	21	14	7	0	0
Deaths	**Notification - 5 days**	3	125	14	0	0	1	1	0
	Payment - 10 days	5	86	14	6	0	0	0	0
Refund of contributions	**Quote - 10 days**	28	202	127	100	70	39	20	159
	Payment - 10 days	6	111	50	30	19	8	5	1
Deferreds (early leavers)	**30 days**	24	199	75	66	53	27	31	307
Transfers In	**Quote - 10 days**	14	21	8	4	4	5	2	5
	Payment - 10 days	19	12	15	9	3	0	0	5
Transfers Out	**Quote - 10 days**	32	302	138	134	60	108	69	19
	Payment - 10 days	11	18	1	2	4	1	0	0
Estimates	**Member - 15 days**	7	69	10	19	10	5	6	0
	Employer - 15 days	8	47	7	6	6	1	1	1
Divorce	**Quote - 45 days**	18	10	13	12	8	5	7	9
	Actual - 15 days	4	1	0	2	0	0	0	0
Starters	**40 days**	14	854	398	157	1	124	22	3

Annex 3 Trend in Overall Performance

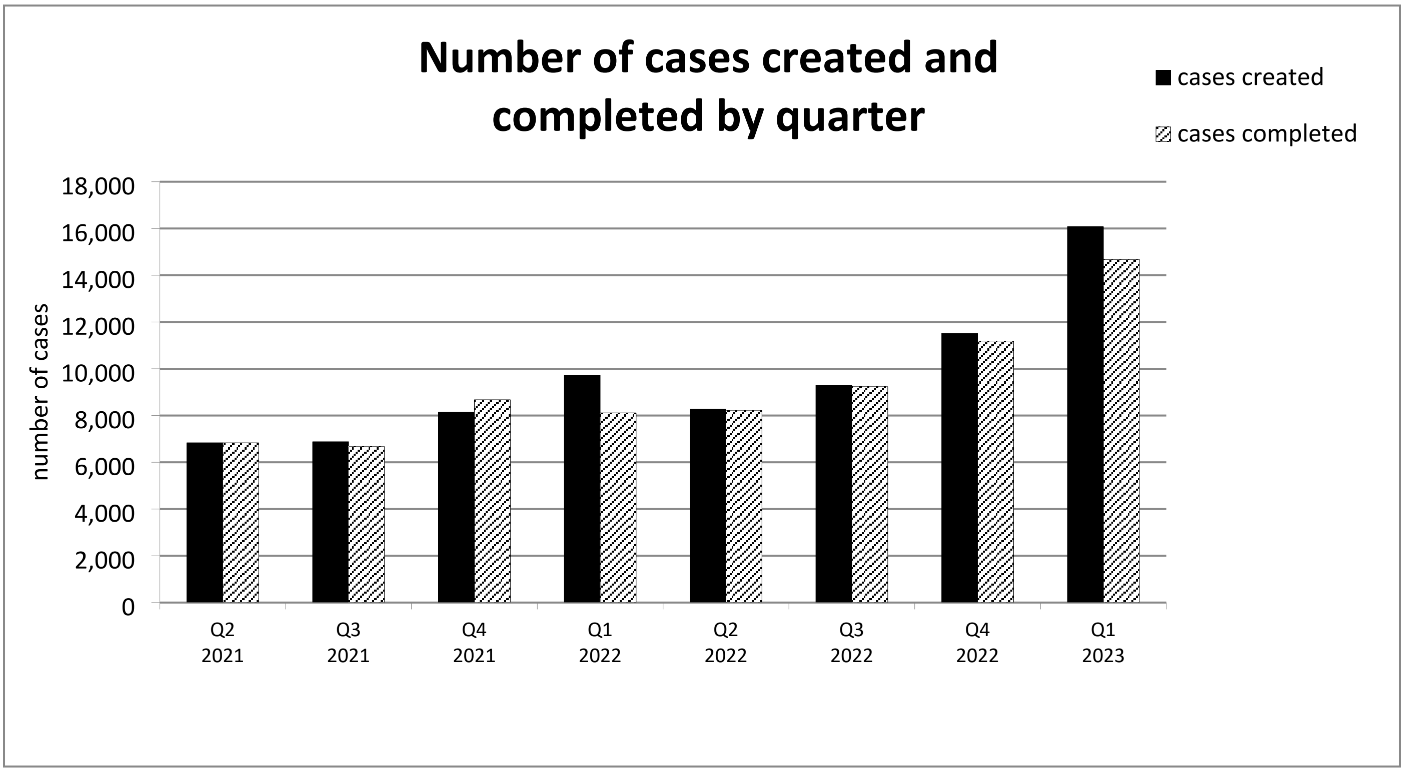
SLA Standards for Processing Admin Tasks						
Work Type	**Target Processing SLA (Old/New)**	**Q2 Apr 22 - Jun 22**	**Q3 July 22 - Sept 22**	**Q4 Oct 22 - Dec 22**	**Q1 Jan 23 - Mar 23**	**Trend**
Retirement (from Active)	**Quote - 5 / 15 days**	62.30%	66.67%	76.37%	77.03%	
	Payment - 5 / 15 days	68.06%	92.00%	94.08%	91.85%	
Retirement (from Deferred)	**Quote - 30 days**	34.78%	50.00%	35.71%	38.46%	
	Payment - 5 / 15 days	75.12%	89.61%	94.31%	92.55%	
Deaths	**Notification - 5 days**	51.43%	81.20%	96.80%	88.65%	
	Payment - 5 / 10 days	66.67%	81.74%	85.45%	94.34%	
Refund of contributions	**Quote - 10 days**	15.76%	13.30%	19.80%	45.89%	
	Payment - 10 days	51.94%	78.33%	83.69%	71.88%	
Deferreds (early leavers)	**Notification - 20 / 30 days**	74.92%	57.17%	72.30%	59.50%	
Transfers In	**Quote - 10 days**	11.03%	32.98%	67.96%	59.18%	
	Payment - 10 days	15.15%	51.79%	63.64%	61.36%	
Transfers Out	**Quote - 10 days**	25.38%	30.37%	56.82%	53.01%	
	Payment - 10 days	24.00%	42.31%	80.56%	73.08%	
Estimates	**Member - 10/15 days**	79.80%	81.19%	90.12%	82.35%	
	Employer - 15 days	70.00%	66.67%	87.50%	86.96%	
Divorce	**Quote - 45 days**	50.00%	85.07%	89.47%	96.88%	
	Actual - 15 days	100.00%	100.00%	50.00%	100.00%	
Starters	**40 days**	100.00%	98.74%	96.41%	100.00%	

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Annex 4



Annex 5



TPR Improvement Plan Data As of 31st March 2023

Annex 1 – TPR Errors by Member Numbers

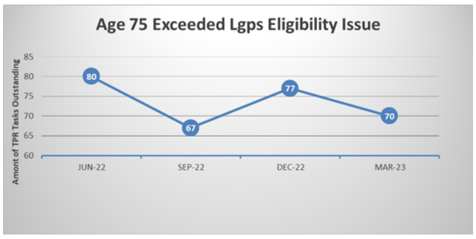
	Dec-22				Mar-23				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	39789	286	0.72%	99.28	40235	193	0.48%	99.52	-93
UNDECIDED	6621	236	3.56%	96.44	6064	226	3.73%	96.27	-10
DEFERRED	43825	3822	8.72%	91.28	44310	3718	8.39%	91.61	-104
PENSIONERS	35986	301	0.84%	99.16	36454	308	0.84%	99.16	+7
DEPENDANTS	5479	110	2.01%	97.99	5563	105	1.89%	98.11	-5
FROZEN	5631	1740	30.90%	69.10	6011	1765	29.36%	70.64	+25
TOTALS	**137331**	**6495**	**4.73%**	**95.27**	**138637**	**6315**	**4.56%**	**95.44**	-180

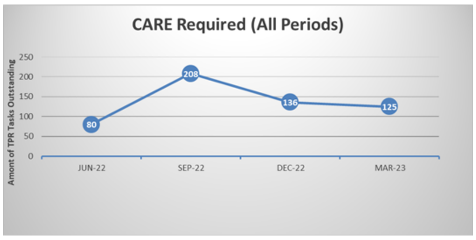
Annex 2 – Outstanding Queries by Type (there may be multiple queries per member)

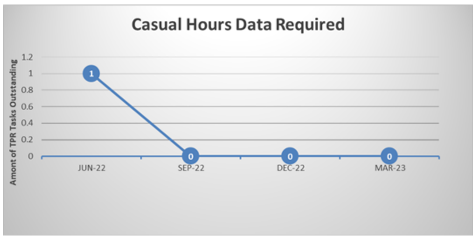
	Dec-22		Mar-23		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	77	1.17%	70	1.10%	-7
Care Pay For 2014-2015 Required	7	0.11%	3	0.05%	-4
Care Pay For 2015-2016 Required	10	0.15%	4	0.06%	-6
Care Pay For 2016-2017 Required	9	0.14%	3	0.05%	-6
Care Pay For 2017-2018 Required	7	0.11%	7	0.11%	0
Care Pay For 2018-2019 Required	14	0.21%	16	0.25%	+2
Care Pay For 2019-2020 Required	8	0.12%	13	0.20%	+5
Care Pay For 2020-2021 Required	19	0.29%	14	0.22%	-5
CARE pay for 2021-2022 required	62	0.94%	53	0.83%	-9
CARE pay for 2022-2023 required	0	0.00%	12	0.19%	+12
Missing data on leaver form - Escalation	0	0.00%	0	0.00%	0
Casual Hours Data Required	0	0.00%	0	0.00%	0
Correct Address Required	5520	83.97%	5395	84.47%	-125
Correct Forenames Required	9	0.14%	9	0.14%	0
Correct Gender Required	0	0.00%	0	0.00%	0
Correct Hours Format Required	2	0.03%	0	0.00%	-2
Correct Nino Required	157	2.39%	156	2.44%	-1
Correct Title Required Ie Miss Or Mr	2	0.03%	1	0.02%	-1
Data Required From A Previous Employer	22	0.33%	9	0.14%	-13
Date Joined Fund Required	4	0.06%	1	0.02%	-3
Historic Refund Case	478	7.27%	478	7.48%	0
Leaver Form Required	165	2.51%	138	2.16%	-27
Pay Ref Required	0	0.00%	5	0.08%	+5
Correct Surname Required	0	0.00%	0	0.00%	0
Correct FTE Pensionable Salary 16-17 req	2	0.03%	0	0.00%	-2
Grand total	**6574**	**100%**	**6387**	**100%**	

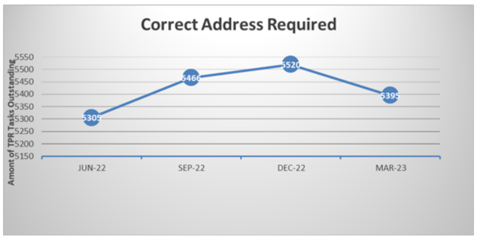
***Trend is influenced by number of errors**

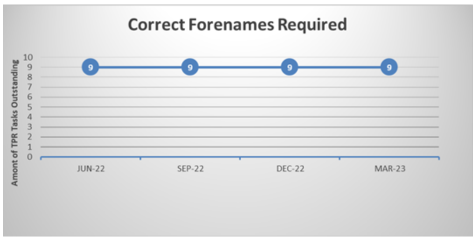
TPR Error Numbers by Error Type

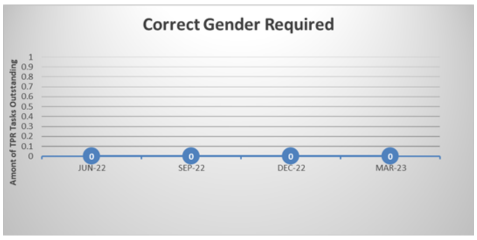


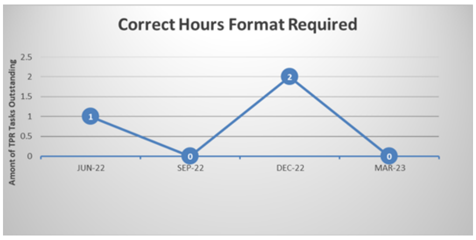


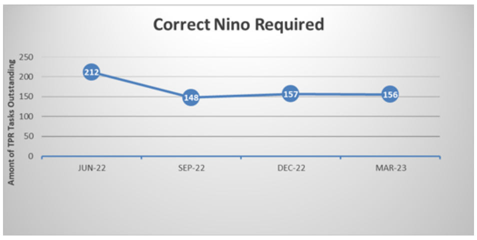


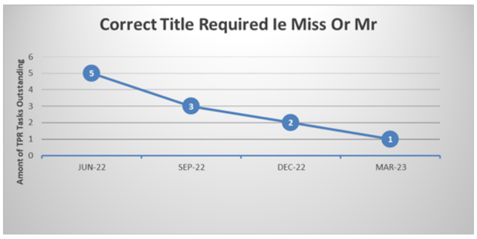


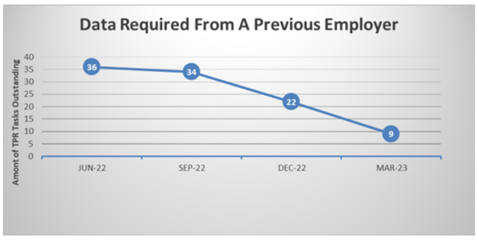


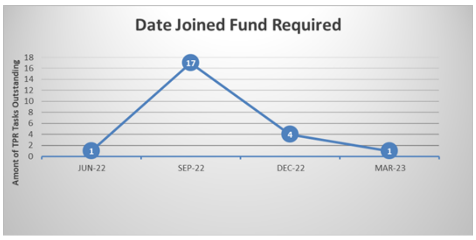


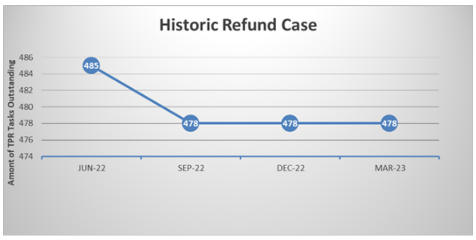


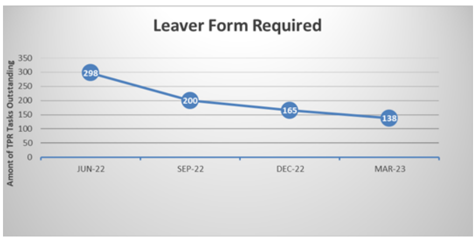




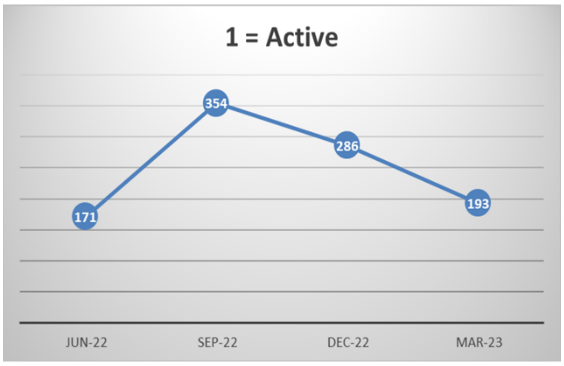


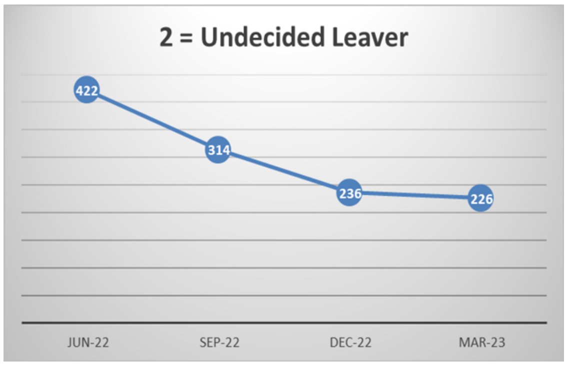


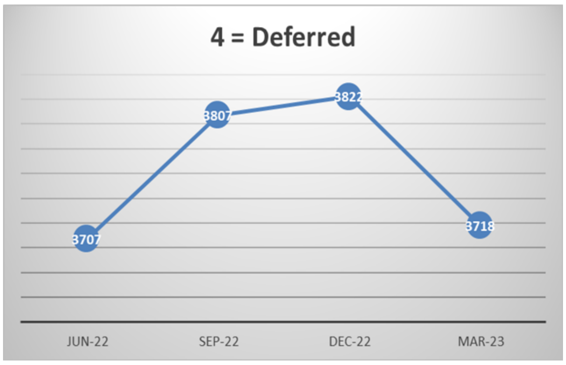


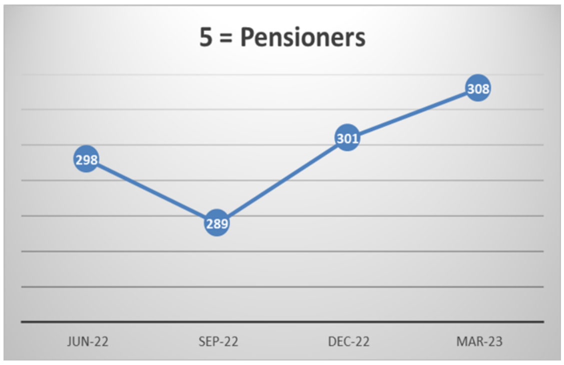


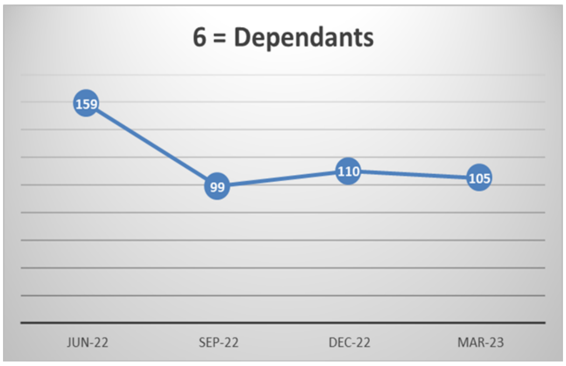
TPR Error Numbers by Status

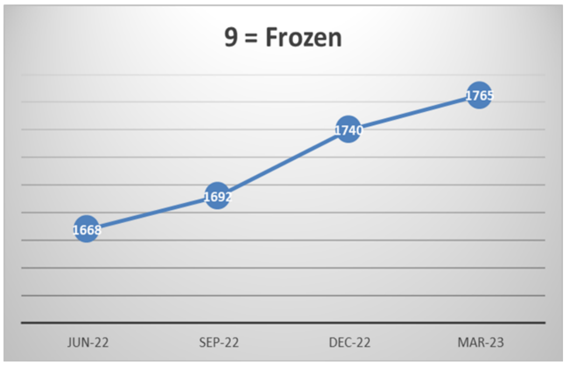












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Bath & North East Somerset Council		
MEETING	**AVON PENSION FUND LOCAL PENSION BOARD**	
MEETING	**23 May 2023**	Agenda Item Number
TITLE:	**Technical & Compliance Update**	
WARD:	**All**	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 – Current matters affecting LGPS Administration**		

1 THE ISSUES

1.1 The purpose of this report is to update the Pension Fund Board on any proposed regulatory matters that could affect scheme administration. An updated list is attached as appendix 1.

2 RECOMMENDATION

The Board is asked to:

2.1 Note current position regarding developments that could affect administration of the fund.

3 THE REPORT

The table below summarises key regulatory updates since the last meeting. Further details can be found in the updated list which is accessible on the Modern Gov library via the path **Modern Gov/Library/Avon Pension Fund/2023-2024 Quarter 01/01 Regulatory Update**

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Item	Latest Position	Relevant Links	Action by Fund / Next Steps
McCloud Judgment	The Government has issued its response to the October 2020 consultation in relation to the proposed remedy. This response confirms that a further consultation will take place in the near future that will request comment on the draft regulations. SAB guidance on dealing with incomplete/inconsistent data has been released. The High Court has dismissed the Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government's proposed method of paying for costs incurred by the McCloud Judgment. It is expected both will appeal this ruling.	https://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin/outcome/amendments-to-the-local-government-pension-scheme-statutory-underpin-government-response https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf https://www.bailii.org/ew/cases/EWHC/Admin/2023/527.html#para253	The Fund to continue work on collating, analysing and validating data from employers in relation to implementing the remedy. Any delays in the relevant stages may have administrative implications given the time available to respond/progress may be shortened. The inclusion of certain Teachers in relation to the LGPS remedy will also add to the administrative burden and further guidance awaited on how to deal with such cases.
Pension Taxation	The Spring Budget in March saw a number of changes to the way pensions will be taxed, primarily an increase to the annual allowance, and removal of lifetime allowance charges from 6 April 2023 (and abolishment of the lifetime allowance from 2024/25 onwards).	https://www.gov.uk/government/publications/spring-budget-2023	Whilst the changes to the annual and lifetime allowance are favourable to members, the changes have led to administrative processes and member communications to be updated, and may lead to an increasing number of queries in the short-term.
SCAPE Discount Rate	On 30 March 2023, the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had been reduced to a rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum.	https://questions-statements.parliament.uk/written-statements/detail/2023-03-30/hcws697	Whilst GAD reviews the actuarial factors to apply to the LGPS (and other public sector schemes), many calculations are currently suspended. These are mainly CETV's for transfers (including refund / transfer outs) and divorce. This has implications for the administration team in terms of both member communications, and resource management for when the suspension is lifted.
CARE Revaluation	On 9 March 2023 DLUHC published its response to the consultation setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS	https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps/outcome/government-response-to-annual-revaluation-	Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge, the timing of the change had an impact on the administration team given software systems weren't updated prior to the change taking place (thus resulting in a greater level of manual calculations). Communications

	(Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023).	date-change-in-the-local-government-pension-scheme-lgps	are also being updated and the team has also dealt with an increased number of queries from members.
Pension Dashboard	The Pension Dashboard Programme gathers pace with developments in a number of areas. The main development saw the Pensions Minister, Laura Trott make a statement on 2 March 2023 announcing the Government's intention to legislate "at the earliest opportunity" to amend scheme's connection deadlines, to allow more time to deliver the complex dashboards infrastructure. It's not clear yet which schemes (including the LGPS) will be given an extension and how long this may be. Further details are expected prior to the summer recess.	https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594	Whilst there is potential for the Fund's connection date to the delayed, in the absence of any confirmation for the LGPS, the Fund is continuing its preparations towards meeting the necessary Pensions Dashboard requirements and awaits further guidance from central bodies e.g. LGA in relation to what action LGPS Funds should be considering.

4 FINANCIAL IMPLICATIONS

4.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates.

4.2 Any other specific financial implications will be reported as appropriate.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6 EQUALITIES STATEMENT

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund's climate targets are being reviewed and will be changed before the end of 2023.

8 CONSULTATION

8.1 The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

Contact person	Nicky Russell, Technical and Compliance Manager; Tel 01225 395389
Background papers	LGA Bulletins SAB Meeting Minutes National Technical Group Meeting Minutes
Please contact the report author if you need to access this report in an alternative format	

List of current developments affecting or expected to affect Scheme Administration – 9 May 2023

The hyperlinks below can be used to navigate to each section as required. A hyperlink is also included in each section to return to this page.

Organisation	Item	Details	Status
HMT / DLUHC	**Public Sector Exit Payments Cap / Consultation on Further Reform to Exit Payments** ***back to contents***	**Previous Update:-** **On 17 October 2022** SAB issued its response to the HMT consultation on a new controls processed for high exit payments (that was issued in August as referenced below) impacting central government (not local government) bodies (including academies). The response can be found here. **On 15 August 2022** The government published a consultation on the reform of the Civil Service Compensation Scheme 2017 (which has been ongoing since 2017). These proposals do not apply to local government and further details from DLUHC are still awaited on whether exit payments will be limited for LGPS members. **On 8 August 2022 HMT** published a consultation on a new administrative control process for public sector exit payments over £95,000 and amendments to the process for special severance payments. HMT is seeking views on the proposed guidance and whether it meets the policy intent. The guidance is intended to apply to "Central Government" bodies and therefore does not include local authorities. It does however apply to academies. The consultation closes on 17 October 2022 and further details can be found here. **On 12 May 2022** Statutory guidance on the making and disclosure of Special Severance Payments by Local Authorities in England was published and can be found here. **November 2021 -** It's expected that a new consultation in relation to the Public Sector Exit Payments Cap will be released in early 2022. However, unlike the previous exit cap, there won't be single set of regulations from HMT that will apply and there will be different solutions across the Public Sector, including for the LGPS. Statutory guidance in relation to "special severance" payments that apply to local authorities is expected soon following the consultation that ended in August. **On 2 July 2021,** following a request for data from local authorities in April 2021, MHCLG published its first summary of exit payment data covering 2019-20 and 2020-21. Initial indications	**No Further Updates**

Organisation	Item	Details	Status
		are that the average exit payment made in 2020-21 across local authorities was £26,000 including pension strain. Further details can be found here. **Also, on 2 July 2021,** Although not directly linked to the exit payments cap, MHCLG commenced a consultation on statutory guidance in respect of "special severance" payments that apply to local authorities i.e. over and above statutory entitlements. The consultation ended on 13 August 2021 and an outcome is awaited. A copy of the LGA's response to the consultation can be found here. **On 9 April 2021,** MHCLG wrote to chief financial officers, of councils and combined authorities, letting them know about a new requirement to provide data on exit payments. Councils will be asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of May 2021. The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector. **On 12 February 2021,** HMT published the Exit Payment Cap Directions 2021 disapplying parts of the Restriction of Public Sector Exit Payment Regulations 2020 with immediate effect, meaning the exit cap no longer applies to exits that take place on or after 12 February 2021. HMT expects employers to pay the additional sums that would have been paid, had the exit cap not applied in respect of employees who left between 4 November 2020 and 11 February 2021. On 25 February 2021, The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 were made and laid before parliament and will come into force on 19th March 2021. These regulations confirm the effect of the disapplication Directions made on the 12th February 2021 but are not retrospective. Despite this revocation, the Government remains committed to implementing reforms to public sector exits which will have the aim of ending excessive payments and bringing practice more in line with the private sector. We understand that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay, however, they will consult again on any further reforms to exit payments before any changes are made. The Government has not confirmed when the exit cap or further reforms will be introduced but we understand an exit cap may be in force later in 2021.	

Organisation	Item	Details	Status
		On 22 December 2020, three requests for Judicial Reviews of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed. These requests contest the regulations on a number of grounds, including their effect on the LGPS regulations. It is expected the requests will be heard towards the end of March 2021. MHCLG has confirmed that these hearings will affect the timing of LGPS regulation changes. The LGA understand that these proceedings will prevent any direction by the Pensions Ombudsman on this matter until they are complete although they are seeking clarification on this. **On 16 Nov 2020**, APF obtained legal advice on the best course of action to take in the interim period, until the LGPS regulations are amended to accommodate the cap. As a result of that advice we have taken the decision to offer a member who exceeds the 95k cap the option of taking immediate payment of fully reduced benefits or the option to defer their benefits for payment at a later date. This is also in line with the Government and Scheme Advisory Board recommendations. We have also adopted a partial change in the factors used to calculate pension strain costs following a formal recommendation from our Actuary. New processes are now in place to deal with any cases that arise going forward. **On 30 Oct 2020**, SAB published its legal advice together with a commentary for LGPS administering authorities and scheme employers, which can be found as follows:- https://www.lgpsboard.org/index.php/structure-reform/public-sector-exit-payments **On 28 Oct 2020**, a letter was sent from Luke Hall, the Local Government minister, to all LGPS administering authorities in respect of the implementation of the £95k cap from 4th November recommending a course of action to take in the interim period which is that LGPS members caught by the 95k cap, who would normally be forced to take a fully unreduced pension under regulation 30(7), should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost. **On 15 October 2020**, the legislation implementing the £95k cap on exit payments was signed and therefore will come into force on 4 November 2020. This means that the £95k cap will come into force in advance of the changes to LGPS regulations proposed by MHCLG in the further reform consultation, which will amend the LGPS regulations to provide for the payment of reduced pensions in whole (as is the current provision) and in part. As such, from 4 November	

Organisation	Item	Details	Status
		2020 up to the enactment of the MHCLG further reform proposals, which is expected in early 2021, there is a position of legal uncertainty. This is due to the apparent discrepancy between the obligations on scheme employers under the Cap Regulations to limit strain cost payments, and the requirement for administering authorities to pay unreduced pensions to qualifying scheme members under existing LGPS regulations. The SAB has requested the views of Counsel on the risks of challenge to administering authorities and the obligations of scheme employers during this period of legal uncertainty. **On 7 September 2020**, MHCLG launched a consultation on changes to the Local Government Pension Scheme (LGPS) and Discretionary Compensation Regulations. The consultation covers the required changes to compensation and pension regulations to implement both the £95K exit payment cap as well as public sector exit payments further reform proposals issued by HMT in 2016. The latter proposals were left to individual departments to implement rather than being via central HMT Directions, currently no other part of the public sector has any 'live' proposals to enact the further reform proposals. The MHCLG consultation closes on the 9 November and APF are in the process of formulating a response. At this stage there have been no proposals to implement an exit payment recovery process that was also consulted on in 2015. **On 21 July 2020**, HM Treasury published the Governments response to the consultation on restricting exit payments in the public sector. This was followed by the publication of draft regulations which include a list of employers who will be covered by the cap, which is set at a total of £95,000. Exit payments include redundancy payments, severance payments, pension strain costs and other payments made as a consequence of termination of employment. The Regulations will need to be approved by both houses of parliament and will come into force 21 days after that process is complete. We understand it is the intention that the cap will be in force for the end of the 2020 calendar year. This will affect LGPS members in England and Wales who currently qualify for an unreduced pension because of redundancy or efficiency retirement. It will also apply to members whose employer agrees to the early release of their benefits without actuarial reduction, apart from ill health retirement which is excluded. If the cap is breached, then the member may have to take a reduced pension. MHCLG is looking at options to introduce choice to allow members in this position to opt for a deferred pension instead. We also expect the introduction of a standard strain cost calculation so that the cap will apply equally to members across the country. We are expecting a consultation on changes required to the LGPS regulations imminently.	

Organisation	Item	Details	Status
		Background:- The government first consulted on plans to cap exit payments in the public sector in 2015. On 10 April 2019, HMT launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations'. The key points in this latest consultation were as follows:- • No change from the earlier proposal that the maximum exit payment will be £95,000. • The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools. • The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases. • Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will means members would be treated differently within the LGPS depending on their employer on exit. • As previously indicated, there will be provisions for the cap to be waived in some circumstances. However, the tone of the consultation makes clear that any waiver is expected to be the exception rather than the norm. It was expected that MHCLG will run a separate consultation, which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments. HMT received approximately 600 responses, one of which was from APF, and it was expected that they would publish their response in the autumn of 2019 and look to introduce the cap no sooner than 1 April 2020.	

Government	McCloud Judgment ***back to contents***	**Latest Updates:-** **On 6 April 2023** DLUHC published their response to the 2020 consultation on amendments to the underpin. Given developments since 2020, whereby issues have arisen that haven't been consulted upon, a further consultation will be issued by DLUHC in the near future, seeking views on these issues (e.g. compensation interest, excess teacher service etc.), alongside issues from the original consultation where a final decision has yet to be taken (e.g. aggregation, flexible retirement) and also on the draft regulations themselves, which will come into force on 1 October 2023 (backdated to 1 April 2014). Alongside the response in collaboration with the Scheme Advisory Board, DLUHC published a member factsheet summarising the remedy. With effect from **6 April 2023** the Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 became effective, although only have practical effect once the LGPS Regulations setting out the remedy come into force. To assist administering authorities determine what action they need to take in relation to these Regulations the LGA issued a guide in March 2023 setting out commentary and further guidance. **On 3 March 2023** the Scheme Advisory Board issued guidance to administering authorities setting out what options administering authorities should consider if they are unable to collect the data required to implement the McCloud remedy, or where the data available is deemed to not be accurate. Following on from the comment below, a survey was issued by the Teachers' Pension Scheme, requiring assistance from administering authorities, in relation to the group of teachers who will be retrospectively eligible for LGPS membership as part of the McCloud remedy in the Teachers' Scheme. The Fund responded before the survey closed on 30 April.	**Updated**

Previous Updates:

The SAB hope to issue their data issues guidance to assist administering authorities by **the end of February 2023**.

On **6 February 2023** The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 were laid and become effective from 6 April 2023.

In **January 2023,** with regard to the retrospective eligibility for the LGPS for Teachers as referred to below, the DfE is to begin contacting relevant schools to confirm employment status of members during the remedy period.

On **6 January 2023** the LGA responded to the HMRC consultation below. A copy of their response can be found here.

On **14 December 2022** HMT made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 which came into effect on 19 December 2022. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised e.g. linked to the payment of compensation/interest etc. The making of the Directions enables relevant departments to start consulting on regulations.

On **24 November 2022** HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy in order to seek views on draft legislation – The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 – which would become effective from 6 April 2023 (with some provisions having retrospective effect).

Not all provisions within the draft legislation cover the LGPS given the legislation covers all public service pension schemes and the LGPS remedy is very different. The draft legislation (relevant to the LGPS) includes annual allowance treatment, individual/fixed protection for lifetime allowance considerations, and comment in a number of areas in relation to benefit adjustments and

It has been confirmed that the implementation of the McCloud remedy in the Teachers Pension Scheme (TPS) will have implications for the LGPS given that some teachers will be retrospectively eligible for LGPS membership during the period 1 April 2015 to 31 March 2022.

		Eligibility would be for those teachers who had a part-time employment, in addition to a full-time employment, given the part-time role would not have been pensionable in the TPS legacy scheme. In such cases the member would have been enrolled into the LGPS. An administrative process, for dealing such cases, will be needed and the LGA will work together with the DfE and DLUHC on this matter. SAB are currently working on guidance for Funds to follow in situations where data provided by employers is incomplete/inconsistent. It has been confirmed that this guidance will take precedent over any subsequent guidance issued by DLUHC. Legal input is also being sought as part of this process. In addition, it is now expected that the timescales referred to in the July update below from DLUHC, prior to the Regulations coming into force on 1 October 2023, may slip further back, thus reducing the time for stakeholders to respond and prepare for implementing the Regulations accordingly. **On 27 July 2022** on behalf of DLUHC, LGA issued an update to administering authorities and software suppliers in England and Wales. This confirmed that: • The Government's response to the 2020 consultation would be published later in 2022. • The SAB would resume McCloud Implementation Groups • DLUHC would publish an updated version of draft regulations implementing the McCloud remedy, reflecting new powers of the Public Sector Pensions and Judicial Offices Act 2022, technical feedback and changes in policy. A further period of consultation would take place in early 2023 with regulations being made later in 2023 and coming into force on 1 October 2023. • Statutory guidance on the implementation of McCloud will also be issued in 2023 following consultation. **On 22 March 2022,** a letter from Teresa Clay, Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation. The recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes for the Avon Fund and hence no significant changes in approach/outcome are expected in 2022.	

		On 10 March 2022 the Public Sector Pensions and Judicial Offices Bill received Royal Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are currently expected prior to parliamentary recess in the Summer. Further details of Bill itself, can be found here. **On 9 March 2022** the amendments proposed in the House of Commons were considered and passed by the House of Lords and the Bill now awaits Royal Assent. **On 22 February 2022** the Bill reached report stage and subsequently had its third reading with the final list of amendments being debated (see Responsible Investment Section). **On 18 February 2022,** further amendments to the Bill were laid from a number of parties albeit only those relating to McCloud (or those laid by the government) were expected to be passed given the importance of the Bill to be passed by 31 March. **On 27 January 2022,** the Public Sector Pensions and Judicial Offices Bill entered Committee Stage. **On 21 January 2022,** in advance of moving to Committee Stage in the House of Commons, the Government tabled further amendments to the Public Sector Pensions and Judicial Offices Bill. As expected, the key amendment in relation to the LGPS was to extend the scope of the remedy (by redefining “remediable service”) to those members not in pensionable service on 31 March 2012 but in service before then. Other amendments relevant to the LGPS extended the types of schemes where pensionable service would not count as a disqualifying break, and to allow the final regulations to make provisions in a number of areas, namely in relation to transfers in, pension credits and debits, Teachers qualifying for the LGPS and also compensation and interest payments. **On 7 January 2022** whilst not impacting the LGPS at present, a Judicial Review claim submitted by the Police Superintendents’ Association (PSA) in relation to the consultation process in relation to the McCloud Judgment conducted by HM Treasury in the summer 2020 was	

		dismissed, although some of the grounds of the claim were ruled arguable and the Judge ruled that there had been legal errors in the decision making process following the consultation. The full judgment can be found here. The PSA has since announced it will seek leave to appeal to the Court of Appeal. **On 6 December 2021,** Following the Committee and Report Stages, the Public Sector Pensions and Judicial Offices Bill got its third reading in the House of Lords to complete its passage through the House and subsequently got its first reading in the House of Commons on **7 December 2021,** followed by its second reading on **5 January 2022.** **On 11 October 2021,** The Public Sector Pensions and Judicial Offices Bill moved to Committee Stage. The Report stage will take place on 29 November 2021. It is now expected that any amendments made by the Government in relation to the LGPS and how the remedy will be implemented will emerge at the House of Commons Committee Stage. Funds have also been encouraged to collect data on all members who were active on/before 31 March 2012, not just those on 31 March 2012 given the potential for scope to change as part of the amendments referred to above. Further details on the timing, and the Bill itself, can be found here. Once the Bill eventually receives Royal Ascent, Regulations for each of the Public Sector Schemes will be released. This is expected in Spring 2022. There will also be a consultation in Spring/Summer 2022 on draft guidance to assist Funds in implementing the remedy. **On 8 October 2021** the Fire Brigades Union and the Local Government Association issued a Memorandum of Understanding and Framework setting out a mechanism to handle “Immediate Detriment” cases emerging from the McCloud Judgment in relation to the Firefighter Schemes in a consistent manner. Whilst this does not immediately impact the LGPS, there will be an impact on the Fund’s available resource in the short-term whilst such cases are considered, which will need to be managed. **On 7 September 2021,** The Public Sector Pensions and Judicial Offices Bill got its second reading in the House of Lords.	

		On 19 July 2021, The Public Sector Pensions and Judicial Offices Bill got its first reading in the House of Lords. The Bill makes provision to rectify the unlawful age discrimination identified by the McCloud Judgment. Chapter 3 of Part 1 of the Bill confirms which members will be in scope in the LGPS and what service is 'remediable'. Enabling legislation will allow for scheme regulations to be changed to formally implement the McCloud remedy. The second reading of the Bill will take place in the House of Lords on 7 September 2021. **On 13 May 2021,** MHCLG published its Written Ministerial Statement setting out the government's high level objectives on how the remedy to the McCloud Judgment will be applied. The statement can be found here. **On 8 October 2020** APF issued their response to the consultation which was included as an appendix to this report at the December meeting The SAB response to MHCLG's consultation is available to view in the following location:- http://lgpsboard.org/images/PDF/letters/SAB_FINAL_MCCLOUD_RESPONSE.pdf The notes from the SAB meeting in August advised that their response would include representations to allow the LGPS regulations to be on the statute book ahead of those of the unfunded public service pension schemes, where the coming into force date is expected to be Spring 2022. LGPS remedy regulations will not have to wait for changes in primary legislation so different timescales should be possible. Getting LGPS McCloud regulations in place sooner will give all parties more opportunity to put processes in place before they come into effect in 2022. The Board also agreed that work should commence on central guidance on how the regulations are to be applied and how individual cases of poor or missing member data should be handled. **On 16 July 2020**, MHCLG published a consultation on amendments to the statutory underpin which are designed to remove age discrimination from the LGPS, see link here. In summary, the consultation proposes that qualifying members, all who were active in 2008 scheme on 31st March 2012 and accrued benefits in the 2014 scheme without a disqualifying break, would be protected by the application of a revised underpin which will be applied retrospectively for those who have already left the scheme. The consultation runs until 8th October 2020 and we are currently in the process of formulating a response.	

		At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be a small policy group to help MHCLG consider areas of policy not determined by HMT and a larger implementation group made up of practitioners, member representatives, actuaries, software providers and employers. They will consider the challenges of implementing and communicating the scheme changes. Due to differences in LGPS transitional protection, MHCLG are planning to undertake an LGPS specific consultation on the regulatory changes required to address McCloud. We are expecting the consultation to begin late June / early July 2020. **Background:-** The McCloud/Sargeant cases concern the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes. In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination. In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case was returned to an Employment Tribunal for remedy. In July 2019, the Chief Secretary to the Treasury announced in a written statement that 'the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS'. As such, the SAB agreed to establish two working groups, one to assist MHCLG in considering any areas of policy not centrally determined and the second to consider the challenge of implementing and communicating any changes. A consultation, including draft legislation, is expected in the Spring, although there is likely to be a need for changes in primary legislation that may take some time. You can find a dedicated 'Cost Management' page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/mccloud-page	

SAB	LGPS Cost Management Process ***back to contents***	**Latest Updates:-** **On 30 March 2023** the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had been reduced to a real rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum. This change has direct implications on all public sector schemes given it's used by GAD to set actuarial factors (alongside setting employer contribution rates in the unfunded schemes). Some member calculations are currently suspended whilst factors are reviewed, which will have administrative implications for LGPS Funds. At the same time a response to the June 2021 consultation on the methodology for deriving the SCAPE discount rate was also published. This confirmed that the rate will continue to based on long term gross domestic product (GDP) growth figures with an aim to review the rate every four not five years going forwards in line with the scheme valuation cycle. **On 10 March 2023** the applications for the Judicial Review (referred to below) in relation to the cost cap Mechanism were dismissed by the High Court in both claims after the judge ruled that the Government's decision to include the McCloud remedy in the cost to be compared against the target cost, was not unlawful. Whilst the judge refused permission to appeal, it's expected that both unions will apply for permission to appeal directly to the Court of Appeal. The full judgment can be found here. The Scheme Advisory Board has requested its legal advisor, Eversheds, to provide summary comment on the judgment. **On 6 March 2023** the Scheme Advisory Board submitted its response to DLUHC's consultation on reforms to the SAB scheme cost management process (which operates independently of, and prior to, HMTs directed cost management process. Given DLUHC had taken on many of the points previously raised by the Board to better align the SAB and HMT processes, the response was generally supportive of the DLUHC approach being taken.	**Updated**
		Previous Updates:- **On 31 January 2023** The Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government proposed method of paying for costs incurred by the	

		McCloud Judgment began. The outcomes of this review may have implications for the LGPS and the outcomes of the 2016 cost management process that were announced in 2022. **On 30 January 2023** DLUHC published a consultation setting out proposed updates to the SAB cost management process for the LGPS. This follows from GADs report into the HMT cost management process and the resulting policy and legislative changes that followed (see July 2022 comment below). The proposed changes that are being consulted on are: • A requirement to undertake the LGPS Scheme Valuation on a 4 yearly cycle rather than 3, thus bringing it into line with other public service schemes. (N.B. This doesn't change the requirement to undertake individual LGPS Fund valuations on a triennial basis.) • Incorporating more flexibility if the SAB decide to make recommendation on costs. • Ensuring the SAB is consulted on the technical accuracy of any changes in regulations that may be needed to incorporate the new "economic check" mechanism into the updated HMT cost management process, prior to implementation. The consultation ends on 24 March 2023. A response to the consultation in June 2021 in relation to potential changes to the SCAPE discount rate is expected in the near future. As referenced below, any changes would impact the LGPS given it is used by GAD to produce actuarial factors e.g. early retirement etc. and therefore there will be administrative/communication implications of any changes once they come into effect. **On 13 July 2022 –** HMT laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022, which became effective from 3 August 2022. The new Regulations follow on from the review undertaken by HMT in 2021 where three changes were announced (see 4 October update below). The new regulations implement a change to the corridor in which scheme costs must remain before corrective action is taken and amend this corridor from 2% to 3%. The intention is that all three changes will be in place for the 2020 cost cap valuation. **On 4 July 2022,** The Fire Brigades Union and British Medical Association were given permission to judicially review the Government's decision to include the cost of the McCloud remedy in the 2016 cost control valuations. Whilst the case will look at the Firefighters' and NHS Pension	

		Schemes, the outcomes may have implications for the LGPS and other public sector pension schemes given the approach followed. **On 29 June 2022** GAD published the results of the first cost cap valuation for the LGPS in England and Wales. The valuation calculated the cost cap cost of the scheme using HM Treasury's valuation directions, as at 31 March 2016. As referred to above, the cost cap rate included the McCloud remedy costs. The report concluded that the cost cap rate for the LGPS in England and Wales was 14.6%, which was 1.2% below the target cost. This means that that no changes to benefits or member contributions would be required as there was no breach of the 2% corridor. **On 15 December 2021,** six trade unions (the Public and Commercial Services Union, The Fire Brigades Union, the GMP Union, the Royal College of nursing, Unite and the POA Union) filed for a joint judicial review to prevent the Government imposing the cost of the McCloud remedy on their members. The outcomes of this review may have implications for the LGPS if upheld. **On 4 November 2021,** the FBU has issued a formal letter before claim for Judicial Review proceedings against the Government with regard to the inclusion of the McCloud Judgment in the 2016 cost management process. This is likely to be heard in the middle of next year. If upheld, there may be implications for the LGPS. Further details can be found here. **On 15 October 2021,** the SAB published the outcomes of its own 2016 valuation cost management process (following confirmation from HMT on the cost control directions). Full details of the process can be found here and confirmed that there would be no change to benefits emerging from the process once allowance for the McCloud Judgment had been taken into account. However, the SAB has formally commented now that it will still be seeking to review Tier 3 ill-health benefits and employee contributions for the low paid in the future, outside of the cost management process. DLUHC, SAB, GAD will be considering how the revised principles of the HMT process will apply to SAB's own process in readiness for the 2020 valuation assessment being undertaken.	

		On 7 October 2021, HMT published the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment Directions) 2021 which allow public sector schemes to conclude their 2016 valuations by setting out how they will carry out the cost control element of these valuations. **On 4 October 2021,** HMT responded to the consultation on the cost control mechanism. The response can be found here and confirmed that: • The mechanism would be changed so that it only covers the reformed schemes. • The corridor would be widened from 2% to 3%. • There would be the introduction of an "economic check" so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented. Whilst not directly addressing concerns raised by LGPS stakeholders (in particular with regard to how the economic check will be carried out for the LGPS), there is an acknowledgement from HMT to discuss these further and agree the appropriate way these changes can be introduced (alongside consideration of how the changes will impact the SAB cost management process, and also how similar changes can be affected in Scotland and Northern Ireland). A response to the consultation on the methodology used to set the SCAPE discount rate is still awaited. **On 19 August 2021,** the SAB published its response to the consultation on the cost control mechanism. The response can be found here Similarly, LGA published its response to the consultation on the discount rate, which can be found here. **On 24 June 2021** a Written Ministerial Statement was laid which announced the publication of two consultations. The first was about proposed reforms to the cost control mechanism and covered 3 main areas: • A change to the mechanism so that it only covers the reformed schemes. • A widening of the corridor from 2% to 3%. • The introduction of an "economic check" so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented.	

		The second consultation was about the discount rate used in valuations of unfunded public service pension schemes and potential changes to the SCAPE methodology used. Whilst primarily impacting the other public sector schemes (given the SCAPE discount rate is used to determine contribution rates) any changes would impact the LGPS given it is used by GAD to produce actuarial factors e.g. early retirement etc. Both consultations closed on 19 August 2021. We understand that this is to be one of the main topics of discussion at the meeting of the SAB which took place on 10 May 2021 and await further information of the outcome of these discussions. **At the SAB meeting in November,** the Board was reminded of the decision it took when it last met in August to un-pause its own cost cap arrangement until HM Directions including proposals on how McCloud costs are going to be taken into account are published over the coming months. Members were also advised that the Government Actuary's Department is undertaking a review of the cost cap arrangement but that it is unlikely to have any impact on the outstanding 2016 cost cap process or the forthcoming 2020 process. The Government announced updates on the 2016 valuation and cost control mechanism for the unfunded public sector pension schemes advising that the cost control element of the 2016 valuations will now be completed incorporating the cost of implementing the McCloud remedy. There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached. However, if the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions backdated to 1 April 2019. **The notes from the SAB meeting in August** advise that, unlike the HMT arrangement, there is no compulsion on SAB to include McCloud costs in their cost management arrangement. However, it was agreed that no decision should be taken until the HMT Direction, on how McCloud costs are to be considered, is published early next year. In principle, the Board agreed that the LGPS cost cap arrangement should be un-paused in the same way as the HMT arrangement, but no action should be taken until more details are known.	

		At the National Technical Group in October, MHCLG further updated that once the McCloud remedy is agreed, the value of scheme member benefit is likely to increase for many members. The cost control mechanism was designed to include the cost of these and they will be included in the completion of the cost control process. How best to do this in the LGPS will be decided once the remedy details are decided. **On 16 July 2020** the Government made an announcement confirming that the cost control mechanism pause will be lifted, and the cost control element of the 2016 valuations process will be completed for all public service pension schemes. The objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination as set out in the McCloud consultations which were published that same day. The SAB are currently considering its position on the SAB employer cost cap process now that the proposals to rectify age discrimination for the LGPS are available. **In April 2020** four unions including the FBU and the GMB filed court proceedings against the Government claiming that the pause in the cost control mechanism is unlawful. The unions are arguing for an improvement in member benefits as a result of the valuation results. **On 17 October 2019** GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process that is due to be carried out in 2020. APF data was submitted to GAD ahead of the deadline of 18 November 2019. **On 14 May 2019** SAB published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations. **Background:-** One of the Board's statutory duties, under the regulations, is to introduce and maintain a process to manage costs in the scheme alongside the process introduced by HM Treasury for all public service schemes. You can find a dedicated 'Cost Management' page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/cost-management	

		In September 2018, SAB members were provided with a summary of the statement regarding the scheme valuations for all of the public service pension schemes, including the LGPS, which showed that the cost cap floor had been breached and as a result member benefits would need to be improved. SAB therefore put together a working group responsible for agreeing a package of benefit changes to return the scheme to its total target cost, while also looking at employee contributions at the lower end. It was intended that the resultant package would be put to the full SAB for agreement to ensure that scheme changes could be on the statute book by April 2019. However, in January 2019 the Government announced a pause in the cost management process for unfunded public sector schemes due to uncertainty caused by the McCloud court ruling on elements of the 2015 scheme reforms. In February, SAB learned that this applied equally to the LGPS and as such it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there were no changes to benefits planned in respect of the cost cap and instead this situation would be reviewed once McCloud was resolved.	

SAB	**Good Governance in the LGPS** ***back to contents***	**Previous Updates:-** A consultation on the recommendations outlined in the Good Governance report is expected in the early 2023. Alongside the main recommendations it is expected that the consultation will also cover a requirement for administering authorities to formulate and implement a formal workforce strategy policy. **On 15 February 2021,** the Scheme Advisory Board published Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team. The Phase 3 report, link here, provides further details on some of the recommendations that were included in the Phase 2 Report. The Board agreed that the Chair should submit the Board's Good Governance Action Plan, link here, to the Local Government minister for consideration. **At the SAB meeting in August 2020**, Hymans updated the Board that draft papers on how the recommendations set out in the Phase II report are to be implemented, will be completed by the end of September 2020. The Board will consider these drafts when it meets in November 2020. If approved, the Board will then consider the process and timing of implementation. **In April 2020**, a virtual meeting of the chairs of the SAB and its two committees was held and it was agreed that Hymans work on Phase III of the Good Governance project should proceed on a limited basis due to COVID-19. They should continue to prepare papers for the SAB's consideration based on discussions already undertaken with the implementation group. However, they should avoid engaging with members of the implementation group, or local government in general at this time. **In February 2020**, the Board agreed that an implementation group, comprising the two former working groups, should be established immediately to prepare a detailed implementation plan for consideration at their next meeting. **In November 2019**, a draft Phase II report into the findings of both working groups was made available to the Board who considered it and agreed that it should be published with comments invited from scheme stakeholders. The report made recommendations for new standards of governance and administration and proposed how they could be measured and assessed independently. The recommendations covered the areas below:	**No Further Updates**

- general governance
- conflicts of interest
- representation
- skills and training
- service delivery for the LGPS function
- compliance and improvement

You can find the report as follows:-

http://lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceintheLGPS_Phase-II_November2019.pdf

Comments on the phase II report were invited to be sent and APF issued a response to this in January 2020 concluding that overall, we were still unsure of the specific problems attempting to be addressed through some of the proposals. It seemed that another layer of governance was being added because there are some local issues around the effectiveness of Local Pension Boards or Fund Administrations. Maybe the Pension Regulator could intervene and deal with these issues as demonstrated in its own recent engagement report. Within the recommendations there were still a lot of 'shoulds' or 'coulds' whereas regulation and a definitive set of standards monitored by the Pension Regulator would be more effective.

In April 2019, Hymans launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with the findings forming the basis for a report which was presented to the SAB in July 2019, you can find the report as follows:-

http://lgpsboard.org/images/PDF/GGreport.pdf

Work to develop a detailed plan then began and two working groups were established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.

Background:-

		Previously known as the separation project which was developed to identify the potential benefits of further increasing the level of separation between the host authority and scheme manager role. In November 2018, the project was awarded to Hymans Robertson and was also re-named to "Good Governance in the LGPS" which better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.	

SAB	**Tier 3 Employers** ***back to contents***	**Previous Updates:-** **At the SAB Meeting in May 2020**, members were advised that the working group set up to take this work forward has not been able to meet but discussions with MHCLG are being progressed. **At the SAB Meeting in Jan 2019**, the Board was advised that the work of the third tier employers' project working group had been put on hold due to competing priorities. **In Sept 2018**, a final version of the Aon report was published and can be found as follows:- http://lgpsboard.org/images/PDF/Tier_3_employers_in_the_LGPS_FINAL.pdf **At the SAB meeting in Jun 2018**, Aon presented members with a summary of the final draft report. The Board was anxious to point out that the report makes no attempt to make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved. The Board agreed that the report should be published and that a small working group of Board members will be established to review the concerns expressed by third tier employers in the report and the ways in which they could be resolved. The working group will be tasked to report back to the Board later in the year with a set of recommendations for further consideration. Once approved, scheme stakeholders will be given the opportunity to comment on the Board's recommendations before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance. **Background:-** As part of its work plan for 2016/17, SAB wanted to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax-payer backing (Tier 3 employers). The work was split into two concurrent phases: 1) The Board was to work with LGPS administering authorities to gather data regarding the number, membership, liabilities and covenants of these employers.	**No Further Update**

		2) Separately the Board appointed Aon to assist it in further analysis in this area. You can find a dedicated ‘Tier 3 Employers’ page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/tier-3-employers	

DLUHC	**Consultation on Fair Deal** ***back to contents***	**Previous Updates** **On 19 October 2022** the SAB Chair wrote to the DLUHC minister Paul Scully to request an update on the Fair Deal policy and whether the policy was under active consideration. A response to the letter is awaited. **On 10 December 2019,** a representative from MHCLG provided the following update to the LGPS National Technical Group “The analysis of consultation response has been completed. Officials have started to draft the government response but the content of that is still conditional on some further ministerial decisions that will need to be taken once the new government is formed”. **Background:-** In Jan 2019, MHCLG launched a policy consultation and draft regulations on ‘Fair Deal – strengthening pension protection’ in the LGPS. The consultation contained proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government’s October 2013 Fair Deal guidance that applies in relation to transfers from central government. MHCLG received around 79 responses, one of which was from APF.	**No Further Updates**

HMT	**Written Ministerial Statement on Survivors Benefits** ***back to contents***	**Previous Update:-** **On 26 August 2022** the SAB Chair wrote a letter to Paul Scully, the new DLUHC minister, recommending reform of the LGPS rules on death grants and survivor benefits to address current discrimination and to "future proof" Scheme benefits against future legal challenges. **In July** 2022 Following regulatory changes in Scotland in relation to survivor benefits, in July 2022 guidance has now been issued by the LGA to administering authorities in Scotland on how to implement the regulatory changes. Guidance from DLUHC on what action administering authorities should take is expected to emerge in the coming months (perhaps following conclusion of the remedial work being undertaken / consulted on in relation to McCloud). Any required action to deal with these cases e.g. Goodwin etc. could have further administrative resource implications for the Fund. **On 20 Jul 2020**, the Chief Secretary to the Treasury made a written statement on public service pensions, survivor benefits for opposite–sex widowers and surviving male civil partners. The statement was in relation to a Teachers Pension Scheme Employment Tribunal case where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor and confirmed that government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances. We await guidance from MHCLG on what action administering authorities in England and Wales should take.	**No Further Update**

DLUHC	**Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk** ***back to contents***	**Previous Updates:** **On 1 November 2022,** although not directly linked to the consultation below, the Scheme Advisory Board issued a statement in relation to the employer contributions emerging from the 2022 actuarial valuation exercise requesting that administering authorities and employers have regard to desirability of long-term stability in pension contributions when considering reductions in employer contributions emerging from the valuation would be desirable. **On 27 May 2021,** following a judicial review, a High Court Judge rejected the claim that challenged the lawfulness of the LGPS regulations introduced in 2020 that extinguished a contractors' right to Local Government Pension Scheme "exit credits" with retrospective effect. Full details of the ruling can be found here. One of the recommendations from the ruling was for Funds' policies to not explicitly rule out the payment of an "exit credit" on the sole basis that risk sharing arrangements with the letting employer existed. **In April 2021,** the Fund published its updated Funding Strategy Statement (FSS) following a consultation exercise with employers to outline proposed changes to the FSS to allow for the regulatory changes referred to below linked to employer flexibilities. The updated FSS can be found here. **On 2 March 2021**, MHCLG published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020. More detailed guidance prepared by the Scheme Advisory Board, to be read in conjunction with MHCLG's statutory guidance, was published on 22 February 2021. MHCLG are defending two claims for judicial review challenging the 2020 amendment to the LGPS Regulations on the payment of exit credits. The claimant in the Northants case was granted permission by the court on 12 November to proceed to a full hearing and the case is listed to be heard in March. **On 2 December 2020,** the secretariat to the SAB emailed pensions managers for comment on a draft guide to employer flexibilities. This was prepared by the SAB in conjunction with	**No Further Updates**

		representatives from administering authorities and scheme employers. The purpose of the guide is to provide operational and practical assistance to administering authorities and employers when implementing employer flexibilities introduced by the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020. APF issued a response on 7 January 2021. **On 26 Aug 2020**, MHCLG published a second partial response to this consultation covering greater flexibility on employer exit payments and the ability to review employer contributions between valuations. The LGPS (Amendment) (No.2) Regulations 2020 provided for the changes and came into effect from 23 September 2020. A working group has been established by MHCLG to prepare statutory guidance, to accompany the regulations, to assist with the necessary revisions required to Funding Strategy Statements A further response will be made by MHCLG in relation to the other proposals in the consultation (changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales) in due course. **On 27 Feb 2020**, MHCLG published a partial response to this consultation covering the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course. The response confirms that the majority of respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament and came into force on 20 March 2020. **Background:-** In May 2019, MHCLG launched a 12 week consultation on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covered the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle	

		2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments (Update - Resolved following second partial response to consultation in Aug 2020 and Amendment Regulations in Sept 2020). 4. Proposals for further policy changes to exit credits (Update - Resolved following partial response to consultation in Feb 2020 and Amendment Regulations in Mar 2020). 5. Proposals for policy changes to employers required to offer LGPS membership MHCLG received around 280 responses, one of which was from APF.	

HMT	**Equalisation of GMPs in public service pension schemes** ***back to contents***	**Previous Updates:-** Following discussions between MHCLG and GAD, MHCLG are now liaising with HMT to determine how retrospective adjustments to CETV payments should be applied in public sector schemes and further guidance is awaited on this specific matter. A consistent approach is preferred. **On 20 November 2020,** the High Court ruled that trustees who do not equalise a member's GMP benefits at the time of calculating a cash equivalent transfer value (CETVs) have committed a breach of duty. Defined benefit schemes providing GMPs should revisit historic CETVs made in the past 30 years and top them up where necessary. The judgment does not force organisations to actively correct all pensions transfers; however, employers may look to do so to avoid legal proceedings from members affected. We await further guidance from MHCLG and GAD on how GMP equalisation will be achieved in the LGPS. **Background:-** **On 26 October 2018**, Mr Justice Morgan handed down judgment in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods. At the time, HMT confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".	**No Further Updates**

HMT	**Indexation of GMPs in public service pension schemes** ***back to contents***	**Previous Updates:-** **On 23 March 2021,** the Government published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes (PSPS). The response concludes that the Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for GMP indexation in PSPS. This approach will mean that PSPS will be directed to provide full indexation to those members (including survivors) with a GMP (or inherited GMP in the case of a survivor), reaching State Pension age (SPa) beyond 5 April 2021. The accompanying HM Treasury Direction (issued under section 59A of the Social Security Pensions Act 1975), implementing the decision, has been updated. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales. **On 21 December 2020,** the LGA and the LGPC submitted a joint response to the consultation setting out their view that they do not consider an extension of full indexation until April 2024 to be enough time, and that they believe it should either be extended for as long as possible, potentially until April 2030, or be made the permanent solution. Their main reason for this response being that the administrators of public service pension schemes are currently undertaking large programmes of work which are unlikely to be completed much before April 2030. A government response on the consultation is expected by April 2021. **On 7 October 2020,** the government published a written ministerial statement and consultation on how it proposes to ensure it continues to meet these past commitments to public service employees regarding the full indexation of public service pensions, including for any related GMP element for members of public service pension schemes. The consultation, which closes on 30 December 2020, considers the policy options available to the government and proposes to extend the interim solution until at least April 2024 or to make it a permanent solution. A link to the consultation can be found as follows:- https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation	**No Further Update**

		In Feb 2020, HMRC published a newsletter on GMP equalisation. HMT are working with MHCLG to assess if GMP equalisation must apply to LGPS members' benefits and will notify administrators of the outcome in due course. **Background:-** On 6 April 2016, the government introduced the new State Pension (nSP). The reformed system simplified pension provision but removed the mechanism that enabled those public servants in 'contracted-out' employment between 1978 – 1997 to have their Guaranteed Minimum Pension (GMP) fully price protected. On 1 March 2016, the government announced that public service pensioners reaching SPa after 5 April 2016 and before 6 December 2018, would have the GMPs earned in public service fully indexed by the public service pension scheme. The government then launched a consultation to consider whether public service pension schemes should pay full indexation on GMP earned while a member of a public service pension scheme, for someone who reaches SPa after 5 December 2018. In Jan 2018, HMT published its response to the consultation directing that the "interim solution" between 6 April 2016 and 5 December 2018 be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion".	

Government	**Pension Schemes Bill** ***back to contents***	**Previous Updates:-** **In November 2021,** following on from the Pension Schemes Act 2021, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid and came into effect from 30 November 2021. The regulations introduce further legal restrictions on a member's statutory right to transfer and further guidance and draft documentation has since been produced by TPR and the LGA to assist administering authorities with fulfilling their duties to ensure the requirements set out on the regulations are met. **On 11 February 2021**, the Pension Schemes Act 2021 received Royal Assent and the provisions within the Act will come into force when the Secretary of State makes regulations for them to do so. The Act paves the way for the creation of Pensions Dashboards and the introduction of new powers for TPR concerning employer debt. It also introduces a requirement to assess, manage and report on climate related risks and extra conditions that members must satisfy before they are able to transfer out their LGPS benefits. The provisions of the Act that will affect the LGPS in the main are:- Climate risk reporting On 27 January 2021, the Government launched a consultation on regulations entitled 'Taking action on climate risk: improving governance and reporting by occupational pension schemes' which ran until 10th March 2021. The scope of the regulations do not include the LGPS however regulations are expected from MHCLG to substantially mirror the requirements set out in this document with a consultation on such regulations expected in the near future. Pensions Dashboards Administering authorities should take action to improve data quality to ensure that they are ready to supply the right information to the dashboards once they are live. Transfers out We are waiting for secondary legislation to fill in the detail of the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.	**No Further Update**

		On 7 Oct 2020, the Pension Schemes Bill, which started in the House of Lords and was introduced into the House of Commons on 16 July 2020, had its Second Reading and is due have two days in Public Bill Committee on 3 and 5 November. **On 19 Dec 2019**, the Queen announced, in her speech, that the Government will reintroduce the Pension Schemes Bill which has been introduced in the House of Lords with the second reading on 28 January 2020. The Bill will now move to committee stage. **On 14 Oct 2019**, the Queen confirmed, in her speech, that a new Pension Schemes Bill will be introduced and will:- • strengthen TPR's powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer.	

TPR	Codes of Practice ***back to contents***	**Previous Update:-** **On 24 August 2021,** TPR published its interim response to its consultation on the New Code of Practice which ran from 17 March 2021 to 26 May 2021. The main areas of concern from respondents focussed on Unregulated Investments and the requirements for schemes to carry out an "own risk assessment". Further details can be found here. It's not expected that the New Code will become effective before Summer 2022. **On 17 March 2021,** TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation. **On 17 March 2021,** TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation. **On 1 September 2020**, TPR confirmed that it intends to launch the formal consultation on a single Code of Practice in late 2020 or early 2021. **Background:-** The Pensions Regulator announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.	**No Further Update**

DWP	State Pension Age Review ***back to contents***	Latest Update **On 30 March 2023** DWP published its 2023 review of the State Pension Age as referred to below. In short, the review confirms that the rise to age 67 between 2026 and 2028 is still appropriate, however, the Government does not intend to change existing legislation that increases the State Pension Age to age 68 (over the period 2037 to 2039). Instead, the Government plans to have a further review within two years of the next Parliament where the timing of a rise to age 68 will be considered further. This report must be published no later than 29 March 2029.	Updated
		Previous Update:- **On 9 February 2022** DWP launched a call for evidence to gather views, which will feed into Baroness Rolfe's report. The call for evidence closes on 25 April 2022 and will seek views from the public, and all interested parties, on a number of topics including intergenerational fairness, changes in working patterns / workplace, sustainability and affordability, what metrics should be taken into account and how these can differ depending on the circumstances, and also what notice periods should apply for any changes. **On 14 December 2021** the DWP launched its second review of State Pension Age to consider if the current rules are still appropriate based on latest life expectancy and other evidence. The latest review will need to be published by 7 May 2023. Independent reports from the Government Actuary and Baroness Neville-Rolfe have also been commissioned as part of the review.	

HMT	**Consultation on the Increase to the Normal Minimum Pension Age (NMPA)** ***back to contents***	**Previous Update:-** **On 24 February 2022** the Finance Act 2022 received Royal Assent. Clause 10 relates to the changes to the Normal Minimum Pension Age although as noted below, it remains to be seen how DLUHC intend to amend the LGPS Regulation to introduce a protected pension age. **On 17 January 2022** HMRC published its latest newsletter which sets out further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028. LGPS administering authorities have already begun to amend their processes in relation to transfer value requests to reduce the likelihood that cases needed to be revisited in the future when changes to the LGPS regulations arising from the NMPA increase are confirmed. **On 4 November 2021** The Finance Bill 2021-22 was published setting legislating for the tax charges announced in the budget and formally confirming that the increase to the Normal Minimum Pension Age (NMPA) from 55 to 57 will go ahead in 2028 As referenced previously, the issue of whether LGPS members will be able to receive payment of benefits between 55 and 57 via the LGPS Regulations has been raised with DLUHC (formerly MHCLG) by LGA and a response is awaited. **On 14 September 2021** a Technical Consultation in relation to the draft legislation published in July 2021 closed. **On 20 July 2021,** HMT published their response to the consultation on implementing the increase to the normal minimum pension age. The response can be found here. On the same day HMRC published a policy paper and draft legislation which will be introduced as part of the next Finance Bill. This can be found here. Though the Finance Act 2004 will provide for protected pension ages, it will be up to	**No Further Update**

		MHCLG whether to allow LGPS members to receive payment of benefits between 55 and 57 via the LGPS Regulations. This issue has been raised with MHCLG by LGA and a response is awaited. **On 19 April 2021,** the Local Government Pension Committee (LGPC) responded to the consultation on increasing the normal minimum pension age (NMPA). You can read the LGPC response on the non-scheme consultations page of www.lgpsregs.org. **On 11 February 2021**, HMT published Increasing the normal minimum pension age: consultation on implementation. The consultation, which closes on the 22 April 2021, re-confirms the Government's commitment to increasing the NMPA and seeks views on the implementation of the rise in NMPA and protections for pension scheme members. It proposes that members who have a right under the scheme rules to take benefits before age 57 at the date of the consultation will be protected from the increase in NMPA. **Background:-** In 2014, the Coalition Government consulted on increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation.	

DWP	Pensions Dashboard ***back to contents***	Latest Updates:-	Updated
		On 30 March 2023 TPR held a webinar covering data preparation duties and setting out the steps schemes need to take to ensure their data is accurate, complete, up to date and digitally accessible. **On 29 March 2023** PASA updated its Data Matching Guidance (last issued in August 2022) and also issued new guidance on communicating with savers who enquire about dashboards. **On 22 March 2023** GAD published a blog to assist administrators to set the right questions when deciding what matching data to use within the dashboard, and also to reiterate the importance of data quality, and the need for regular reporting and cleansing. **On 2 March 2023** the Pensions Minister, Laura Trott made a statement announcing the Government's intention to legislate "at the earliest opportunity" to amend scheme's connection deadlines, to allow more time to deliver the complex dashboards infrastructure. It's not clear yet which schemes (including the LGPS) will be given an extension and how long this may be. Further details are expected prior to the summer recess. TPR has confirmed it will write to those schemes affected by the announcement to confirm new deadlines. It has also published updated guidance and a checklist to help schemes focus on what work they should be undertaking now. They will also produce a "content toolkit" with key messages for administering authorities to use in communications. **On 14 February 2023** the LGA issued its response to the compliance and enforcement policy consultation.	
		Previous Updates:-	

		On 14 February 2023 PASA published its combined response to both the PDP consultation on draft mandatory design standards setting out how data must be presented to ensure a consistent and good user experience on dashboards and also the Financial Conduct Authority's (FCA) consultation on the proposed regulatory framework for operators of pensions dashboards. **On 30 January 2023** the National LGPS Frameworks messaged LGPS administering authorities to request volunteers to act as founders for two new frameworks – one of which would be for Integrated Service Providers (ISPs) and Member Data Services. The framework would launch later in 2023. **In January 2023** the PDP published a video setting out what protections are in place for consumers to ensure dashboards are safe and secure **On 12 December 2022** guidance on how to defer connection to Pensions Dashboards was published by DWP. Whilst a deadline for applications of 11 December 2023 is in place, DWP have asked for any requests to be submitted as soon as possible. **On 1 December 2022 –** the FCA published a consultation (closing on 16 February 2023) on the regulatory framework for dashboard operators. It is proposed that operators will be able to offer savers additional services (e.g. investment advice / modellers etc.) but will need to meet rigorous conduct standards before doing so. **In December 2022** following the 16 November publication of suite of standards referred to below, PDP published its approach to the governance of these standards and a corresponding consultation. **On 24 November 2022** TPR launched a consultation on its draft dashboards compliance and enforcement policy covering how it intends to ensure occupational pension schemes comply with their dashboard duties and how it will deal with non-compliance (including third parties). The consultation closes on 24 February 2023 and can be found here.	

		On 21 November 2022 The Pensions Dashboard Regulations 2022 were made and came into force from 12 December 2022. The LGA will be publishing an LGPS specific guide early in 2023 to help administering authorities implement pensions dashboards. **On 21 November 2022** the PDP published updated statutory guidance on early connection. This will apply to administering authorities if their integrated service provider (ISP) asks them to connect early to reduce number of clients connecting in the same window. **On 16 November 2022** following a consultation in July/August, the PDO published the suite of standards which will need to be formally approved by the Secretary of State in the coming weeks. This formal approval can only take place once the legislation is in force. The November 2022 suite of standards will set out mandatory requirements that pension providers and schemes, and potential dashboard providers, will need to follow. **On 15 November 2022** the The Pensions Dashboard Regulations 2022 were debated in the House of Commons and House of Parliament and approved by MPs and Peers. **On 26 October 2022** the PDP published its latest progress report, which can be found here. **In October 2022** the PDP also published an update in relation to early participants, and also two explanatory videos with regard to data quality and also differences between “find” and “view” data. **On 17 October 2022**, the DWP published draft guidance on applying to defer the staging deadline (noting the LGPS deadline has already been delayed to 30 September 2024) **On 17 October 2022,** the DWP also laid a draft of The Pensions Dashboard Regulations 2022 before each House of Parliament following the response to the consultation which was issued on 15 July 2022. The regulations can be made if each House approves the draft by a resolution.	

		On 17 October 2022, the DWP also responded to the 28 June consultation referred to below confirming that schemes will be given 6 months' notice of the point at which dashboards will be made available to the public alongside enabling MaPS and TPR to share information. **On 31 August 2022,** the LGA responded to the standards and guidance consultation and a copy of the response can be found here. The main areas of focus in the response covered: • Responsibilities for schemes when a 3rd party ISP is used. • Ensuring references to McCloud reflect LGPS differences to other public sector schemes. • Mandatory data inputs, alongside making it clear frozen refunds excluded (see comment below). • Timescales and Complaints **In August 2022** The Pension Administration Standards Association (PASA) published guidance on Value Data requirements for Funds to consider and also updated it's guidance on Data Matching Conventions. **On 3 August 2022** DWP confirmed that frozen refunds will be out of scope for initial dashboards because they are not considered to be member benefits. LGA have expressed disappointment to DWP and will keep them updated on any potential issues this creates for LGPS Funds. **On 19 July 2022** the PDP launched a consultation on dashboard standards and guidance and a call for input on design standards. Both will close on 30 August 2022. The standards detail how pension schemes and dashboard providers must meet their dashboard duties (in 6 areas), whilst the guidance provides further requirements schemes must have regard to (in 3 areas). The design standards call for input (on required layouts / messaging etc.) will be followed by a consultation. **On 15 July 2022** Guy Opperman MP, Pensions Minister, confirmed that the Government will support the Pensions Dashboards (Prohibition of Indemnification) Bill, which is a private members bill sponsored by Mary Robinson MP. The Bill will prohibit trustees and managers of	

		occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations. The Bill has now had its second reading in the House of Commons. **On 14 July 2022** the DWP responded to the consultation on the draft Pensions Dashboards Regulations alongside publishing a summary of the key policies (reflecting the consultation response). It is expected that DWP will lay Regulations before Parliament in the autumn. The key areas emerging from the response that impact the LGPS are: • **Staging Deadline –**The staging date for the LGPS and all other public service pension schemes has been deferred from 30 April 2024 to 30 September 2024. • **Value Data –** The draft Regulations provide some flexibility in timescales for updating value data for existing and new members. • **Matching –** Regulations will be amended to clarify what Schemes must do when they return a possible match. • **Management Information/Reporting –** It is now clear what information administering authorities must provide on request to the Money and Pensions Services, the Pension Regulator or the Financial Conduct Authority. • **AVC Data –** DWP expect data to be made available to dashboards by providers. Schemes will also be required to provide annual income figures alongside pot values. • **Normal Pension Age –** references to NRA will simply change to “retirement age” given some schemes don’t’ reference NRA in their annual statements. **On 4 July 2022** the Pension Administration Standards Association (PASA) published the Dashboard Accuracy Data Guidance highlighting the importance of regularly testing data for accuracy. **On 28 June 2022**, the DWP launched a further consultation on pension dashboards (supplementing the consultation on the draft regulations which ran until 13 March 2022 – see below). The latest consultation focusses on two key areas – providing clarity on the Dashboard	

		Available Point (DAP) and also allowing the Money and Pensions Service and the Pensions Regulator to share information about dashboards with each other: LGA responded to the consultation on **19 July 2022** and a copy of the response can be found here **On 27 April 2022** The PDPs latest progress report was published setting out a review of activity over the previous 6 months and outlook for the next 6 months. **On 8 March 2022** the LGA published its response to the DWP consultation and a copy can be found here. This response has raised concerns about the implications for Funds having to implement the McCloud Judgment alongside ensuring they meet any requirements of the PDP given the staging date proposed for the LGPS of 30 April 2024. The Fund have also submitted a response to this consultation and this will be added to the website in due course. **On 1 February 2022** the Pensions Dashboards Programme (PDP) appointed Digidentity to deliver the interim identity service. This is part of the central digital architecture that will drive pensions dashboards. **On 31 January 2022** DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022. Since the previous update a number of other publications have been released by PDP: • On 15 December 2021 PDP confirmed three potential dashboard providers have been selected to take part in the initial development of the ecosystem. Further comments from PDP, published on 11 January 2022 on the dashboard providers market can be found here.	

		• On 25 January 2022 the PDP published a report from Ipsos Mori on their research undertaken on the attitudes of dashboard users, their circumstances, behaviours and views of the dashboard concept, together with PDPs own summary of the findings. • The PDPs November Newsletter / progress report was also published. **On 16 December 2021** the PLSA published an A to Z industry guide which identifies 26 key issues that need to be resolved to make the initial pensions dashboards a success. **In October 2021,** there were a number of developments and publications. • The Pensions Dashboards Programme issued a summary of the key themes emerging from its Staging Call for Input that was issued in July 2021, which had just over 60 respondents. The summary can be found here. • It was announced that draft regulations on pension dashboards are expected to be published by the end of 2021 / early 2022. These regulations will set out more details of what data will need to be supplied, how it will need to be supplied and what standards will have to be met. • The PDP also published its latest progress report on 26 October 2021, which can be found here, and which recommends Schemes act now to prepare for the dashboard before legislation requires it. The Fund has now appointed a dedicated officer to oversee the Fund's ongoing responsibilities in relation to the development of the Pensions Dashboard. **On 5 July 2021,** LGA published its response to the Pensions Dashboards Programme Staging Call for Input. You can read the LGPC response here. **On 1 July 2021,** TPR published its results from the Public Service Governance and Administration Survey 2020-21, which can be found here. Section 4.10 focussed on Pension Dashboards.	

		On 13 April 2021, the Pensions Dashboards Programme (PDP) issued an invitation to tender for a supplier to provide the digital architecture for pension dashboards. The chosen supplier will provide the main parts of the digital architecture. This will include the pension finder service, the consent and authorisation service and the governance register. **In March 2021**, the Pensions Administration Standards Association (PASA) published guidance on how to start getting ready for pensions dashboards. This is the first of a series of releases of PASA guidance for UK pension schemes, trustees and providers on how to start getting ready for pensions dashboards, see link here. **On 15 December 2020**, the Pensions Dashboard Programme (PDP) published the key data standards which will underpin pensions dashboards. Data standards provide a common language to describe the pensions information that will be found and displayed on the dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that members can access this through the dashboards. With onboarding to dashboards expected from 2023, the PDP urges all schemes to start preparing their data now. **On 28 October 2020**, the Money and Pensions Service (MaPS) published their second Pensions Dashboards Programme progress update report, see link here. The report includes updates on: • the Pension Dashboards Programme's (PDP) high level activity plan • resourcing to deliver next phases of the programme • market engagement to help finalise digital architecture requirements • refining requirements for identity verification • setting up a working group to ensure consumer focus • reviewing feedback. The timetable in the report reveals that the PDP expects the dashboard to be available to retirement savers for the first time in 2023.	

		In April 2020, MaPs published two papers:- • Pensions Dashboards Data Definitions – Working Paper (which lists the set of data items that could be included in the dashboards data standards. • Pensions Dashboards Data Scope: Working Paper (which looks at options for achieving early breadth of coverage and confirms that initial dashboards will only include information that is already available on annual statements to enable the maximum number of pension schemes to onboard at an early stage. MaPS requested formal feedback on these papers throughout July and August and are currently reviewing the responses received and will give a summary in the autumn. **Background:-** The Pensions Dashboard is an online service which would allow people to see information from multiple pensions all in one place. Following a feasibility study, conducted by DWP, to explore the options for delivering the Pensions Dashboard, the Government launch a consultation in Dec 2018 setting out the findings of the study and their recommendations for dashboards. In April 2019, the government published its response to the consultation outlining the key details of their plan including:- • Legislation to compel pension providers to make consumers' data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS).	

		MAPS will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. Compulsion will require primary legislation and the Pensions Minister, Guy Opperman, has indicated his Department's intention to include a Pensions Bill in the next Queen's Speech for this.	

Government	**Divorce, Dissolution and Separation Act 2020** ***back to contents***	**On 25 June 2020**, the Divorce, Dissolution and Separation Act 2020 received royal assent and will, in the main, come into force on a date to be appointed by Government. The Act will revise the legal process in England and Wales for married couples to obtain divorces and for civil partners to dissolve their civil partnership. It will also update terminology: terms such as "decree nisi", "decree absolute" and "petitioner" will be replaced with "conditional order", "final order" and "applicant".	**No Further Update**

Government	Levelling Up	Latest Update:-	Updated
	back to contents	**Latest Update:-** As part of the Spring Budget delivered on 15 March 2023, and following on from the "Edinburgh Reforms" announced below, the Government announced it will consult on plans to require LGPS Funds to consider investment opportunities in illiquid assets such as venture and growth capital. Also announced in the budget was a challenge to LGPS Funds to move further and faster on the consolidation of "listed" assets by March 2025, and reference to a potential move to a smaller number of larger LGPS pools (in excess of £50bn). Further details are expected as part of the consultation on the pooling guidance that is expected in the coming months.	
		Previous Update:- **On 9 December 2022**, the Chancellor announced a set of reforms to drive growth and competitiveness in the financial services sector, known collectively as the "Edinburgh Reforms". The package, consisting of 30 measures, are divided into four categories – a competitive marketplace promoting effective use of capital, sustainable finance, technology and innovation, and consumers and business. The statement also confirmed that the Government would be consulting on asset pooling in "early 2023" (as previously expected) and also consulting on a requirement for LGPS Funds to consider investment opportunities in illiquid assets such as "venture and growth capital". **On 27 April 2022**, the Chair of the SAB wrote to the Minister (Kemi Badenoch MP) setting out the SAB's response to the Government's White Paper that was published in February 2022. A copy of the letter can be found here. **On 2 February 2022**, the UK Government published its white paper on Levelling Up, setting out the Government's plans to spread economic opportunities more equally across the UK. The plans are wide-ranging, with the intention to address six drivers of spatial disparity across "missions". The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital.	

		Specifically for the LGPS, the paper notes the progress to date with increasing investment in infrastructure, from <£1bn in 2016 to £21bn in 2021, largely through the asset pools. As part of the proposals, individual LGPS funds will need to publish their plans to target up to 5% of their assets being invested in “local” projects. Full details can be found on p162 of the white paper, available at the link below. It is expected a consultation will follow later in the year. Levelling Up the United Kingdom - GOV.UK (www.gov.uk) The white paper also includes details (p420) of a mission to narrow the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest by 2030, and by 2035 increase the HLE by 5 years. Any improvements in life expectancy will ultimately impact pension schemes, including the LGPS, given some benefit payments will be made for longer, notwithstanding any corresponding increases in state pension age.	

SAB	Responsible Investment ***back to contents***	Latest Update:-	Updated
		On 24 April 2023 following on from the guidance issued in November 2022, the TPR issued new guidance to ensure pension schemes minimise the risks associated with liability driven investments (LDI). On **6 April 2023** the Scheme Advisory Board issued a tender for an expert in Islamic finance to examine the legal structure of the LGPS from a Sharia perspective. This is in line with the legal advice received by the Board in February 2022. On **4 April 2023** TPR published a review of climate-related disclosures by occupational pension schemes. Whilst not LGPS related directly, the observations set out from reporting in the private sector will nonetheless be useful for LGPS Funds ahead of TCFD reporting being implemented in the future. On **30 March 2023** in response to an increasing number of Freedom of Information (FOI) requests being received by LGPS Funds in relation to responsible investment policies, the Scheme Advisory Board issued a statement (found on its website) advising Funds of their duty to be open and honest about their policies but recognising there may be occasions where cost, commercial sensitivity, or other considerations may outweigh the public interest in releasing the requested information. Funds should refer to guidance from the Information Commissioners Officer, and their own legal / FOI advisors where appropriate.	
		Previous Update:- On **9 February 2023** Client Earth launched the first ever derivative action in the High Court in England and Wales against the board of directors of Shell for failing to manage the material and foreseeable risks posed to the company by climate change. The claim is supported by a number of institutional investors, including the London CIV, who have sent a letter of support to Client Earth. This support follows a letter issued by the CIV to Shell in October 2022 for which no response was received. **At the end of November 2022**, a number of regulators issued a package of guidance and statements for liability driven investment (LDI) managers and investors to address the instability in the gilt market after the September “mini budget”. LGPS Funds with leveraged LDI portfolios	

		should ensure they have reviewed the guidance with their investment adviser and are taking appropriate steps to meet regulatory expectations. The initial statement was from National Competent Authorities (NCAs), which regulate LDI funds in the country in which their provider is based. This was followed by a statement from the Financial Conduct Authority (FCA) directed at LDI asset managers and guidance from the Pensions Regulator (TPR) for trustees of occupational DB schemes who have leveraged LDI investment allocations. The overarching theme from all the regulators is that an appropriate yield buffer is deemed to be 3-4% and this needs to be accompanied by robust governance to withstand stressed market conditions. The FCA plans to maintain a supervisory focus on market participants to ensure vulnerabilities identified are addressed and intends to publish a further statement on good practice towards the end of the first quarter of 2023. On **18 November 2022** the SAB response submitted a response to the consultation which can be found here. **On 1 September 2022** DLUHC launched a consultation seeking 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). The consultation runs for 12 weeks until 24 November 2022. **In June 2022,** the SAB published a response to the 17 April letter from the UK Lawyers for Israel reiterating that whilst the primary purpose of LGPS Funds is to ensure pensions are paid, Funds do take human rights issues seriously and should frame their ESG policies in line with statutory guidance. The full statement can be found on the BDS page on the SAB website **On 11 May 2022,** the Government legislative programme was laid out in the Queen's Speech. The programme also includes a Boycotts Divestment and Sanctions Bill (the same that was announced in the 2021 Queen's Speech). The Bill can be found here.	

		On 17 April 2022, following on from the meeting took that took place in January 2022 between the SAB Chair and representatives of the LAPFF and the SAB secretary with Michael Lynk, a letter was sent to the SAB Chair from the UK Lawyers for Israel. **On 10 March 2022,** the Public Service Pensions and Judicial Offices Bill received Royal Assent, thereby allowing the responsible authority (i.e. the Secretary of State in England and Wales) to issue guidance to LGPS administering authorities to instruct them not to make investment decisions that conflict with the UK's foreign and defence policy. There's no immediate action for administering authorities as guidance/direction from DLUHC will need to be issued first (which will be subject to a 12 week consultation process). Further details can be found on the BDS page on the SAB website. **On 28 February 2022** In light of events in Ukraine and the sanctions being imposed on Russia by the UK government, LGPS Funds were advised by SAB to consider the implications for their investment portfolios. A follow-up note was issued by the SAB on **4 March 2022** providing further details to Funds and a subsequently letter from the Secretary of State Rt Hon Michael Gove MP was issued to all LGPS Committee Chairs on **9 March 2022.** **On 8 June 2021,** DWP published regulations in parliament to require schemes with £5bn or more in assets, and all authorised master trusts, to report on how they will manage their climate risk from October this year, alongside Guidance for trustees of occupational schemes. These requirements do not however apply to the LGPS. MHCLG will be consulting on regulations which will require similar levels of risk assessment and reporting later this year. **On 28 April 2021**, Cllr Phillips, Chair of the SAB, announced the launch of the online A-Z guide to Responsible Investment (RI) at the Local Authority RI Seminar. The guide provides a glossary of RI terms, organisations, standards and legislation indexed by its classification (what it is), category (where it fits in Environmental, Social and Governance (ESG)) and status (in the context of the LGPS legislative framework) with related LGPS specific case studies. **On 3 March 2021**, the newly established Responsible Investment Advisory Group (RIAG) met for the first time. It discussed a wide range of responsible investment related issues, including	

		MHCLG's proposals for Task Force on Climate-related Financial Disclosures (TCFD) reporting within the LGPS and the response to the LGPS All Party Parliamentary Group's inquiry into a "Just Transition". The main role of the group will be to advise the Scheme Advisory Board (SAB) and the Investment Committee on all matters relating to responsible investment. It will also be responsible for assisting the SAB in developing and maintaining the online Responsible Investment A to Z website. **At the SAB Meeting in February 2021**, the Board was advised that work on preparing the responsible investment A to Z website continues. The first milestone, a working version of the website, has been reached and work will now commence on populating the underlying database with relevant items. The aim remains for the website to go live towards the end of March. The Board also agreed membership of the new Responsible Investment Advisory Group (RIAG) as recommended by the investment, governance and engagement committee. The first meeting of the RIAG is scheduled for early March. **At the SAB Meeting in May 2020,** members were advised that work on preparing an A-Z guide to Responsible Investment will continue over the summer. As agreed in February the guide will not at this stage include any reference to fiduciary duty. The aim is to have a final draft for wider consultation ready to be considered by the Board by mid-August. **On 11 May 2020,** SAB issued a statement on the Supreme Court boycotts judgement as follows:- 'The SAB welcomes the clarity brought by the judgement of the Supreme Court in the case of R (on the application of Palestine Solidarity Campaign Ltd and another) Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent). In seeking to restrict the outcome as well as the considerations taken account of by an LGPS administering authority when developing its responsible investment policy, the government has been judged to have overstepped its powers. It is the Board's view that Responsible Investment policy decisions belong at the local level reflecting: the need to pay pensions both now and in the future; local democratic accountability and the views of scheme members; and that outcomes of policy developments should not be subject to restrictions based on unrelated matters'. **On 24 February 2020,** the SAB issued a statement thanking all those who responded to the request for comments on Part 1 of the Responsible Investment draft guidance. They advised that responses have been generally positive, however, some respondents have raised concerns	

		around the issue of fiduciary duty in the context of the LGPS and, in particular, the role and responsibilities of elected members responsible for making investment decisions. The Board is also aware that the issue of fiduciary duty was discussed during the recent case in the Supreme Court involving the Palestine Solidarity Campaign and MHCLG that could shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS. More recently, the government has introduced amendments to the Pension Schemes Bill which potentially could have a significant impact on the way in which investment strategy statements are prepared on issues like ESG and climate change. For these reasons, the view is taken that it would be imprudent at this stage to offer any definitive advice or guidance on how the fiduciary duty test applies to investment decision makers in the LGPS. The Board has therefore decided to take stock until it has had the opportunity to evaluate the judgement handed down by the Supreme Court and when more is known about the government's position on the proposed climate change provisions in the Pension Schemes Bill. Notwithstanding this decision, the Board is mindful that there are matters outside of fiduciary duty where advice and information would continue to be helpful. The Board has therefore decided to restructure the proposed guidance to explain and clarify the terminology associated with responsible investment and provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment. The revised document will be circulated in draft to scheme stakeholders for comment in the normal way. This change of direction will not preclude the Board from addressing the issue of fiduciary duty as a separate issue once the Supreme Court judgement in the foreign boycott case has been handed down and when there is more certainty about the government's proposals under the Pension Schemes Bill. **On 3 January 2020,** APF issued their response to the consultation. **Background:-** **At the meeting of the Scheme Advisory Board on the 6th November 2019,** approval was given for the first part of guidance on responsible investment to be published for consultation.	

		The aim of this first part of RI guidance is to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of investment strategy statements. The Board wished to make it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must clearly remain a matter for local consideration and agreement in accordance with MHCLG's statutory guidance. The Board also agreed that work should commence on drafting part two of the guidance, the aim of which is to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their investment strategy. As part of the consultation on part one of the guidance, consultees were also invited to submit details of case studies that evidence the successful adoption of ESG policies, in particular, those focused on the risks associated with climate change. Consultees were also invited to suggest other matters that should be included in the part two guidance. The aim will be to have prepared a working draft of the part two guidance in time for it to be considered by the Board when it next meets in February 2020.	

Government	**Academies Consolidation and Guarantee** ***back to contents***	**Latest Updates:-** A working group has been established (involving DLUHC, LGA, GAD, representatives of the actuarial firms and administering authorities) to prepare an updated guidance document for academies participating in the LGPS which will provide an overview (non-Fund specific) of an academies obligations, common terminology, pooling, actuarial approaches/calculations etc.	**Updated**
		Previous Updates:- On **14 October 2022** following the ministerial statement in July 22, the DFE published an updated version on its policy paper on the academy guarantee. With regard to the Oasis consultation referred to below, it is understood that DLUHC have now taken legal advice and a response to this consultation is now expected before the end of the year. **On 21 July 2022** The DFE made a written ministerial statement confirmation an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the Fund. The guarantee was first introduced in 2013 and now includes an increased annual ceiling of £20m.It provides academy trusts with Government backing for certain pension costs. **On 9 December 2021** DLUHC started a second consultation on the proposed consolidation of academies within the Oasis Multi-Academy Trust into one LGPS Fund. Oasis currently participates in 16 LGPS Funds, including the Avon Fund. The previous consultation took place in June 2021. The current consultation closes on 17 February 2022 and the Avon Fund will be responding to this. Should agreement be reached for the consolidation to proceed, this is likely to have a number of implications for the Funds involved in transferring the individual Oasis academies to the single-fund including administration, investment, funding and governance. There may also be implications for any precedent set as part of this case with regard to other Multi-Academy Trusts looking to consolidate in a similar manner.	

Government	Pensions Taxation ***back to contents***	Latest Updates: The Spring Budget on 15 March 2023 announced a number of major changes to the taxation of pension benefits. These changes came into effect from 6 April 2023 when the Finance (No.2) Bill 2022/23 was published on 23 March 2023. A summary of the key changes is set out below: • Increasing the annual allowance (£40,000 to £60,000) and money purchase annual allowance (£4,000 to £10,000). • Increasing the adjusted income level for the tapered annual allowance (from £240,000 to £260,000) and the minimum tapered annual allowance (from £4,000 to £10,000). • Abolishing lifetime allowance charges for benefit crystallisation events occurring on or after 6 April 2023. • Changing the taxation of any lifetime allowance excess lump sum to be at marginal rate not 55% with similar changes to serious ill-health / death benefit lump sum payments. • Allowing members to accrue new benefits/join new schemes/transfer without losing enhanced/fixed protection (where applied for prior to the budget). Alongside the above changes it was confirmed that the maximum tax-free lump sum available to member would remain the same. Given that the Lifetime Allowance itself won't be abolished until 2024/25 (through a further Finance Bill), administering authorities will still need to undertake checks in the 2023/24 year albeit charges will be different/not applicable and don't need to be reported. Whilst positive changes for members (albeit a relatively small proportion of the overall LGPS membership given the benefit profile), the changes have meant a number of amendments to administering authority process and communications, and may result in additional queries from members in the short-term. On **9 March 2023** DLUHC published its response to the consultation referred to below setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023). Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge, the timing of the change has had an impact on administering	Updated

		authorities and software suppliers, with further guidance being provided by the LGPC on how administering authorities should apply the changes whilst software systems are updated.	
		Previous Updates:- On **10 February 2023** a consultation was published by DLUHC to consult on changes to the LGPS Regulations 2013 to give effect to the change in the annual revaluation date from 1 April to 6 April. Given the timescales involved for any changes to be implemented, this consultation will only run for 2 weeks to 24 February 2023. On **5 December 2022** the Department for Health and Social Care published a consultation to amend the NHS Pension Scheme in England and Wales in order to bolster the workforce and retain senior doctors. One of the areas included in the consultation was a change to the CARE revaluation date to 6 April (from 1 April) to reduce the number of members impacted by the 2022/23 annual allowance charge. The consultation closed on 30 January 2023. On **26 September 2022**, A report was published setting out commentary on the impact of pension tax rules on NHS consultants and GPs. The report includes commentary on the current issue of high inflation and how this could see many more members being subject to an annual allowance tax charge for 2022/23 given the way revaluations in CARE benefits are currently applied. It is understood that this issue in particular is being considered further, and any change to the process for applying such revaluations is likely to have implications for LGPS members too. Further updates are expected in due course. On **20 July 2022**, HMRC launched a technical consultation on draft legislation aiming to resolve a tax relief anomaly that affects pension scheme members who earn less than the personal allowance. The legislation proposed placing a duty on HMRC from 2024/25 onwards to make top-up payments directly to eligible members. Eligible members will be those who pay into a scheme using a “net pay arrangement” and whose total taxable income is less than the personal allowance. As the LGPS uses net pay arrangements (which impacts the tax relief on their pension contributions), a proportion of LGPS members would be eligible for the top-up payments being proposed.	

		The consultation closes on 14 September and follows an earlier call for evidence back in 2020 **On 15 March 2022** the LGA issued its response to HMRC's consultation on The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 with regard to extending the deadlines for Scheme Pays. The changes that will emerge as a result of these regulatory updates will apply in certain situations where annual allowance calculations for previous years are to be retrospectively amended. Administering Authorities have been provided with guidance from LGA setting out what steps/action need to be undertaken. **On 24 February 2022** The Finance Act 2022 received Royal Assent. Within the Act: • Clause 9 related to the reporting deadlines for members notified of a change in their pension input amount for a past pension input period, • Clause 11 provides HM Treasury with the power to make regulations to address impacts as a result of implementing the McCloud remedy. Such regulations would have retrospective effect and may differ across public service pension schemes. The final published Act will contain more detail about the above provisions and how LGPS administering authorities are impacted. **On 18 February 2022** HMRC published a consultation on The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 with regard to extending the deadlines for Scheme Pays. Such changes are in addition to those emerging from the Finance Act 2022 (see above). The consultation closes on 15 March 2022.	

Government	**Stronger Nudge** ***back to contents***	**Latest Updates:** With effect from **1 June 2022**, the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30) have been introduced – known as the “Nudge Regulations”. The Nudge Regulations are being introduced by the Government to ensure that individuals are made aware of Pension Wise guidance as part of making decisions about their Defined Contribution (DC) pension savings e.g. retirement / transfer etc. The Regulations therefore apply to LGPS Funds given the existence of members with AVC funds. Administering Authorities will therefore need to offer to book an appointment with Pension Wise for members as part of the application process for taking in-house AVCs (and also when a member over age 50 enquiries about transferring their AVCs to another defined contribution arrangement). The LGA guide to the stronger nudge requirements can be found here.	**No Further Update**

Government	FE Colleges	Latest Updates:	Updated
	back to contents	On **29 November 2022**, following the review being undertaken by the ONS, as referred to below, the ONS has reclassified colleges and their subsidiaries into the central government sector. The response to the consultation can be found here. Although the consultation response confirms the reclassification, it confirms no impact on the LGPS and further details are still awaited in relation to additional covenant assurances/guarantees for Further Education employers. FE employers will also now be removed from the separate consultation on the eligibility of FE and Higher Education employers (in particular Post 1992 Universities) in the LGPS and whether the LGPS needs to be offered to support staff.	
		Previous Updates: A review is currently underway by the Office of National Statistics (ONS) to review the sector classification of Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England. Such bodies are currently classed as “Private Sector”. The outcome of this review could reclassify them as “Public Sector” as is already the case in Wales, Scotland and Northern Ireland. Such a move is likely to have implications for the LGPS given the covenant of such bodies would improve should a guarantee be subsequently provided, similar to that provided for academies. Whilst the outcomes of the review are awaited (currently expected in December 2022), in anticipation of a change being made the Government Actuary’s Department is looking to collate data in relation to employers that may be reclassified given that any change in the underlying covenant may have an impact on the contribution outcomes to emerge from the 31 March 2022 actuarial valuation for some employers	

Bath & North East Somerset Council		
MEETING:	**LOCAL PENSION BOARD - AVON PENSION FUND**	
MEETING DATE:	**23 May 2023**	**AGENDA ITEM NUMBER**
TITLE:	**Risk Management Update – Risk Register**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 – Risk Framework & scoring assessment** **Appendix 2 – Risk Register – High level matrix** **Appendix 3 – Risk Register**		

1. THE ISSUE

1.1. The purpose of this report is to update the Pension Board with the quarterly review of the risk register.

2. RECOMMENDATION

2.1. That the Board notes the report.

3. FINANCIAL IMPLICATIONS

3.1. There are no direct implications related to the Pension Board in connection with this report.

4. REPORT – RISK MANAGEMENT PROCESS & RISK REGISTER

4.1. The Fund has in place a documented risk management policy setting out the Fund's approach to risk, process for review, and update of the risk register. It also sets out the roles and responsibilities of those involved in management of risk including the role of the Pension Board and Pension Committee.

4.2. A new risk framework has been introduced to assist risk owners to assess the risk and score. This is attached as appendix 1.

4.3. Following feedback from Pensions Committee and Pension Board members, pre mitigation scores have also been added to the risk register.

4.4. A high level matrix showing the distribution of risks by score is attached as appendix 2.

4.5. The complete risk register is attached as appendix 3.

- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It sets out mitigating actions.

- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change.
- Risks fall into the following categories, owned by the relevant member of the APF management team:

Category of Risk	Risk Owner
Administration	Pensions Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

4.6. All risks are linked to the relevant Fund strategy documents and how they are reported to Pension Committee and Pension Board.

5. QUARTERLY REVIEW OF RISK REGISTER

5.1. Following the quarterly review of the risk register, no new risks were identified, one risk was removed and there were a few changes to the current risk scores.

5.2. Risk NR15 – 'Liquidity levels within the Fund are insufficient to support investment and risk management strategies' has been removed from the register as it is sufficiently covered under risk NR14 – 'Liability driven investing- regulatory pressure and/or reputational risk leads to managers withdrawing from the market'

5.3. As a result of using the new framework to assess the impact and likelihood of risks there have been several changes to scores as set out on the risk register.

5.4. The most critical risks are currently:

- NR01 – 'Ability to deliver admin service to members and employers within agreed standards' The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.
- NR12 – 'Failure to achieve decarbonisation targets in the required timescales in accordance with climate change priorities' Government climate policies not moving fast enough or sufficiently enforced.
- NR05 – Failure to manage personal data in line with data protection regulations. Following an increase in the number of data breaches caused by enveloping errors and on the advice of Information Governance and Internal Audit the decision has been taken to stop all bulk printing and enveloping while the process is reviewed. Consultation with Information Governance & Internal Audit is also taking place to improve the process for providing members with activation keys for My Pension Online, following two data breaches.

6. EQUALITIES

6.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

7. CLIMATE CHANGE

7.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund's climate targets are being reviewed and will be changed before the end of 2023.

8. CONSULTATION

8.1. The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the administering authority.

Contact person	**Carolyn Morgan - Governance & Risk Advisor – 01225 395240**
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Appendix 1 - Risk Framework & assessment of score

Assessment of Impact

		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	**Negligible**	Minimal disruption not impacting on an important service which can be resolved	Capital loss potential up to 1% of assets	Litigation, claims or fines Services up to £10k Corporate £25k	Minimal impact on APF delay < 1 month	Minimal or no impact on Services Duty of Care requirements.
2	**Low**	Brief disruption of important service /service area	Capital loss potential up to 5% of assets	Litigation, claims or fines Services up to £25k Corporate £50k	Some impact on APF delay < 3 months	Consideration required re. Duty of Care unlikely to have adverse impact meeting overall requirements.
3	**Medium**	Major effect to an important service area	Capital loss potential up to 15% of assets	Litigation, claims or finesx Services up to £50k Corporate £100k	Adverse impact on APF significant slippage > 3 months	Duty of Care issues may have impact meeting requirements.
4	**High**	Complete loss of an important service area	Capital loss potential up to 25% of assets	Litigation, claims or fines Services up to £125k Corporate £250k	Significant impact on APF major delay of 6+ months	Significant impact on meeting Duty of Care responsibilities.
5	**Critical**	Major loss of whole service	Capital loss potential > 25% of assets	Litigation, claims or fines Services up to £250k Corporate £500k	Complete failure of project extreme delay > 12 months	Not meeting legal responsibilities placing individuals at risk.

Assessment of Likelihood

1	Rare	0 – 5% probability
2	Unlikely	6 – 20% probability
3	Possible	21 – 50% probability
4	Likely	51 – 80% probability
5	Almost Certain	81 – 100% probability

Overall Score

		1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost Certain
5	Critical	5	10	15	20	25
4	High	4	8	12	16	20
3	Medium	3	6	9	12	15
2	Low	2	4	6	8	10
1	Negligible	1	2	3	4	5

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Appendix 2 - Risk Register - High Level Matrix

PROBABILITY \ IMPACT	NEGLIGIBLE	LOW	MEDIUM	HIGH	CRITICAL
ALMOST CERTAIN	0	0	0	0	0
LIKELY	0	0	0	2	0
POSSIBLE	0	1	3	4	0
UNLIKELY	0	1	3	1	1
RARE	0	0	0	0	0

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Appendix 3 - Risk Register

				Pre Mitigants				Post Mitigants			
Number	**Function**	**Risk**	**Impact**	**Impact**	**Likelihood**	**Score**	**Mitigating Actions / Control Framework**	**Impact**	**Likelihood**	**Score**	**Trend**
NR01	Admin	Ability to deliver service to agreed standards	Poor member outcomes and/or breach of regulations.	Critical	Almost Certain	25	- KPIs & complaints monitored and acted on - plan to digitise will improve self-serve & ops efficiency - actions to improve staff recruitment & retention	High	Likely	16	↓
NR12	Investments	Failure to achieve decarbonisation targets	Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments	Critical	Almost Certain	25	- ISS/RI Policy embedded by the Fund - Brunel's climate change policy and approach to investing - use of professional advice - IIGCC developing investment framework for climate risk - policy advocacy	High	Likely	16	↓
NR05	Governance	Failure to manage personal data per regulations	Personal data corrupted, compromised or illegally shared Fines and reputational damage.	Critical	Almost Certain	25	- One West is Data Protection Officer for Fund and advises re. data protection - record of processing and privacy notice set out how data is managed - processes in place re. data breaches and protection - regular officer training.	High	Possible	12	→
NR10	Investments	Failure to earn investment returns	Scheme cannot meet liabilities and employer contributions could rise.	Critical	Likely	20	- diversified asset allocation - professional and independent investment advice - risk management strategy supports funding strategy - FRMG & Investment Panel monitor performance and risk - periodic strategic investment review	High	Possible	12	↑
NR14	Investments	LDI leverage	Managers withdraw from the market LDI strategy may have to be unwound Inability to raise hedge ratio.	High	Likely	16	- maintain collateral at prudent level with materia buffer vs risks - set hedge ratio at level that can be adeqautely collateralised	High	Possible	12	↑
NR11	Investments	Brunel fails to deliver client objectives re. service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	- Brunel governance framework - robust performance reporting - Avon-Brunel working group	High	Possible	12	→
NR06	Governance	Cyber attack	Fund is unable to operate Members do not receive pension payment on time.	Critical	Almost Certain	25	- disaster recovery plan in place - business continuity plan - B&NES cyber security policy and system defence	Critical	Unlikely	10	↓
NR08	Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund.	High	Possible	12	- policies on employer financial stability set out in FSS & ISS - covenant framework - quarterly review and mitigating action	Medium	Possible	9	↑
NR07	Funding	Employers not comply with regulatory responsibilites	Poor member data Fines and greather scrutiny by TPR. Employer liabilities incorrect if data is incorrect.	Critical	Likely	20	- management of employers set out in admin strategy/MOU - employer KPIs recorded and monitored vs TPR standards - employer training	Medium	Possible	9	→
NR09	Investments	Operational risks of investment managers, custodian and other investment suppliers	Loss of assets Inability to trade is assets inaccessible	High	Possible	12	- duediligence and audits of partners - controls embedded in investment management agreements - diversification across different asset managers - quarterly service & risk review with Brunel and suppliers	Medium	Possible	9	↑
NR16	Finance	Cashflow profile is maturing	Not enough cash in bank to meet pension payments.	Critical	Almost Certain	25	- monthly monitoring & forecast of cashflow - prudent cash buffer - tradeable assets can be swiftly sold	High	Unlikely	8	↑
NR17	Finance	Late / incorrect contributions from employers	Cashflow shortfalls, employer funding deficits / default, TPR breach.	Medium	Possible	9	- monthly reconciliations of contributions - management reviews and action. - Mercer funding monitor tool. - larger employers pre pay contributions.	Low	Possible	6	→
NR03	Governance	Pension Committee cannot operate effectively	Delays in decision making for the Fund Failure to meet MIFID & TPR regulations.	Medium	Almost Certain	15	- representation of PC set out in Fund's representation policy - knowledge requirements in Training Policy - compliance vs regulations defined in Compliance Statement - decisions responsibilities set out in decision matrix	Medium	Unlikely	6	→
NR04	Governance	Governance of Fund not in accordance with APF policies Controls not adequate	Fines for non-compliance Disciplinary issues and reputational risk	Medium	Likely	12	- internal and external audits - APF officers undertake training re. APF's codes of practices	Medium	Unlikely	6	→

NR13	Investments	Treasury investments	Loss of capital or income on cash Delayed return of principle or investment income	Medium	Possible	9	- adopt B&NES Treasury management policy - due diligene on banks - diversificastion across multiple suppliers - consultation with treasury management advisors.	Medium	Unlikely	6	→
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers	Low	Possible	6	- regulatory changes monitored via LGA and professional advisors - officers attend SWAPOG/Tech Group - regulatory projects included in service plans - officers respond to consultations.	Low	Unlikely	4	→

<table>
<tr><th colspan="3">Bath & North East Somerset Council</th></tr>
<tr><td>MEETING:</td><td colspan="2">LOCAL PENSION BOARD - AVON PENSION FUND</td></tr>
<tr><td>MEETING DATE:</td><td>23 May 2023</td><td>AGENDA ITEM NUMBER</td></tr>
<tr><td>TITLE:</td><td colspan="2">INVESTMENT AND FUNDING STRATEGY UPDATE</td></tr>
<tr><td>WARD:</td><td colspan="2">ALL</td></tr>
<tr><td colspan="3">AN OPEN PUBLIC ITEM</td></tr>
<tr><td colspan="3">List of attachments to this report:
None</td></tr>
</table>

1 THE ISSUE

1.1 Every three years the Fund is required by the regulations to undertake a triennial valuation which sets the long-term funding strategy. As future investment returns are a key component of the funding strategy, the investment strategy is also reviewed to ensure it can deliver the expected return.

1.2 This report summarises:

a) The outcome of the 2022 actuarial valuation

b) Revised investment strategy agreed by the Pensions Committee in March 2023.

2 RECOMMENDATION

2.1 The Board notes

a) The outcome of the actuarial valuation

b) The revised investment strategy.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct implications related to the Pension Board in connection with this report.

4 ACTUARIAL VALUATION 2022

4.1 The actuarial valuation assesses the funding position of the Fund as a whole, as well as for each individual employer and sets the contribution rates due from all employers for the 3 years commencing 1 April 2023.

4.2 The LGPS regulations require each administering authority to prepare and publish a Funding Strategy Statement (FSS) which the actuary must have regard to as part of the valuation process. The 2022 FSS was agreed by the Pension Committee in September 2022 following a consultation with employers and the Pension Board. It sets out all the key assumptions which the Actuary will use in preparing the actuarial valuation, together with the Administering Authority's policies in the areas where it has discretion to manage the funding position of the Fund.

4.3 The long-term funding objective is to achieve 100% solvency over a reasonable length of time and have a funding plan that will maintain this position. As market conditions change between valuations, the assumptions may need to change at subsequent valuations in order to meet this objective; hence contribution rates will vary from one valuation to the next. The Fund's approach is that the assumptions used will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at every valuation.

4.4 Alongside this overarching objective, employer contributions are set to achieve long-term cost efficiency, meaning the funding plan must provide equity between different generations of taxpayers. Therefore contributions must not be set at a level that is likely to give rise to additional costs to future taxpayers or that put too high a burden on current taxpayers. Given the difficult economic and public sector funding environment at the time of the 2022 valuation, significant consideration was given to both the solvency and long-term cost efficiency objectives.

4.5 The current valuation at 31 March 2022 has concluded and a summary of the outcome is in the table below.

Fund Outcome:

	2019	2022
Deficit	£284m	£238m
Funding Level	94%	96%
Value of assets	£4,818m	£5,822m
Value of Liabilities	£5,102m	£6,020m
Average employee contribution rate	6.4% of pay	6.4% of pay
Average future service rate (employer)	17.2% of pay	18.6% of pay
Past service recovery period (years)	13	12

4.6 The main drivers of the valuation outcome are:

a) The average deficit recovery for the Fund has reduced from 13 years in 2019 to 12 years in 2022 which is line with the medium-term target.

b) The investment return over the 3 years to 31 March 2022 was approximately 6.5% p.a. compared to an expected return in 2019 of 4.15% p.a. resulting in the assets being £384m higher than projected at 2019.

c) The discount rate used to value the past service a liability is based on the expected return on the assets relative to CPI. At 31 March 2019 the equivalent discount rate was CPI +1.75% p.a. This was reduced to CPI +1.50% in 2022 due to a fall in investment return expectations. This compares to a best estimate for investment returns of CPI+2.5% which shows the degree of prudence built into the assumptions.

d) The fall in return expectations has also affected the Future Service Rate (FSR). The 2019 discount rate of CPI +2.25% was reduced to reflect the challenging economic outlook at 31 March 2022, in particular headwinds from inflation and therefore pressure on the real return outlook and increased risk of stagflation in the near term. Therefore the discount rate for future service was reduced to CPI + 2.00% p.a.

e) At each valuation the actuary uses an analysis of the life expectancy experienced by the Fund and other LGPS funds alongside improvement trend models from the Continuous Mortality Investigation (CMI) to assess the adequacy of the longevity assumptions. The longevity assumption is made up of two elements, the current life expectancy (or baseline assumption) and an assumption of future improvement / deterioration around the baseline assumption. The baseline assumption for the 2022 valuation reflects the Fund's mortality experience since 2019. For the long-term life expectancy improvement assumption, the latest 2021 CMI tables have been used which show a slowing in the rate of improvement evidenced by mortality data. As a result, the higher mortality has reduced liabilities overall.

f) Whilst the final McCloud remedy regulations are awaited, in line with guidance issued by DLUHC, an allowance for the cost of the McCloud remedy is included in the liabilities, resulting in an increase of c1.1% at the Fund level. There is no impact on the FSR as the extension to the final salary underpin to CARE benefits ceased in respect of benefits earned from 1 April 2022.

g) Overall the changes in the financial and demographic assumptions have increased the average FSR by 1.3% of pay p.a. The impact of the change in membership profile (and other factors) is an increase of 0.1%, giving an overall average increase in the FSR of 1.4% of pensionable pay.

4.7 The 2022 valuation report was published by the 31 March 2023 regulatory deadline.

5 REVISED INVESTMENT STRATEGY

5.1 The Investment Strategy is designed to achieve the long-term funding objective, which is to generate returns to meet the Fund liabilities with an acceptable level of risk. The 2022 strategic investment review was undertaken at a challenging time for investment markets. Therefore the strategic focus re-examined the overall level of return and risk, the role of Risk Management Strategies in the overall policy framework and our net zero/climate targets.

5.2 The Strategic review was split into 2 phases with the 1st phase concentrating on risk and return and the 2nd on climate analysis and targets.

Phase 1 (1Q23) covered

a) The macro environment and implications for risk and returns and the role of LDI within the strategy

b) Are there any new opportunities for the Fund to consider? e.g. Social Impact Investing

c) Specific portfolio actions

Phase 2 (4Q23) will cover

a) The Fund’s 2023 climate analysis

b) Net zero targets

To ensure our climate analysis uses the latest and most comprehensive available data, we will use Dec 2022 data which will not be completed until 2Q23. Therefore the consideration of the Net Zero targets is delayed concluding in 4Q23 when the Pensions Committee will agree the new targets. Prior to the targets being set we will informally engage with stakeholders including the Pension Board in September.

5.3 Rising inflation and interest rates during 2022 focussed Phase 1 of the review on the impact of higher inflation and interest rates on future pension promises, expected returns, the Liability Driven Investing (LDI) strategy and the economic outlook.

5.4 The review explored potential asset allocation options to meet the risk return profile required to support the funding objective. The preferred asset allocation is set out in the table below:

Asset Class	Portfolios	Current Allocation	Target Allocation	Strategic Range
Equities		**41.5%**	**41.5%**	**36.5-46.5%**
	Global Equity	16.5%	10.5%	5.5-15.5%
	Global Sustainable Equity	15.0%	10.5%	5.5-15.5%
	Paris Aligned Equity	10%	20.5%	12.5-28.5%
Liquid Growth		**12.0%**	**12.0%**	**7.0-17.0%**
	Diversified Returns Fund	6.0%	6.0%	3.0-9.0%
	Multi Asset Credit	6.0%	6.0%	3.0-9.0%
Illiquid Growth & Income		**32.5%**	**32.5%**	**n/a**
	Core Property	7.5%	7.0%	
	Secured Income	10.0%	9.0%	
	Core Infrastructure	5.0%	4.0%	
	Renewable Infrastructure	5.0%	5.0%	
	Private Debt	5.0%	4.5%	
	Local, Social Impact	0.0%	3.0%	
Fixed Income		**14.0%**	**14.0%**	**n/a**
	Liability Driven Investments	12.0%	12.0%	
	Corporate Bonds	2.0%	2.0%	
Cash		**0.0%**	**0.0%**	**0.0-5.0%**
		100.0%	100.0%	

5.5 The revised strategic allocation is based on the following:

a) Risk Appetite: The Committee concluded that to maintain as stable as possible employer contributions, increasing returns and therefore risk was not warranted given the funding objective and funding level.

b) Preferred strategic benchmark: The current strategic benchmark allocations between equities, liquid and illiquid growth assets, and fixed income achieves the appropriate balance of risk and return to provide stability of contributions.

c) Diversification: The liquidity analysis concluded that the Fund was nearing its maximum allocation to illiquid assets. Therefore alternative allocations between equities and other liquid growth assets did not improve the risk and return expectations sufficiently to warrant changing allocations.

5.6 The main asset allocation change is the initial target allocation of 3% to Local, Social Impact assets. This would be funded from the 32.5% already held in illiquid assets. The focus of the portfolio will be the South West which is a sufficiently local regional footprint as restricting to the Avon area could be too narrow to have sufficient impact through a diversified portfolio. National opportunities would also be considered to provide greater flexibility to meet the investment objectives.

5.7 In addition the allocation between actively and passively managed equities was reviewed as it had drifted over time. The revised 50/50 split lessens the exposure to the inconsistency of active management, provides greater diversification of underlying holdings within the equity portfolio (as the active portfolios are concentrated), provides for a more systematic decarbonisation (as investing in Paris Aligned (PAB) Passive fund), and at same time achieves investment return and climate objectives. The Committee acknowledged that although lower cost than active, passive investing gives up potential excess returns generated by active management.

5.8 The LDI market issues in September 2022 highlighted the increasing complexity and regulatory requirements of managing LDI portfolios. An in-depth review of the LDI strategy will be undertaken by the Panel during 2023 to assess the contribution to risk reduction and the funding strategy as well as the implications of the more prudent collateral requirement on collateral management policy

5.9 The Investment Strategy Statement was updated following the review. It will be further updated once the LDI and Climate reviews have concluded.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund's climate targets are being reviewed and will be changed before the end of 2023.

8 EQUALITIES

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CONSULTATION

9.1 The report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

Contact person	Liz Woodyard, Group Manager, Funding, Investments & Risk 01225 395306
Background papers	Mercer papers;
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council		
MEETING:	**LOCAL PENSION BOARD - AVON PENSION FUND**	
MEETING DATE:	**23 May 2023**	**AGENDA ITEM NUMBER**
TITLE:	**Pension Board – Training and Work Plan Update**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 – Pension Board Workplan 2023/24** **Appendix 2 – Pension Board Training Plan 2023/24**		

1 THE ISSUE

1.1 The purpose of this report is to receive regular updates on Training and Work Plan issues from the Board and request high level training needs from Board Members.

2 RECOMMENDATION

That the Board

2.1 Notes the workplan & training plan for 2023/24

2.2 Notes the dates for future meetings

3 FINANCIAL IMPLICATIONS

3.1 There are direct implications related to the Pension Board in connection with this report, however these are all currently within the planned budget for the operation of the Board.

4 REPORT

4.1 Work Plan

a) In developing a work plan the Board should reflect the need to maintain a balance between building the knowledge and understanding of Board Members along with delivery of the statutory obligations of the Board.

b) The views of the Board are vital in informing the nature, frequency and cyclical nature of items as well as the timing of certain time-critical issues for consideration such as Project Brunel.

c) An outline of the Work Plan is attached at Appendix 1 which is based on the discussion and agreement reached at the Pension Board workshop held in March. It will continue to be re-presented at each meeting as the year progresses using the comments and feedback of the Board, Officers and other stakeholders such as the Pension Fund Committee to inform its contents.

4.2 **Modern Gov & Library**

a) All Pension Board members have been asked to access meeting papers via Modern Gov.

b) It is intended that some of the more routine monitoring reports will be available on the Modern Gov library and will not form part of the meeting reports pack.

c) If any member requires assistance with access to Modern Gov and the library, the Governance Team (APF_Governance@bathnes.gov.uk) is able to provide support & training.

4.3 **Future Meeting Dates**

a) Next meeting dates for 2023 are as follows:

- 6th September at 10am
- 7th December at 10am

b) Any suggestions from members regarding the style and format of meetings is welcomed.

4.4 **Training**

a) In developing a training plan Board Members should reflect on their own statutory requirements as set out in previous reports. In summary Board Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Board is given. They should also be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Board's duty to assist the Avon Pension Fund.

b) As agreed at previous Board meetings individual board members should retain their own training log to evidence how they are fulfilling their responsibilities and update these on a quarterly basis to the Governance Team to aid future training needs analysis.

c) Appendix 2 contains the proposed training programme for the year ahead. The workshops will be held jointly with the APF Pension Committee.

d) Members are asked to consider any other training needs through the rest of 2022/23 to fit into the working cycle of the Board.

4.5 **Hyman's LGPS Online Learning Academy (LOLA)**

a) The SAB's Good Governance Review is expected to include additional knowledge and skills requirements for Committee, Pension Board and Officers. Hymans Robertson have been working with the SAB to develop these requirements and have produced an LGPS Online Learning Academy (LOLA).

b) A second version of the learning academy will launch in July 2023. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.

c) The modules are set out below:

1. Committee Role & Pensions Legislation
2. Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Audit Standards
5. Procurement & relationship Management
6. Investment Performance & Risk Management
7. Financial Markets & Products
8. Actuarial Methods, Standards & Practices
9. Current Issues

d) The full timetable for completion of all modules is contained in Appendix 2.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 CONSULTATION

8.1 The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

Contact person	Carolyn Morgan – Governance & Risk Advisor – 01225 395240
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

Pension Board Workplan	Workshop 28 March 2023	23 May 2023	06 September 2023	07 December 2023
Administration Strategy & service plan update (include KPIs)				
Workplan & training plan				
Investment & Funding Strategy update				
Regulatory Update				
Risk Register review				
Annual review of committee & PB governance arrangements				
Pension Board's annual report				
CIPFA Benchmarking				
Breaches Log - review of regulatory & data Breaches				
Statutory annual requirements (year end/ABS/PSS)				
Review of Audit reports				
Pension Fund annual report & statement of accounts				
Climate Change & progress on net zero targets				
Update on Projects/Change Programme				

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Appendix 2
Pension Board Training Plan

Type of training	Date	Content
Workshop	TBA	KPIs/Good Performance
Workshop	TBA	Cyber Security Sessions
Workshop	TBA	Funding / Employer Conts session

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	• An Introduction to LGPS Online Learning Academy	Jul-23	
Module 1 – Committee Role and Pensions Legislation	• An Introduction to Pensions Legislation	Jul-23	22 minutes
	• Role of Elected Members on Committee (podcast)		
Module 2 – Pensions Governance	• LGPS Oversight Bodies – DLUHC	Aug-23	40 minutes
	• LGPS Oversight Bodies – TPR		
	• Business Planning		
	• LGPS Governance		
Module 3 – Pensions Administration	• Introduction to Administration	Sep-23	56 minutes
	• Additional Voluntary Contributions		
	• Policies and Procedures		
Module 4 – Pensions Accounting and Audit Standards	• Pensions Accounting and Audit Standards	Oct-23	11 minutes
Module 5 – Procurement and Relationship Management	• Public Procurement	Nov-23	11 minutes
Module 6 – Investment Performance and Risk Management	• Introduction to Investment Strategy	Jan-24	49 minutes
	• LGPS Investment Pooling		
	• Performance Monitoring		
	• Responsible Investment		
Module 7 – Financial Markets and Product Knowledge	• Introduction to Financial Markets and Product Knowledge	Feb-24	17 minutes
	• Investment – MiFiD II		
Module 8 – Actuarial Methods, Standards and Practices	• Introduction to Funding Strategy	Mar-24	1 hour
	• LGPS Actuarial Valuations – Process		
	• LGPS Valuation – Technical		
	• Employers		
Current Issues	• Understanding Cost Sharing	ongoing	
	• Understanding McCloud		
	• Pensions Dashboard		
	• Understanding Goodwin		
	• Introduction to Cyber Risk		
	• GAD Section 13		
	• Climate Change and TCFD		

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