

| <b>Bath &amp; North East Somerset Council</b>   |  |
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| MEETING   | <b>AVON PENSION FUND PENSION COMMITTEE</b> |
| MEETING   | <b>23 JUNE 2023</b>                        |
| TITLE:  | <b>TECHNICAL AND COMPLIANCE UPDATE</b>     |
| WARD:   | <b>ALL</b>                                 |
| <b>AN OPEN PUBLIC ITEM</b>  |  |
| List of attachments to this report:<br>Appendix 1 – Current matters affecting LGPS Administration |  |

## **1 THE ISSUES**

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

## **2 RECOMMENDATION**

### **The Committee 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.

| Item                       | Latest Position  | Relevant Links   | Action by Fund / Next Steps  |
|----------------------------|--|--|--|
| <b>McCloud Judgment</b>    | <p>On 30 May 2023 DLUHC issued draft regs and a further consultation which is due to close on 30 June, which asks for view on issues like aggregation, flexible retirement and excess Teachers service.</p> <p>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.</p> <p>SAB guidance on dealing with incomplete/inconsistent data has been released.</p> <p>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.</p> | <p><a href="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://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</a></p> <p><a href="https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf">https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf</a></p> <p><a href="https://www.bailii.org/ew/cases/EWHC/Admin/2023/527.html#para253">https://www.bailii.org/ew/cases/EWHC/Admin/2023/527.html#para253</a></p> | <p>The Fund to continue work on collating, analysing and validating data from employers in relation to implementing the remedy.</p> <p>Any delays in the relevant stages may have administrative implications given the time available to respond/progress may be shortened.</p> <p>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.</p> |
| <b>Pension Taxation</b>    | <p>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).</p>  | <p><a href="https://www.gov.uk/government/publications/spring-budget-2023">https://www.gov.uk/government/publications/spring-budget-2023</a></p>   | <p>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.</p>   |
| <b>SCAPE Discount Rate</b> | <p>On 30 March 2023, the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions</p>   | <p><a href="https://questions-statements.parliament.uk/written-statements/detail/2023-03-30/hcws697">https://questions-statements.parliament.uk/written-statements/detail/2023-03-30/hcws697</a></p>   | <p>Whilst GAD reviews the actuarial factors to apply to the LGPS (and other public sector schemes), many calculations are currently suspended. These are</p>   |

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|                          | 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.   |   | mainly CETV's for transfers (including refund / transfer outs) and divorce.<br><br>This has implications for the administration team in terms of both member communications, and resource management for when the suspension is lifted.  |
| <b>CARE Revaluation</b>  | 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 (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023).   | <a href="https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps/outcome/government-response-to-annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps">https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps/outcome/government-response-to-annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps</a> | 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 are also being updated and the team has also dealt with an increased number of queries from members. |
| <b>Pension Dashboard</b> | <p>The Pension Dashboard Programme gathers pace with developments in a number of areas.</p> <p>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.</p> | <a href="https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594">https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594</a>   | Whilst there is potential for the Fund's connection date to be 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 Committee.

## **8 CONSULTATION**

8.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

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| <b>Contact person</b>   | Nicky Russell, Technical and Compliance Manager<br>01225 395389                  |
| <b>Background papers</b>  | LGA Bulletins<br>SAB Meeting Minutes<br>National Technical Group Meeting Minutes |
| <b>Please contact the report author if you need to access this report in an alternative format.</b> |  |