

Bath & North East Somerset Council

MEETING	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	UPDATE ON LEGISLATION
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	

1 THE ISSUE

- 1.1 The purpose of this report is to update the Pension Fund Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration.

2 RECOMMENDATION

The Committee is asked to:

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

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial considerations as this report is for information only.

4 THE REPORT

- 4.1 The table below provides a summary of the main regulatory updates since the last meeting, including brief comment on what the implications are for the Fund and what the next steps will be.

5 RISK MANAGEMENT

5.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

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 addresses 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 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

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

Contact person	Nicky Russell, Technical and Compliance Manager 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	

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
McCloud Judgment	<p>May 2023 saw DLUHC publish a consultation and draft regulations concerning the McCloud remedy, covering new approaches included in the 2020 consultation to better align them with the other public service schemes (around aggregation, other public service membership and flexible retirement) together with new areas covering excess teachers service, compensation and interest terms. A response to the consultation was issued by the LGA in June.</p> <p>In May, a further consultation on the Public Service Pension Scheme (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023 was launched with further guidance being published by HRMC in June. The LGA also issued a response to this consultation. These Regulations were laid on 17 August 2023 and will become effective on 14 September 2023.</p>	<p>https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations</p> <p>https://lgpslibrary.org/assets/cons/lgpsew/20230530_LR.pdf</p> <p>https://www.gov.uk/government/publications/the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023</p> <p>https://www.gov.uk/government/publications/the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023/guidance-on-the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023</p> <p>https://www.legislation.gov.uk/uksi/2023/912/contents/made</p> <p>https://lgpslibrary.org/assets/cons/nonscheme/20230522_McCloud_tax_No2_CR.pdf</p>	<p>The LGA response to the consultation highlighted the administrative complexities associated with the remedy, impacting both administration teams and software providers, whilst also highlighting concerns on the timescales for statutory guidance to be provided before 1 October 2023. Delays in the relevant stages may have administrative implications given the timescales involved.</p> <p>The Fund to continue work on validating data from employers and will shortly be receiving high level training on the remedy.</p> <p>Once the remedy has been implemented, the HMRC guidance will also need to be followed to ensure the correct tax treatment is applied. Again, this will have administrative implications given the potential complexity of certain situations.</p>
LGPS Cost Management Process	<p>In May 2023, a written ministerial statement has been published by HMT confirming that only reformed scheme design will be included in the cost control mechanism.</p> <p>Also in May, DLUHC has published its response to the consultation on the SAB cost management process, thereby better aligning the process to the HMT process and also providing greater flexibility to SAB to make recommendations. The underlying LGPS Regulations were also laid reflecting the changes arising from the consultation.</p>	<p>https://questions-statements.parliament.uk/written-statements/detail/2023-05-15/hcws771</p> <p>https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process</p> <p>https://www.legislation.gov.uk/uksi/2023/522/introduction/made</p>	<p>Given no changes to benefits/employee contributions arise from these latest updates, there isn't any immediate impact on the administration team.</p>
SCAPE Discount Rate	<p>Following on from the change to the SCAPE Discount Rate announced on 30 March 2023, the Government Actuary's Department has been releasing updated factors over the quarter for use in member calculations.</p>		<p>As the factors have been released on a staged basis, (with certain calculations being suspended until new factors are released), this has led to additional work for the administration team in processing member calculations and dealing with queries.</p> <p>In addition, the Actuary has recently provided updated early retirement strain cost factors for implementation (reflecting the new early retirement factors issued by GAD). These will be implemented with effect from 1 September 2023.</p>

Pension Schemes Bill	<p>A review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 has been undertaken to see how effective the policy has been in preventing pension transfer scams. The review was published in June. Further work to be undertaken by DWP, industry and TPR, to see whether the Regulations need to be amended.</p>	https://www.gov.uk/government/publications/conditions-for-transfers-regulations-2021-review-report	<p>Whilst improving the transfer experience for members, any amendment in Regulations is likely to have implications on transfer value processes operated by the administration team.</p>
Pensions Dashboard	<p>The main development in the Pensions Dashboards Programme saw the Pensions Minister, Laura Trott, publish a written ministerial statement in June confirming that DWP has laid draft Pension Dashboard (Amendment) Regulations 2023 but that the phased staging timeline had been removed. Instead, a single connection deadline of 31 October 2026 has now been set. The Regulations were laid formally in July and became effective on 9 August 2023.</p> <p>A separate staging timeline will now be set out in connection guidance.</p> <p>In light of the above development, further guidance has been issued by a number of parties – TPR, PASA etc.</p> <p>Generally speaking, despite the reset, schemes are expected to continue their preparations in relation to the governance/data requirements for meeting the connection deadline.</p>	https://questions-statements.parliament.uk/written-statements/detail/2023-06-08/hcws836 https://www.legislation.gov.uk/ukxi/2023/858/contents/made https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties https://www.pasa-uk.com/pasa-releases-updated-dashboards-data-accuracy-guidance/	<p>A separate update will be provided on this item in the administration report in relation to what actions have/are being taken by the Fund.</p>
Levelling Up / Pooling	<p>In July, DLUHC have issued a consultation on a number of investment related proposals for the LGPS covering pooling, levelling up, private equity, investment consultancy services and technical definitions.</p>	https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments	<p>This consultation, and the impact on the Fund, will be considered further by the investment team.</p>
Responsible Investment	<p>In June, the Government published its Economic Activity of Public Bodies (Overseas Matters) Bill, which will have prevent administering authorities from making investment decisions “influenced by political or moral disapproval of foreign states” except in certain circumstances.</p> <p>In June, it was also confirmed that the implementation of climate reporting obligations for LGPS Funds would be delayed until at least 2024 (first reports being produced by December 2025 in relation to 2024/25).</p> <p>The SAB has appointed Amanah Associates to provide expert advice on a range of issues around Sharia compliance in the LGPS.</p>	https://publications.parliament.uk/pa/bills/cbill/58-03/0325/220325.pdf https://lgpsboard.org/images/Responses/LetterfromMinister_ClimateRiskReporting15062023.pdf	<p>These updates, and the impact on the Fund, will be considered further by the investment team.</p>
Academies	<p>In May, the DFE published their policy for guaranteeing outsourcing arrangements for academy trusts in England (and sets out which employees would be covered) thereby providing assurance to administering authorities (including in relation to agreeing pass-through arrangements with Academy Trusts).</p>	https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities/dfc-local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements	<p>Whilst the guarantee should reduce the potential for unfunded liabilities to emerge in the Fund, there may be additional work in the short-term for teams to update calculation processes/communications (which could lead to additional queries from employers).</p>
Pension Taxation	<p>The Finance (No.2) Act 2023 has now received Royal Assent in July, thereby delivering the tax changes announced in the Spring Budget. Following this, HMRC issued a consultation, which formally sets out its approach to abolishing the Lifetime Allowance from 1 April 2024 onwards.</p>	https://www.legislation.gov.uk/ukpga/2023/30/contents/enacted https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance	<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.</p>

