

LOCAL PENSIONS BOARD

29 September 2023

Local Government Association (LGA) and Scheme Advisory Board (SAB) Update

Local Government Association (LGA) Update

- Pensions Dashboard Programme
 - Department for Work and Pensions (DWP) laid draft regulations, these remove the original planned staging dates and are replaced by a single connection deadline of 31 October 2026
 - DWP to issue guidance in due course including individual scheme connection dates
 - The Pensions Regulator (TPR) expects Funds to continue to prepare for the dashboard (e.g. data cleanse, appoint an Integrated Service Provider)

Local Government Association (LGA) Update

- Abolition of the Life Time Allowance (LTA)
 - Introduced in April 2006 as a mechanism for limiting tax-favoured pension savings in registered pension schemes.
 - Draft regulations introduced to abolish LTA from 6 April 2024
 - Limit tax free cash on retirement lump sums and death grant lump sums to £268,750
 - Clarify how lump sum retirement and death grants will be taxed in absence of LTA

Local Government Association (LGA) Update

- Training Survey
 - LGA recently invited Funds to complete both a training survey and a follow up next steps survey
 - Aim to recruit and retain LGPS administrators and address potential loss of skills/knowledge
 - Providing sufficient support is received the LGA will look to work with Pensions Management Institute to provide an LGPS specific qualification

Local Government Association (LGA) Update

- McCloud Remedy
 - On 8 September 2023 DLUHC laid amendment regulations to implement the McCloud remedy – regulations take effect from 1 October 2023
 - LGA currently reviewing regulations and plan to issue guidance in the coming weeks
 - LGA planning to run McCloud surgeries at end of October
 - DLUHC will publish guidance on prioritisation and set up implementation group to identify what other statutory guidance is needed
 - No timeline to rectify pensions, other than 2025 Annual Benefit Statement to reflect remedy
 - National communications group working on the following
 - Dedicated member area on LGPS website – video's, FAQ's, interactive tool
 - Member fact sheet
 - Template letters for funds

Local Government Association (LGA) Update

- Revised Government Actuaries Department (GAD) Factors Introduced
 - Early retirement and transfer factors from July 2023
 - Late retirement factors from September 2023
- The Pensions Regulator (TPR) Issues Guidance on Annual Benefit Statements 2023 - 2025
 - Guidance for schemes who need to issue statements to members affected by the McCloud remedy
 - TPR acknowledges Fund's ability to produce accurate, complete and timely statements
 - TPR to take a risk based practical approach when assessing breaches during 2023 - 2025

Scheme Advisory Board (SAB) Update

- SAB recently published 2022 Scheme Annual Report (E&W)
 - Average funding levels increased from 98% (2019) to 107%
 - Average employer contribution rates to meet future service costs rose from 18.6% (2019) to 19.8%
 - Overall contributions fell reflecting lower deficit contributions to 21.1% of payroll (22.9% in 2019)
 - Employee contributions increased marginally from 6.5% to 6.6%
 - Total Assets increased by 7.8% (£369bn)
 - Average investment returns 8.1%
 - LGPS membership grew by 2% to 6.39 million members (1.95 million pensioners paid)

Scheme Advisory Board (SAB) Update

- LGPS Gender Pensions Gap Report
 - Identified substantial difference of pension benefits accrued by male and female scheme members
 - 34% difference in CARE benefits
 - 46.4% difference in final salary benefits
 - No simple solution as complex interaction of types of work, career paths, childcare and caring responsibilities
 - SAB to set up a small working group
 - Are there any scheme changes that would address inequality (i.e. buy back service)?
 - Can employers be directed in managing career paths?

Scheme Advisory Board (SAB) Update

- DLUHC issued a consultation on 11 July 2023 – Next Steps for Investments in the LGPS (E&W)
 - 31 March 2025 deadline proposed for transitioning of listed assets from Funds to pools
 - Increased investments in private equity and projects that meet the governments levelling up agenda
 - Consultation closes 2 October 2023

Any Questions?