

Report for: Pensions Committee and Board – 15 September 2021

Title: Local Government Pension Scheme Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury,
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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key Decision

1. Describe the issue under consideration

1.1. This paper updates the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

- Awaited LGPS investment related consultations
- Age Discrimination in the LGPS (commonly referred to as “McCloud”)
- The Pensions Regulators (TPR) Consultation on the new Code of Practice
- Increase in the Normal Minimum Pension Age from 6 April 2028

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the Independent Advisors LGPS Update paper, appended as Appendix 1 to the report.

4. Reason for Decision

4.1. Not applicable

5. Other options considered

5.1. Not applicable

6. Background information

- 6.1. The independent advisor has prepared a paper for the Pensions Committee and Board which provides an update on several developments relating to the LGPS. The paper has been included as appendix 1 to this report, and a summary of the issues covered in the paper will be provided in this section.

Awaited LGPS Investment Related Consultations

- 6.2. The Ministry of Housing Communities and Local Government (MHCLG) has indicated its intentions to launch a couple consultations which will have significant implications for the Local Government Pension Scheme (LGPS) before the end of 2021.
- 6.3. In November 2020, the Government announced that it would consult on the next steps to implement a strengthened framework for LGPS investment and pooling. 8 Asset Pools were established after the Government issued the initial guidance in November 2015 which set out the criteria for their formation. The 8 Asset Pools are very diverse in their structure, resourcing, and approach; and the consultation is expected to set a more defined framework for the future progress of investment pooling across the LGPS.
- 6.4. The Department for Work and Pensions (DWP) has issued Regulations on TCFD (Task Force on Climate-related Financial Disclosures) reporting by private sector pension schemes. Although these regulations do not apply to the LGPS, the MHCLG is currently working on amending the LGPS Regulations to make TCFD reporting mandatory for Local Government Pension Funds. The Pension Fund will need to carefully consider the proposed amendments and training on TCFD has been included as part of the PCB's forward plan.
- 6.5. The Pension Fund will need to review the contents of both Consultations and prepare the appropriate responses once they have been issued.

Age Discrimination in the LGPS (commonly referred to as “McCloud”)

- 6.6. The Pensions Committee and Board has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving the transitional protection arrangements introduced as part of the 2014 reforms of the LGPS.
- 6.7. After undertaking a consultation process, the Government confirmed that a Public Service Pensions and Judicial Offices Bill will introduce amendments to incorporate the McCloud judgement into public service pension schemes. The implications of the proposed remedial regulations will need to be considered carefully by the Pension Fund and preliminary work is underway to assess the impact of the proposed amendments to the Pension Fund.

The Pension Regulator (TPR) Consultation on a new Code of Practice

- 6.8. The Pensions Regulator (TPR) has had an oversight role in relation to the Administration of Benefits and Governance of the public service pension schemes

(including the LGPS) since 2015. This extension of the TPR's remit resulted in the issuance of the 2015 Code of Practice No 14 "Governance and Administration of Public Service Pension Schemes".

- 6.9. The TPR has 15 Codes of Practice, and the new consultation is proposing to reduce them to 6 by combining 10 of the existing codes into one consolidated Code. This includes Code of Practice 14, which applies to the LGPS.
- 6.10. The Consultation closed in May 2021, and work is currently underway to assess the 103 responses that were received from a broad range of stakeholders across the private and public sector schemes. It is unlikely that the new code will become effective before summer 2022.

Increase in Normal Minimum Pension Age (NMPA) from April 2028

- 6.11. In July 2021, following a HM Treasury Consultation, the Government announced with effect from 6 April 2028 that the Normal Minimum Pension Age (NMPA) would increase from 55 to 57.
- 6.12. The NMPA is the minimum age when members of most pension schemes (including the LGPS) can usually access their pension benefits. The Government had previously announced that the state retirement age (the age where members are entitled to their full pension benefits) will increase to 67 from March 2028.
- 6.13. This change will undoubtedly have several implications for the Pension Fund and its membership. The Pension Fund will need to consider the effects of changes once the new Finance Act has been passed and communicate with members accordingly.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. There are no immediate financial implications arising from this report.

Comments of the Head of Legal and Governance (Monitoring Officer)

- 8.2. The Head of Legal and Governance has been consulted on the content of this report. The updates may have legal implications for the Fund which will need to be dealt with as and when they become relevant.

Equalities

- 8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisors LGPS Update August 2021

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.