London Borough of Bromley Pension Fund

LGPS Developments and Updates

Investment			
Topic	**Description**	**Timescale**	**LBB Status**
1. Responsible Investment	RI guidance is aimed 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. This is a matter for local consideration and agreement in accordance with MHCLG's (now DLUHC) statutory guidance.	Approval was given for the first part of guidance. However, the SAB decided to restructure the proposed guidance and the revised document will be circulated in draft to scheme stakeholders for comment in the normal way. There is no indication as to when the new draft guidance will be published. The SAB has established the Responsible Investment Advisory Group and an "A-Z Responsible Investment" guide.	In March SAB and Secretary of State (SoS) asked LGPS to 'review and consider' Russian holdings. The Public Service Pensions Bill will require administering authorities to make investment decisions in line with foreign policy. More guidance from DLUHC to follow. In November, SAB submitted its response to DLUHC's climate risk reporting consultation. A link to the full response can be found here. LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
2. Pension Schemes Act 2021 (click here)	The key provisions: enhanced TPR's powers to protect defined benefit (DB) schemes, requiring pension schemes to report on how they manage the financial risks of climate change, tightening the conditions for paying statutory transfer values to protect members from scams and the creation of pensions dashboards.	The new measures will legally require schemes to assess and report on the financial risks of climate change within their portfolios by October 2021. The regulations will not apply to the LGPS. We expect DLUHC to bring forward regulations which will require similar levels of risk assessment and reporting later	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.

		this year.	
Governance			
Topic	**Description**	**Timescale**	
1. The Good Governance Project. (click here)	The SAB published Good Governance: Phase 3 Report which provides further details on some of the recommendations • The LGPS senior officer • Conflicts of interest • Representation • Skills and training • Service delivery • KPIs • Business planning process	The Board agreed that the Chair should submit the Board's Good Governance Action Plan to the Local Government minister for consideration. Hyman report to SAB	A report was presented to PISC on 29 April 2021 to make members aware of the direction of travel in this area. As and when related regulations are published by DLUHC an action plan will be produced.
2. Code of Transparency	The SAB is set to encourage best practice, increase transparency, and coordinate technical and standards issues as well as liaise with ministerial bodies and relevant sector regulators.	Already implemented click for further details A Code of Transparency covering investment management fees and costs was developed and approved by the Board and launched in May 2017.	Fund managers to the LGPS are being encouraged to sign up to this Code and as at June 2021, there were over 150 signatory firms, including all of the LBB's pension fund managers. The Cost Transparency Initiative (CTI) template was launched to gather data to investigate and understand LGPS Funds' respective fees and costs.
3. Cost control mechanisms for funded and unfunded public sector pension schemes and the 2020 valuations Link	On 7th October The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021 were published by HM Treasury. These Amending Directions allow schemes to conclude their 2016 valuations by setting out how they must carry out the cost control element of those valuations: • Moving to a reformed scheme only design: to remove any allowance for legacy schemes in the cost control mechanism	As set out in the 18th August 2021 letter to the then minister Luke Hall MP SAB agreed to spread McCloud costs over a 10 year period (rather than the 4 used by HMT) resulting in an outcome of 19.4% against a target cost of 19.5%. Despite the slight shortfall in cost SAB agreed not to recommend any scheme changes, in particular citing the unwelcome impact of having to backdate any changes to April 2019	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.

	• Widening the corridor: to widen the corridor from 2% to 3% of pensionable pay. • Introducing an economic check: currently the mechanism does not include changes in long-term economic assumptions and therefore cannot consider the actual cost to scheme employers of providing the pension benefits • As a result of the increased cost of McCloud remedied benefits, none of the public service schemes have breached the floor of the cost-control mechanism, so no benefit improvements will now be required.	would have on already hard pressed administration teams. However, SAB has set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the cost management process.	
Administration			
Topic	**Description**	**Timescale**	
1. Exit Payment Cap	On 12 February 2021, HMT published the Exit Payment Cap Directions 2021. The Directions disapply regulations 3, 9 and 12 of the Restriction of Public Sector Exit Payment Regulations 2020 with immediate effect.	This means the exit cap does not apply to exits that take place on or after 12 February 2021 (click here for further details). The Fund adopted the GAD factors from 4 November 2020 and will continue to do so until the next factors review.	We understand, from discussions with the LGA, that the Government remains committed to introducing the £95K cap within the current financial year. DLUHC has published updated Local authority exit payments data, covering exit payments made by English authorities from 2014/15 to 2020/21. The data for 2019/20 and 2020/21 has been updated to incorporate data submitted by employers
2. Employer Flexibilities Guidance	MHCLG (now DLUHC) has published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020.	The guidance covers Regulation 64 (Deferred debt agreement); Regulation 64A (Revision of rates and adjustment certificate) and 64B (Spreading of exit payments). click here for further details	The SAB issued its guidance for pension funds LBB is required to have a formal review and update the Funding Strategy Statement. This is awaiting the completion of the Triennial Valuation and **will be**

			presented to the PC at the February 2022 meeting.
3. McCloud	On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirmed that: • the age requirement for underpin protection will be removed; • the remedy period will end on 31 March 2022; • the underpin calculation will be based on final pay at the underpin date, • even when this is after 31 March 2022; there will be two stages to the underpin calculation: the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier. The second stage will be applied when the benefits are paid; and the regulations will be retrospective to 1 April 2014.	It is government's intention for legislation to be in place by **April 2023**. click here HM Treasury (HMT) published its response to the consultation on 4 February 2021. The LGA is still await further details on how transfers between unfunded schemes and the LGPS will operate.	Data collection exercise: Under the SAB and LGA guidance, LBB has completed the McCloud data collection exercise (most employers have responded). Resources: Resourcing impact considered and being addressed with Liberate and additional in-house resource Action required (subject to SAB and LGA guidance): - Project management - Data treatments for missing data and overriding current data
4. Pensions Shared Service agreement	The departure of the Pensions Manager in summer 2021 left an expertise gap in the team. The options were to either re-recruit the position or leverage pensions expertise elsewhere. With the approval of the FD, we engaged Wandsworth Council Shared Services for a 6 month trial.	After a successful 6 month trial period, on 31 August, Director Finance approved an agreement with Wandsworth Council for to provide outsourced shared services expertise for a period of 5 years.	LBB will continue to monitor the effectiveness of this arrangement and **plan to report the developments towards this at the December 2022 PC meeting.**
5. Triennial Actuarial Valuation	The 31 March 2022 actuarial valuation exercise is now underway with full membership data having been provided to the Actuary. This data is now being	(continued) • Ill-Health – aside from the above, consideration will be given to modifying the approach for	As referred to above, the funding strategy will be considered further by officers and the Actuary once the 31 March 2022 outcomes

	processed by the Actuary and the results will be presented to the Committee in due course. To prepare the Committee for the valuation discussions ahead, we have set out some of key areas for consideration in relation to the Funding Strategy that will be discussed in detail with Officers once the initial outcomes are known. • Inflation – unlike previous valuation assessments, given the current high inflation environment, the Actuary will propose to make an allowance in their 31 March 2022 calculations for the impact of known inflation to 31 March 2022 (which will impact the 2023 pension increase that will be awarded). This advance allowance will help the Fund "smooth out" the impact of the 2023 increase when this emerges given the % increase will be significantly higher than in previous years. As part of the valuation, the Actuary will also be considering the general marked changes to inflation over the short, medium and long term when setting our assumptions. • Life Expectancy – the Actuary has been undertaking an assessment of the demographic assumptions that will apply for the 2022 valuation, in particular life expectancy. Such analysis will reference the characteristics of the Bromley Fund's own membership directly. The Actuary will also consider the likely future trends in life expectancy as we emerge from COVID.	managing ill-health retirement costs for employers at the 2022 valuation, thus minimising the risks to contribution outcomes that can emerge. • Contribution Rate Sustainability – alongside the impact of the above, whilst the Actuary's calculations will be undertaken as at 31 March 2022, in setting contribution outcomes they will also be considering the uncertain economic outlook. Since 31 March 2022, the UK has entered a stagflationary environment (high inflation/low growth) with the future outlook considerably uncertain. Therefore, consideration will be given to managing contribution outcomes from the 2022 valuation and provide better stability for employers at subsequent valuations. Such consideration will focus on the discount rates underlying the valuation calculations i.e. the expected rate of future investment return, above CPI and also the extent to which any margins are retained in the 31 March 2022 outcomes (subject to affordability etc.) given post 31 March movements and changes in the outlook.	have been assessed based on the full membership data. This is likely to take place in November. A consultation with all employers in the Fund in relation to the valuation outcomes and the proposed contribution rates (effective 1 April 2023) will also take place with a full update on the outcomes and the consultation to be provided to the committee thereafter in February 2023. The Actuary will be required to sign off the valuation by 31 March 2023. **Officers plan to report progress and developments at the December 2022 PC meeting.**
Consultation			
Topic	**Description**	**Timescale**	
1. GMP Indexation	In March 2016, the Government announced that those reaching State Pension age (SPA) between 6 April 2016 and 6 December 2018 would receive a fully-indexed public service pension for life. In January 2018, it extended	The Government has issued its response to the consultation 'Public Service Pensions: Guaranteed Minimum Pension (GMP) indexation' and has decided to	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance

	these arrangements for those reaching State Pension age by April 2021. In March 2021, the Government said it would make full indexation the permanent solution. This is discussed in more detail in [Public Service Pensions Increases]	discount conversion as a long-term policy solution and make full Guaranteed Minimum Pension (GMP) indexation the permanent solution for all public service pension schemes, including the LGPS. This means that the LGPS will provide full indexation to the GMP element of a member's pension for those members with a GMP reaching State Pension age from 6 April 2021.	and regulations as and when they are published.
2. GMP Equalisation	Following the original Lloyd Banking Group judgement in October 2018 to equalise GMP accrued between 17 May 1990 and 5 April 1997 between male and female members.	The impact of the ruling in the LGPS is expected to be muted however the position is currently under further consideration with Treasury.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published. Note: LBB has completed the GMP reconciliation project (Fund's GMP data vs HMRC). We are now in the process of starting the GMP rectification project.
3. Goodwin (click here for details)	On 20 July 2020, HMT issued a note confirming that, following a successful case against the Teachers' Pension Scheme (TPS), historical widowers' pensions in the public sector pension schemes discriminated against male members.	Departments responsible for the administration of affected schemes will consult on and take forward changes as soon as possible.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
4. RPI reform (click here for details)	The Government's intention is to bring the new methods and data sources of the Consumer Prices Index including owner occupiers' housing costs into RPI. However, this proposal requires the consent of the Chancellor to be implemented before 2030,	The UK Statistics Authority has confirmed that it intends to implement the proposed changes at the earliest date that it is legally and practically possible to do so from February 2030.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.

	owing to the use of R P I in two specific index-linked gilts. The Chancellor has announced that he is unable to offer his consent to the changes before the final specific index-linked gilt matures in 2030.		
5. Increase to the minimum pension age	On 11 February 2021, HMT published Increasing the normal minimum pension age consultation. In 2014, the Coalition Government consulted on increasing the normal minimum pension age (N M P A) from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation. The consultation re-confirms the Government's commitment to increasing the NMPA. The increase will not apply to members of the firefighters', police and armed forces pension schemes.	The closing date was 22 April 2021. HM Treasury has responded to its consultation on the proposed protections framework and implementing an increase of the normal minimum pension age (NMPA) from 55 to 57 in 2028, which will increase the age at which pension savers can access their pensions without an unauthorised payments tax charge. The government concludes it will legislate the proposed increase of the NMPA in the next Finance Bill with a protection regime. The legislation will now protect members of registered pension schemes who before 4 November 2021 have a right to take their entitlement to benefit under those schemes at or before the existing NMPA.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
6. Pensions Dashboards Programme (click here for details)	In 2020, the PDP carried out a discovery phase for the identity service, which will verify that dashboard users really are who they say they are. As part of the discovery, they undertook a market engagement exercise with identity providers. The resulting insight informed the approach and the upcoming procurement for the identity service	DWP is planning to consult on secondary legislation in 2022 on data requirements, staged onboarding, the compliance regime and consumer protection. .	LBB complied with the LGA pensions dashboard consultation and call for input on design standards on 30 August 2022. There will be costs associated with this DWP / Money & Pensions Service project which

		Voluntary onboarding is proposed to start in 2022. The latest guidance suggests a go live date of Sept 2024 (with potential fines for non-compliance).	will be borne by the Pension Fund. LBB will brief members on these developments in due course, respond to further developments, guidance and regulations as and when they are published. **We plan to report these developments at the February 2023 meeting.** Please see link to YouTube introduction video: Pensions Dashboard Introduction
7. Discount Rate methodology	The Government has developed a process for determining the level of contributions that should be paid into the schemes, called 'Superannuation Contributions Adjusted for Past Experience' (SCAPE). An essential element of SCAPE is the discount rate used to express schemes' future pension payments as a present-day cost, which is known as the SCAPE discount rate. The SCAPE discount rate is used in a limited way in the LGPS to set actuarial factors relating to member benefits; and is also used in the LGPS cost control mechanism process so can affect scheme costs, and therefore employer contribution rates, in an indirect way	This consultation ran from 24 June 2021 to 19 August 2021. The Government is still reviewing stakeholders' feedback.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
8. Stronger nudge to pensions guidance	Consultation to seek views on the draft Regulations for delivering a "Stronger Nudge to pensions guidance" when individuals seek to access, or transfer for the purpose of accessing, their pension flexibilities applying to occupational pension schemes.	Following the consultation, the Government are proceeding with regulations to ensure that individuals in scope are made aware of Pension Wise guidance when they seek to access their DC pension savings, and that trustees	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.

	The draft regulations appear to have been drafted with standalone occupational DC schemes only in mind. Because of this, some of the proposed changes have unintended consequences for members of the LGPS with both DB and DC benefits. For example, if an LGPS member with an AVC plan wishes to take payment of, or transfer, only their main scheme (DB) benefits, the administering authority will still be required to provide the nudge. In relation to a transfer, this applies even if the transfer is going to a scheme which does not provide flexible benefits.	and managers of occupational pension schemes facilitate the booking of a Pension Wise appointment as part of the application process.	
9. Task Force on Climate Related Financial Disclosures (TCFD)	TCFD reporting is already mandatory for large private pension schemes, other asset owners and asset managers. The first Local Government Pension Scheme climate risk reports will be completed by December 2024, with which administering authorities will set out their strategies and metrics for managing climate-related risks and opportunities, according to a new government consultation	Bromley PF submitted a response to the consultation before the 24 November 2022 deadline, which included the Chairman’s comments on pooling and concerns over the additional resources required to comply with more statutory reporting requirements. The consultation response was emailed to the Pensions Committee and Board on 17 November. TCFD reporting is likely to be in force by March 2023 with first TCFD reports by December 2024.	DLUHC is yet to confirm whether TCFD will be mandatory for LGPS funds. **Officers will report on this subject at the December meeting subject to further developments.**