London Borough of Bromley Pension Fund **Appendix 8**

LGPS Updates

Investment			
Topic	**Description**	**Timescale**	**LBB Status**
1. Responsible Investment / Climate Risk Reporting	The Department for Levelling Up, Housing and Communities (DLUHC) has consulted on proposals that LGPS funds produce their first annual Climate Risk Report by December 2024. Administrating authorities will be expected to manage and report climate risks using four metrics covering absolute emissions, intensity of emissions, data quality and Paris Alignment.	• DLUHC consultation closed in November (120 responses) • Regulations unlikely by 1 April (the proposed start date for reporting) • But data collection still needs to be in place by then	LBB has responded to the DLUHC consultation (as reported to the 1 December 2022 Pensions Committee).
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 however **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 this year. A second consultation on DB funding is currently underway with a closing date of 24 March 2023: Link to TPR Second Consultation	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.

3. Investment Policy - pooling	DLUHC is expected to consult on new statutory guidance on LGPS asset pooling. This will set out the requirements on administering authorities and replace previous guidance. SAB opinion: • A variety of models are still being explored • Lack of direction and consistency of interest from Ministers • Greater clarity and transparency are the keys • Focus on desired outcomes and success criteria	• Expected in 2023	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. The Boycotts, Divestments and Sanctions Bill	It is expected the Bill will cover all public bodies and be wide ranging, covering everything related to expenditure, procurement, investment and treasury management. The Bill is intended to ensure that decisions made by a public body are in accordance with UK and foreign policy. Public institutions, including local councils, would be prevented from creating independent sanctions and boycotts against: • Foreign countries or those linked to them • The sale of goods and services from foreign countries • UK firms which trade with such countries	• We understand that a draft Bill is imminent.	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.

Governance			
Topic	**Description**	**Timescale**	
1. The Good Governance Project. (click here)	The SAB expects almost all of its recommendations being taken forward: • The LGPS senior officer • Workforce strategy • Monthly data collection mandated • Administration KPIs • Enhanced training requirements • Demonstrating compliance and offering resilience	• Consultation on final regulations expected in 2023	As and when related regulations are published by DLUHC an action plan will be produced.
2. Cost control mechanisms for the LGPS following the 2016 Valuation	The "employer costs cap" was introduced by the Public Service Pensions Act 2013. Its aim is to cap the cost of the scheme to employers. The employer costs cap also includes a "cost floor". The employer costs cap is reviewed at each scheme valuation: every 3 years for the LGPS. If the ceiling or floor are breached, there is a consultation to allow the scheme manager, employers and members to agree the steps needed to bring costs back within target. These steps might include changes to future benefit accrual, or to employee contributions. The Government had considered the cost control mechanism to be closed for the 2016 valuation as it determined that the cost to employers for McCloud remediation should be included in the calculations. Adding the expense of the McCloud remedy has been challenged by judicial review brought by several unions in late January 2023.	Further consultation on changes to the cost control mechanism are expected in 2023.	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.

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<tr><td></td><td>If the Government were to be defeated on this point then the cost of the scheme would then be considered lower and therefore changes to the scheme would be needed.</td><td></td><td></td></tr>
<tr><td colspan="4">Administration</td></tr>
<tr><td>Topic</td><td>Description</td><td>Timescale</td><td></td></tr>
<tr><td>1. Exit Payment Cap</td><td>The Government has stated its intention to bring back the exit cap (also known as the £95K cap). In addition, we understand that it still plans to introduce changes to LGPS and Compensation Regulations at the same time as the exit cap is re-introduced.</td><td>No timescale has been provided by Government.</td><td>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.</td></tr>
<tr><td>2. McCloud</td><td>The Government has previously outlined 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.</td><td>Government response to previous consultation expected February 2023;
Further consultation on draft regulations and statutory guidance expected Spring 2023;
Final regulations expected before summer Parliamentary recess;
Remedy will become law on 1 October 2023;
Any prospective benefit improvement will need to be shown in annual benefit statements from August 2025</td><td><u>Data collection exercise:</u>
Under the SAB and LGA guidance, LBB has completed the McCloud data collection exercise (most employers have responded).

<u>Resources:</u>
Resourcing impact considered and being addressed with Liberate and additional in-house resource

<u>Action required (subject to SAB and LGA guidance):</u>
- Project management
- Data treatments for missing data and overriding current data</td></tr>
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Consultation				
	Topic	**Description**	**Timescale**	
1.	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 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 completing the GMP rectification project.
2.	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.	Consultation is expected in Spring 2023 on a retrospective award of widowers' pensions backdated to 2005.	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.
3.	Removing age 75 limit for death grant lump sums	LGPS regulations do not allow for death grant lump sums to be paid if the member is aged 75 or over. The Government now considers this rule to be discriminatory.	Consultation is expected in Spring 2023 on a retrospective award of death grant lump sum to affected beneficiaries backdated to 2011.	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.	Moving CARE revaluation date from 1 April to 6 April.	The annual allowance (AA) is the maximum amount of pension savings an individual can make in any one tax year, from 6 April to 5 April, that benefit from tax relief. The standard AA limit is currently £40,000. For the 2022 to 2023 tax year, the September 2022 CPI of 10.1% is higher than it has been in recent years. This higher CPI will lead to high revaluation of CARE pensions that active members will accrue in this tax year. However, the CPI increase to the opening value of Pension Scheme pension in the PIA calculation is based on the lower value	Consultation is expected in February 2023 proposing moving the revaluation of pension benefits from 1 April 2023 to 6 April 2023, in effect deferring the inflationary uplift into the next tax year.	

	of CPI in September 2021 of 3.1%. This increases the risk of annual allowance tax charges for active members.		
5. Increase to the minimum pension age	In the Finance Act published on 1st March 2022, the Government has confirmed the increase in Normal Minimum Pension Age or "NMPA" from 55 to 57 with effect from 6 April 2028. The legislation protects 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.	With effect from 6 April 2028.	LBB will ensure that communications to members reflect this change.
6. Pensions Dashboards Programme (PDP) (click here for details)	Dashboards will enable anyone who has a UK pension not in payment (including LGPS pensions) to be able to view some key details of their pension information. Dashboards will present information from UK-based pension providers including the State Pension. The legislation assumes that all UK pensions will be included. The Pensions Dashboards Regulations 2022 were given approval by Parliament, empowering PDP to set dashboards standards that underpin legislation.	Administering authorities must connect to the dashboards ecosystem within a connection window of 1 September 2024 to 30 September 2024.	In February 2023, LBB signed a contract to June 2025 with its current pensions software provider Heywood Ltd for the purchase of a digital interface to connect to pensions dashboards and conduct any necessary data cleansing to help pensions savers match with LBB data. The contract for Altair (the pensions software) was extended to cover the period to the introduction of the ISP and mitigate risks of data loss or corruption that may arise from swapping pension software at this key time. Officers will concurrently run a full (or framework) tender with interested suppliers who may offer a cost-effective pension system with a potential contract start date from June 2025. The tender process ensures LBB is fully compliant with procurement rules.
7. 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	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	Officers are currently assessing the most cost-effective method of complying with TCFD requirements. Officers initial enquires suggest a cost-effective solution is to ask the Investment Managers to do most of the heavy lifting on TCFD and produce an internal consolidated report and sensitivity analysis. Officers suggest that LGPS reporting requirements are fluid and likely to change.

	opportunities, according to a new government consultation	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.	**Therefore, Officers will brief on alternatives and seek approval from the Pensions Committee in Q3 2023.**