APPENDIX 6

London Borough of Bromley Pension Fund

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. TPR have published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pensions schemes but contains observations which may be useful for LGPS funds ahead of the implementation of TCFD reporting (Click here)	We await the final regulations. The first reporting year is expected to be the financial year 2023/24 with the first reports by December 2024.	When the regulations are published by DLUHC an action plan will be produced by LBB.
2. 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	Consultation is still expected in 2023. In his Spring 2023 Budget, the Chancellor challenged the LGPS "to move further and faster on consolidating assets – a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025" and move towards "a smaller number of pools in excess of £50 billion to optimise benefits of scale". The Chancellor went on to say: "The government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital".	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. 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	Public service pension schemes are subject to a cost cap mechanism. Scheme costs are measured at each actuarial valuation. If costs move too far from a target cost, then member contributions or benefits must be adjusted to return costs to the target level. The government decided that the McCloud remedy should be included in the costs compared against the target cost for the cost control exercise following the 2016 Valuation. Two union challenged this in the High Court. The judge, Mr Justice Choudhury, ruled the	The cost control exercise following the 2016 Valuation appears now to be closed without any backdated changes to scheme benefits.	No action needed.

	government's decision was not unlawful. He dismissed the applications on all grounds. The unions may seek permission to appeal.		
Administration			
Topic	**Description**	**Timescale**	
1. Exit Payment Cap	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.	No timescale has been provided by Government.	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. McCloud	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.	On 6 April DLUHC published its response to its autumn 2020 consultation on the changes required to the LGPS to address the discrimination outlined in the McCloud judgment. There are no major developments in the response and there are some areas where DLUHC have delayed decisions, including on aggregation and flexible treatment. These topics will be taken forward into a further consultation in the Spring/Summer which will also include the proposed approach to interest on backdated benefits and compensation. The intention is that the final regulations will come into force on 1 October, with backdated effect from 1 April 2014. Any prospective benefit improvement will need to be shown in annual benefit statements from August 2025	<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 Liberata 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
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/Summer 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/Summer 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 would have led to high revaluation of CARE pensions for active members in the 22/23 tax year.	In March 2023, DLUHC passed the LGPS (Amendment) Regulations 2023 moving the annual revaluation date from 1 April to 6 April in effect deferring the inflationary uplift into the next tax year. This has minimised the risk of annual allowance tax charges for active members.,	No action needed.
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.	The Parliamentary Under Secretary of State for Pensions initiated a reset of the timing for the PDP program with no set connection date as at 2nd March 2023. DWP will provide a further update of revised connection timings in the summer of 2023. The full statement can be found here: Pensions Dashboard Update - 2 March 2023	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. LBB, along with all Pensions administering authorities, now awaits the update on the new connection deadline. Officers suggest that due to security concerns around using the members NINO there is now the possibility that the PDP program will be permanently shelved.
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 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.	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. **Therefore, Officers will brief on alternatives and seek approval from the Pensions Committee in Q3 2023.**