

LGPS Updates

Investment			
Topic	Description	Timescale	LBB Status
1. Task Force on Climate Related Financial Disclosures (TCFD)	<p>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 mean that administering authorities will have to set out their strategies and metrics for managing climate-related risks and opportunities.</p> <p>When it comes, we expect funds to be asked to:</p> <ul style="list-style-type: none"> • assess the risks to their investment portfolio; • conduct scenario analysis; • report on carbon emission measures; • set a target against one of the emissions measures. 	<p>We await the final regulations.</p> <p>DLUHC have confirmed that implementation of climate reporting obligations will be delayed at least until next year. (Click Here)</p> <p>Presuming regulations are forthcoming in time for 1st April 2024, reports covering the period 1 April 2024 - 31 March 2025 would need to be produced by December 2025.</p>	<p>Officers assessed several methods of complying with TCFD requirements. Officers now suggest the most cost-effective solution is to align with the other 32 London Boroughs and allow the London CIV (LCIV) to contact Bromley’s Investment Managers to produce a TCFD consolidated report and sensitivity analysis on behalf of Bromley. Officers have engaged LCIV to produce a climate analytics report pro bono. Officers will consult with Members on which scenarios are to be modelled, and for approval of the final report. Apex has been approached to cover any TCFD requirements not covered by the LCIV service.</p>
2. Investment Policy - pooling	<p>DLUHC issued a consultation in 2023 on a number of investment-related proposals for the LGPS. After having considered the responses, the Government has announced (see here) that the statutory guidance on investment strategy statements (ISS) will change to say that funds should transfer all assets into their respective investment pools by 31 March 2025, with ‘comply or explain’ provisions backing this expectation. The revised guidance will also require that funds formulate plans to invest up to 5% of their assets in levelling-up projects (actual investments may be more or less than 5%, depending on what is appropriate for the fund) whilst other guidance will expect them to report on progress against the plan. The ISS guidance will reflect the Government’s ‘ambition’ for funds to invest 10% in private equity; they will be encouraged to explore suitable opportunities with the British Business Bank.</p>	<p>We await revised pooling statutory guidance.</p> <p>In the upcoming months, we expect there to be a revised draft of the Investment Strategy Statement guidance issued and possibly some amendments to the 2016 Investment Regulations.</p>	<p>LBB provided a full response to the consultation, after consideration by Members at the 11 September meeting.</p>

<p>3. The Boycotts, Divestments and Sanctions Bill</p>	<p>The Economic Activity of Public Bodies (Overseas Matters) Bill was introduced in June 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions.</p> <p>The Bill when enacted will directly impact on decisions to invest or divest, actual or intended, made by an LGPS administering authority (Section 5 provides for legal proceedings, Section 12 overrides LGPS Investment Regulations, Section 13 gives TPR enforcement powers over LGPS). There is a risk of vexatious and time-consuming complaints.</p>	<p>The Bill has reached the 2nd reading stage in the House of Lords.</p>	<p>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.</p>
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Governance

Topic	Description	Timescale	
<p>1. The Good Governance Project. (click here)</p>	<p>The SAB expects almost all of its recommendations being taken forward:</p> <ul style="list-style-type: none"> • The LGPS senior officer • Workforce strategy • Monthly data collection mandated • Administration KPIs • Enhanced training requirements • Demonstrating compliance and offering resilience 	<ul style="list-style-type: none"> • Consultation on final regulations is expected in 2024. 	<p>As and when related regulations are published by DLUHC an action plan will be produced.</p>

Administration

Topic	Description	Timescale	
<p>1. Exit Payment Cap</p>	<p>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.</p>	<p>No timescale has been provided by Government.</p>	<p>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.</p>
<p>2. McCloud</p>	<p>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:</p> <ul style="list-style-type: none"> • 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, 	<p>In accordance with section 131 of the Public Service Pensions and Judicial Offices Act 2022, the McCloud remedy (to the extent not already in force) came into force on 1 October 2023.</p> <p>The Local Government Pension Scheme (Amendment) (No. 3)</p>	<p><u>Data collection exercise:</u> Under the SAB and LGA guidance, LBB has completed the McCloud data collection exercise (most employers have responded).</p> <p><u>Resources:</u> Resourcing impact considered and being addressed with Liberata and additional in-house resource</p>

	<ul style="list-style-type: none"> • 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. 	<p>Regulations 2023 also came into force on 1 October 2023. These regulations extend the statutory underpin so that all eligible members benefit from a guarantee that their benefits under the reformed LGPS, in respect of relevant service, will not be less than the amount they would have been entitled to under the legacy LGPS.</p>	<p><u>Action required (subject to SAB and LGA guidance):</u></p> <ul style="list-style-type: none"> - Project management - Data treatments for missing data and overriding current data
<p>3. Cost control mechanisms for the LGPS following the 2016 Valuation</p>	<p>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".</p> <p>The employer costs cap is reviewed at each scheme valuation: every 3 years for the LGPS.</p> <p>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.</p> <p>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. 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.</p>	<p>The Court of Appeal will be hearing the unions' challenge to McCloud costs being included in the 2016 cost cap mechanism on 20th February. A Government loss would mean that the LGPS benefit structure would need amending retrospectively.</p>	<p>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.</p>
Consultation			
Topic	Description	Timescale	
<p>1. GMP Equalisation</p>	<p>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.</p>	<p>The position is currently under further consideration with Treasury.</p>	<p>LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and</p>

			<p>regulations as and when they are published.</p> <p>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.</p>
2. Goodwin (click here for details)	<p>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.</p>	<p>Consultation is expected in 2024 on a retrospective award of widowers' pensions backdated to 2005.</p>	<p>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.</p>
3. Increase to the minimum pension age	<p>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.</p> <p>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.</p>	<p>With effect from 6 April 2028.</p>	<p>LBB will ensure that communications to members reflect this change.</p>
4. Pensions Dashboards Programme (PDP) (click here for details)	<p>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.</p> <p>The Pensions Dashboards Regulations 2022 were given approval by Parliament, empowering PDP to set dashboards standards that underpin legislation.</p>	<p>The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timeline will be set out in guidance, and all schemes in scope will need to connect by 31 October 2026. The staging timeline will indicate when schemes (by size and type) are scheduled to connect.</p> <p>DWP [Department for Work and Pensions] is consulting informally on revised connection deadlines – it looks likely that this will be September 2025 for public sector pension schemes like the LGPS.</p>	<p>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.</p>