Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.		No change since the last meeting	After revoking the Restrictions on Public Sector Exit Payment Regulations in early 2021, but promising replacement legislation, we are yet to hear what type of replacement regulations will be implemented or when this may apply.	PEN021
DLUHC	McCloud	Please see below the table for more information from Aon	No (material) change since the last meeting	The Fund's software provider continues to release software updates in stages in anticipation of the final remedy legislation being laid before parliament. Primary legislation is currently being finalised but no draft changes to the LGPS Regulations have been released. It is anticipated that the remedy legislation will apply from 1 October 2023, with backdated effecting across the remedy window of 1 April 2014 to 31 March 2022. In preparation of this, as part of i-Connect onboarding, officers continue to update part-time hours histories for active staff. Officers have also requested part-time hour history for all other employers which are not currently on i-Connect. Correcting part-time hours histories remains a Fund priority. As part of the 2022 Triennial Valuation, there will be an assumption about the impact of remedying legislation and therefore the financial impact will be 'baked in'. At Fund level, the financial impact is likely to be small but the employer level impact will vary depending on each employer's membership profile.	PEN042
	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	No change since the last meeting	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Due to the Parliamentary backlog, further progress may not be seen until 2022 or 2023.	PEN040

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	Education Sector reforms & *Changes to the Local Valuation Cycle and the Management of Employer risk* Consultation	Sixty Second Summary - Education sector in the LGPS - Hymans Robertson https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf	Minor updates	**Education sector reforms:** These are outlined in the helpful 'sixty second summary' link to the left. Some of these discussions related to point 5 of the Consultation outlined below. One positive area being considered by Government is the introduction of guarantee to protect Funds against FE Colleges defaults. **Scope:** 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. Nothing further has been heard on this. As contribution rates are currently being set for the period 2023-2026, it is likely that any changes would not take place for a number of years. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. As above. **3). Proposals for flexibility on exit payments.** **4). Proposals for further policy changes to exit credits** Legislation has been introduced in relation to 3) & 4) and is embedded in the Fund's cessation policy. 5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees) The Fund is unaware of any further developments in this area.	PEN044
	Consultation: Taking action on climate risk	https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-	No change since the last meeting	MHCLG are shortly expected to release draft regulations and statutory guidance for consultation on how schemes will need to take action on climate risk. The DWP have already issued a consultation for occupational pension schemes – this is the link provided – and the MHCLG consultation will apply to the LGPS and is expected to be virtually identical. The Fund is in a good place here as the Committee has already done significant work to address this risk, via modelling, education (both of Committee members and the	PEN041

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		consultation-on-regulations		wider scheme membership), transparent reporting and meaningful actions.	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/ Please see below the table for more information from Aon	Updated	DWP consulted on draft regulations earlier this year, and the consultation closed on 13 March 2022. A further consultation was issued in June 2022, and this closed on 19 July 2022. The consultation raises some issues due to the different rules that apply in the LGPS in comparison to other schemes. Such as: excluding deferred refunds, issues around missing starter notifications and the value of benefits if the vesting period is not met etc. The public sector staging date is April 2024. The Fund's software provide, Aquila Heywood, is designated as an 'Integrated Service Provider' and is part of the national working party to help deliver the Pensions Dashboard. The Fund intends to work with Aquila Heywood to provide the data required.	PEN038
Financial Reporting Council	Proposed revision to the UK Stewardship Code	https://www.frc.org.uk/investors/uk-stewardship-code	Updated	The Financial Reporting Council (FRC) published the revised Stewardship Code on **24th October 2019** which sets substantially higher expectations for investor stewardship policy and practice. During April 2022, officers submitted an application to gain signatory status of the new Code, to the FRC, and signatory status was confirmed in September 2022. The Fund will need to make an annual submission to retain signatory status.	
Scheme Advisory Board (SAB)	Goodwin Case		No change since the last meeting	With some similarities to McCloud, another discrimination case affecting public service schemes including the LGPS, this time on the grounds of sexual orientation whereby it has been shown that it is discriminatory for female partners of members	PEN056

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				who are in a same sex or opposite sex marriage to receive different survivor benefits from one other. Although the funding costs will be small, this will be a further administration and communication burden to address. Little information has still been provided of the impact on the LGPS, but the DfE has started a consultation in relation to the Teacher's Pension Scheme to start the process of altering the scheme rules. It is expected MHCLG will undertake a similar process for the LGPS in due course.	
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change	Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations. Hymans Robertson and SAB are now moving towards Phase III of the project and a proposal is going to MHCLG to implement the proposals. The timeframes for implementation are still unclear.	PEN039
The Pension Regulator (tPR)	Single code of practice		No change	tPR have released a consultation concerning its intention to produce a single code of practice covering all pension schemes (rather than over 15 at the moment). Whilst some of the exercise is merely one of administrative consolidation, tPR have also used this as an opportunity to make some changes.	PEN050
DLUHC	Finance Act 2022		No change	The normal minimum pension age will increase from 55 to 57 from 6 April 2028 (the general intention was the minimum age would always be 10 years less that the state pension age). Act allows certain pension age protections to apply but DLUHC are yet to advise how these might apply in the LGPS.	None

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				The Stage Pension Age is due to be reviewed again next year (under the Pensions Act 2014, it should be reviewed every 6 years). As a reminder, the LGPS normal pension age for post 2014 service is set as being equal to the State Pension Age.	
Fund updates	Evolve programme – which involves the Council changing the pensioner payroll system and Fund accounting system			The target system implementation date is 1 April 2023 but officers understand from the project team that the target date is now in doubt and it is possible the new systems will not be implemented until several months later.	PEN059
Post Fiscal Event Update				A verbal update will be provided at the meeting due to the dynamic/ever-changing position.	

McCloud – more info

In December 2018 the Government lost a Court of Appeal case (the 'McCloud/Sargeant' judgement) which found that the transitional protection arrangements put in place when the judges'/firefighters' pension schemes were reformed, which applied to all active members who were within 10 years of their Normal Pension Age on 1 April 2012, amounted to illegal age discrimination. The Government's application to the Supreme Court for permission to appeal the Court of Appeal judgement was subsequently denied on 27 June 2019.

Government accepted that any changes would need to apply to all public service schemes with these protections and in July 2020, MHCLG (now DLUHC) consulted on changes to the LGPS in England and Wales. On 13 May 2021 MHCLG confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, principally the extension of the final salary underpin (better of both promise) to all qualifying members in active service on 31 March 2012 with post-2014 career average benefits. The Public Service Pensions and Judicial Offices Act 2022 sets out the framework for scheme regulations and confirmed that the new final salary underpin will apply to membership from 1 April 2014 to 31 March 2022. It also extended the qualification criteria for the LGPS to qualifying members in active service on or before 31 March 2012 (not just in active service on 31 March 2012). A full consultation response from DLUHC is not expected until later this year and final LGPS Regulations are not expected to be come into force until 1 October 2023.

Although there is still some time before the Regulations are expected to be in place, implementing the McCloud judgement is expected to take up significant time and resource at administering authorities due to the need to:

- collect data from employers relating to members active between 1 April 2014 to 31 March 2022 which is required to calculate final salary benefits for that period
- plan for the calculation of the underpin benefits and potential rectification of benefits for members leaving since 1 April 2014 (up to the date the Regulations are in place)
- plan for the necessary updates to the administration system to enable the new underpin to be calculated where required for future benefit calculations
- communicate with stakeholders, including members and employers and including updating all template letters etc
- monitor the progress of the project to ensure regulatory requirements are met

A recent update from Technical Group suggested around 60% of the c50 administering authorities who responded have collected over half of the additional data required to calculate the new underpin and over a third of respondents have loaded that data to the pensions administration system. In addition, 80% have communicated with scheme members and 98% with employers about McCloud; over 60% have recruited or intend to recruit extra resource to help implement McCloud and nearly 15% have outsourced or plan to outsource implementation.

Aon has suggested that the Fund should move forward with its own preparations as soon as possible, and not only collect data when employers are onboarded onto i-connect. They recommend:

- establishing an Implementation Project with strands including a project charter, consideration of risks and mitigation, roles and responsibilities, workstreams required to implement McCloud and their key deliverables and planning for when draft regulations are available

- identifying how much data has already been collected and widening the data collection process to all employers as soon as possible (having regard to the i-connect roll-out programme)

- validating and uploading data to the pensions administration system in respect of the remedy period

- considering what resources/budget will be needed to successfully implement McCloud and how that might be achieved, i.e. in-house or outsourced (bearing in mind that the data collected will need to be validated before uploading onto Altair)

Dashboards – more info

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all UK pension savers the ability to view all of their pensions, including state pension, via a single platform. DWP first consulted on the proposal in early 2019, asking for views on the potential phased introduction of the pensions dashboards as well as on the architecture, funding and governance arrangements. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard and a further consultation on regulations closed on 13 March 2022 which clarified that public sector pension schemes are expected to onboard between October 2023 and April 2024. A consultation response is expected before recess (so later this month) although DWP unexpectedly issued a further consultation on 28 June 2022 on (i) the period between dashboards becoming law and the requirement for them to be up and running and (ii) proposals to enable the Money and Pensions Service and Pensions Dashboard Regulator to share information relating to dashboards.

The Pensions Regulator has recently published guidance strongly advising schemes to start preparing as soon as possible, regardless of their connection deadline, noting that they will typically need to work with several organisations to get connected. Wiltshire Council as administering authority is ultimately accountable for ensuring connection, and we will need to work with our suppliers including Heywood to progress the work needed. TPR's guidance highlights the need for scheme managers to set the criteria for matching data and taking any steps necessary to ensure they have sufficient confidence in the accuracy of their data. Our recent decision to outsource our aggregation backlog should support us in our preparation for Dashboards but we need to put in place plans to ensure we will be ready on time. TPR states that it will take action if it sees intentional or reckless non-compliance.

A recent LGA survey suggested around 45% of funds who responded have recruited or intend to recruit extra resource to help implement dashboards; just over half have engaged with an integrated service provider to connect to the dashboard system and nearly 60% have cleansed their date in preparation for pensions dashboards.

Aon has suggested that the Fund should move forward with its own preparations as soon as possible, including specifically considering or confirming:

- Whether there are any procurement implications of connecting via the Heywoods ISP solution (this is potentially a slightly grey area so will need to be properly checked).

- That all key data fields are populated within Altair (such as Date of Birth, National Insurance Number, Address, Employer Name, Date Joined Fund, Date Left Fund).

- Data matching convention – the consultation suggests schemes can select which data items are used to identify members.

- That the timeframe for addressing the backlogs fits with the Dashboard timetable. (if a member whose deferred benefit has not been calculated logs in to the dashboard and MaPS realise there is a benefit pending the Fund will have 10 days to calculate the benefit and notify the member or we could face fines.)

- What resource/budget we may need to ensure we can comply with the requirements. (we will need to check what Heywoods are going to be charging for dashboard activity and ensure this is included in the business plan for 2023/24.)