

Lancashire Local Pension Board
Meeting to be held on Tuesday, 26 April 2022

Electoral Division affected:
(All Divisions);

Regulatory Update

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Executive Summary

This report sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

Recommendation

The Board is asked to consider and note the contents of the report.

Background and Advice

1. 2022/23 employee contribution bands

Below are the employee contribution bands which will be effective from 1 April 2022. These are calculated by increasing the 2021/22 employee contribution bands by the September 2021 CPI figure of 3.1 per cent and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2022/23

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 or more	12.50%	6.25%

This table has been updated on LPPA's website and is included in a Year End Bulletin to all scheme employers.

2. Automatic enrolment trigger remains the same

The Department of Work and Pensions (DWP) has published its review of the automatic enrolment trigger for 2022/23. The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

3. Prudential

Following a complaint lodged by Local Pensions Partnership Administration (LPPA), Prudential have responded acknowledging that due to the introduction of new systems the level of service being experienced across all areas of their business, including the LGPS, has been unacceptable. They have highlighted that a service recovery plan is in place to bring their service levels back to normal and have confirmed that they have recruited additional resource to improve performance in all areas.

Although the situation is much improved, LPPA have recently reported that there are still delays in responsiveness from Prudential and difficulties in getting through to them, which can impact particularly on retirements with AVCs. This will continue to be monitored and reported to the Fund.

A new Prudential Client Manager is about to be allocated to the Fund, and the Pension Fund Team will raise any ongoing concerns with them.

4. Single Code of Practice

The Pensions Regulator (TPR)'s new single Code of Practice (SCOP) is expected to be laid before Parliament in June/July 2022 and to come into force from October 2022.

The Pension Fund Team are currently undertaking a project for the transition to the new SCOP during this year. The current task as part of this project, is an impact assessment of the new and amended modules of the new SCOP. Further information on this will be provided to a future meeting of the Board.

5. Department of Levelling Up, Housing and Communities (DLUHC) Levelling Up White Paper

On 2 February 2022, DLUHC published the Levelling Up White Paper which includes the Government's intention to ask LGPS pension funds, working with the asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas. We understand that 'local' refers to UK projects, rather than to projects local to a particular administering authority.

DLUHC are expected to issue a consultation before the Parliamentary summer recess. We understand that consultation will also cover climate risk and reporting regulations and pooling guidance. The Fund will review the forthcoming consultation and either respond directly or via LPP.

6. New member website and LGPS brand

There is now a new LGPS member website, which better meets accessibility requirements. The address of the website has not changed, it is still www.lgpsmember.org and can be accessed from LPPA's main website.

LGA are encouraging administering authorities to publicise the new site to employers and members. LPPA are communicating this to employers using the Pension Pulse employer newsletter and have added it as a LinkedIn post.

7. Department of Work and Pensions (DWP) launch second review of State Pension age

The review was launched on 14 December 2021. It will consider if the State Pension age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence.

The Pensions Act 2014 requires Government to regularly review SPA and for the latest review to be published by 7 May 2023.

State Pension age is currently 66 and two further increases are currently set out in legislation: a gradual rise to 67 for those born on or after April 1960; and a gradual rise to 68 between 2044 and 2046 for those born on or after April 1977. The first Review of State Pension age was undertaken in 2017 and concluded that the second review should consider whether the increase to age 68 should be brought forward to 2037-39.

Two independent reports will be commissioned as part of the review:

- the Government Actuary will provide a report assessing the appropriateness of SPA considering the latest life expectancy projections
- Baroness Neville-Rolfe will provide a report on other relevant factors including recent trends in life expectancy and other metrics.

On 9 February 2022, DWP launched a call for evidence to gather views to feed into Baroness Neville-Rolfe's report. The independent report call for evidence will close on 25 April 2022.

Since 2014 the normal retirement age for CARE benefits in the LGPS has been linked to SPA, so any change to this will impact when members are able to receive payment of their benefits as well as the overall costs of the scheme.

8. Department of Work and Pensions (DWP) responds to nudge consultation

The DWP responded to its consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament the

Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The regulations come into force on 1 June 2022.

The regulations will require pension schemes to explain the nature and purpose of Pension Wise guidance and facilitate the booking of a Pension Wise appointment as part of the application process. The regulations will also require the member to have confirmed that they have received the guidance or opted out of receiving it before the scheme can action the application.

Administering authorities will need to give the stronger nudge where it receives an application from a member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The regulations also apply to applications from members aged 50 or over to transfer out their AVCs.

9. Government confirms 2022 revaluation and publishes PI multiplier tables

On 20 January 2022, the Government made a written statement on indexation and revaluation in public service pension schemes and published the 2022 pensions increase (PI) multiplier tables.

The statement confirms, as expected, that public service pensions will increase on 11 April 2022 by 3.1 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2022 by 3.1 per cent.

10. Finance Act 2022 receives Royal Assent

The Finance Act received Royal Assent on 24 February 2022. The provisions of the Act relevant to the LGPS are summarised below.

Clause 9: Annual allowance deadlines

Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.

Clause 10: Normal minimum pension age

The normal minimum pension age will increase from 55 to 57 from 6 April 2028. The Act provides for protected pension ages for members who meet the entitlement condition. DLUHC will need to amend the LGPS regulations to introduce a protected pension age for LGPS.

Clause 11: Power to change tax rules related to the McCloud remedy

The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. The regulations will have retrospective effect.

11. McCloud

The Government tabled further amendments to the Public Service Pensions and Judicial Offices (PSPJO) Bill on 21 January 2022 which were accepted. The main amendments relevant to the LGPS are:

- redefine “remediable service” so that it also potentially covers members who left the Scheme before 31 March 2012 and have subsequently returned to LGPS
- extend the types of scheme membership which would not count as a disqualifying break to include that of broadly comparable schemes which were offered as a result of a local government contracting-out transfer
- allow regulations to provide final salary benefits for transferred-in service from different public service schemes where the service benefitted from final salary protection in the other scheme
- allow regulations to restrict service between 1 April 2014 and 31 March 2022 from having final salary protection unless the member has transferred in or aggregated previous service

The PSPJO Bill received royal assent on 10 March 2022.

Department of Levelling Up, Housing and Communities (DLUHC) wrote to all LGPS Administering Authorities in March 2022 to outline the assumptions to be made around the McCloud remedy when valuing members' benefits and setting contribution rates during the 2022 Valuation process, as they want to ensure consistency between funds.

The Local Government Association have publicly stated that they believe that the regulations will come into force on 1 October 2023, although this has not been formally confirmed.

12. Dashboards

Department of Work and Pensions (DWP) published a consultation on the draft Pensions Dashboards Regulations on 31 January 2022. The consultation closed on 13 March 2022 and the Local Government Association have now published their response to the consultation.

The consultation proposed a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide individuals' data to them via the dashboards. However, the LGA's views is that the proposed deadline is too ambitious given the pressures within LGPS and that April 2025 is more realistic.

13. Pension scams prevention: proposed rule changes

The Department of Work and Pensions (DWP) has confirmed that it may make changes to The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 that came into force in November 2021. The changes

would mean that the presence of low-risk overseas investments in a receiving scheme would no longer constitute an amber flag (which requires directing of members to guidance).

The November 2021 changes, which required administering authorities to apply more diligence against pre-determined red and amber flags, were covered in the January 2022 Regulatory Update.

14.LGA Changes

Jeff Houston, Head of Pensions at the Local Government Association and Secretary to the Local Government Pension Scheme Advisory Board has now retired and been replaced by Joanne Donnelly.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Reason for inclusion in Part II, if appropriate

N/A