



Pension Board
22 July 2021

Report from the Director of Finance

LGPS Update

Wards Affected:	ALL
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Five Appendix 1: TPR New Code of Practice Consultation Appendix 2: Governance and Administration Survey 20-21 Appendix 3: LGPC Bulletin – April 2021 Appendix 4: LGPC Bulletin – May 2021 Appendix 5: LGPC Bulletin – June 2021
Background Papers:	N/A
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1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the committee on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the recent developments in the LGPS.

3.0 Detail

TPR New Code of Practise Consultation

- 3.1 The Pensions Regulator (TPR) has consulted on the draft content for the first phase of a new code of practice, which begins the process of replacing existing TPR codes of practice.
- 3.2 The new code of practice sets out expectations for the conduct and practice of those who must meet the requirements set in pensions legislation. The new code brings together 10 existing codes of practice, including incorporation of the changes introduced by the Occupational Pension Schemes Regulations 2018. TPR's reasons for replacing the existing codes included a need to remove codes which were outdated and did not reflect current expectations as well as addressing some inconsistencies found between the codes.
- 3.3 Appendix 1 comprises of the consultation document which provides the details of the transition to move from existing codes of practice towards shorter, topic-focused modules. Each proposed module sets out TPR expectations in relation to a topic. Modules also link to related topics within the new code and, in time, to guidance and external sources. The consultation document summarises which parts of the code apply to the LGPS and which are new.
- 3.4 The Scheme Advisory Board (SAB) are to respond to TPR on the consultation. Brent Officers are to await the issuing of the final code before reviewing its current adopted practices.

SAB LGPS Annual Report and Mortality Data

- 3.5 On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:
- Total membership up by 4.2% to 6.1 million members compared with 2019.
 - Total assets decreased by 4.9% to £276 billion. These assets were invested in:
 - 68% pooled investment vehicles
 - 14% public equities

6% bonds
 3% direct property
 9% other asset classes.

- The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners were paid in the year.
- LGPS liabilities were estimated at £291 billion on 31 March 2019. This equated to an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

3.6 Further details of the LGPS Annual Report 2020 can be found at: <https://www.lgpsboard.org/index.php/2020-highlights>

3.7 On 15 June 2021, the Scheme Advisory Board (SAB) in England and Wales updated its LGPS mortality data to the end of March 2021. The data covers all LGPS administering authorities in England, Wales, Scotland and Northern Ireland. The table below shows the mortality data.

LGPS Mortality - Pensioner Mortality as % of membership															
	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
East England	0.21%	0.26%	0.39%	0.27%	0.23%	0.23%	0.17%	0.20%	0.25%	0.23%	0.24%	0.43%	0.34%	0.33%	
East Midlands	0.28%	0.29%	0.41%	0.27%	0.23%	0.21%	0.19%	0.20%	0.19%	0.26%	0.26%	0.31%	0.33%	0.30%	
London	0.30%	0.30%	0.49%	0.40%	0.32%	0.28%	0.25%	0.26%	0.27%	0.31%	0.31%	0.51%	0.43%	0.35%	
North East	0.28%	0.25%	0.44%	0.36%	0.29%	0.12%	0.10%	0.24%	0.32%	0.36%	0.25%	0.45%	0.29%	0.31%	
North West	0.29%	0.26%	0.42%	0.32%	0.30%	0.27%	0.25%	0.21%	0.31%	0.32%	0.28%	0.41%	0.36%	0.30%	
Scotland	0.30%	0.29%	0.46%	0.45%	0.32%	0.30%	0.27%	0.37%	0.36%	0.37%	0.37%	0.49%	0.40%	0.41%	
South East	0.27%	0.26%	0.37%	0.35%	0.16%	0.24%	0.22%	0.26%	0.25%	0.28%	0.51%	0.51%	0.39%	0.35%	
South West	0.27%	0.24%	0.35%	0.22%	0.20%	0.16%	0.16%	0.18%	0.25%	0.24%	0.31%	0.31%	0.34%	0.30%	
Wales	0.29%	0.30%	0.43%	0.26%	0.26%	0.22%	0.19%	0.24%	0.23%	0.30%	0.41%	0.41%	0.35%	0.25%	
West Midlands	0.27%	0.25%	0.44%	0.29%	0.29%	0.24%	0.21%	0.23%	0.27%	0.28%	0.40%	0.40%	0.35%	0.32%	
Yorks and Humber	0.25%	0.24%	0.37%	0.34%	0.26%	0.12%	0.17%	0.21%	0.26%	0.28%	0.35%	0.35%	0.28%	0.23%	
Total (average across all regions)	0.28%	0.27%	0.42%	0.33%	0.26%	0.22%	0.21%	0.24%	0.27%	0.29%	0.34%	0.42%	0.36%	0.32%	

3.8 The above data set was gathered by the secretariat of Local Government Pension Scheme Advisory Board (England and Wales) and the Local Government Pensions Committee of the LGA. The table shows total deaths as a percentage of pensioner membership and do not account for cause of death.

3.9 The impact of COVID-19 has been unprecedented in recent times, with total deaths last year and this year significantly greater than what would be expected based on previous years' experience.

3.10 However, as has been widely reported, COVID-19 has not affected all groups of people equally. For example, older age groups and those with underlying health conditions have seen higher COVID-19 death rates than other groups. There has also been regional variation in infection levels, with London in particular seeing higher infection rates than other areas of the country.

Unfortunately, months of April 2021 and January 2021 have seen higher mortality rates leading to increased death cases for pensions administrators across LGPS to manage.

McCloud Case

- 3.11 At the August 2020 Pension Board meeting, Brent officers updated Board members on the McCloud case. It was reported that on Thursday 16th July 2020, MHCLG published a consultation on the proposed remedies for the LGPS to remove age discrimination.
- 3.12 In summary, the remedy extends the 'transitional protections' underpin (that was promised to active members in 2012 who were within 10 years of normal retirement age) to all other active members, regardless of age. The underpin gives the member the better of career average revalued earnings (CARE) or final salary benefits for the eligible period of service. In summary, the key features of the underpin are as follows:
- Eligibility is restricted to members who were active in the LGPS on 31 March 2012 and have accrued benefits since 1 April 2014;
 - The underpin period applies between 1 April 2014 and 31 March 2022, but ceases when the member leaves active membership or dies in service; and
 - The final salary for comparison purposes applies at the point that the member leaves active status or reaches age 65.
- 3.13 On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms 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.
- 3.14 Whilst the effective date is welcome in terms of allowing more time to implement the changes, it adds to the amount of retrospective leaver calculations that will require review from 1 April 2014 to 31 March 2023.
- 3.15 It is expected that MHCLG (Ministry of Housing, Communities and Local Government) will issue a full response to the consultation and publish draft regulations later this year. Officers are working together with the Fund's actuary, Hymans Robertson and the Fund's admin provider LPP to further work through the details of the consultation and the draft regulations, once published.

Exit Payment Data

- 3.16 On 27 May 2021, MHCLG wrote to chief financial officers of councils and combined authorities in England, letting them know about a new requirement to provide data on exit payments. The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.
- 3.17 Councils were asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of June 2021. The Fund is pleased to report successful submission of this data before the deadline.

Governance and Administration Survey

- 3.18 In June 2021, The Pensions Regulator's (TPR) published the Public Service Pension Scheme (PSPS) Governance and Administration Survey 2020-21. The survey was undertaken by OMB Research, an independent market research agency, on behalf of TPR.
- 3.19 The primary objective of the survey was to track governance and administration practices among public service pension schemes. In addition, the 2020-21 survey also included new questions on schemes' response to the COVID-19 pandemic, awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate-related risks and opportunities.
- 3.20 The survey was conducted online between January and March 2021, and was completed by representatives of 193 public service pension schemes out of the existing entirety of 206.
- 3.21 The results show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk. Finally, Governance has generally stood up well given the unique challenges the last year has presented. Full details of the results are set out in Appendix 2.

4.0 Financial Implications

- 4.1 This report is for noting, so there are no direct financial implications.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

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