

ITEM No ...5.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 11 DECEMBER 2023

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30 SEPTEMBER 2023

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 370-2023

1. PURPOSE OF REPORT

This report provides information on the recent quarter's operational performance in relation to Pension Administration.

2. RECOMMENDATIONS

The Sub-Committee is asked to note the contents of the report.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

4. BACKGROUND

This report focusses on statutory performance and is subject to ongoing development to provide enhanced reporting functionality to improve the quality of information on administration performance and compliance.

5. SERVICE SUMMARY

- Summary of Statutory Performance Requirements**

The following table summarises the performance of the fund administration against statutory requirements:

Category	Received			Completed			Statute Days	Average Days			Cases beyond Statute at end of Qtr
	Current	Prior	% change	Current	Prior	% change		Current	Prior	% change	
Starter	1515	756	100%	148	147	1%	60	23	15	57%	
Estimate	162	180	-10%	164	188	-13%	60	80	75	7%	3
Options	520	499	4%	487	527	-8%	60	60	67	-11%	1
Actual	321	282	14%	338	265	28%	60	18	19	-5%	
TV In	58	37	57%	46	30	53%	60	37	36	2%	
TV Out	198	143	38%	212	86	147%	90	39	33	17%	1
Deferred	257	309	-17%	246	342	-28%	60	46	27	66%	4
Death	148	168	-12%	166	164	1%	60	18	14	29%	
Death Grant	16	32	-50%	21	41	-49%	60	77	65	18%	
Dependant	56	45	24%	48	77	-38%	60	33	34	0%	
Divorce	28	19	47%	26	10	160%	90	55	38	44%	
Total	3279	2470	33%	1902	1877	1%					9

The following provides further detail on statutory task data:

Overall Caseload:

Case volume received increased in comparison to the last quarter by 33%. There were 9 cases were out-with statute at the end of the period. Whilst all efforts were made to bring all cases into statute, the team continue to deal with continually high call and email volumes, and staff turnover during the period. Key team members remain involved in the training required for new postholders, and this also impacts resourcing.

Prioritised Tasks:

- **Issue of Pension Options & Pensions Brought into Payment**
The team continues to give priority to the payment of benefits in line with TPR priorities. Over the period the following points are relevant:
 - There was a small 4% increase in pensions options cases received in the period, and although less cases were processed in the quarter, the average number of processing days for these cases reduced by 11%.
 - The team increased the volume of pensions processed into payment by 28% in the quarter, and maintained form the previous quarter, whilst largely maintaining average processing timescales. The volumes of cases received continues to grow, and in the quarter there was a 14% increase.

- **Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions**
 - Death Grant cases complexity remain the significant factor in fluctuating processing times and number of cases completed.
 - Although reported death cases dropped by 12% in the quarter, there was an increase in dependent cases received of 24%.

Other Statutory Tasks:

- **New Member Processing:** These number increased again this period, this maybe due in part to the recruitment of seasonal staff in some sectors.
- **Estimates:** Cases received during the quarter decreased very slightly against the previous quarter (10%) as a result of general estimate requests being sign-posted to the Member Self Service Portal. The remaining estimates are carried out by the team as they are final estimates, or more complex.
- **Deferred Member Processing:** Training on this topic was the focus during the quarter, and this is reflected in an increase in processing days and reduction in completed cases due to the learning curve of new staff undertaking tasks. Also, the team resources were directed in response to the lifting of the suspension of transfers (due to the GAD factor revision process) and this is detailed below.
- **Outbound Benefit Transfers:** Case volumes received increased by 38%, and following the removal of restrictions, the team achieved a 147% increase in processed cases, and maintained average processing days levels.
- **Inbound Benefit Transfers:** Likewise with outbound transfers, cases increased by 57%, and the team achieved a 53% increase in cases being completed, maintaining average processing days.
- **Divorces:** Caseloads increased by 47%, and in response, the team were able to action an increase of 160% cases fully completed in comparison to the previous quarter.

5.1 Other Pension Operations

The following table summarises the other operations undertaken in addition to statutory requirements:

Category	Received			Completed			Average Days		
	Current	Prior	% change	Current	Prior	% change	Current	Prior	% change
Amendments	358	404	-11%	349	509	-31%	6	35	-83%
Certificates	200	40	400%	163	131	24%	41	157	-74%
Other admin	785	818	-4%	831	820	1%	33	48	-31%

tasks (e.g. age 55 reviews)									
Other pensions processes (e.g. refunds)	737	879	-16%	1509	809	87%	306	215	42%

5.2 Employer Contributions

In the period July to September covering the payroll periods of June to August, there were 3 late payments received, and 2 late submissions of employer returns. These were quickly chased with the employers and were resolved swiftly. An Employers Forum will be held in late November and the importance of the deadline for the receipt of returns and contributions will again be brought to all employer's attention.

Employers and Member Online Portals

5.3 MSS Update

The implementation of the Insights reporting module now enables reporting of individual users of the portal as opposed to numbers of accounts registered. Although in the previous quarter, there was a reported 18,745 users, multiple memberships were not distinguished. As at 30 September 2023, there are a total of 14,600 individual users registered. This will be the ongoing metrics for measuring uptake.

5.4 I-Connect Update

The team have been working with the remaining (large) employers to ensure their utilisation of the I-Connect Employers portal, which has been mandatory from April 2023 for monthly submissions. In the scheduled Employers Forum (November 2023) we will issue a revised deadline of January 2024 for all employers to have finalised their payroll reporting and to have standardised reports to allow their I-Connect uploads to commence on a monthly basis.

5.5 Annual Benefits Statements

Benefit Statements must be issued by 31st August annually, and this statutory deadline was achieved.

The statements issued can be detailed as follows:

	Active members	Deferred Members	Councillors	Deferred Councillors
Generated	11,477	9,939	91	25
Posted	1,558	864	17	7
Email	7,979	4,498	32	9

All statements were published to MSS and messages issued to all registered members to advise that the statements were available for viewing.

This is a major achievement each year, and thanks are expressed to all staff in both the Pensions Team and also at Employers Payroll Teams as without their focus and dedication, this work would not be completed by the deadline.

5.6 Call Centre

Inbound calls again increased in this quarter. Calls answered totalled 3149, an increase of 160 calls from the last quarter. Over the period, a total of 586 hours was spent on incoming calls, which continues to be a major resource for the team.

5.7 Prudential AVC

Disinvestment times remain consistent over the period, with funds being issued by Prudential within approximately 4 weeks after the disinvestment instruction is issued. The Fund continues to engage with Prudential collectively with other Scottish LGPS Funds to lobby for improved services.

5.9 Compliance

National Fraud Initiative:

- One overpayment of £2351.82 has been fully recovered.
- Eight remain outstanding amounting to £15724.49 with the current outcome as follows:
 - 6 overpayment requests have been made to banks - five have replied indicating they are unable to return the funds, and one bank has yet to reply.
 - 1 overpayment request has been made to next of kin - mail returned unopened, and Fund have classified accordingly.
 - 1 overpayment request to survivor - no reply received to date.

To continue this ongoing project, the team are working with DCC Fraud Section to attempt to locate home address details of any next of kin. Upon receipt of any information, letters detailing the overpayment will be issued.

5.10 Recruitment

- On 3rd August 2023 interviews were scheduled for the vacant Pensions Assistant post. The preferred candidate will join the team in the next quarter (following references and Disclosure received).
- A further recruitment exercise will commence in the following quarter following a resignation of Pensions Assistant.
- An exercise to review current caseloads and trends is currently being undertaken to assess adequate resourcing capacity to continue to meet statutory requirements. A report on this will be submitted in the next quarter.

5.11 Queries & Complaints

- 5,793 emails were received into the generic email account in the quarter to 30th September, this equates to approximately 89 emails per working day over the quarter. This is an increase of 1,617 emails from the last period. E mail tasks continue to be a significant work allocation to all Pensions Assistants within the Team. The Team advise that queries coming in via email can require a considerable amount of time and review of member records to ensure that a full reply is provided for the member. This area is also being reviewed as part of the resourcing exercise.
- Complaints to Prudential: No escalated complaints received during this quarter
- GDPR: During the quarter there was 1 recorded instance of a GDPR breach reported.
- Complaints: During the quarter there were 2 complaints. One was upheld.

5.12 Staff Training

• Online System Training

The recent new recruits to the team have continued to utilise the Online Training Tool. This has provided the ability to learn how to navigate the specialised pension administration system in a standardised, concise and methodical manner. DCC eLearning in mandatory subjects was also completed.

• In House Training

During the quarter, both face to face and MS Teams based training continued to be provided to the newer employees carrying out both Clerical Assistant and Pensions Assistant roles. As the majority of training is carried out in house, thanks are again given to all team members for the time taken to

train their new colleagues. Training via experienced staff is invaluable, it is also recognised that this also impacts on the completion of caseloads, and stretches the resources of the team as a whole. This will also be considered in the wider resource review.

In July 2023, two members of the senior staff attended the Heywood's AGM. This two-day event provides workshops on new system functionality, but also provides a platform for designing future system amendments and enhancements.

5.13 Revaluation Date Consolation Update

The Scottish Public Pensions Agency (SPPA) emailed administering authorities on 20 September 2023 with an update on the consultation to change the annual revaluation date from 1 April to 6 April. Having considered all feedback, they plan to lay the regulations, as consulted on, as soon as possible. The regulations will apply retrospectively from 31 March 2023.

5.14 McCloud remedy

- **Regulations laid**

The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. These come into force on 1 October 2023. <https://www.legislation.gov.uk/ssi/2023/240/contents/made>

The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly.

Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014. It also makes related changes to the LGPS (Scotland) Regulations 2018. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2015 and 30 September 2023.

The Scottish Public Pensions Agency (SPPA) consulted on the regulations from 26 June 2023 to 31 July 2023. SPPA confirmed to administering authorities in an email on 20 September 2023 that it will reply to the consultation soon.

- **Statutory guidance for administering authorities**

On 20 September 2023, in the email as noted above, SPPA stated that:

- the Department for Levelling Up, Housing and Communities will provide statutory guidance on how administering authorities should prioritise McCloud cases in England and Wales and that they plan to do the same.
- the Government Actuary's Department is updating Scottish Ministers actuarial guidance to reflect the changes, and that the SPPA will publish this as soon as it is available, and that they will participate in the implementation group to decide what other statutory guidance is needed.

- **Local Government Association (LGA) support**

The LGA has confirmed that it is currently assessing the regulations and will provide administrator guidance in the next few weeks, as well as appropriate member communications. They advise that they are also planning to run McCloud online pension surgeries as soon as possible.

- **Transfers out**

From 1st October 2023, if a member qualifies for underpin protection, the method for calculating a transfer out of the Fund will be different if a member qualifies for underpin protection. This method will be set out in actuarial guidance which has not yet been published, and as such, these transfers remain on hold until the guidance is published.

- **Club transfers**

There will be significant changes to the Club rules to reflect the McCloud remedy from 1 October 2023 in respect of calculation and information that will need to be exchanged when a member protected by the McCloud remedy transfers between Club Schemes. The Club memorandum is currently being updated to reflect these changes.

It will therefore be necessary to suspend calculating Club transfers in and out where the member is protected by the McCloud remedy until the revised Club memorandum is published. Club transfers for those without protection will be unaffected.

The Club factors have also been revised as part of the SCAPE rate review. The Cabinet Office has already shared these with pension software suppliers. These factors will apply to all Club transfers, and the Fund awaits confirmation of the effective date.

When deciding if a member is protected, consideration must be given that a member can qualify for protection on unaggregated LGPS and other public service pension scheme membership.

5.15 SCAPE discount rate and impact on actuarial factors – update

- The second batch of new factors was received from the SPPA on 4th July 2023 and covered the following calculation processes:

Non-Club Transfer In - Came into force on 3rd July 2023.

Early retirement Factors - New factors apply to any retirements after 2nd July 2023. These factors are lower than previously.

Late Retirement Factors - Apply to retirements after 31st August 2023

These factors have been forwarded to system providers for system update.

- The third batch of factors was received from the SPPA on 28th July 2023 and covered the following calculations processes:

Trivial Commutation Factors - Came into force from 28th July 2023.

Scheme Pays (Annual Allowance) - Apply for elections made on or after 28th July 2023.

Lifetime Allowance debit - Although the lifetime allowance charges were abolished in the March budget, these factors are required to calculate certain Annual Allowance Scheme pays debits (where the member is over normal pension age, or an election is made when retirement is being processed).

5.16 Strike Action FAQ's

The LGA has contacted Funds to advise them that they have published updated employer and member frequently asked questions (FAQs) about strike action. These FAQs cover the common questions asked when members take strike action. This information will be shown on the Fund's website.

5.17 Employer/ Employee sessions

In July 2023 two sessions were held with Perth & Kinross Social Work Staff (Care Home based). Both sessions were run via Microsoft Teams and took the form of a Q&A session.

6. REGULATIONS

Details of regulatory matters are contained in Appendix 1.

7. POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an

Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

8. CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

BACKGROUND PAPERS

None

ROBERT EMMOTT

EXECUTIVE DIRECTOR OF CORPORATE SERVICES

01 December 2023

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REGULATORY COMMUNICATIONS

The Scottish Scheme Advisory Board (SAB)

The SAB published a bulletin during September. <https://lgpsab.scot/bulletin-september-2023/>

The bulletin covers the following topics:

- regulation of investments
- gender pensions gap
- National Care Service
- CARE revaluation date
- training
- scheme cost management.

Wider Landscape

- **HMRC**

Pension schemes newsletter 152

<https://www.gov.uk/government/publications/pension-schemes-newsletter-152-july-2023>

The newsletter includes articles about:

- the abolition of the lifetime allowance
- QROPS transfer statistics
- the purpose of a registered pension scheme and HMRC's power to de-register a scheme that does not meet the requirement.

Managing Pension Schemes service newsletter

HMRC published the September 2023 Managing pension schemes service newsletter on 19 September 2023. <https://www.gov.uk/government/publications/managing-pension-schemes-service-newsletter-september-2023>

The newsletter covers various topics, including:

- event reports
- Accounting for Tax (AFT) returns
- pension scheme returns
- migrating to the service.

Abolishing the Lifetime Allowance – Consultation

On 18 July 2023, HM Revenue and Customs (HMRC) launched a consultation on abolishing the pensions lifetime allowance. The consultation includes draft legislation that aims to:

- abolish the lifetime allowance from pension legislation from 6 April 2024
- limit the amount of tax-free cash an individual can receive to a maximum of £268,275, unless they hold valid lifetime allowance or lump sum protection
- limit the total amount of lump sums an individual can receive before marginal rate taxation applies to £1,073,100 unless they hold a valid lifetime allowance protection, and.
- clarify how lump sums and lump sum death benefits will be taxed in the absence of the LTA.

The consultation closes on 12 September 2023.

<https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance>

Abolishing the LTA – the LGA response

On 12 September 2023, the LGA responded to the policy paper from HM Revenue and Customs (HMRC) on abolishing the lifetime allowance (LTA).

https://lgpslibrary.org/assets/cons/nonscheme/20230718_LTA_CR.pdf

The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024.

In their response, they included:

- they do not think the proposals simplify the pension tax regime for the local authority workforce and other LGPS employers
- having two limits for lump sums will be confusing for members
- the limit for pension commencement lump sums should go up with inflation (instead of being frozen)
- trivial commutation lump sums should not be part of the £1.073 million limit
- it will be difficult to get relevant information from members
- there is no rule on how to value lump sums paid before 6 April 2006
- there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy
- it will be tough to explain the changes to members as the policy, in our view, is confused and unclear.

Contact for HMRC McCloud processes

HMRC will be launching tools and resources for members affected by the McCloud remedy and past pension tax charges. It is vital that each administering authority provides HMRC with a named contact to receive information about the process.

An email was received from HMRC and contact details have been supplied and acknowledged by HMRC.

Second set of rectification regulations laid

On 17 August 2023, the Government laid The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. The regulations come into force on 14 September 2023. <https://www.legislation.gov.uk/ukxi/2023/912/contents/made>

The regulations address issues not dealt with by the first set of regulations (The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023).

<https://www.legislation.gov.uk/ukxi/2023/113/contents/made>

As is relevant for the LGPS, the second set of regulations:

- ensure previously paid small pot payments or trivial commutation lump sum death benefit payments, do not become unauthorised due to the McCloud remedy (regulations 8 and 10)
- subject to conditions, they authorise top-ups to previously paid small pot payments due to the McCloud remedy in respect of members who have since died after receiving the original payment (regulation 9)
- subject to conditions, they authorise arrears of survivor pensions due to the McCloud remedy where the survivor has since died or where the survivor was an eligible child and no longer meets the definition (regulation 11)
- ensures reductions to pensions in payment due to the McCloud remedy, do not cause the pension to become unauthorised (regulation 14)
- sets out how to treat lifetime allowance excess lump sums where, due to the McCloud remedy, all or some of the lump sum no longer meets the required conditions (regulation 16)
- sets a deadline of 1 April 2027 for administering authorities to apply to HMRC for repayment of overpaid annual allowance charges, as result of the first set of regulations removing the underpin from annual allowance calculations (regulation 27)

- sets out provisions regarding administration, such as a separate reporting framework instead of Self-Assessment (part 6).

Remedy newsletter – August 2023

<https://www.gov.uk/government/publications/public-service-pensions-remedy-newsletter-august-2023>

The newsletter covers:

- reporting of annual allowance tax charge for 2022 to 2023
- scheme administrator applications for repayment of overpaid tax
- lifetime allowance excess lump sum that is no longer a lifetime allowance excess lump sum due to the remedy
- changes consequential to the Finance (No.2) Act 2023.

- **HM Treasury (HMT)**

Cost control directions made

HMT published The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 on 31 August 2023.

They explain how to assess HMT's cost control mechanism for public service schemes. The directions replace those published in 2014 and apply to the 2020 valuations and later ones.

The 2023 directions reflect the changes to the mechanism announced in 2021.

John Glen, Chief Secretary to HMT, made a written ministerial statement on 19 September 2023. He said the 2020 valuation results will be confirmed later this year. Any changes to scheme rules to meet the target cost will be backdated from 1 April 2023. <https://hansard.parliament.uk/Commons/2023-09-19/debates/23091933000015/PublicServicePensionSchemesQuadrennialValuations>

- **The Pensions Ombudsman (TPO)**

Incorrect information member factsheet

In July 2023, the Pensions Ombudsman (TPO) published a member factsheet called 'Incorrect information'. <https://www.pensions-ombudsman.org.uk/publication/incorrect-information>

The factsheet outlines what members should do if they have a complaint about receiving incorrect information.

- **Pensions Dashboards**

Pensions Dashboards Amendment Regulations 2023 [SI2023/858]

<https://www.legislation.gov.uk/uksi/2023/858/contents/made>

A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

Staging dates – TPR expectations

The Pensions Regulator (TPR) has updated its 'Failing to comply with dashboards duties' guidance. <https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties>

The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. The staging timetable will be set out in connection guidance.

TPR expects schemes to do the following to show that they 'have regard to the connection guidance':

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.
- A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach.
- Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. Amongst other considerations, this means that scheme managers:
 - should not make decisions about connection until they have engaged with the guidance
 - must be able to demonstrate that they have adequate governance and processes for making such decisions. The reasoning for the decisions should be clearly considered and documented, as should how relevant risks are identified, evaluated and managed
 - should make sure that they have access to all the relevant information before making decisions and acting on them. This includes engaging with those who are supporting them to develop a practical delivery plan. Clear and accurate audit trails need to be kept to demonstrate the decisions made, the reasons for them and the actions taken.
- A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of pension dashboards as early as possible.
- Continuing to prepare for dashboards by engaging with those who will support them with their dashboard's duties, such as integrated service providers and administrators to:
 - assess the potential impact of these changes on their schemes
 - agree a practical delivery plan, and
 - continue activity on getting to grips with member data.

New and updated PDP resources

The Pensions Dashboards Programme (PDP) has launched or updated the following resources:

- A new video introducing the dashboards available point. The dashboards available point is the date when pensions dashboards will be made available to the public. <https://www.pensionsdashboardsprogramme.org.uk/2023/07/12/an-introduction-to-the-dashboards-available-point/>
- The Pensions dashboards development FAQs have been updated to reflect the new connection deadline announcement. <https://www.pensionsdashboardsprogramme.org.uk/faqs/>
- The Connection deadline page has been updated to provide more information on the new approach to connection for pensions dashboards. <https://www.pensionsdashboardsprogramme.org.uk/connection-deadline/>

PASA updates data accuracy guidance

The Pensions Administration Standards Association (PASA) has published an updated version of its dashboards data accuracy guidance. <https://www.pasa-uk.com/pasa-releases-updated-dashboards-data-accuracy-guidance/>

The updated guidance reflects the dashboards reset. PASA encourages schemes to continue to review their data and take action to ensure that key matching data is both present and accurate.

Deferred connection guidance updated

On 9 August 2023, the Department for Work and Pensions (DWP) updated the deferred connection guidance and forms. <https://www.gov.uk/government/publications/pensions-dashboards-guidance-on-deferred-connection>

The updates reflect the changes made by the Pensions Dashboards (Amendment) Regulations 2023, which came into force on 9 August 2023. In particular, the changes made to the connection deadline and the deferred connection rules. The connection deadline for all relevant schemes is 31 October 2026.

The guidance is for trustees and managers of relevant occupational pension schemes wishing to apply to defer connection beyond 31 October 2026. It sets out the rules, issues to consider, how to apply and how DWP will consider applications. The latest date for applying is 8 August 2024.

Pensions Dashboard Programme – August Newsletter

<https://mailchi.mp/maps/pdp-aug-23-newsletter?e=72aa78a746>

Included are articles on:

- the reset
- Financial Conduct Authority updated rules
- frequently asked questions on pensions dashboards
- inviting PDP to an event

PDP webinar – introduction to pensions dashboards

The Pensions Dashboards Programme hosted an open webinar on 4 October 2023 to re-introduce dashboards. Topics included dashboard goals, the roles of regulators and the steps that industry can take to prepare.

Why are dashboards needed (article)

On 13 September 2023, the Pensions Dashboards Programme (PD) published an article reiterating the reasons why dashboards are needed.

<https://www.pensionsdashboardsprogramme.org.uk/2023/09/13/why-are-pensions-dashboards-needed/>

• The Pensions Regulator (TPR)

McCloud - ABS 2023 to 2025

In August, the Pensions Regulator (TPR) published guidance on annual benefit statements (ABS) for 2023 to 2025 for public service schemes. <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management/publishing-annual-benefit-statements-2023-2025>

The guidance is primarily aimed at those schemes who will need to send remediable service statements to members affected by the McCloud remedy. LGPS administering authorities will not need to this. TPR acknowledges the need for schemes to send these statements over the next two years may impact on their ability to produce accurate, complete and timely annual benefit statements.

The guidance sets out TPR's expectations. TPR accepts meeting the disclosure requirements due to the McCloud remedy may be challenging. As a result, they will take a risk-based, practical approach when assessing ABS breaches during 2023 to 2025.

Blog on working more closely with administrators

On 13 September 2023, the Pensions Regulator (TPR) published a blog titled 'Why we are building relationships with pension administrators'. https://blog.thepensionsregulator.gov.uk/2023/09/13/why-we-are-building-relationships-with-pension-administrators/?_gl=1*vb1tss*_ga*MTgwNTgyNDIxOS4xNTkxMTEwNTcw*_ga_3TNQC2MS2Q*MTY5NDY5MTQ3My4xMDcuMS4xNjk0NjkyMDI2LjAuMC4w

The blog emphasises the importance of fostering closer relationships with administrators, as it allows TPR to gain a better understanding of the challenges they face and address risks more effectively.

The blog also highlights several instances of TPR's work in this area. For example, it has been actively supervising several strategically important administrators and has initiated voluntary engagements with third-party administrators.

Independent review of TPR

The Department for Work and Pensions published the results of the independent review of TPR on 19 September 2023. The review assessed whether it remains fit for purpose, and whether it is still required as a public body. It found that it is broadly well-run and well-regarded, with notable achievements, such as automatic enrolment. It also made seventeen recommendations across three themes: risk and growth, compliance and enforcement, digital transformation and value for money.

Scams reporting campaign

TPR launched a new industry-facing campaign on LinkedIn encouraging trustees and administrators to not let scams go unreported.

The campaign slogan is: Spot it. Discuss it. Report it.

They believe that that trustees and administrators are best placed to help protect savers from pension scams by reporting any suspicions. Reporting can defend members' retirement income from scammers – and stop these actions having such a devastating effect on victims' lives.

According to the National Fraud Intelligence Bureau, there were only 35 reports of pension fraud on average per month in 2022. The more trustees and administrators report their suspicions, the more effective the industry can be in defending savers against pension scams. Reporting is vital intelligence in TPR's efforts to understand and respond effectively to the threat of scamming.

- **Miscellaneous**

Finance (No.2) Act receives Royal Assent

The Finance (No.2) Act 2023 received Royal Assent on 11 July 2023.

<https://www.legislation.gov.uk/ukpga/2023/30/contents/enacted>

The Act delivers the tax changes announced in the Spring Budget, including:

- no lifetime allowance tax charges for the 2023/24 year or any future year
- certain lump sums to be taxed at the marginal rate
- changes to lifetime allowance protections
- increase in the annual allowance to £60,000
- changes to the tapered annual allowance and money purchase annual allowance.

LGPS Frameworks – provision of AVC services

National LGPS Frameworks intends to launch a new framework for AVC services later this year. They have recently published a Prior Information Notice for the AVC framework. <https://www.find-tender.service.gov.uk/Notice/019949-2023>

The purpose of the prior information notice is to inform providers about the opportunity and express an interest in the project. This information has already been shared with all current AVC providers operating within the LGPS.

Data guidance on DB benefit accuracy

In August, the Pensions Administration Standards Association (PASA) published new data guidance on benefit accuracy for defined benefit (DB) schemes. <https://www.pasa-uk.com/pasa-releases-data-guidance-on-db-benefit-accuracy/>. PASA previously issued guidance focused on data quality and they are now building on this by focusing on benefit accuracy. <https://www.pasa-uk.com/guidance/data/data-guidance-final-2/>

Money and Pensions Service (MaPS) publish review into pension scams

On 10 August 2023, the Money and Pensions Service (MaPS) published its evidence review of pension scams in the UK. <https://maps.org.uk/en/publications/research/2023/pension-scams-in-the-uk-evidence-review#>

The key findings are:

- there remain significant challenges to estimate the scale of the problem
- the types of scams and tactics are very similar to investment scams
- the financial and emotional cost to individuals is high, going beyond financial loss and impacting on health and relationships
- scams can happen to anyone
- once an individual has been targeted, there is a high risk of retargeting
- government bodies, administrators and other organisations have at their disposal a range of touchpoints to provide strong protection against scams.

Economic Activity of Public Bodies (Overseas Matters) Bill

The LGA has submitted written evidence on the Bill to the Public Bill Committee.

<https://publications.parliament.uk/pa/cm5803/cmpublic/EconomicActivityPublicBodies/memo/EAPBB43.htm>

The Scottish Scheme Advisory Board (SAB) also sent a letter to the Committee about the Bill.

<https://lqpsab.scot/sab-response-to-the-economic-activity-of-public-bodies-overseas-matters-bill/>

The Economic Activity of Public Bodies (Overseas Matters) Bill aims to stop public bodies being influenced by political or moral disapproval of foreign states when making certain economic decisions, with some exceptions. This would apply to LGPS investment decisions.

The LGA's evidence focussed mainly on the practical implication of the Bill's current wording on local government pensions and procurement. They do not expect the bill to have any significant effects on local authority investment or procurement practices. However, they have significant concerns about the effects the current drafting will have on the operation of the LGPS.

The letter from the Scottish SAB expressed concerns that the Bill is vague and could clash with other well-established legal obligations that apply to the LGPS, such as the fiduciary duty. It also believes there are some practical issues that could make parts of the Bill unworkable.

Pensions (Extension of Automatic Enrolment) Act 2023

On 18 September 2023, the Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent. <https://www.legislation.gov.uk/ukpga/2023/44/contents/enacted>

The Act gives the U K Government the power to make regulations that will lower the minimum age for automatic enrolment from 22 to 18 and remove the lower earnings limit for contributions.

The regulations will apply in England, Scotland and Wales.

The UK Government will shortly launch a consultation on implementing the changes.

The Financial Conduct Authority (FCA) pension transfer guidance

The Financial Conduct Authority (FCA) published guidance for financial advisers on 30 August 2023. <https://www.fca.org.uk/firms/defined-benefit-pension-transfers/supporting-consumers-pension-transfers>

The guidance sets out how advisers can support consumers with characteristics of vulnerability when providing pension transfer advice.

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