

Regulatory Update

Department for Levelling Up, Housing and Communities (DLUHC)

GAD

SCAPE discount rate and actuarial factors – second batch

On 3 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared a second batch of actuarial factors for use.

The factors in the second batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. **Non-Club transfer in factors: tables x-209 to x-216.** The new factors are in force from 3 July 2023. Any cases on hold can now be processed using the new factors. Any interfund cases where the transfer value of final salary benefits will be used to buy additional pension in the CARE scheme can now be processed. Both the transfer out payment and the transfer in calculation should be based on the new factors.

2. **Non-Club transfer in with final salary link: table x-217.** The new factors are in force from 3 July 2023. If a member elects to complete a non-Club transfer with a final salary link where there is no guarantee on or after 30 March 2023, the new factors apply. If you supplied a guaranteed quotation before 30 March 2023, and the member replies within the guarantee period, use the old factors.

3. **Early retirement: table x-401.** The new factors are in force from 3 July 2023. If a member's early retirement date is 3 July 2023 later, the new factors apply. The new factors are lower than the ones in force before 3 July 2023. Any early retirement benefits already quoted will increase as a result of the change.

4. **Late retirement: table x-402.** The new factors are in force from 1 September 2023. A longer lead-in time has been allowed for these factors:

- to allow time for software changes to be made, and
- because some members' benefits may be lower using the new factors. LGPS benefits are increased for late retirement after Normal Pension Age (NPA):
- benefits built up before 1 April 2014 are increased if they are taken after age 65
- benefits built up from 1 April 2014 are increased if they are taken after State Pension Age, or after age 65 if this is later.

SCAPE discount rate and actuarial factors – third batch

On 28 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared the third batch of actuarial factors for use.

The factors in the third batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. **Trivial commutation factors: tables x-501 to x-503.** The new factors are in force from 28 July 2023. Where a quotation was provided before 28 July 2023 and the nominated date was before 28 July 2023, use the old factors. In all other cases, use the new factors

2. **Inverse commutation factors: tables x-504 and x-505.** If you have already provided a quotation and the retirement date was before 28 July 2023, use the old factors. In all other cases, use the new factors.

3. **Scheme pays (Annual allowance) factors: table x-603.** For a deferred or active member, if the election date was before 28 July 2023, use the old factors. If the election date is 28 July 2023 or later, use the new factors. If the member is over their Normal Pension Age (NPA), or if they make a Scheme 10 pays election when their retirement figures are already being processed, use the Lifetime Allowance factors – see 4 below. The relevant date for Annual allowance purposes is the ‘day coincident with the end of the pension input period’. For Annual allowance cases, it is not the relevant date which determines which factors are used, it is the Scheme pays election date.

4. **Factors for calculating Lifetime allowance debit: tables x-609 and x-610.** The Government has announced that no Lifetime allowance charges will apply in 2023/24 and the Lifetime allowance will be abolished completely from 6 April 2024. The LTA factors are still required as they are used to calculate certain Annual Allowance Scheme pays debits.

Change in early retirement factors – resources updated

We have updated the following resources to reflect the new early retirement factors that are in force from 3 July 2023:

- [Taking your pension](#) page of the LGPS member website www.lgpsmember.org
- Retirement planning guide for members – version 1.5 published
- Full guide for councillors - version 2.4 published

You can find the latest versions of our guides on the [Administrator guides and documents](#) page of www.lgpsregs.org.

Action: WYPF have updated the member guides and websites to reflect the new early retirement factors

Scheme Advisory Board (SAB)

Code of transparency roadshows

The Board’s secretariat is currently running a series of free in person training sessions on investment cost transparency. These are aimed at local pension board and committee members as well as fund officers.

The sessions will provide:

- an explanation of the purpose and background of SAB's ground-breaking code of transparency
- a case study from an LGPS fund on how investment cost information has been used
- a troubleshooting session on how to use the online reporting system – for officers only
- a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees – for officers only.

The first session took place in London on 21 June 2023. Informal feedback was very positive. The Board encourages people to attend. Five more sessions are planned, and places are still available. You can book online through the [LGA events page](#)

Scheme Annual Report 2022 On 26 June 2023, the Board published its tenth Annual Report.

The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board.

The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%
 - direct property – 3%
 - other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept)
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

Pension Dashboards

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the [Pensions Dashboards \(Amendment\) Regulations 2023](#) [SI2023/858]. 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](#). 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 dashboards 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.

PDP latest news

In August 2023, the Pensions Dashboards Programme (PDP) published its [August newsletter](#). There are articles on:

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

SAB

In May 2023, PDP [published their Progress update report on dashboards](#). There are articles on:

- the Department for Work & Pensions (DWP's) written ministerial statement on pensions dashboards connection times confirming that there will be an update before parliamentary recess in July
- programme reset following the written ministerial statement – reset got underway on 20 March and more information will be available before parliamentary recess in July
- consent comprehension research - a research into users' understanding of how their data will be used during the dashboards journey
- preparing for dashboards – connection, data, matching, awareness and understanding legal and regulatory obligations
- updates from DWP, the Financial Conduct Authority and the Pensions Regulator
- useful resources
- subscribing to PDP's newsletter

McCloud

McCloud remedy consultation

On 28 June 2023, we published our draft response to DLUHC's consultation and draft regulations on the McCloud remedy. See [bulletins 237 and 238](#) for more information.

You can access the consultation documents and our response on the Scheme consultations page of www.lgpsregs.org.

McCloud – unions granted right to appeal cost cap mechanism

The Court of Appeal has granted unions permission to appeal against the recent High Court judgment over the government's proposed method of meeting the cost of implementing the McCloud remedy in public sector schemes. See Bulletin 236 for more information.

Communications working group – McCloud resources

We are working with the Communications working group to produce member resources relating to the McCloud remedy. We will publish these as soon as we are able, but some details will need to be finished when we see the final regulations. It is likely we will publish some of the resources on 1 October 2023, once the amended regulations are in force.

We wanted to take this opportunity to let administering authorities know what resources we will be providing. We hope this will help prioritise what to produce locally.

We are working on:

- dedicated areas of the member websites (www.lgpsmember.org and www.scotlgpsmember.org) including information about the McCloud remedy, a video, frequently asked questions and an interactive tool for members to find out if they are affected
- a member factsheet in Word format that administering authorities can edit and adapt for their own use
- template paragraphs to add to existing member letters outlining how the McCloud remedy affects the calculation
- templates of new letters that will be needed for members affected by the McCloud remedy who have already left the LGPS

McCloud - ABS 2023 to 2025

On 30 August 2023, the Pensions Regulator (TPR) has published [guidance on annual benefit statements \(ABS\) for 2023 to 2025](#) for public service schemes.

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. Other news and update.