

Appendix C**Current Technical Issues****MHCLG publishes data on local authority exit payments in England**

On 2 July 2021, MHCLG published Local authority exit payments (first estimates) covering payments made by English authorities in 2019-20 and 2020-21. This is the first summary of the exit payment data submitted by councils. It will be followed by a further publication in the coming weeks. The data shows the average exit payment made in 2020-21 across English local authorities was £26,000.

Pension Scheme Pays reporting: information and notice deadlines

On 20 July 2021, HM Revenue and Customs (HMRC) published a policy paper and draft regulations proposing to extend the mandatory scheme pays deadline for members whose pension input amount is retrospectively changed.

The proposal has been made because of the McCloud remedy, where members annual allowance position for a previous tax year may be retrospectively changed. Though, HMRC confirms that the proposal will not be restricted to just these cases.

The proposal will extend the scheme pays deadline where:

- the administrator gives information to the member about a change to the pension input amount on or after 2 May in the year following that in which the relevant tax year ends, and before the end of the six-year period beginning with the end of the tax year, and
- as a result of the change, the member qualifies to elect for mandatory scheme pays.

In these cases, it is proposed that the member must give the scheme pays election the earlier of:

- within three months from being given the information about the change
- before the end of the six-year period beginning with the end of the relevant tax year.
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In other cases, the deadline remains 31 July in the year following that in which the tax year ends.

Consequently, the draft regulations also propose amending the deadline by which the administrator must report and pay the charge to HMRC. It is proposed that administrators will need to report the charge on the Accounting for Tax return for the quarterly period following that in which the administrator receives the scheme pays election (though schemes will continue to be able to include the charge on a return for an earlier period). This proposal will apply to all scheme pays elections (not just those resulting from a retrospective change).

It is intended that the changes will commence on 6 April 2022 with retrospective effect to 6 April 2016.

Public Service Pensions and Judicial Offices Bill

On 19 July 2021, HM Treasury formally introduced to Parliament the Public Service Pensions and Judicial Offices Bill.

The Bill makes provision to rectify the unlawful age discrimination identified by the McCloud judgment.

For the LGPS, Chapter 3 of Part 1 confirms which members will be in scope and what service is 'remediable'. Enabling legislation will allow for scheme regulations to be changed to implement the McCloud remedy.

The Bill is now awaiting its second reading in the House of Lords on 7 September 2021.

Governance and Administration Survey 2020–21 results

TPR published the results from the Public Service Pension Scheme Governance and Administration Survey 2020-21 on 1 July 2021.

The survey was conducted online between January and March 2021 and aims to track governance and administration practices among public service pension schemes. The 2020-21 survey also included new questions on response to the pandemic, pensions dashboards and, for LGPS respondents, action taken in relation to climate-related risks and opportunities.

The survey found little change since 2019 for the key processes that TPR monitors as indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme
- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law.

The results also 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. Governance has generally stood up well given the unique challenges the last year has presented.

LGA responds to dashboard staging Call for Input

LGA's response to the Pensions Dashboards Programme Staging Call for Input can be viewed on their website.

GAD transactional data requirements

The Government Actuary's Department (GAD) has confirmed that it requires administering authorities in England and Wales to provide the transactional data set out in the Pension fund transactions briefing note issued in September 2016. HM Treasury is currently consulting on changes to the cost control mechanism. GAD expects the transactional data requirements to evolve once this consultation has closed and changes to the cost control mechanism have been decided.

The briefing note issued in September 2016 confirms that GAD will treat the pre April 2014 Scheme, the post-March 2014 main section and the post-March 2014 50/50 section as if these were individual periods of pension scheme membership.

The briefing note covers the types of income and expenditure that will need to be split to achieve this.

LGA responds to consultation on the discount rate methodology

The LGA has responded to HM Treasury's (HMT's) Public service pensions: Consultation on the discount rate methodology. The LGA response confirms:

- The interests of Scheme employers are the long-term stability of employer contributions and a downward pressure on costs.
- The SCAPE discount rate is used to set actuarial factors in the LGPS and can have an indirect impact on employer contribution rates as a result of the LGPS cost control mechanism. The continued use of the SCAPE rate in the cost control mechanism does not truly reflect LGPS employer costs.
- The LGA preference to adopt the Social Time Preference Rate because it will produce a discount rate that is more affordable.
- Support for the proposal to align the timing of the discount rate reviews with the quadrennial public service pension scheme valuation cycle because this will contribute to improved stability.

SAB responds to HMT consultation on the cost control mechanism

The Scheme Advisory Board (SAB) (England and Wales) has responded to HMT's Public service pensions: cost control mechanism consultation. In the response SAB states that:

- the SAB operates a separate cost management process that already functions as an 'economic check'

- including only reformed scheme costs will be difficult to achieve in the LGPS because the underpin relates to the legacy scheme but will increase the reformed scheme benefits of some members
- widening the corridor to 3 per cent would mean that scheme changes would be more significant if there is a breach
- the SCAPE discount rate as an economic measure is not appropriate for the LGPS and that a measure that takes into account actual discount rates in operation would be more appropriate.

Interim response to new code of practice consultation

The Pensions Regulator (TPR) has published an interim response to the new code of practice consultation. Responses to the consultation included around 10,000 individual answers. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 in the new code.

TPR does not have a firm publication date for the new code, but it is unlikely to become effective before summer 2022.

Pensions dashboards update

Visit the Pensions Dashboards Programme website to keep up with latest developments. Some of the recent announcements and publications include:

- seven major data providers signed up for initial testing phase
- Pensions dashboards blogs covering early connection and how pensions dashboards fit into the wider MaPS vision of improving understanding and outcomes.

MHCLG becomes DLUHC

On 19 September 2021, the Government announced that the Ministry of Housing, Communities and Local Government (MHCLG) will become the Department for Levelling Up, Housing and Communities (DLUHC).

Also, in the last reshuffle, Luke Hall MP (Thornbury and Yate) left Government. Luke Hall was the minister responsible for the LGPS in England and Wales. The Government is yet to confirm which minister will take over this responsibility.

LGA responds to ‘nudge’ consultation

The LGA responded to the DWP’s consultation ‘Stronger nudge to pensions guidance’ on 2 September 2021.

Between 9 July and 3 September 2021, the DWP consulted on draft regulations requiring occupational pension schemes to ‘nudge’ members in certain situations towards obtaining guidance from Pensions Wise (see Bulletin 212).

The LGA’s response raised concerns about:

- the practicality of requiring schemes to book Pension Wise appointments on behalf of members
- whether the DWP considered members who hold different types of benefits under a pension scheme when drafting the regulations.

Treasury responds to Committee’s report on public service pensions

On 2 September 2021, HM Treasury responded to the report on public service pensions from the House of Commons Committee of Public Accounts.

The Committee published the report on 11 June 2021 and made six conclusions alongside recommendations for each one (see Bulletin 211).

HM Treasury agrees with five of the recommendations and sets out how it will take these forward. It has already announced most of the actions (such as consulting on the SCAPE discount rate methodology). Additionally, HM Treasury will:

- commission other government departments for analysis of the latest participation data for each public service scheme
- work with departments to standardise data collection on participation rates, including whether it could be broken down by member characteristics
- ask departments to update it on measures they are taking to improve participation among specific groups
- write to the Committee with an update in six months on the work to implement the McCloud judgment and to resolve the issues with the cost control mechanism
- write to the Committee by the end of 2021 with an assessment of how it is meeting the objectives of the 2014 /15 pension reforms.

HM Treasury disagreed with the Committee’s conclusion that Treasury has done little to identify and manage the stark differences in average pensions between genders and other groups. It argues that such differences are a function of past differences in earnings rather than in differences in pension provision itself.

Update on governance and administration survey

TPR has confirmed to us that it intends to conduct the next public service pension scheme governance and administration survey towards the end of 2022.

The last survey was conducted online between January and March 2021, the results were published on 1 July 2021 (see Bulletin 212).

PDP appoints Capgemini to supply central digital architecture

The Pensions Dashboards Programme (PDP) announced on 6 September 2021 that they have appointed Capgemini to supply the central digital architecture for pensions dashboards. Capgemini, who will work in partnership with Origo, will deliver the pensions finder service, consent and authorisation service and governance register.

PLSA publishes ‘an employer’s guide to talking about workplace pensions’

On 15 September 2021, to coincide with Pension Awareness Day, the Pensions and Lifetime Savings Association (PLSA) published an employer’s guide to talking about workplace pensions.

The guide provides background on what employers (and pension schemes) can and cannot say with the intention of helping them navigate the advice / guidance boundary.