

Scheme Advisory Board

HYBRID MEETING – 22 JULY 2024

ITEM 4 – PAPER B

LGPC update

Background

1. The Local Government Pension Committee (LGPC) is a committee of councillors constituted by the LGA. It represents local authority interests in dealing with Government and others on local government pension issues. Its work is carried out by the LGPC secretariat at the LGA.
2. The LGPC secretariat also provides an advisory and training service to LGPS administering authorities across the UK. The service is funded by a subscription on LGPS authorities and training income.

Summary

McCloud update

McCloud ABS consultation

3. DLUHC launched a limited technical consultation on potential changes to the LGPS regulations concerning whether underpin information is included in annual benefit statements (ABSs) for years 2023/24 and 2024/25. DLUHC emailed details to relevant stakeholders on 4 June 2024.
4. The LGPC Secretariat submitted a response before the consultation closed on 9 July 2024.
5. The consultation did not indicate the approach any future government will take. Decisions will be taken by new ministers.

Annual benefit statement wording

6. The LGA, in conjunction with the Communications Working Group (CWG), has produced standard wording for administering authorities to use in the 2023/2024 annual benefit statements. Using the standard wording will help provide a consistent message to LGPS members.

Statutory guidance

7. DLUHC has now published the McCloud implementation statutory guidance. You can find it on the [Administrator guides and documents page](#) of www.lgpsregs.org. The guidance covers several issues related to the McCloud remedy, including:
 - data collection and verification
 - identifying members in scope
 - prioritisation
 - compensation.

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8. The guidance confirms the Department's view on how deferred refunds and transfers to private sector schemes are treated for the purposes of qualifying for underpin protection and working out if there is a disqualifying gap.
9. The Department's view means there will be circumstances where a member may initially qualify for underpin protection, but that protection is lost because they take a transfer from another public service pensions scheme to a private sector scheme.
10. Similarly, there will be situations where a member does not initially qualify for underpin protection, but a subsequent aggregation or transfer of a deferred refund to another public service pension scheme means they later do.
11. This interpretation of the legislation will make implementing and explaining the McCloud remedy extremely challenging.

New GAD guidance

12. DLUHC has recently issued new LGPS actuarial guidance. The guidance provides information about how the McCloud remedy will affect certain calculations.
 - trivial commutations
 - individual incoming and outgoing transfers – this guidance has been updated to correct errors in the examples
 - pension debits – transfer date after 1 April 2014
 - CETVs on divorce
 - applying the McCloud remedy to retrospective cases.
13. Authorities are still waiting for guidance on flexible retirement, GADs special interest calculator and clarification of the policy in a few other areas.

McCloud administrator guide and webinars

14. We continue to work on the [McCloud guide for administrators](#) which explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.
15. We plan to publish a final version of the guide in September 2024. We will run webinars for administration staff following publication.
16. We are also working with the national Communications Working Group (CWG) to produce some more template letters now that the guidance on applying the remedy to retrospective cases has been published.

Tax treatment of interest

17. Interest of 8 per cent will be due on the late payment of certain benefits because of the McCloud remedy. HMRC has now confirmed that interest

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above the commercial rate (1 per cent above base rate) will not be treated as an unauthorised payment under the Finance Act 2004.

TPS McCloud remedy and the LGPS

18. The LGPS secretariat continues to work with a group set up by DfE to agree a process for dealing with teachers who will become retrospectively eligible for the LGPS as part of the McCloud remedy in the Teachers' Pension Scheme (TPS). Other representatives on the group include DLUHC, Capita and LGPS administering authorities.

Abolishing the Lifetime Allowance

19. The [Finance Act 2024](#) abolished the lifetime allowance from 6 April 2024 and replaced it with two new lump sum allowances. The new lump sum limits restrict the amount of tax-free cash an individual can take over their lifetime.
20. Although most LGPS members will not be affected by the new lump sum limits, authorities must check that every member has available lump sum allowances when they pay a relevant lump sum.
21. On 22 March, we published an administrator guide to help administering authorities in England, Wales and Scotland implement these changes. We also published a template previous pension benefit declaration form for authorities to use to gather information from members.
22. We have updated the guide several times since publication as the Government has corrected errors in the legislation and confirmed changes in policy in a few areas. We are still awaiting answers to queries we have raised with HMRC some months ago.

Pensions Dashboards

23. The DWP released [guidance on the staged timetable](#) on 25 March 2024, accompanied by a [written ministerial statement](#).
24. The Pensions Dashboard Regulations provide for a single connection deadline of 31 October 2026 for relevant schemes to connect to the dashboard ecosystem.
25. The guidance published on 25 March 2024 sets out a staged timetable to smooth the process of connecting thousands of schemes by 31 October 2026. The guidance specifies 31 October 2025 for public service pension schemes. The staged timetable is not mandatory, but authorities must have regard to the guidance when making decisions about implementation.

TPR nudge campaign

26. TPR is about to recommence their programme of nudge communications to schemes.

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27. Administering authorities can expect to receive a series of five emails in the run up to the 'connect by' date of 31 October 2025. For public service pension schemes the emails will commence in July 2024.
28. The nudge emails will contain key messages about where TPR expects authorities to be in the dashboard implementation process.
29. In November 2024, authorities can expect to receive their first dashboards readiness survey from TPR.

LGPS promotion project

30. The LGPC secretariat in conjunction with the national Communications Working Group (CWG) will shortly start work on a toolkit for employers to help them promote the LGPS. The toolkit will include:
- an e-learning module
 - a video
 - posters
 - promotional leaflet
 - social media toolkit.
31. The Secretariat is also working with the CWG on a toolkit for LGPS administering authorities to use during Pensions Awareness week in September.

Recommendation

The Board is asked to note the contents of this report.