

# Pensions Fund Committee

26 March 2024

## Pensions Administration

### For Review and Consultation

**Local Councillor(s):** All

**Executive Director:** A Dunn, Executive Director, Corporate Development

Report Author: Karen Gibson  
Title: Service Manager for Pensions  
Tel: 01305 228524  
Email: karen.gibson@dorsetcouncil.gov.uk

**Report Status:** Public

#### **Brief Summary:**

This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:

- Key Performance Indicators
- McCloud Update
- Abolition of the Lifetime Allowance
- UK Spring Budget 2024
- TPR's General Code of Practice
- Pensions Dashboard

#### **Recommendation:**

It is recommended that the Committee note and comment on the contents of the report.

#### **Reason for Recommendation:**

To update the Committee on aspects of Pensions Administration.

#### **1 Background**

1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

## **2 Key Performance Indicators**

2.1 The key performance indicators are attached at Appendix 1. These are for the period 1 November 2023 to 31 January 2024. The previous quarter is included for reference.

2.2 There is continued improvement in key areas such as retirements, retirement quotes and estimates, and consistently good performance in all areas where members are impacted.

## **3 McCloud Update**

3.1 **Software** - Our software provider has confirmed that there will be a further delay in delivering the remaining McCloud developments, with current timescales indicating the required updates will not be in our Live System until November at the earliest.

3.2 Several successful developments are in place, including the ability to identify members in scope and calculate underpin benefits for active retirements and deferred benefits, but all other 'business as usual' tasks and the ability to commence the significant rectification work, covering all benefits calculated, from April 2014, is not available. This is a concern as 2025 is a Valuation year, and the year in which all annual benefit statements must be compliant with the McCloud Regulations, and in addition, work needs to be underway for the Dashboard programme. Together with the Chair of the Local Pension Board, I am in discussions with the software providers to discuss the situation and establish if any developments can be provided sooner.

3.3 **Data** – I am pleased to report that all the work to cleanse our data for the McCloud Regulations is complete, putting us in an excellent position. This was a significant task, which included manual adjustments to nearly 60,000 data items.

3.4 **Draft Statutory Guidance** - On the 1 March 2023, the Department for levelling Up, Housing and Communities issued a draft consultation to stakeholders only, of the draft LGPS statutory guidance on the McCloud Implementation.

3.5 The draft guidance covers a number of issues related to the extension of the underpin to younger LGPS members made through the [LGPS \(Amendment\) \(No.3\) Regulations 2023](#), and has been issued following initial feedback from a McCloud guidance working group. Items covered include governance, data collection and verification, case prioritisation, transfers, deaths of beneficiaries before payment made and compensation.

3.6 **New GAD Guidance** – on 24 January 2024, DLUCH issued new LGPS [actuarial guidance](#). This does not contain new factors but does provide additional information about how the McCloud remedy will affect certain calculations, including early payment of pensions, late retirements, incoming and outgoing transfers and interfund transfers.

3.7 **Transfers**- transfers are proving to be especially challenging in meeting the McCloud remedy requirements. Following the publication of the new guidance

above, the Local Government Association (LGA) has provided a spreadsheet to assist authorities with the calculation of the McCloud element of non-club transfers whilst waiting for the required software developments. However, they have not been able to do the same for Club transfers due to the complexities involved. GAD have been approached to see if they can assist. These delays and complexity will be of concern going forward.

#### **4 Abolition of the Lifetime Allowance (LTA) from 6 April 2024**

- 4.1 The Government announced in the Spring budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation, a policy paper '[Abolition of the Lifetime Allowance from 6 April 2024](#)', and a consultation on 18 July 2023 to achieve this.
- 4.2 The new rules come into effect from 6 April 2024, when the LTA will be replaced by three new allowances, bringing further complexity to pensions tax.
- 4.3 Tax-free cash from a pension fund will be limited by the **Lump Sum Allowance (LSA)**, which is set at the £268,275 (25% of the LTA) or 25% of the members protected LTA.
- 4.4 **A Lump Sum and Death benefit Allowance (LSDBA)** of £1,073,100 (the same as the current LTA) or the member's protected LTA will test both tax-free cash sums and pension death benefit lump sums.
- 4.5 **An Overseas Transfer Allowance (OTA)** of £1,073,100, will be introduced for transfer to QROPS schemes.
- 4.6 In addition, there is a new '**Transitional Allowance**', this will impact members who had previously taken benefits under the old rules, who will now have a reduction to the LSA of 25% of the LTA previously used.
- 4.7 Further clarity is needed as the new rules are complex. We are currently reviewing communications and working with our software provider to modify systems and reporting where needed.

#### **5 UK Spring Budget 2024**

- 5.1 On 6 March 2024, the Chancellor delivered his Spring Budget. There were no significant changes to Defined Benefit Schemes, but some notable changes to Defined Contribution Schemes. There were no further changes to pensions tax following the chancellor's previous announcement in Spring 2023.
- 5.2 However, the Chancellor did announce that requirements will be introduced for Local Government Pension Scheme funds to publicly disclose the breakdown of their asset allocations, including UK equities, on an annual basis. These requirements will be part of the new Annual Report guidance which is expected by the end of this month.
- 5.3 The Chancellor also stated that the government will review what further action is needed if this reporting does not demonstrate that UK equity allocations are increasing.

#### **6 TPR's General code of Practice Published**

- 6.1 The long awaited [General Code of Practice](#) was finally published by The Pensions Regulator (TPR) in January 2024. The new Code replaces Code of

Practice 14 for public service pension schemes and brings together ten previous TPR codes into one. It is expected to come into force on 27 March 2024.

- 6.2 The new Code enhances existing guidance in some areas, including ESG, diversity, scheme continuity and cyber controls.
- 6.3 TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is needed on which parts of the Code apply to the LGPS, what this means for administering authorities and how they should be applied in practice. The Scheme Advisory Board (SAB) will support authorities in understanding any new requirements in the Code and, where needed, will produce new or updated existing guidance.
- 6.4 A review of the Fund's governance framework will assist us in assessing any changes that may be needed to policies and procedures, and whether we meet the new requirements. The focus now is on the schemes outputs of Effective System of Governance (ESOG) and the Own Risk Assessment (ORA). We will be working with the Local Pensions Board to look more closely at these requirements.

## **7 Pensions Dashboards**

- 7.1 The Pensions Dashboard Programme (PDP) continues to provide [updates](#), [FAQ's](#), training and information. The Dorset fund has not yet decided on an ISP provider. Discussions continue nationally about how in-house AVC information will be provided to the dashboard.

## **8 Financial Implications**

N/A

## **9 Climate Implications**

None

## **10 Well-being and Health Implications**

None

## **11 Other Implications**

N/A

## **12 Risk Assessment**

- 12.1 **HAVING CONSIDERED:** the risks associated with this decision; the level of risk has been identified as:  
Current Risk: N/A  
Residual Risk: N/A

**16. Equalities Impact Assessment**

N/A

**17. Appendices**

Appendix 1 – KPIs (1 August 2023 to 31 October 2023)

**18. Background Papers**

[LGPS Regulations 2013](#)

[The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023 \(legislation.gov.uk\)](#)

[Public Service Pensions Act 2013 \(legislation.gov.uk\)](#)

[Local government pension scheme funds for England and Wales: 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)

[Abolition of the Lifetime Allowance from 6 April 2024](#)

[Public service code of practice | The Pensions Regulator](#)