

## LGPS Update

### Report of the Director of Finance and Public Value

---

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

---

#### **1) Recommendation**

That the Board be asked to:

- (a) Note the developments affecting the LGPS

#### **2) Introduction**

- 2.1 This report is brought to the Pension Board to provide an update on the latest developments affecting the LGPS.

#### **3) McCloud**

- 3.1 When the Government reformed public service pension schemes in 2014 and 2015, transitional protections were introduced for older members. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.<sup>1</sup> This ruling is called the McCloud judgment, after a member of the Judicial Pension Scheme involved in the case. Because of the ruling, there will be changes to all public service pension schemes that provided transitional protection, including the LGPS. The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case.
- 3.2 In 2014, the LGPS changed from a final salary scheme to a career average scheme. Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.
- 3.3 To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022.

- 3.4 On 30<sup>th</sup> May DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closed on 30 June 2023 and sought views on the more technical aspects of fine tuning the LGPS regulations.
- 3.5 HMRC launched a consultation on The Public Service Pension Schemes (rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023 which proposes further modifications to the first set of HMRC regulations that come into force on 6 April 2023. These regulations modified various tax regulations so the correct tax treatment is applied when public service schemes implement the McCloud remedy.

#### **4) Scheme Advisory Board cost management process**

- 4.1 11<sup>th</sup> May 2023 was a busy day for the Department for Levelling Up , Housing and Communities as they published its response to the consultation on changes to the Scheme Advisory Board's cost management process and laid the Local Government Pension Scheme (Amendment)(No.2) Regulations 2023. These regulations came into force on 1st June 2023.
- 4.2 The changes better align the SAB's cost management process with HM Treasury's reformed cost control process. They give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach.

#### **5) Pension Dashboard project**

- 5.1 On 2<sup>nd</sup> March 2023, Department for Works and Pensions (DWP) published a written ministerial statement announcing that, due to delays in the project, the legislative timetable for when schemes must connect to the pensions dashboards architecture will need to be amended.
- 5.2 The change means that no pension providers or schemes, or integrated service providers will connect to dashboards before the current first mandatory connection deadline of 31 August 2023. There will be an update before Parliament's summer recess.
- 5.3 As part of the statement, DWP announced that the programme would go through a reset period. This will allow the dashboard project team to work together with DWP to establish a new achievable timeline for delivery.

#### **6) Conclusion**

- 4.1 The Pension Board is asked to note the issues and developments of the LGPS outlined in the report.

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall