

LGPS Update

Report of the Director of Finance

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

Recommendation: that the Committee be asked to note the developments in the LGPS

~~~~~

### **1. Introduction**

- 1.1 This report is brought to the Committee to provide an update on the latest developments affecting the Local Government Pension Scheme.

### **2. Pension Scams – new restrictions on transfer payments**

- 2.1 Legislation is now in place which was designed to discourage transfers to scam schemes. The Occupational and Personal Pension Plans (Conditions of Transfers) Regulations 2021 took effect from 30<sup>th</sup> November 2021.
- 2.2 The regulations introduce further legal restrictions on a member's statutory right to transfer. They give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances.
- 2.3 These changes will affect the payment of cash equivalent transfers for:
- deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only).
  - AVC members who elect for payment of a transfer on or after 30 November 2021.
  - pension credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs).
- 2.4 These regulations do not apply to the payment of cash transfer sums i.e. deferred refunds, nor to pensions on divorce transfers. Transfers to UK public service schemes, master trusts and collective money purchase schemes can continue without any further action.

- 2.5 Before transferring to any other type of scheme, the administering authority must decide if there are any red flags or amber flags present. If there are any red flags present, the transfer must not be paid. Any amber flags will result in pausing the transfer until the member has provided evidence that they have received transfer scams guidance from the Moneyhelper service.

### 3. Levelling Up

- 3.1 At the beginning of the month, the Department for Levelling Up, Housing and Communities issued their white paper on Levelling Up the United Kingdom. Within the white paper, the Government has set out its intention for LGPS funds, working with the LGPS asset pools, to publish plans for “increasing local investment”, including setting an ambition of up to 5% of assets invested in projects which support local areas.
- 3.2 Our understanding is that by “local”, the Government means in the UK, not necessarily the local area, as opposed to overseas investment. Investment won’t be mandated, but Funds will be required to set out plans on a comply and explain basis. As part of the pooling agenda, one of the Government’s objectives was to encourage LGPS funds to invest more in infrastructure, and it would appear they are now looking to make it clearer that they would like more of that infrastructure investment to be in the UK.
- 3.3 The key issue in terms of UK investment is that the Government will need to ensure that the investment opportunities are available that provide the required level of return at an acceptable level of risk. Brunel have recently written to the Prime Minister suggesting that more needs to be done to provide appropriate investment opportunities.
- 3.4 The Committee may also need to consider its attitude to investment in nuclear power, and whether that is an acceptable route to reducing reliance on fossil fuels for energy generation, should an appropriate investment opportunity arise.
- 3.5 It is expected that further details will emerge over the period up to an expected summer consultation, which we understand will also include the outstanding climate reporting regulations in relation to the Taskforce for Climate-related Financial Disclosures (TCFD), and updated pooling guidance.

Angie Sinclair  
Director of Finance

Electoral Divisions: All

Local Government Act 1972:  
List of Background Papers: Nil  
Contact for Enquiries: **Charlotte Thompson**  
Tel No: **01392 381933** Room: **G99**