Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	14 June 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. Introduction

1.1. This report is an update on performance across the following key areas since the last meeting:

- Governance
- Funding and any changes in participating employers
- Investment, including an update on the London CIV and implementation of the Fund's Responsible Investment policy
- Pension administration and communications update

It provides the Committee with the most recent information on the position of the Fund. Funding and investment information is provided for Q4 2022/23 as this is the most recent available. Information on Governance and Pensions administration is available up to 31st May 2023.

2. Recommendations

2.1. The Pensions Committee is recommended to:

- **note the report.**
- **Approve extensions to the Fund's Actuarial Services Contract and Benefits and Governance Services contracts until 31st December 2023.**

3. Related Decisions

3.1. Various previous policies and strategies agreed at Pensions Committees.

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Whilst there are no direct impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

4.2. The report includes monitoring the performance of the Fund's investment managers which is essential to ensure that managers are achieving performance against set benchmarks and targets. The investment performance of the Fund, together with change in the liabilities (as set out in the quarterly funding updates) are key factors in the actuarial valuation process and therefore directly impact on the contributions that the employers are required to make into the Pension Fund.

4.3. Monitoring of key administration, communication and governance targets ensures that the Fund monies are being used appropriately including ensuring that the Fund is achieving value for money.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension Fund, as reflected in the Committee's Terms of Reference. The Committee has delegated responsibility:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
- To act as Scheme Manager for the Pension Fund.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.

5.2. Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding, investment matters, scheme administration, communication and governance.

6. Governance Update

6.1. Governance strategy and policy reviews

No current updates to main strategies and policies.

6.2. Other Hackney Pension Fund governance matters

Changes to the Pensions Committee, Pensions Board and Senior Officers since the last report:

- Pensions Committee - The Committee is requested to note the confirmed appointments to the position of Chair – Cllr Adams and Vice Chair - Cllr Chapman of the Pensions Committee, as agreed by Full Council at its Annual General Meeting on 17 May 2023. Cllr Frank Baffour replaces Cllr Joe Walker as a member of the Committee.
- Pensions Board - Pradeep Waddon (Hackney Council) and Rebecca Datta (Primary Advantage Federation) have been appointed to the Pensions Board. 2 scheme member representatives are due to be appointed within the coming month.
- Senior Officers – Ian Williams, the Group Director of Finance and Corporate Resources, announced his departure and will leave Hackney Council at the end of July 2023. Arrangements for filling this key role are currently being made.

Changes in staffing/resourcing - The following key pension team staff and supplier changes occurred since the last report:

- Staff Joiners: Morgan Williams has been appointed permanently to the role of Investment & Accounting Manager (previously held the role on an interim basis).
- Staff Leavers: None
- Supplier update: None

6.3. Knowledge and Skills Policy implementation

The following training has taken place since the last report.

- The Pensions Committee undertook training in Investment Strategy Setting on 30 March 2023 which provided an overview of key asset classes and their risk return characteristics.
- Cllr Adams attended an Impact Investing training session hosted by London CIV on 10 May 2023.
- Jonathan Malins Smith attended the LGC Investment Seminar on 30-31 March 2023.

Upcoming training includes:

- Investment Strategy - Nature-based solutions - 7th June 2023 – this is essential for all Committee members

6.4. **Cyber Security**

Cyber threats continue to be a major risk for organisations and are increasingly being recognised as a threat to pension schemes. In its guidance issued in April 2018 and in the draft new Code of Practice, the Pensions Regulator (TPR) explains that pension schemes should take appropriate measures to protect against this risk, including assuring themselves that all third-party providers have put sufficient controls in place in relation to cyber security. The Fund has an ongoing programme of work to ensure it is managing its cyber risk. The current key areas of focus are set out in Appendix 1 following this report.

6.5. **Procurement**

Officers of the Fund are currently undertaking the tendering process for the Fund's Actuarial Services contract and Benefits and Governance contract. These procurements have been slightly delayed, and it is now anticipated that they will run concurrently during the summer, with the Invitation to Tender (ITT) due to be issued on 21 June 2023.

Interviews with the Pensions Committee for the highest placed suppliers after scoring of the ITT are due to take place in early September, with the final decision being taken at the Pensions Committee on 20 September 2023.

To accommodate this revised timetable, a short extension to the existing contracts to 31 December 2023 is requested.

6.6. **Other governance related developments and news**

Scheme Advisory Board (SAB) update

The SAB met virtually on 22 May 2023. At the time of writing the summary note of the meeting had not been published; in due course it will be found here: https://www.lgpsboard.org/index.php/about-the-board/board-updates. Some of the agenda items have been published and can be found here – https://www.lgpsboard.org/index.php/about-the-board/prev-meetings.The main areas covered in the meeting were:

- A consultations update
- Risk register review
- SAB committee updates

6.7. SAB has set up a series of free regional training sessions for Committee members, Board members and fund officers on investment cost transparency -Further information can be found on the SAB home page: LGPS Scheme Advisory Board - Home (lgpsboard.org)

6.8. SAB has published a statement about handling climate related Freedom of information requests, as well as the results of their gender pensions gap analysis and will be doing more work in this area. Further information on both items can be found on their home page- [LGPS Scheme Advisory Board – Home (lgpsboard.org)]

6.9. SAB has also commissioned advice on whether the LGPS is consistent with anti-discrimination and public sector equality duties in relation to Sharia. In addition to legal advice, they have commissioned an expert in Islamic finance to provide evidence on a range of issues from an Islamic perspective.

7. Funding Update

7.1 Funding strategy and policy reviews

The last triennial valuation was carried out as at 31 March 2022, with the final valuation report and Rates and Adjustment Certificate approved by the Pensions Committee on 30 March 2023.

The Draft Funding Strategy Statement was published for consultation in September 2022, with the final version being approved on 30 March 2023.

The next valuation date is 31 March 2025.

7.2 Other Hackney Pension Fund funding matters

Below is the funding update to 31 March 2023 from the Fund's Actuary, Hymans Robertson. The key statistics are as follows:

	31/3/2022 (last valuation date)	31/12/2022(last quarter)	31/3/20223 (most recent quarter)
Funding level (assets / liabilities)	106%	132%	126%
Surplus/(deficit)	£100M	£450M	£390M

7.3 The results shown above are estimates based on rolling forward the fund's funding position from 31 March 2022, allowing for market conditions but not for the effect of changes in the membership profile since 31 March 2022. The key driver of the changes since March 2022 have been movements in gilt yields, which have increased since the valuation. Whilst asset values have reduced since the valuation date, the drop in liability values has more than compensated, resulting in an increase in the estimated funding level.

7.4. Changes to participating employers: The following changes occurred during the quarter:

- New Employers to the Fund – Atlantic Cleaning (St Mary's) - 01/04/2023

- Employers leaving the Fund – PJ Naylor (St Mary's) - 01/04/2023
- Other employer matters – N/A

7.5 **Other funding related developments and news**

Two cost control mechanisms are currently in place for the LGPS; the HM Treasury Cost Control Mechanism (CCM) and the Scheme Advisory Board's Scheme Cost Assessment (SCA). The mechanisms are intended to ensure that the overall costs of providing LGPS scheme benefits are controlled, to protect taxpayers from unforeseen costs whilst ensuring that the value of the LGPS to members is preserved.

The SCA runs prior to the HM Treasury CCM, and recommendations made as a result (and accepted by government) are considered when calculating the scheme costs (for the purpose of the HM Treasury CCM).

The Government Actuary reviewed the CCM in 2021 and recommended a number of changes, including:

- A redesign of the CCM – to ensure it only considers past and future service benefits built up with all legacy scheme costs excluded,
- Widening the corridor from 2% to 3% of pensionable pay, thereby reducing the regularity of breaches, and
- Introducing an economic check, so that the mechanism would only be triggered if any breach would still have occurred had the impact of any change in long-term economic assumptions been considered.

Alongside these changes, DLUHC has also consulted on reforming the SCA. Final regulations and DLUHC's response to consultation have now been issued. The changes take into account SAB's response to the consultation and better align the SCA with the revised CCM. The response re-iterates that the SAB process operates prior to the HMT CCM and gives the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. However, the prospect of a link to the CCM's economic check is left open for discussion.

A link to the consultation can be found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process#basic-information

8. Investment including LCIV and RI update

8.1 **Investment strategy and policy reviews**

The Fund commenced a review of its investment strategy in March 2023, following approval of the 2022 actuarial valuation. The Strategic Asset

Allocation was agreed in April 2023, with implementation due to take place during 2023/24 and beyond.

The Committee has agreed that Fund should make new allocations as follows:

- 5% to Multi Asset Credit
- 5% to Impact Property
- 5% to nature-based solutions

At its meeting on 14 June, the Committee is due to consider a paper setting out a suggested approach to implementation of the above allocation decisions. A revised Investment Strategy Statement is also due for review and approval by the Committee.

8.2 **Other Hackney Pension Fund investment matters**

Investment performance update

Appendix 3 to this report provides a manager performance update from the Fund's Investment consultants, Redington. The report includes an analysis of quarterly, 1 year and 3 year and since inception performance against benchmark, and a brief commentary on performance for each mandate.

With the exception of the Carbon Neutral Real Estate Trust, which returned -13.6%, all of the Fund's portfolios delivered a positive return over the quarter. The Blackrock World Equity Fund was the best performer in absolute terms, returning 7.3%, whilst the LCIV Emerging Market Equity Fund delivered the strongest excess return above benchmark, at 1.7% (2.8% total return).

Three funds delivered returns below the benchmark - LCIV GAGPA Fund (4.6%, -0.6% relative to benchmark), LCIV Sustainable Equity Fund (0.2%, -4.7% relative to benchmark) and the Threadneedle Bond Mandate (2.7%, -0.2% relative to benchmark).

In monitoring performance, particular attention is paid to funds or mandates that have seen sustained below benchmark performance. It is proposed that London CIV attend the Pensions Committee over the coming months to discuss the performance of the LCIV GAGPA Fund, which has seen a lengthy period of underperformance.

A wider market update is included at Appendix 4.

Responsible investment update

The Fund agreed a new set of climate targets in March 2023. As part of its journey towards net zero, the Fund has set the following targets for 2030:

- Achieve a 50% carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.
- Target a 2C portfolio by 2030 with a 1.5C goal for 2040.

- Allocate no less than 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes subject to fiduciary duties

Progress against these targets will be monitored on an annual basis.
The Pensions Committee has also looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF).

Appendix 5 to the report therefore provides the Committee with an update on where managers have deviated from LAPFF's voting recommendations. At present this information is only provided for the London CIV, but Officers will also explore options to strengthen the Fund's approach to voting in the passive mandates held by BlackRock.

The LAPFF Quarterly Engagement report is attached at Appendix 6 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. Following the restructuring of its equity portfolio, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

8.3 **Other investment related developments and news**

In April, the Scheme Advisory Board reported that TPR had published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pensions schemes but contains observations which may be useful for LGPS funds ahead of the implementation of TCFD reporting.

The review can be found here: https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/review-of-climate-related-disclosures

9. Pensions Administration and Communications Update

9.1 **Administration and communications and strategy policy reviews**

None were due to be reviewed this reporting period

9.2 **Other Hackney Pension Fund administration and communication matters**

The following sections provide information on the numbers of cases being received and processed by Equiniti, as well as their performance against the

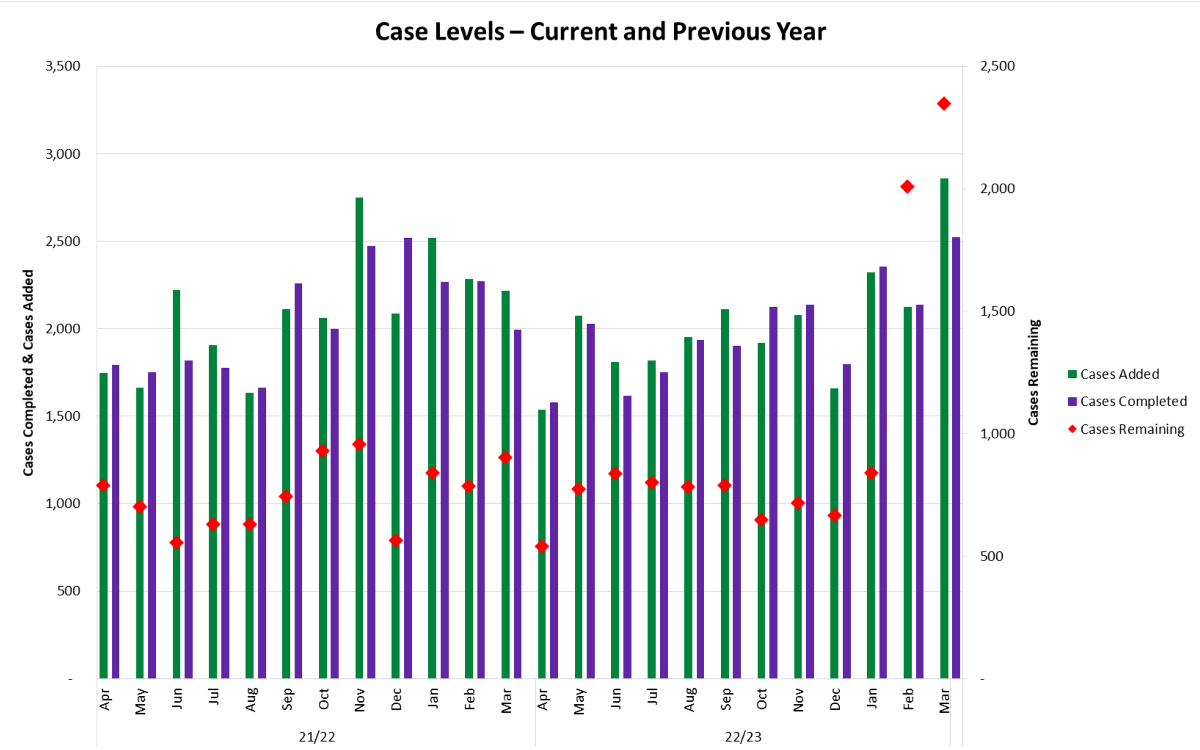
Fund’s service level agreement standards (SLAs)

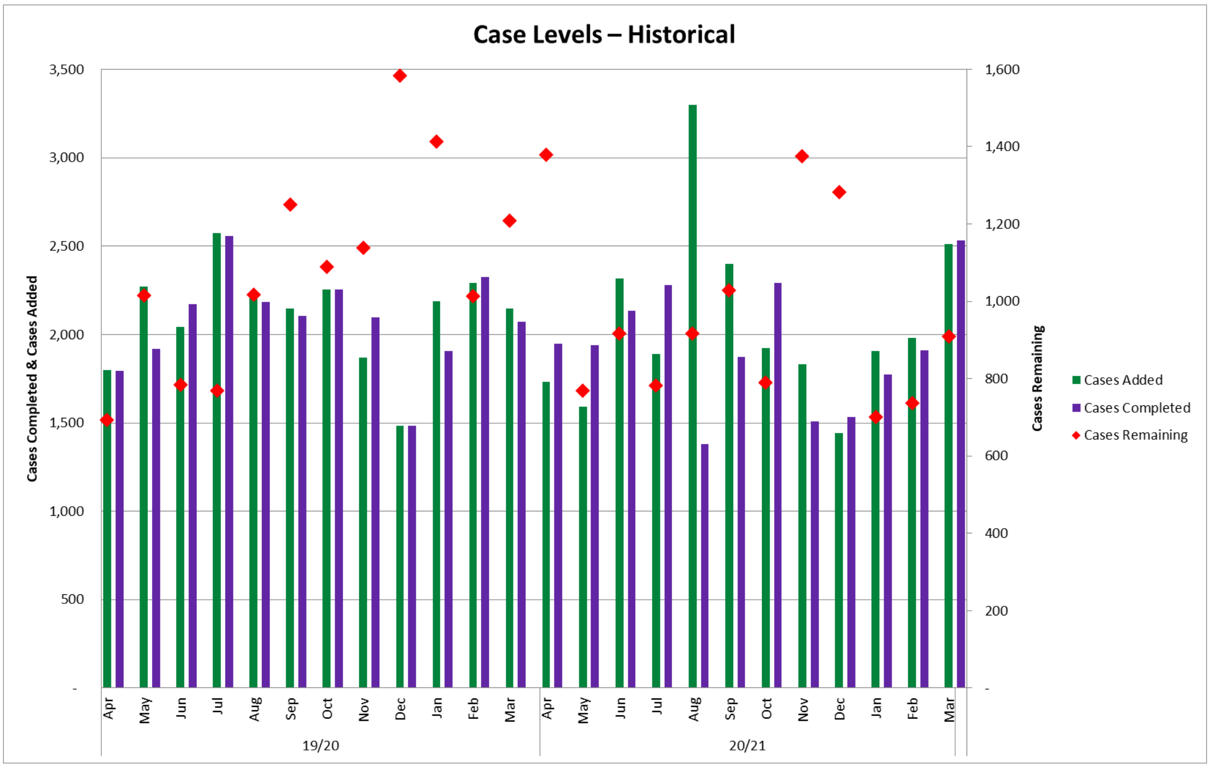
Case levels

The graphs below show historical cases levels received and processed by Equiniti dating back to April 2019. For each month, the graph shows:

- "cases added" - the number cases received by Equiniti during the month ("cases added") and
- "cases completed" - the number of cases completed by Equiniti during the month ("cases completed")
- "cases remaining" - the numbers of cases that are outstanding and therefore waiting to be processed by Equiniti at the end of each month ("cases remaining")

For the period February 2023 to March 2023, the number of cases added in February was slightly less than the previous month and the number of cases received in March was higher than all months in the 2022/23 financial year. As an average the number of cases added in this reporting period is greater than the number of cases added in the previous reporting period. The same trend is true for the number of cases completed by Equiniti and as an average is greater than the last period reported.





9.3 *SLA and KPI monitoring*

The contract with Equiniti includes a large number of service level agreement standards (SLAs). A proportion of these are highlighted as being key performance indicators (KPIs) for the Fund. The KPIs include target timescales for processes such as:

- providing new members with information about the scheme
- notifying retiring members of the amount of retirement benefits and paying them their tax free cash lump sum
- informing members who leave the scheme before retirement of their deferred benefit entitlement.

For most measures there are two targets:

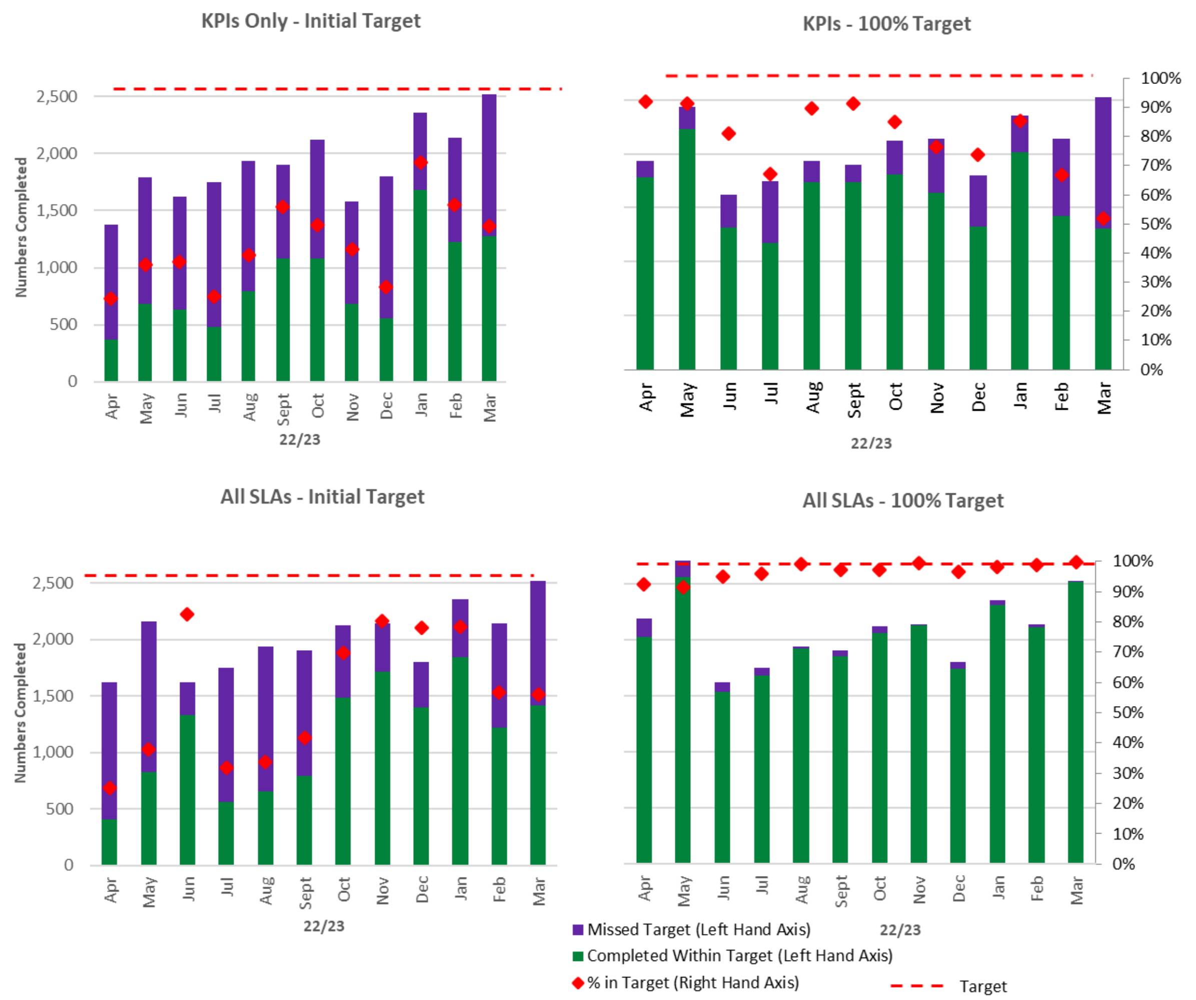
- an initial target – this is the initial timescale within which the majority of cases must be processed (typically 95% is the target to be processed by the initial target period)
- the 100% target – this is a later timescale by which it is expected that 100% of cases will be processed by.

The following graphs show Equiniti's performance in these areas since April 2022. Each graph illustrates the numbers of cases completed within the target (green) and the number outstanding (purple), as well as the percentage of cases completed within the target (red diamond which relates to the right hand axis). The four graphs are as follows:

- KPIs Only – Initial Target: this shows the performance against **only** the key performance indicators based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- KPIs Only – 100% Target: this shows the performance against **only** the key performance indicators based on the 100% target where it is expected that all cases will be processed.
- All SLAs – Initial Target: this shows the performance against **all** service level agreement standards based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- All SLAs – 100% Target: this shows the performance against **all** service level agreement standards based on the 100% target where it is expected that all cases will be processed.

For the period February to March, Equiniti have continued to perform close to the 100% target in the SLA measures. The 100% target for KPI measures for the period is less than the previous reporting period and the initial target measures for both SLAs and KPIs were also less than the previous reporting period

The new contract in place with Equiniti has resulted in some changes to SLA timeframes. However, Equiniti are in the process of preparing revised reporting to measure and report against the amended timeframes referred to in the contract. Therefore, for February and March, the data provided by Equiniti is based on the former contract. Equiniti are expected to provide revised data from April onwards and therefore, this will be reflected in the data shared at the September Committee meeting .



9.4 *Communications*

Since the last update the following communications have been issued to scheme members:

<u>P60s</u>

All pension members were issued with their P60s from Equiniti in April 2023

<u>2023 Pension Increase</u>

The annual pension increase was run in time for April pensioner payroll and all pensioners were written to in April informing them of the increase.

<u>Website</u>

Two new articles were added to the website to inform members of the 2023 Pension Increase and also an update on the McCloud judgement including a link to the DLUHC/SAB Members factsheet.

Updates were also made to reflect the new Employees Contribution Rates for 2023-24 plus the results of the triennial valuation were added.

9.5 *Internal Disputes Resolution Procedure (IDRP)*

This is the procedure used by the Fund for dealing with appeals from members both active and deferred. The majority of the appeals are in regard to either disputes around scheme membership or the non-release of ill health benefits. The process is in two stages:-

- Stage 1 IDRP's are reviewed and determinations made either by the Pensions Manager or by a senior technical specialist at the Fund's pension administrators, Equiniti.
- Stage 2 IDRP's are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

Stage 1 – Two applications were submitted during the reporting period. One was against the former Employer for an ill health decision, which was not upheld. The second is against the administering authority in relation to a pension Saving Statement issue and investigations are still ongoing.

Stage 2 – One application was submitted in this quarter against the administering authority in relation to a retirement age mix up.The appeal was upheld.

9.6 *Third Party Administration Implementation Update*

The previously agreed extension of the Fund's third party administration services contract with Equiniti for 3 years from 1st January 2023 was agreed and signed on 28 February 2023. The Fund is now working with Equiniti on the delivery of the software upgrade. The migration to the new software has been delayed. However, project implementation timeframes are being looked at by Equiniti. Once new timeframes have been proposed a further update will be given at the next meeting.

As part of a drive to ensure the Fund's data is as up to date and accurate records are being held, the Fund has undertaken a data cleanse at membership level for the schools and academies records. The internal LBH team has been engaging with the payroll providers/HR departments to ensure these records are brought up to date, and to assist the payroll/HR providers on the ongoing administration requirements.

9.7 *McCloud Programme Update*

The Public Service Pension and Judicial Offices Act 2022 enables the Department of Levelling up, Housing and Communities (DLUHC) to make the regulations needed to implement the McCloud remedy within the LGPS.

Draft LGPS “McCloud” regulations and DLUHC’s response to its 2020 consultation have been subject to significant delays. DLUHC’s consultation response was published in April 2023, confirming that the Government would proceed with the changes to the underpin originally proposed in the 2020 consultation.

The draft regulations and a further consultation have just been published (on 30 May 2023). This additional consultation is to obtain further views in some areas and to seeks views where the initial consultation did not address an issue. DLUHC is seeking general views on how the McCloud remedy will work for scheme members with multiple periods of LGPS membership (“aggregation”), previous membership with another public service scheme, flexible retirement, pension sharing on divorce and injury allowances.

DLUHC are also seeking technical comment on areas where the policy approach has now been determined in relation to excess teacher service, compensation and interest on McCloud related payments. The consultation runs until 30 June 2023.

Following this consultation, the regulations are expected to be made in early September 2023 before the coming into force date of 1 October 2023.

In addition, HMRC has published a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. This is a technical consultation on draft tax regulations which set out changes to how pensions tax rules will apply as a result of the public service pensions remedy. They make changes to how individuals are treated for tax purposes if, as a result of the McCloud remedy, they are subject to tax charges.

On 15 December 2022 HM Treasury issued Directions in relation to the Public Services Pensions and Judicial Offices Act 2022 (PSPJOA), setting out how certain powers in the PSPJOA must be exercised. Part 4 of the Treasury directions cover the LGPS, and the directions include powers to pay compensation, compensatable losses, interest payments and compensation applications.

Workstreams

Most workstreams are progressing with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon.

Good progress continues to be made in relation to the Data, Communications, Finance, Governance and Benefit Rectification Workstreams although some actions continue to be paused due to the delay in the regulatory timetable. The Ongoing Administration and Systems workstream is still behind where we would want it to be at this stage of the project.

The Compendia software is key to delivering the McCloud programme, particularly in relation to the Data, Communications and Ongoing Administration workstreams. The Fund are due to migrate to an updated version of the Compendia software and it is understood that this is required in order for the new McCloud underpin calculations to be automated. However, the timetable for the migration is currently unknown but this is expected to be after the McCloud regulations come into force on 1 October 2023. Therefore, it currently needs to be established how the programme, in particular Ongoing Administration, will be dealt with in the interim period between the regulations coming into force and the migration to the updated software. Equiniti have recently appointed a specific project manager in this area and further information on timeframes and plans are expected to be provided at the communications workstream meeting on 7 June 2023. A verbal update on this will be provided to the Pensions Committee at their meeting on 14 June 2023.

The Benefit Rectification workstream is currently planned to be delivered off system, but the outputs will need to meet the requirements of the administration software and so this workstream will also be impacted by the timeframes for the software migration.

The risk logs for each workstream continue to be discussed at all workstream meetings and at the PMG meeting, and updated, as appropriate with the key risks continuing to be the impact of the delay in the regulatory timetable and the Compendia software migration .

The general Programme update on the specific workstreams is as follows:

- Data: The most recent workstream meeting was held on 25 April 2023. It was determined that many actions are still on hold due to the delay in the regulatory timetable, and there were no new risks to be added to the risk log. A further meeting to specifically discuss the SAB data guidance was held on 11 May 2023, following this some further changes are required to be made to the Data Acceptance Principles (DAP) document where some data mismatch categories for payroll provided data will be treated the same as HK221 sourced data. Some categories will also be separated between active and non-active members. The changes, along with supporting rationale, will then be submitted to the PMG for approval. The next workstream meeting has been scheduled for 6 June 2023.

- Communications: The Communications workstream is up to date, with most of the actions such as reviewing BAU communications deferred until regulations are issued by DLUHC. The last communication workstream meeting was held on 20 April 2023 where it was agreed to publish the DLUHC member factsheet to the Fund website. It was also agreed that

Equiniti will be asked about their plans for McCloud communications in relation to the updated version of Compendia and what their plans are for the interim period between 1 October 2023 and the software migration date. The next communication meeting is scheduled for 7 June 2023.

- Finance and Governance: These workstreams' actions are up to date, and meetings will be scheduled when required to ensure future planning of programme deliverables. There may be some further actions to consider once the regulatory changes are confirmed by DLUHC.

- The Benefit Rectification workstream is progressing as expected and the last meeting took place on 20 April 2023. Equiniti provided an update at this meeting on the progress being made with the rectification tool. It was also agreed that Equiniti would revisit the project plan and remediation specification document in line with the consultation response published on 6 April 2023 to determine if any updates need to be made. The next workstream meeting has been scheduled for 7 June 2023.

- Planning work is still required for the Ongoing Administration workstream to ensure that all programme deliverables are achieved as set out in the Programme Charter. The progress of this workstream has previously been on hold due to the work that was ongoing with regards to the contract with Equiniti which has now been resolved. As noted above, the current software will not be developed to support the delivery of this work. However, it is expected as part of the software migration that a project plan will be formulated by Equiniti which will include provisions for the Ongoing Administration workstream. As referred to above Equiniti representatives will be in attendance at the Communications workstream meeting on 7 June and it is expected an update on Ongoing administration will also form part of this meeting.

- Specialist cases: For this workstream, an initial workshop was held in 2021, and it has been agreed within the project team to put this workstream on hold until after the draft regulations have been published, with the expectation of guidance for certain types of cases.

Risks for all workstreams continue to be actively managed within the programme and these are reviewed regularly by the Programme Management Group (PMG).

Whilst the overall project is running slightly behind the original schedule, principally due to the slower than expected progress with the Ongoing Administration workstream, this needs to be considered in the context of the regulatory timetable, which has continued to change. The biggest risk for the programme at the present time remains the software migration and Equiniti's plans to support this. Therefore, until a migration plan has been shared and agreed, the scale of any impact to each individual workstream is unknown. The Programme Management Group's next meeting will take place on 28 June 2023 and the software migration will be discussed at this meeting, and key risks updated as appropriate. A further update will be provided at the next Committee meeting.

9.8 **Annual Benefit Statements**

There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner. Requests were sent in April to the Fund's employers that are still required to submit a year end return. The vast majority of data has now been received, the few very small employers yet to submit are being chased by the inhouse pension team. Equiniti are carrying out data validations on submissions received and any queries will then go back to the employers in the coming weeks.

A further update on the benefit statement work will be provided at the next meeting.

9.9 **Guaranteed Minimum Pension (GMP) Reconciliation**

As previously reported to the committee a number of members were "descoped" from the main GMP reconciliation process (members who became entitled to their GMP before reaching their SPA, some post 2016 SPA cases and certain survivor pensioners). Several discussions have taken place between the Fund and Equiniti on this and Equiniti has provided some more details on the groups and possible remedial next steps to take. The Fund is currently still liaising with Equiniti on this. A further update will be provided at the next meeting.

9.11 **Other administration and communications related developments and news**

Pension tax allowances
There were significant changes from 6 April 2023 to the pensions tax allowances announced in the budget on 15 March 2023. The key changes that will impact LGPS members relate to:

- the Lifetime Allowance threshold, which allowed scheme members to have pension benefits equivalent to a capital value of £1,073,100 in total at the point they are crystallised,
- the Pension Commencement Lump Sum, which is the maximum permitted lump sum at retirement that can be paid tax free,

- the Annual Allowance threshold, which allowed scheme members to save an overall value of £40,000 each year towards their pensions (albeit higher earners could have this tapered down to as little as £4,000).

Beyond these levels, tax must be paid. The changes announced in the budget include the following, most of which apply from 2023/24:

- The Lifetime Allowance tax charge, and ultimately the Lifetime Allowance, has been abolished. The charge has been abolished from 6 April 2023, and a future finance bill is expected to abolish the Lifetime Allowance altogether.
- The maximum Pension Commencement Lump Sum for those without historical protections has been retained at £268,275 and will remain frozen at that level.
- The standard Annual Allowance has increased from £40,000 to £60,000.
- The tapered Annual Allowance will now commence for individuals with 'adjusted income' in excess of £260,000 (previously it was from £240,000).
- The minimum tapered Annual Allowance has increased from £4,000 to £10,000.

Further information can be found on the SAB homepage LGPS Scheme Advisory Board - Home (lgpsboard.org)

9.12 *Pension Dashboards*

Pensions Dashboards are a national initiative which will allow people to see what they have in their various pensions – including their State Pension – in a single place online, at any time they choose. All pension schemes will be included within the programme, including the LGPS.

It is expected that there will be delays to the national Pension Dashboards programme as in March, DWP announced its intention to amend the staging timetable for schemes but it is not yet understood the affect this will have on the LGPS. The Pensions Dashboards Programme issued a useful update in April 2023 which can be found here - https://www.pensionsdashboardsprogramme.org.uk/pur/. It highlights the areas schemes should still be progressing with including:

- "*deciding on how you will connect to dashboards – whether directly or through a third-party*
- *preparing your data – make sure your pensions information is accurate, up-to-date and in a digital format*
- *choosing your matching criteria – which categories of data will be used to check whether a user has a pension with you*
- *increasing dashboards awareness – ensure that your organisation knows that dashboards are coming, and that it is a regular agenda item for trustees' meetings*

- *understanding legal and regulatory obligations – become familiar with requirements and guidance from DWP, The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA), as well as guidance from organisations like PASA"*

Further useful information on the latest position can also be found on the Pension Regulators website https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance.

Appendices

Appendix 1 – **EXEMPT** - Cyber Security
Appendix 2 - Investment Performance Report
Appendix 3 - Market Update
Appendix 4 - **EXEMPT** - Voting - Exceptions to LAPFF policy
Appendix 5 - LAPFF Engagement Report

By Virtue of Paragraph 3, Part 1 of schedule 12A of the Local Government Act 1972 the appendices 1 and 5 of the report ar exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background documents

None

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