

# PENSIONS COMMITTEE

14 September 2022

<b>Title:</b> Administration and Governance Report	
<b>Report of the Chief Operating Officer</b>	
Public Report	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Philip Gregory, Chief Financial Officer	
<b>Accountable Strategic Leadership Director:</b> Fiona Taylor, Acting Chief Executive	
<b>Summary</b>  This report provides Members with an update on any administration and governance changes that have occurred and the potential impact that these changes may have on the Pension Fund. The report also provides an update on the Fund's one year and three-year cashflow forecast and on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments.	
<b>Recommendations</b>  The Committee is recommended to note: <ul style="list-style-type: none"><li>i. Pension Fund Budget 1 April 2022 to 31 March 2025;</li><li>ii. London CIV update;</li><li>iii. London Borough of Barking and Dagenham Pension Fund Business Plan Update and Training Requirements; and</li><li>iv. Update from the Independent Advisor to the Committee.</li></ul>	

## 1. Introduction

1.1 It is best practice for Members to receive regular administration data and governance updates. This report covers four main areas including:

- i. Pension Fund Budget 1 April 2022 to 31 March 2025;
- ii. London CIV update;
- iii. London Borough of Barking and Dagenham Pension Fund Business Plan Update and Training Requirements; and
- iv. Update from the Independent Investment Advisor.

## 2. Pension Fund Budget 1 April 2022 to 31 March 2025

2.1 Table 1 below provides Members with the Fund's three-year budget to 31 March 2025.

<b>Contributions</b>	<b>2022/23 Budget</b>	<b>2023/24 Budget</b>	<b>2024/25 Budget</b>
<b>Opening Market Value</b>	<b>1,341,280</b>	<b>1,406,180</b>	<b>1,472,350</b>
<b>Employee Contributions</b>			
Council	8,700	9,000	9,400
Admitted bodies	500	500	500
Scheduled bodies	2,000	2,100	2,100
<b>Employer Contributions</b>			
Council	28,200	29,300	30,500
Admitted bodies	2,100	2,200	2,200
Scheduled bodies	7,700	8,000	8,300
Pension Strain	1,000	1,000	1,000
Transfers In	3,500	3,500	3,500
<b>Total Member Income</b>	<b>53,700</b>	<b>55,600</b>	<b>57,500</b>
<b>Expenditure</b>			
Pensions	-37,600	-39,200	-40,700
Lump Sums and Death Grants	-6,500	-6,800	-7,000
Transfers Out	-4,400	-4,400	-4,400
Administrative expenses	-800	-800	-900
<b>Total Expenditure on members</b>	<b>-49,300</b>	<b>-51,200</b>	<b>-53,000</b>
<b>Net dealings with members</b>	<b>4,400</b>	<b>2,870</b>	<b>1,850</b>
<b>Returns on Investments</b>			
Investment Income	15,000	16,000	17,000
Profit (losses)	50,000	52,000	54,000
Investment management expenses	-4,500	-4,700	-4,900
<b>Net returns on investments</b>	<b>60,500</b>	<b>63,300</b>	<b>66,100</b>
<b>Net increase (decrease) in assets</b>	<b>64,900</b>	<b>66,170</b>	<b>67,950</b>
<b>Closing Market Value</b>	<b>1,406,180</b>	<b>1,472,350</b>	<b>1,540,300</b>

2.2 The three-year budget fairly stable member numbers, although a 4% increase in contributions and pensions has been assumed due to the current high level of inflation. The Council contribution for 2022/23 is 23.0% and it has been assumed that the contribution rate will remain the same for all employers. An increase in management expenses is being forecasted as asset values increase thus increasing the expenses. Overall, the Fund is expected to be cashflow positive.

2.3 On 1 April 2022 a £20m prepayment was paid to the Pension Fund from the Council, as agreed by Members at the March 2022 Committee. This prepayment helped to repay a short-term loan made to the Fund from the Council.

### 3. London Collective Investment Vehicle (LCIV) Update

3.1 LCIV is the first fully authorised investment management company set up by Local Government. It is the LGPS pool for London to enable Local Authorities to achieve their pooling requirements. Below are the investments the Fund currently has with CIV.

	30/09/2021	Market Move	31/12/2021
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	291,693,254	-35,224,598	256,468,656
LCIV Global Total Return Fund	114,399,956	-900,787	113,499,169
LCIV Real Return Fund	81,935,950	-1,690,854	80,245,096
<b>Total</b>	<b>488,029,160</b>	<b>-37,816,239</b>	<b>450,212,921</b>

### 3.2 Update from the London CIV

At 30 June 2022, the total assets deemed pooled stood at £24.7bn, of which £13bn are in funds managed by the LCIV. Assets under management in the ACS stood at £12bn and assets in private market funds stood at £840.6m on 31 March 2022. Over Q2, LCIV had £85m of additional commitment to the LCIV Private Debt Fund, bringing a total of assets raised by our private market funds as of 30 June 2022 to £2.3bn. The value of 'pooled' passive assets was £11.7bn, with £8.3bn managed by L&G and £3.4bn managed by BlackRock.

### 4. London Borough of Barking and Dagenham Pension Fund Business Plan Update and Training Requirements

- 4.1 To allow a training programme to be arranged a knowledge and skills questionnaire will be sent out to Members to complete, with a training programme set accordingly, to be agreed at the Pensions Committee in December 2022.
- 4.2 Subsequently a Business Plan will be taken to the Pensions Committee in March 2023 and will be based on a revised three-year period, to align with the Triennial Valuation.

## **5. Independent Advisor Update: John Raisin**

- 5.1 This section informs and updates the Committee in respect of a number of important issues relating to the ongoing development of the LGPS at a national level. This includes developments since the last Independent Advisor's LGPS Update which was considered at the 16 March 2022 meeting of the Committee.
- 5.2 The issues covered here will, in due course, inform the decision making of each of the 86 LGPS Funds in England and Wales including the London Borough of Barking and Dagenham Fund. The paper informs the Pensions Committee of developments relating to the Department for Levelling Up Housing and Communities (DLUHC) which is the Government department responsible for the LGPS in England and Wales. This includes an update on the Consultation which, in the Summer, had been expected to be issued by the DLUHC in Autumn 2022. The paper also provides the background to and an update on a number of important national issues which will be consulted upon by the DLUHC at some point in the future. These issues covered in this paper are:
  1. Developments relating to the DLUHC and issues upon which a Consultation had been anticipated in Autumn 2022.
  2. Investment Pooling
  3. Climate Reporting – Task Force on Climate Related Financial Disclosures Reporting
  4. Good Governance in the LGPS
  5. Age Discrimination in the LGPS (commonly referred to as “McCloud”)
- 5.3 It is hoped that this paper will be informative to all Members of the Pensions Committee and in particular to those who have joined the Committee following the May 2022 Council elections. Given likely changes to the Government following the appointment of the new Prime Minister, on 5 September 2022, it may be necessary to provide an update on some issues in this paper at the Committee.
- 5.4 Developments relating to the DLUHC and issues upon which a Consultation had been anticipated in Autumn 2022

The Department for Levelling Up Housing and Communities (DLUHC) is the government department responsible for the LGPS in England and Wales. The DLUHC is responsible (after due Consultation) for issuing the Regulations and Statutory Guidance in accordance with which each of the 86 LGPS Funds in England and Wales (known as Administering Authorities in the LGPS Regulations) operate the LGPS locally.

The DLUHC is headed by the Secretary of State for Levelling Up Housing and Communities who is assisted by a number of Ministers including a Minister of State whose responsibilities include Local Government and therefore the LGPS. As reported in the March 2022 Update the Rt Hon Michael Gove MP was appointed Secretary of State in mid-September 2021 and in early October 2021 it was announced Kemi

Badenoch MP had been appointed Minister of State whose responsibilities were to include Local Government and therefore the LGPS. As the LGPS Scheme Advisory Board for England and Wales (SAB) correctly stated on its website on 6 October 2021 *“...We would expect that the change of minister would lead to some delays in the current workstream...”*

On 19 April 2022, the SAB website reported that the Board Chair and Board Secretary had met with Kemi Badenoch MP. It was stated that *“Cllr Roger Phillips and Board Secretary Jo Donnelly had a useful meeting with the Minister after the Easter weekend. Topics discussed included climate risk and reporting regulations for the LGPS...; levelling up; pooling...”* By June 2022 it was anticipated that a Consultation covering a number of important outstanding issues would be published by the DLUHC in Autumn 2022. For example the Minutes of the SAB Investment, Governance and Engagement Committee of 6 June 2022 record that the representative from the DLUHC on the Committee *“reminded members that the forthcoming public consultation is now likely to be published in the Autumn and will cover a range of elements including TCFD reporting, levelling up, and pooling guidance for administering authorities.”*

However, on 6 July 2022 Kemi Badenoch MP resigned as Minister of State at the DLUHC and on the same day Rt Hon Michael Gove MP was dismissed from his post as Secretary of State. On 7 July 2022 Rt Hon Greg Clark MP was appointed Secretary of State at the DLUHC and Paul Scully MP Minister of State whose responsibilities include Local Government and therefore the LGPS. When a new Minister of State responsible for Local Government is appointed, it is inevitable that there will likely be delays in further developing LGPS policy proposals particularly given that the LGPS is only a small part of the Minister's overall responsibilities and inevitably a lower priority than overall Local Government policy and finance matters.

The replacement of Kemi Badenoch MP by Paul Scully MP as the Minister directly responsible for the LGPS is further complicated by the fact that a new Prime Minister will be appointed in September 2022. They will then appoint their own Ministers. This could result in the replacement of either or both Rt Hon Greg Clark MP and Paul Scully MP. Therefore, it is no surprise that on 21 July 2022, in relation to the appointment of Paul Scully MP, a news update was posted on the SAB website which stated *“We expect that the change of minister, and the process of electing a new Conservative party leader / Prime Minister, may lead to some delays in current workstreams...”* The situation is further complicated by the fact that one issue (Investment Pooling guidance) that was expected to be included in the anticipated Autumn 2022 consultation is particularly complex and any Consultation on this matter will need to be/should be particularly carefully considered and approved at Ministerial level before it is issued.

Therefore, the issuing of the anticipated Autumn 2022 Consultation covering TCFD (climate) reporting, Investment Pooling, and Levelling Up in the context of the LGPS must be in clear doubt. The SAB has however actively sought to encourage the Government not to delay the issuing of the expected Autumn Consultation also stating on 21 July 2022 that the SAB *“will continue to work with the Department to minimise”* delays in the current workstream *“as much as possible.”* The SAB has particularly sought to encourage the DLUHC to at least issue a Consultation covering Climate/ Task Force on Climate Related Financial Disclosures (TCFD) Reporting for the LGPS. On 15 July 2022 the Chair of SAB (Councillor Roger Phillips) wrote to the Secretary of State (Rt Hon Greg Clark MP) – this letter included the following *“The main purpose of this letter is to convey the Board's hope that the timetable for public consultations on*

*changes to the Scheme which, up to now, had been planned for the Autumn will not be delayed by the recent changes in the Ministerial team.*

*Those consultations were likely to cover a number of different areas relevant to the scheme, however, our main concern centres on the introduction of a framework for LGPS administering authorities to report on climate change risks, as stipulated by the Taskforce on Climate Related Financial Disclosures (TCFD).*

*Corresponding regulations for private sector pension schemes came into force in October last year and reports for the 2021/22 period are now being published. The LGPS is therefore already a year behind the private sector and delaying the planned consultation beyond the Autumn risks even further delay and the resultant criticism that the scheme, and those responsible for making scheme regulations, are dragging their heels on this key issue.*

*I very much hope that you will feel able to give an early assurance to the Board that the anticipated public consultations, and in particular that the reporting of climate related risk, will proceed in time for the necessary regulations and associated guidance to be introduced by April next year. This is necessary to enable LGPS administering authorities to put in place arrangements to report on climate risks and progress against emissions targets for the period 2022/23. Any delay beyond then would put us a further year behind the private sector, which would be regrettable for a globally significant investor like the LGPS.”*

A letter from the Chair of SAB to Paul Scully MP of 21 July 2022 referred to the fact that they had met on 19 July 2022 and included the following – *“Can I first of all reaffirm my request to you in Tuesday’s meeting for the Department to publish the TCFD consultation and regulations as soon as possible. We have been waiting to move forward with this since last October and there is growing concern about the delay in the LGPS when the DWP regulations and guidance are already out for private sector schemes, with the reports from the largest schemes already being published for 2021/22. As a more public facing scheme it is important that we can demonstrate our commitment to climate risk reporting transparency, and other key issues.*

*Similarly, I will support both the Board’s Secretariat and your officials working closely on getting the broader consultations due out after the recess...”* Therefore, the SAB has clearly engaged with the DLUHC following the appointment of the new Ministers in July 2022 to seek to facilitate the issuing of the anticipated broad ranging LGPS Consultation in Autumn 2022. In particular the SAB has sought to encourage DLUHC not to delay a Consultation covering Climate/TCFD reporting for the LGPS.

It is not possible to state categorically whether the full expected Autumn 2022 Consultation will now be issued but given the circumstances this would seem unlikely. However, it is particularly to be hoped (and is urgently needed) that a Consultation will be issued in Autumn 2022 which will facilitate LGPS wide reporting on climate risks and progress against emissions targets for the period 2022-23. LGPS Funds and other LGPS stakeholders can only wait and see if such a Consultation is issued in 2022.

## 5.5 Investment Pooling

A Consultation including proposals on further developing Investment (Asset) Pooling expected since 2019 had, as explained in Section 1 of this paper, been expected in the Autumn of 2022. This may however now be possibly delayed until 2023.

In November 2015, the government issued guidance entitled ***“Local Government Pension Scheme Investment Reform Criteria and Guidance.”*** This set out criteria for the (then) 89 LGPS Funds in England and Wales to form Investment Pools whose fundamental role is to select asset managers to implement the Investment Strategy determined by each individual LGPS Fund. This resulted in the creation of 8 Investment Pools across the LGPS. These had a wide range of both regulatory and governance structures and have, individually, developed very differently since 2015. All London Borough LGPS Funds (and the City of London) became members of the London Collective Investment Vehicle (London CIV).

**Crucially, however, all Pools are creations of their constituent LGPS Funds, owned by them, and ultimately accountable to them. Furthermore, all assets continue to belong to the individual LGPS Funds not the Pools.**

The sole fundamental role of Investment Pools, including the London CIV, is to select and monitor investment managers to implement the Investment Strategy of their constituent (individual) LGPS Fund's. The setting of Investment Strategy (including the types of Assets and their proportions) which academic studies clearly demonstrate is the primary driver of investment returns remains the responsibility of each individual LGPS Fund. To fulfil its role, it is crucial that an Investment Pool provides/procures investment product that meet the needs of its constituent LGPS Funds.

The (then) MHCLG issued a Consultation on a new framework for Pooling in January 2019 but subsequently withdrew this. In November 2020, the Government stated in writing (in ***“The Balance Sheet Review Report”*** issued by HM Treasury) that it would *“consult”* in 2021 *“on next steps”* to implement *“a strengthened framework for LGPS investment and pooling”* but this did not occur. Therefore, the mandate for Pooling within the actual LGPS Regulations remains limited to one statement in the LGPS (Management and Investment of Funds) Regulations 2016. This is, that the Investment Strategy of an LGPS Fund must include *“the authority's approach to pooling investments, including the use of collective investment vehicles and shared services.”* In reality the present position with Investment Pooling is therefore that while LGPS Funds need to demonstrate commitment to the principle, the actual pooling of particular assets is in essence ultimately voluntary. The extent to which individual LGPS Funds across both England and Wales, and within London itself, have pooled their assets varies enormously. Some Funds have now placed the majority of their assets with their Pool while some have placed very little.

There can be no doubt, however, based on both written statements and speeches made by Civil Servants that Pooling is here to stay and that the DLUHC intend to develop it further. The question is how? The DLUHC will certainly need to think carefully given responses to the Consultation of 2019 and the 2020 Supreme Court case relating to another LGPS issue which resulted in a judgement which included reference to the (limited) extent to which the Secretary of State (DLUHC) can use Statutory Guidance (rather than Regulations) to mandate how LGPS Funds should act.

There have been various suggestions as to the nature of the Consultation that the DLUHC will issue. Particular important themes will be the extent of mandation which could cover a range of issues including the structures and governance of Investment Pools, and possible timescales. One suggestion is that the Consultation might include *“comply or explain”* provisions. Whatever the contents of the Consultation, however, given the broad range of views amongst the 86 LGPS Funds together with the diverse

approach to Pooling that has developed since 2015 there will doubtlessly be a vigorous response from the LGPS community when the Consultation is (finally) issued.

## 5.6 Climate Reporting – Task Force on Climate Related Financial Disclosures Reporting

In 2015 the Financial Stability Board (established in 2009 by the G20 countries) created the Task Force on Climate Related Financial Disclosures (TCFD) to develop consistent climate related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

In 2017 the TCFD published its final recommendations. The Task Force recommendations were structured around four thematic areas that represent core elements of how organisations operate - Governance, Strategy, Risk Management, Metrics and Targets. The 2017 report summarised these as follows

1. **Governance:** *“Disclose the organization’s governance around climate- related risks and opportunities.”*
2. **Strategy:** *“Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.”*
3. **Risk Management:** *“Disclose how the organization identifies, assesses, and manages climate-related risks.”*
4. **Metrics and Targets:** *“Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.”*

In the United Kingdom, the Department for Work and Pensions (DWP) has already consulted upon in January 2021 and issued final Regulations (***The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021***) on TCFD reporting by Private Sector Pension Schemes. These set out how private sector schemes are required to report against the TCFD Framework. These Regulations came into force from 1 October 2021. The DWP Regulations do not apply to the LGPS as the DWP has no role in relation to the Regulations relating to the governance and investment of the LGPS. This responsibility lies with the Department for Levelling Up, Housing & Communities (DLUHC), formerly the Ministry of Housing, Communities & Local Government (MHCLG).

A Consultation to amend the LGPS Regulations to apply Climate/TCFD reporting to Local Government Pension Funds had been expected to be issued by early 2021, in respect of which the Scheme Advisory Board (SAB) had previously made very clear representations to DLUHC in July 2022 (to the then new Secretary of State) requesting that there should be no delay in issuing such a consultation to enable *“the necessary regulations and associated guidance to be introduced by April next year.”*

Furthermore, the SAB considered that urgently issuing a consultation on Climate/TCFD reporting was of far greater importance and priority than a Consultation on Investment Pooling (as referred to in Section 1 of this paper), seeing the LGPS as a whole would be unable to report on climate risks and progress against emissions targets for 2022-23, and that consequently the LGPS as a Scheme could appear, through



absolutely no fault of its own, not to be serious when it comes to Climate/TFCFD reporting. Of course, any such perception would be absolutely and totally erroneous!

This was in stark contrast to the Regulations on Climate/TFCFD reporting which are already in force from 1 October 2021 for Private Sector Pension Schemes with assets over £5bn and which will come into force from 1 October 2022 for Private Sector Pension Schemes with assets over £1bn.

A consultation paper was eventually issued by the DLUHC on 1 September 2022. To summarise it individual Pension Funds such as Barking & Dagenham (known as Administering Authorities (AA's) of which there are 86 in the LGPS), are already required to consider factors that are financially material to the performance of their investments, including environmental, social, and corporate governance considerations. They also must have a policy stating how such considerations will be considered in setting their investment strategies. The aim of the proposals in the consultation are to build on that position by ensuring that the financial risks and opportunities arising specifically from climate change are properly understood and effectively managed by AAs, and that they report transparently on their approach in line with broader UK policy.

It should be noted that this consultation only deals with TFCFD related issues and consequently other matters such Investment Pooling and Levelling Up, will be the subject to further consultations.

The Government's view is that the requirements for the LGPS should set as high a standard as for private schemes. Consequently, they have made the requirements for private schemes the starting point for their proposals but have aimed to take account of the unique features of the LGPS including its local administration and democratic accountability through the AAs.

It is important that the Barking and Dagenham Fund carefully considers and responds as appropriate to the consultation, as the DLUHC have stated to the SAB that the regulatory requirement to report on TFCFD in the context of the LGPS Regulations will lie with individual AA's rather than their Asset Pool. The consultation lasts for 12 weeks from 1 September to 24 November 2022, to which the Investment Fund Manager in liaison with the Independent Advisor will respond to on behalf of the Fund, a copy of which will be circulated to Members of the Committee for noting in due course.

## 5.7 Age Discrimination in the LGPS (commonly referred to as "McCloud")

The Public Service Pensions Act 2013 which reformed all the major public service pension schemes from 2014 or 2015 included provision for protections for older members designed to ensure they would not be worse off as a result of the introduction of the new schemes. In 2018 the Court of Appeal ruled that in the case of the Judges' and Firefighters Pension Schemes this was (age) discriminatory against younger members. In July 2019, the Government confirmed that there would be changes to all public service pension schemes, including the LGPS, to remove this age discrimination. This whole issue is now commonly referred to as "McCloud."

On 16 July 2020, the then MHCLG issued a Consultation called "**Amendments to the statutory underpin**" to address the age discrimination identified in the LGPS. However, given the age discrimination in the LGPS and other public service pension schemes had resulted from the Public Service Pensions Act 2013 there was a need for revision to primary legislation before the LGPS Regulations could be amended. On 11 May 2021,

the Government confirmed that a Public Service Pensions and Judicial Offices Bill would introduce amendments to incorporate the McCloud judgment into public service pension schemes. On 13 May 2021, in a Ministerial Statement, Luke Hall MP, the then Minister of State with responsibility for the LGPS, confirmed that it was intended that these remedial Regulations would come into force on 1 April 2023 but “*will be retrospective to 1<sup>st</sup> April 2014.*” Referring to the Consultation of July 2020 it was confirmed that key elements of this would form changes to the LGPS Regulations which would be made after the Public Service Pensions and Judicial Offices Bill had become an Act.

The Public Service Pensions and Judicial Offices Act came into effect from 10 March 2022. In an update issued by the DLUHC on 27 July 2022 it was stated that “*Later this year*” the DLUHC will publish its formal response to the July 2020 Consultation and also “*an updated version of the draft regulations implementing the McCloud remedy.*” Given that this statement was issued by the DLUHC **after** the appointment of Rt Hon Greg Clark MP as the Secretary of State and Paul Scully MP as the Minister of State responsible for the LGPS it appears that the Consultation response and draft Regulations to remedy McCloud, which had been expected during the calendar year 2022, will still be issued notwithstanding any further changes to the Ministers responsible for the LGPS.

However, there is already clarity regarding the overall nature of the remedy from the Ministerial Statement of 13 May 2021 and a letter issued from the Head of Local Government Pensions at the DLUHC on 22 March 2022 which suggested that for purposes of the 2022 Actuarial Valuations Funds apply the following:

- *It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.*
- *The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).*
- *Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).*
- *Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.*
- *The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.*

The update from the DLUHC on “McCloud” issued on 27 July 2022 provided clear assurance that the Government intends to act in a timely fashion to seek to put in place Regulations and Statutory Guidance to enable the 86 individual LGPS Funds (Administering Authorities) in England and Wales to apply a finalised remedy to the benefit entitlement of individual members of the LGPS. The DLUHC communication of 27 July 2022 included the following: “*Later this year, we intend to publish the*

*Government's response to our 2020 consultation, in which we'll set out our decisions on the matters covered in that consultation...*

*Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in Chapter 3 of Part 1 the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original consultation (for example, compensation and rates of interest). The regulations will be made later in 2023 and will come into force on 1 October 2023. We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.*

*This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage LGPS administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response and will shortly be holding a meeting with software suppliers to discuss the implementation of the McCloud remedy to this timetable."*

In conclusion, there is now clarity as to the remedy for "McCloud" in the context of the LGPS particularly in the light of the enactment of the Public Service Pensions and Judicial Offices Act 2022, and the statements from the DLUHC issued on 22 March 2022 and 27 July 2022. However, for Barking and Dagenham (and every other individual LGPS Fund) there is a huge amount of work to be undertaken, by the Pensions Administration Team, to apply the finalised remedy (when fully issued and known) to the benefit entitlement of individual members of the LGPS.

## **6. Financial Implications**

*Implications completed by: Philip Gregory, Chief Financial Officer*

- 6.1 The Pension Fund is a statutory requirement to provide a defined benefit pension to scheme members. The management of the administration of benefits the Fund is supported and monitored by the Pension Board.

## **7. Legal Implications**

*Implications completed by: Dr. Paul Feild Senior Governance Solicitor*

- 7.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the pension fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

## **8. Consultation**

- 8.1 The Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers. The Finance Director and the Fund's Chair have been informed of the commentary in this report.

### **Background Papers Used in the Preparation of the Report:**

**None**