

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 9 February 2023

Committee:
Pensions Board

Date: Friday, 17 February 2023
Time: 10.00 am
Venue: Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director - Legal and Governance

Members of Pensions Board

Member Representatives

John Hall
Mike Morris
Dave Wright (Chairman)

Employer Representatives

Liz Furey
Clare Charlesworth-Jones
Helen Woodvine

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719 Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies

To receive apologies for absence.

2 Declarations of Conflicts of Interest

Members are reminded that they should declare any interests which may lead to conflicts of interest in the subject area or any specific agenda item of this meeting. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS.

3 Minutes of the previous meeting (Pages 1 - 4)

The Minutes of the meeting held on 14 October 2022 are attached for confirmation.

Contact: Michelle Dulson (01743) 257719

4 Public Question Time

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5pm on Monday 13 February 2023.

5 Administration and Regulatory Updates (Pages 5 - 10)

Report attached.

Contact: Debbie Sharp (01743) 252192

6 Pensions Committee Reports and Feedback

For Board Members to raise any questions following the recent Pensions Committee meeting.

Please click on the link below to access the reports considered by the Pensions Committee at its last meeting on 2 December 2022:

[Agenda for Pensions Committee on Friday, 2nd December, 2022, 10.00 am — Shropshire Council](#)

7 Date of Next Meeting

The next meeting of the Pensions Board will be held at 10.00am on the 28 April 2023.

Future meetings will be held on:

7 July 2023; 13 October 2023; 26 January 2024; and 26 April 2024.

8 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations and Paragraphs 3 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

9 Exempt Minutes (Exempted by Category 3) (Pages 11 - 14)

The Exempt Minutes of the meeting held on the 14 October 2022 are attached for confirmation.

Contact Michelle Dulson (01743) 257719

10 Economic Update (Pages 15 - 22)

Report attached.

Contact: Peter Chadderton 07990 086399

11 Pensions Committee Exempt Reports and Feedback (Exempted by Category 3)

For Board Members to raise any questions following the recent Pensions Committee meeting.

Please click on the link below to access the reports considered by the Pensions Committee at its last meeting on 2 December 2022.

[Agenda for Pensions Committee on Friday, 2nd December, 2022, 10.00 am — Shropshire Council](#)

12 Governance Update (Exempted by Category 3) (Pages 23 - 46)

Report attached.

Contact: Rebecca Clough (01743) 254457

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Committee and Date

Pensions Board

17 February 2023

PENSIONS BOARD

Minutes of the meeting held on 14 October 2022

In the Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

10am – 10:55am

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Member Representatives

John Hall

Dave Wright

Employer Representatives

Liz Furey (virtual)

Clare Charlesworth-Jones

Helen Woodvine

25 Election of Chairman

It was moved, seconded and

RESOLVED:

That Dave Wright be elected Chairman.

26 Apologies

Apologies were received from Mike Morris.

27 Declarations of Conflicts of Interest

No conflicts of interest were declared.

28 Minutes of the previous meeting

RESOLVED:

That the Minutes of the meetings held on 29 April and 8 July 2022 be approved and signed by the Chairman as a correct record.

29 **Public Question Time**

No public questions had been received.

30 **Administration and Regulatory Updates**

The Board received the report of the Pensions Administration Manager – copy attached to the signed Minutes – which provided Members with the latest administration and regulatory updates affecting the Local Government Pensions Scheme since the Administration report provided to Pensions Committee on 16 September 2022 and included any recent updates on any issues raised at that meeting.

The Pensions Administration Manager drew attention to the letter from the Chair of the Scheme Advisory Board (SAB) to the Local Government Minister in relation to amending the regulations on death grants and survivor benefits, set out in Appendix A. She informed the Board that the National Pensions Awareness Campaign would take place between 31 October and 4 November during which time the team had various communications activities planned to try to increase membership.

The Pensions Administration Manager highlighted that two scheme employers were looking to set up Shared Cost Additional Voluntary Contribution options which would lead to some administrative burden for the team however the quantity of this was unknown. She also gave updates on the Pension Regulator's Single Code of Practice, legal support services and the McCloud remedy project.

The Board were informed that the Scheme Employers meeting was due to take place on 23 November 2022 via MS Teams.

In relation to agenda item 11 – Pensions Administration Monitoring Report presented to the Pensions Committee, a query was raised as to whether there was an issue with the current pensions administration system (paragraph 11). In response, the Pensions Administration Manager explained that the current contract was coming to an end in May next year and due to the value of the contract it needed to go through the full procurement process.

RESOLVED:

That the contents of the report be noted.

31 **Pensions Committee Reports and Feedback**

The reports considered by the Pensions Committee at its meeting on 16 September 2022 had been received by the Board.

The Pensions Investment and Responsible Investment Manager introduced himself and explained that he had transferred across from Audit on the 1 October 2022. He reported that there were no issues arising from the audit reports presented to Committee to bring to the Board's attention and that a substantial audit opinion had been given which was the highest opinion that could be given. No significant or fundamental recommendations had been made

In response to a query about whether the council had a process for reviewing auditors, the Pensions Investment and Responsible Investment Manager explained that the Pension Fund used the Council's auditors who were currently Grant Thornton. Appointments were made through the Public Sector Audit Advisory Committee every three years.

A query was raised as to why the management costs were down. In response, the Head of Treasury and Pensions explained that fees were based on the assets under management and some were performance related and as they had not performed as well, that element of the costs were lower. He informed the Board that costs did vary and that some markets had higher fees.

In response to a query in relation to LGPS Central struggling to recruit, the Head of Treasury and Pensions reported that they had recently recruited six new starters, two of whom were fairly senior. However, generally across the industry recruitment and retention was an issue.

32 Date of Next Meeting

The next meeting of the Pensions Board would be held on the 27 January 2023 at 10.00am.

33 Exclusion of Press and Public

RESOLVED:

That in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following items as defined by the categories specified against them.

34 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meetings held on 29 April and 8 July 2022 be approved and signed by the Chairman as a correct record.

35 Pensions Committee Exempt Reports and Feedback (Exempted by Category 3)

The exempt reports considered by the Pensions Committee at its meeting on 16 September 2022 had been received by the Board.

36 Governance Update (Exempted by Category 3)

The Board received the report of the Communications and Governance Team Leader – copy attached to the signed Exempt Minutes – which provided an update on the Breaches of LGPS regulations recorded for the quarter ending 30 June 2022 affecting the Shropshire County Pension Fund. Updates on all other governance issues were also included within the report.

RESOLVED:

That the contents of the report be noted.

Signed (Chairman)

Date:



<u>Committee and date</u> Pensions Board 17 February 2023 10.00am
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<u>Item</u> <u>Public</u>

Administration and regulatory updates

Responsible Officer: Debbie Sharp
Email: Debbie.sharp@shropshire.gov.uk
Tel: (01743) 252192

1. Synopsis

- 1.1. The report provides Pension Board members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).

2. Executive Summary

- 2.1. This report covers the administration and regulatory issues which have arisen since Pensions Committee on the 2 December 2022 and Pensions Board on the 14 October 2022.
- 2.2. Updates have been provided on the fund's McCloud project, the national dashboard programme, the 2022 Actuarial Valuation and a project, currently underway to contact former scheme members who have not yet claimed a refund of their contributions.

3. Recommendations

- 3.1. Pension Board members are asked to note the contents of this report with or without comment.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to, risks to the fund are minimised. A risk register is kept and updated in line with council corporate policy.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

5. Financial Implications

- 5.1. Currently there are no direct financial implications arising from this report.

6. Climate change appraisal

- 6.1. Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

7. Administration and regulatory update

- 7.1. In addition to this report, the Pensions Board are advised to note the pensions administration reports submitted to the Pension Committee on 2 December 2022.

8. Cyber security

- 8.1. The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure they have good cyber security. Shropshire County Pension Fund takes data security very seriously and works closely with Shropshire Council's IT team and any companies providing pensions software to confirm that the systems holding personal data are protected.

9. Communications

- 9.1. The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As of December 2023, a total of 48% active members, 41% of deferred members and 46% of pensioners were registered to view their records on 'My Pension Online'.
- 9.2. Officers are planning the 2023 key communication activities to scheme members and employers including the content for the active, deferred and retired members annual newsletters, and monthly news bulletin items to scheme members and employers.

10. Scheme Advisory Board (SAB)

- 10.1. The SAB met on Monday 5 December 2022, Pension Board members can read a detailed summary of the meeting on the Board updates page of the SAB website:

<https://lgpsboard.org/index.php/about-the-board/prev-meetings>

11. McCloud judgement

- 11.1. The McCloud judgement covers qualifying members of the LGPS to receive an automatic uplift in their benefits in the remedy period of 1 April 2014 to 31 March 2022. On 19 December 2022, a Direction in relation to the Public Service Pensions and Judicial Offices Act 2022 (PSPJOA) was released. The PSPJOA includes retrospective provision to rectify the unlawful discrimination found in the McCloud judgment.

- 11.2. The PSPJOA contains a number of powers allowing LGPS regulations to be made which, subject to some exceptions, require the consent of the Treasury. Part 4 of these Treasury Directions cover the LGPS. Covered in the Act is how compensation may be paid, and the information that must be provided. Key points include:

- Power to pay compensation – restricts the use of compensation to (i) make members no worse off than if discrimination had not occurred, (ii) compensate for any loss
- Compensation losses – covers direct financial loss, overpaid annual/lifetime allowance charge
- Interest – scheme regulations for the LGPS must include provision for calculation and payment of interest on the following basis:
 - Interest on Part 4 tax losses must be calculated in accordance with the Taxes (Interest Rate) Regulations 1989
 - Other interest payable from a person to the scheme is compound
 - Other interest payable from a scheme to a person is simple
- Application for compensation – the member must make an application for compensation in order for it to be paid.

- 11.3. It is expected that a consultation on draft LGPS McCloud regulations will be available early in 2023, including how proposed interest and compensation arrangements will work, however the Government's response to the LGPS McCloud

consultation of 2020 is still outstanding. It is expected that final regulations to implement the McCloud remedy may not be released until Summer 2023, or possibly as late as September 2023. This is a concern for all LGPS funds as it will significantly reduce the time between checking the final requirements laid in the regulations and when they come into effect on the 1 October 2023.

- 11.4. Other developments with the McCloud judgement have been released, affecting some members of the Teachers Pensions Scheme (TPS). The implementation of the McCloud remedy in the TPS means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. The Department for Education (DfE) is in the process of identifying affected members. Officials from DfE will, in some cases, need to confirm the employment status of members during the remedy period with their employer. They planned to have started this process in January 2023 by contacting relevant schools. Affected TPS members are those with a part time employment, in addition to a full-time employment, who are being rolled back into the legacy scheme as part of the McCloud remedy. Officers are unable to quantify the potential impact on the Shropshire fund at this time, until more information is known/released.
- 11.5. The fund has continued its work on the McCloud project since the last meeting including its work with the fund Actuary, Mercer, to data check using a bespoke tool. The tool tests the data held by the fund for reasonableness in order to place employers in three employer categorisation grades which are:
- A) The data passes enough of the tests undertaken so the fund can be satisfied that the data can be used with no further information from the employer at this stage.
 - B) There are a few minor queries/clarifications that need to be raised with the employer in order that the fund can be satisfied that the data can be used.
 - C) The data hasn't passed enough of the tests undertaken and therefore the employer will need to provide the fund with separate data for their members.
- 11.6. Once the initial work on categorisation has been completed, employers will be contacted with a summary of reasonableness tests undertaken by the fund. Employers will be asked to sign a statement to return to the fund as acknowledgement of the work undertaken on behalf of the employer, and with

agreement, where appropriate, to liaising further with the fund on any next steps required.

12. Pensions dashboard

- 12.1. The Pensions Dashboards Regulations came into force on 12 December 2022 and require Public Service Pension Schemes to connect to the initial Dashboard by 30 September 2024. There are many key actions, decisions and unknown information to be finalised both for individual funds and nationally for the LGPS including (but not limited to);
- How the fund will connect to the Dashboard and the costs of an Integrated Service Provider (ISP)
 - The matching criteria and how this will match members who use the Dashboard?
 - The data analysis required
- 12.2. The Pensions Dashboard Programme (PDP) have launched a consultation on revised standards for connecting to the dashboard which will run until 16 February 2023. The Pensions Regulator also published a consultation on their Dashboards compliance and enforcement policy. The draft policy sets out expectations to achieve compliance as well as providing clarity on the approach to enforcement in the event of a breach of legislation. This consultation closes on 24 February 2023.
- 12.3. On 12 December 2022, the Department for Work and Pensions (DWP) published guidance on how to defer connection to pensions dashboards, if needed. Funds must connect to the dashboards by September 2024 but can apply to DWP to defer this in limited circumstances and must apply to do so before 11 December 2023 and the new deadline to connect will be no more than 12 months after the original connection deadline.

13. 2022 Actuarial Valuation

- 13.1. In the last quarter Scheme Employers have been issued with their individual results following the 2022 valuation. An Employers Meeting was held online to discuss the whole fund and individual results. Employers were invited to subsequently book an online one to one meeting with the actuary to discuss their own results. Following the Employer meeting, a consultation on the revised Funding Strategy Statement started and ran until 31 January 2023. Only one response was received. Employers will be reminded in the coming months of their agreed revised contribution rates and asked to ensure

their payroll teams deduct the new employer contribution rate from April 2023 payroll.

14. Frozen refund project

- 14.1. The team are contacting scheme members with historic frozen refunds. These members are not entitled to a benefit in the Fund and didn't claim the refund at the time of leaving the pension fund. There are 441 post 1998 leavers records. Some records the fund has no current address for. The fund will undertake address chasing for these members. The scheme members where an address is held will be contacted first along with the refunds which are accruing interest. Officers plan to stagger the contact over the coming months to ensure that workloads can be managed when the forms are returned for payment and to deal with queries which may arise. This project may increase the number of records the fund has 'gone away' if it established that the address held is not up to date. Again, though address checking will be undertaken with a third party.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Pensions Committee Meeting 2 December 2022 Pensions Administration Report
Pensions Board Meeting 14 October 2022 Administration and Regulatory updates
Cabinet Member (Portfolio Holder) N/A
Local Member N/A
Appendices None

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of the Local Government Act 1972.

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