



<u>Committee and date</u> Pensions Board 23 July 2021 10.00am
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<u>Item</u> Public

Administration and regulatory updates

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1. Summary

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

2. Recommendations

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

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. 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.

3.2. Human Rights Act Appraisal

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

3.3. Environmental Appraisal

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

3.4. Financial Implications

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

3.5. Climate change appraisal

Energy and fuel consumption: No effect

Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

4. Administration and regulatory update

- 4.1. Members are asked to note the contents of the administration reports provided to the Pensions Committee meeting on 25 June 2021. Any further updates to issues raised in that report have been provided in this administration report.

5. Response to consultation on new code of practice by The Pensions Regulator (TPR)

- 5.1. On 4 June 2021, the Scheme Advisory Board's (SAB) Secretariat, in consultation with the Investment, Governance and Engagement Committee, responded to TPR's consultation on a new code of practice on behalf of the SAB. You can access the response on the SAB's website using this link:
<https://www.lgpsboard.org/images/Responses/TPRCCJune2021.pdf>

6. Finance Act 2021 receives Royal Assent on 10 June 2021

- 6.1. The Finance Act gives legal effect to the Government's decision to freeze the lifetime allowance at £1,073,100 for tax years 2021/2022 to 2025/2026, as announced at the last budget. This information will be communicated to scheme members via the fund's website.

7. Treasury launches consultation on cost control mechanism

- 7.1. On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism, alongside a written ministerial statement. The consultation follows a review of the mechanism by GAD, which was published on 15 June 2021.
- 7.2. HM Treasury requested the review amidst concern that the mechanism was not operating in line with its original objectives, in particular that it would only be triggered by extraordinary, unpredictable events. The consultation sets out Treasury's response to GAD's findings and proposes making the following three changes, all of which were recommended in the GAD review.
- Only considering past and future service in the reformed CARE scheme in the mechanism (so, removing any allowance for final salary schemes);
 - Widening the two percent corridor to three percent; and

- Introducing an economic check so that a breach of the mechanism would only be implemented if it would still have occurred had long-term economic assumptions been considered.

7.3. The outcome of the consultation will not impact on the 2016 cost control valuations. The consultation recognises that there are differences between the LGPS and other public service schemes, especially in the way in which employer contributions are set. The Government welcomes views on how the economic check would apply to the LGPS. The consultation does not cover schemes in Northern Ireland, though Treasury welcomes feedback from all stakeholders across all UK public service schemes. The consultation closes at 11.45pm on 19 August 2021.

8. Governance and administration survey

- 8.1. TPR has published the results of the public service governance and administration survey 2020/2021. The entire survey results have not been included as an appendix in this report due to the length of the document, but are available using this link: <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2021.ashx>.
- 8.2. The survey was conducted online between January and March 2021 and included new questions on schemes' response to the COVID-19 pandemic, awareness of the pension's dashboards, and the action taken by local government schemes in relation to climate-related risks and opportunities. SCPF's individual fund response was shared with Pension Board members at the March 2021 meeting.
- 8.3. The results show improvements nationally in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk and it has been commented that scheme governance has generally stood up well given the unique challenges the last year has presented.

9. The pensions dashboards programme

- 9.1. Within the pensions industry, work underway following the legislation to introduce the requirement for UK-based pension providers and schemes (or those operating on their behalf) to supply data to the pensions dashboards program. To support preparations, fund officers have input into a recent 'call for

input' from data providers, which was organised by the Local Government Association. Shropshire Council's IT team were consulted with, to aid the fund's response to the questions raised, with the focus being on data security and IT infrastructure requirements. At present there are still a lot of unknowns for Pension providers around the provision of benefit data to the dashboards and the costs that the Fund will incur to do this. Officers are attending any webinars that the Money and Pension Service run to improve their understanding of the expectations on the Fund by the Government.

10. Employers' meeting 2021

- 10.1. The date for the 2021 employers' meeting has been set as 22 November 2021. This year, due to continued uncertainty with Covid-19 restrictions, it will be held online using Microsoft Teams, unless it is confirmed closer to the time that face to face meetings can be accommodated in a suitable venue.
- 10.2. This meeting is a chance for Fund Employers to catch up on all the latest pension fund news. The fund actuary will also be delivering a presentation on the upcoming 2022 actuarial valuation as well as an update on data and the McCloud project. Feedback from Pension Board members, specifically employer representatives, on the content of this meeting is encouraged.

11. Employers representative vacancy

- 11.1. A vacancy as arisen on the Pensions Board for an employer representative, due to the resignation of Philip Ingle. The recruitment process will be initiated according to the board's terms of reference.

12. Knowledge and skills

- 12.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) framework guidance on the knowledge and skills for individuals involved with LGPS fund management was updated in June 2021. It is understood the principles of this guidance include the need for formal objectives, policies, practices and strategies concerning the knowledge and skills of those responsible for LGPS funds, namely committee members and senior officers.
- 12.2. The Fund accountant is obtaining copies of this latest guidance.
- 12.3. Officers are currently looking into whether the fund requires an e-learning program which would cover the topics of interest to the LGPS and in relation to this guidance. A programme is

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needed to deliver, assess and record training and development to enhance knowledge and skills of members and officers.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 25 June 2021 Pensions Administration Report

Pensions Board Meeting 19 March 2021 Administration and Regulatory updates

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

None