

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
10th March 2022**

REPORT BY: Head of Finance

SUBJECT: Governance and Administration Update

REPORT FOR: Information and approval

1 Introduction

1.1 This report has been produced to provide Committee with an update on Local Government Pension Scheme (LGPS) governance and administration matters and the potential impact of these on the Powys Pension Fund.

1.2 It is provided in addition to and supplements, where appropriate, the executive summary presented by the Powys Pension Board Chair and will provide updates on:

- Scheme Advisory Board (SAB) and the Local Government Association (LGA)
- The Pension Regulator (TPR)
- Update on the Fund's risk register
- Update on the Fund's breaches register

2. LGPS Updates

2.1 Scheme Advisory Board (SAB) Update

The Chair of the SAB sent several letters to the Local Government Minister recently, the first of which recommends an amendment to the LGPS regulations relating to death grants and survivor benefits.

The current regulations restrict death grant payments to cases where the scheme member dies before Age 75, which the SAB feel may be at risk of legal challenge and should be removed.

The others invite the Minister to a future SAB meeting (which has now happened) and ask for an update on the Fair Deal consultation which ran between 10 January and 4 April 2019.

2.2 Chancellor announces the 'Edinburgh Reforms'

On 9 December, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. In the statement, the Chancellor also confirmed that the Government will consult on:

- new guidance to the LGPS on asset pooling in early 2023
- requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy

2.3 SAB Scheme Valuation Report

The SAB is currently planning for the Board's 2022 Scheme Valuation Report. The report is aggregated using data from individual fund valuation reports.

2.4 SAB Statement on Employer Contributions

At the meeting of 10 October 2022, the SAB discussed emerging results from the current round of triennial local fund valuations. The Board asks that administering authorities and other Scheme employers to have regard to the desirability of long-term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position.

The Powys Fund has been in regular contact with the Pension Fund Actuary when considering employer contribution rates.

3. Other Updates

3.1 Pension Dashboards

The Pension Dashboard Regulations 2022

On 21 November 2022, the Department for Work and Pensions made [The Pensions Dashboards Regulations 2022](#). They came into effect on December 12, 2022.

The Regulations set out requirements for relevant occupational pension schemes to connect to pensions dashboards, and what organisations must do to provide a qualifying pensions dashboard service.

The LGA plan to produce guidance for administering authorities in early 2023.

Progress Update Report

On 26 October 2022, the Pensions Dashboards Programme (PDP) published its sixth [progress update report](#), which covers:

- programme activity in the six-month period from April 2022,

- focus areas to April 2023
- updates from PDP's partners: DWP; the Financial Conduct Authority (FCA); and TPR.

The PDP have also published research into the value of that people attach to pension dashboards and their likelihood of using them. More information is available [here](#).

On the 2nd of March, we received notification that the DWP have issued a written ministerial statement announcing delays to the delivery of pensions dashboards. A full version of the statement can be seen [here](#). It is important to acknowledge that this as a delay and not a cancellation to the project, which is extremely complicated. Committee will be provided with regular updates as we receive them.

3.2 Member Survey

The Pensions Section has recently conducted a survey of a portion of the active membership and received a useful number of responses that will help improve the service we provide to scheme members and help us prioritise the communications we send.

The survey was anonymous and asked questions about the online portal, the Pension Fund website, the pension scheme itself amongst other things.

We are pleased with the number of responses and will use the data to help drive various communications exercises.

4. The Pensions Regulator (TPR)

4.1 Pension Dashboards

TPR consultation on dashboard enforcement

On 24 November 2022, the Pensions Regulator (TPR) launched a consultation on its draft dashboards compliance and enforcement policy.

TPR is responsible for ensuring that occupational pension schemes comply with their dashboard duties. The draft policy sets out how it intends to do so. The policy covers:

- the key risk areas it will focus on
- what it expects schemes to do when complying with their dashboard duties
- how it will monitor compliance
- how it will approach non-compliance.

The policy reiterates the powers TPR has to deal with non-compliance. This includes compliance notices and penalty notices. These can also be issued to third parties, such as employers, administrators and Integrated Service Providers (ISPs).

The policy also includes illustrative scenarios, setting out how it may approach particular examples of non-compliance. The consultation closes on 24 February 2023.

4.2 Enforcement and prosecution policies updated

On 25 October 2022, TPR published the following:

- [revised enforcement policy](#)
- [updated prosecution policy](#)
- [new enforcement strategy](#)

TPR guidance will be updated accordingly to reflect the above.

These policies aim to give clarity on what those who are subject to enforcement action can expect from TPR.

The enforcement policy sets out TPR's approach to investigating cases and any subsequent enforcement action. It is web-based and divided into standalone chapters, each with links to other relevant documents. The policy also consolidates previous policies in respect of defined benefit, defined contribution and public service pension schemes.

The prosecution policy explains how TPR will approach prosecuting workplace pension criminal offences. The policy has been brought up to date to reflect the new criminal powers in the Pensions Schemes Act 2021 and other developments.

The enforcement strategy sets out the overarching aims of TPR's enforcement work (excluding automatic enrolment). It also provides an insight into the framework TPR applies when selecting cases for enforcement action.

4.3 Joint regulatory strategy update

On 7 December 2022, TPR and the Financial Conduct Authority (FCA) published an update to their 2018 joint regulatory strategy. The strategy sets out how the two bodies work together to tackle issues in the pensions sector.

The update outlines their progress on the strategy's regulatory objectives and next steps in light of their new respective strategic priorities. The update sets out eight ongoing workstreams covering:

- productive finance
- value for money
- regulatory framework for effective stewardship
- pension scams strategy
- defined benefit (DB) transfer advice
- DB schemes and transfer activity

- pensions dashboards
- supporting consumer decision-making.

4.4 New version of Transfer Guidance

On 12 January 2023, TPR published a new version of the [Dealing with transfer requests guidance](#), with updates made to the 'Direct members to mandatory guidance from MoneyHelper' section, which is helpful to the administration team.

The guidance assists pension schemes when applying the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

5 Risk Register

5.1 Committee will recall some recent discussions on the Risk Register, in that it has grown over time as the number of identifiable risks increase.

Work has been undertaken which has consolidated the risks into three separate categories, with the appropriate risks listed in each of those categories:

- Administration
- Governance
- Investment

It is felt that this will make the risk register easier to review and monitor as is attached as an appendix to this report for your review.

The Pension Board considered the Governance pillar of the Risk Register in detail at a meeting on the 21st of November 2022 which was then presented to Committee at the meeting on the 16th of December 2022, where the recommended updates were approved. Work has now been completed on the amendments however the following risks have been left separate, as it is felt they do identify individual and specific risks that should maintain their own monitoring and review.

- GOVERN0005, GOVERN0006 and GOVERN0007
- GOVERN0012 and GOVERN0014

The Pension Board are looking to meet again soon to consider the Investment risk register in more detail.

6 Breaches Register

6.1 Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Pensions Regulator Code of Practice no 14, published in April 2015, paragraphs 241 to 275 provides guidance on reporting these breaches.

Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

6.2 The latest version of the breaches register is attached, for information.

No new recordable or reportable breaches have been added since the last meeting, although we are working with the Pension Board on the process for monitoring Employer Contribution returns. Any developments will be reported to the Committee accordingly.

7 Recommendation

7.1 To note the contents of this report and approve the updated Governance risk register.

Recommendation:		Reason for Recommendation:	
To note the content of the report and approve the amendments to the Governance Risk Register		As per the report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
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Relevant Portfolio Member(s):	Councillor David Thomas
Relevant Local Member(s):	