

CYNGOR SIR POWYS COUNTY COUNCIL

**Powys Pension Board
29th September 2023**

REPORT BY: Board Secretary

SUBJECT: Legislation and Guidance Update

REPORT FOR: Information

1. Summary

Since the last Pension Board meeting, the LGA have published Bulletins 238 - 241, which contain important updates for administering authorities and scheme employers. It also provides a general update for all LGPS stakeholders.

This report provides the Board with an update on any new legislative changes and guidance that has been issued recently, including the above.

2. Scheme Advisory Board Updates

2.1 This section provides an update on the Scheme Advisory Board (SAB) notifications within the above bulletins.

2.2 2022 Scheme Annual Report

The Board published its latest Annual Report on the 26th of June 2023.

The report combines the information from 86 Pension Fund Annual Reports at the 31st of March 2022.

Some highlights from the report include:

- Total membership of the scheme increased by 2.6% to 6.39 million members (from 6.23 million in 2021)
- Total LGPS assets increased to £369 billion (an increase of 7.8%)
- local authority returns on investment over 2021/22 was 8.1 per cent, compared to UK CPI year on year inflation of 8.8 per cent (September to September)
- Scheme remains cashflow positive (including investment return)
- 1.95 million pensioners paid

- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

2.3 Review of Annual Report Guidance

The SAB has identified several areas in the CIPFA 2019 guidance on producing the annual report guidance. The aim is to streamline the guidance and reduce duplication with other reporting requirements.

An area identified for improvement is on how funds should report and categorise assets.

The administration KPI's are also under review to help standardise reporting and benchmarking.

The aim is to have the guidance in place for the 2023/24 reporting period.

2.4 SAB Responds to Cost Management Consultation

On 6 March 2023, the SAB responded to the consultation on changes to their cost management process. The response is generally supportive of the Department for Levelling Up, Housing and Communities' (DLUHC) approach.

2.5 2022 Scheme Valuation Report

The SAB published the 2022 Scheme valuation report on the 10th of August. The report is drawn from the local fund valuation reports.

Some highlights include:

- the average funding level has improved from 98 per cent in 2019 to 107 percent in 2022 (on local funding bases) – all fund valuation reports show an improvement since 2019
- the average contribution rate to meet future service costs rose from 18.6 percent of payroll in 2019 to 19.8 per cent of payroll in 2022
- overall contribution rates fell from 22.9 percent of payroll in 2019 to 21.1 percent of payroll in 2022 – this reflects lower deficit contributions
- employee contribution rates marginally increased from 6.5 percent of pay to 6.6 percent.

3. LGPS Updates

3.1 DLUHC consultation on investment reforms

The Chancellor recently announced some reforms to pension investments and a consultation was opened.

The consultation seeks views on proposals in five areas:

- **Pooling:** a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- **Levelling up:** requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- **Private equity:** an ambition to increase investment into high growth companies via unlisted equity
- **Investment consultants:** regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
- **Definition of investments:** a technical change to the definition in the LGPS Investment Regulations 2016.

The consultation will close on 2 October 2023. The SAB will respond to the consultation and publish a draft response and information about its discussions in due course. The Fund will also produce a response, which will be shared with Board in due course.

3.2 McCloud

On 8 September 2023, the Department for Levelling Up Housing and Communities (DLUHC) laid [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#) which take effect from 1st October 2023. It also published updated versions of the member factsheet. You can view these documents on the McCloud remedy section of the [GOV.UK website](#).

The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations take effect from 1 October 2023.

The Pensions Section is working on the McCloud data collection exercise with employers. It also updating internal worksheets to incorporate the appropriate McCloud checks and training staff on the process.

4. The Pensions Regulator (TPR)

4.1 2022/23 Annual Report and Accounts

On 13 July 2023, TPR published its Annual Report and accounts for 2022/23.

4.2 Blog on Environmental, Social and Governance (ESG)

On 17 May 2023, the Pensions Regulator (TPR) published a blog on why ignoring environmental, social and governance (ESG) factors is no longer an option for trustees.

The blog discusses developments in government policy, increased regulations, industry initiatives and greater industry awareness of the implications for life.

4.3 Blog on refreshed guidance for trustees

On 10 May 2023, TPR published a blog on refreshed guidance for trustees in challenging times.

TPR have refreshed their guidance to support trustees dealing with employer stress or distress during economic challenges. They urge trustees to revisit this guidance, and, where appropriate, take action and engage with TPR at an early stage.

4.4 TPR responds to dashboard delay

TPR has an expectation that administering authorities continue to prepare for dashboards. Administering authorities should continue engaging with parties who are supporting them with their dashboard duties. This may include third-party administrators (if appropriate), software/ISP providers, employers, AVC providers.

They should:

- assess the potential impact of these changes on their fund and to agree a practical delivery plan
- continue activity on getting to grips with members' data, and
- avoid competing demands on capacity and other resources.

These expectations are reinforced in TPR's new dashboards content toolkit published on 14 June 2023. The toolkit contains key messages for administering authorities.

The Fund is continuing to work with the Pensions Administration software providers to ensure it is ready for pension dashboard integration. The Fund also has a data improvement plan in place.

5. Pension dashboards

The [Pensions Dashboard Programme](#) (PDP) regularly publishes a newsletter which includes updates on:

- their new connection hub, which provides useful resources and information to prepare for connection to the ecosystem
- their pensions dashboards myth busting video
- understanding the dashboards available

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023 [SI2023/858]. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

Staging dates – TPR expectations

TPR has updated its 'Failing to comply with dashboards duties' guidance. The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. The staging timetable will be set out in connection guidance.

TPR expects schemes to do the following to show that they have regard to the connection guidance:

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.
- A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach of legislation.

Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. Amongst other considerations, this means that scheme managers:

- should not make decisions about connection until they have engaged with the guidance
- must be able to demonstrate that they have adequate governance and processes for making such decisions. The reasoning for the decisions should be clearly considered and documented, as should how relevant risks are identified, evaluated and managed
- should make sure that they have access to all the relevant information before making decisions and acting on them. This includes engaging with those who are supporting them to develop a practical delivery plan. Clear and accurate audit trails need to be kept to demonstrate the decisions made, the reasons for them and the actions taken

The administration team are currently working on assessing the quality of the data required for the pension dashboard exercise and the initial results demonstrate that the data is of a very high quality.

Nevertheless, work will continue on data cleansing ahead of the eventual live launch.

6. Recommendation

Board are asked to note the contents of this report.