

CYNGOR SIR POWYS COUNTY COUNCIL

**Powys Pension Board
9th February 2024**

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 244, 245 and 246, which contain important updates for administering authorities and scheme employers. It also provides a general update for all LGPS stakeholders.

They have also produced some new McCloud and Pension dashboard information for administering authorities to use, as required.

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 (SAB) Updates

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

2.2 DLUHC publishes response on investment reforms

On 22 November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its [response](#) to the consultation on investment reforms.

Whilst the response largely adopts the proposals within the original consultation, the government will now implement ways to accelerate and expand pooling with a view to increase investment in levelling up and private equity. It will aim to do this by:

- setting out in revised investment strategy statement (ISS) guidance where funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool

management and not pooled and the rationale, value for money and date for review if not pooled.

- issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- issuing revised guidance on annual reports to include:
 - a standard asset allocation and the proportion of assets pooled
 - a comparison between actual and strategic asset allocation
 - net savings from pooling
 - net returns for each asset class against their chosen benchmark.
- making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
- issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity.

2.3 SAB issues statement on surpluses

On 20 December 2023, the SAB [issued a statement](#) on funding surpluses.

Key points:

- Funding levels across the LGPS increased at the 2022 valuation and subsequent market movements have led to some funds experiencing further improvements
- LGPS regulations emphasise the desirability of stability in primary contributions for employers
- Funds should carefully consider their approach to employer-specific investment and funding strategies and take professional advice as needed.
- Clear communication with employers about the impact (or lack of impact) of funding improvements is key – as well as the potential longevity of those improvements
- Funds should have a clear rationale and be able to explain their approach to setting secondary contributions and how employers' covenant positions have been recognised
- Employer flexibilities regulations, statutory guidance and the SAB's guide are clear on the circumstances in which mid-cycle reviews of employer contributions are appropriate

The Fund has an [Employer Policy](#), which addresses much of the above, but we will review to ensure it remains appropriate.

2.4 Website

The SAB [website](#) provides more information on the Board's work and meeting agendas/papers.

3. LGPS Updates

3.1 New Minister for LGPS

On 13th of November 2023, the LGPS had a new minister appointed (Simon Hoare MP), who takes responsibility for the scheme.

3.2 McCloud

Update on Transfers

Certain cases have been on hold since the LGPS regulations were amended to implement the McCloud remedy from 1 October 2023. The publication of the Individual Incoming & Outgoing Transfers guidance means that administering authorities have the information needed to process certain transfers.

It is understood that conversations with software suppliers about system updates to reflect the new calculations are ongoing. We will need to consider running manual calculations in urgent cases to ensure any statutory deadlines are met.

The LGA are currently investigating the possibility of producing a spreadsheet administering authorities can use to calculate the McCloud element of non-Club transfer values.

There are also some outstanding queries outstanding regarding deferred refunds, so we await further guidance on this.

McCloud technical guide for administrators

On 15 November 2023, the LGA emailed administering authorities letting them know they have published the first instalment of the McCloud technical guide for administrators.

The guide explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.

The LGA are releasing the guide in instalments due to the breadth and complexity of the McCloud remedy project and because there is outstanding guidance needed in some areas. The first instalment includes an overview, which pension accounts qualify for underpin protection, as well as how to perform provisional and final underpin calculations.

3.3 2024/25 employee contribution bands

The table below sets out the new employee contribution bands applicable from 1st April 2024. These are calculated by increasing the 2023/24 employee contribution bands by the September 2023 CPI figure of 6.7 percent and then rounding down the result to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £17,600	5.50%	2.75%
2	£17,601 to £27,600	5.80%	2.90%
3	£27,601 to £44,900	6.50%	3.25%
4	£44,901 to £56,800	6.80%	3.40%
5	£56,801 to £79,700	8.50%	4.25%
6	£79,701 to £112,900	9.90%	4.95%
7	£112,901 to £133,100	10.50%	5.25%
8	£133,101 to £199,700	11.40%	5.70%
9	£199,701 or more	12.50%	6.25%

4. The Pensions Regulator (TPR)

4.1 Governance and administration Survey 2022-23 results

TPR published the results of its [survey on governance and administration practices](#) among public service pension schemes on 27 November 2023.

The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes, of which the Powys Pension Fund was one.

The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities.

4.2 Cyber security guidance

The Pensions Regulator (TPR) has revised its [cyber security guidance](#).

The guidance helps trustees and pension scheme managers meet their duties to assess the risk, ensure controls are in place, and respond to incidents.

For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.

There is a significant focus on cyber security within the TPR General Code of Practice, which the Fund is in the process of reviewing.

5. Pensions Dashboards Programme (PDP)

On 1 November 2023, PDP published its [November](#) newsletter.

The newsletter also includes links to:

- PDP's eighth progress update report
- common questions on dashboards
- the Pensions Regulator's blog on preparing for dashboards

Blog on recent queries

On 30 November 2023, the PDP published a [blog](#) covering the following recent queries they have received:

- When do PDP expect to publish dashboard standards?
- What are the different types of testing?
- When will the dashboards available point be?

PASA dashboard guidance

The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready [Guidance](#) and a ['Call to Action'](#).

The guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.

The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards.

PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.

6. Recommendation

Board are asked to note the contents of this report.