

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
9th October 2020**

REPORT BY: Head of Finance

SUBJECT: Governance and Administration Update

REPORT FOR: Information

1 Introduction

- 1.1 This report has been produced to provide Committee with an update on the 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
 - Updates on the Fund's breaches register

2 Fund Governance and Administration

2.1 SAB/LGA Update

2.2 **COVID-19.** Welsh life assurance scheme. Further information is now available on the NHS and Social Care Coronavirus Life Assurance Scheme 2020 Wales. The scheme will cover front-line health and social care workers who provide treatment, care and other related services directly to those suffering from the disease. The Welsh Government will pay a lump sum of £60,000 in respect of the death of NHS and social care staff if Welsh Ministers conclude the person's death was caused by the virus. The lump sum will be paid in addition to any pension scheme death benefit that also becomes payable.

2.3 Cost Transparency Initiative launches additional tools.

A year ago, the Cost Transparency Initiative (CTI) published a framework of tools and guidance to help institutional investors better understand their investment costs. The CTI framework is a partnership initiative between the Pensions and Lifetime Savings Association, the Investment Association and the SAB. On 19 June 2020, the CTI

launched [additional resources](#) and encouraged remaining schemes and asset managers to adopt the standards.

2.4 **SAB statement on local pension board meeting cancellations.**

It has come to the attention of the SAB that some administering authorities have cancelled meetings of their local pension boards during the COVID-19 emergency.

Having taken legal advice, the SAB is satisfied that:

- arranging a virtual meeting of a local pension board would facilitate the discharge of a local pension board's duty to conduct business during the emergency, and
- a local pension board therefore has the power to hold virtual meetings by virtue of regulation 106(8) of the LGPS Regulations 2013.

A local pension board's terms of reference may already allow virtual meetings. If they do not, the SAB recommends amending them to allow virtual meetings in emergency situations.

You can read the full SAB [statement](#) on virtual local pension board meetings on the SAB website <http://www.lgpsboard.org>.

2.5 **McCloud**

On 8 July 2020, the LGA contacted all administering authorities in England, Wales and Scotland to ask them to complete a short survey about the working hours and service break data they have collected since 1 April 2014 (2015 in Scotland).

McCloud data collection.

Administering authorities that have not collected working hours and details of service breaks for all members since 1 April 2014 (2015 in Scotland and Northern Ireland) will need to collect historical data to implement the McCloud remedy for members in scope of protection.

The McCloud implementation group has produced a collection of documents to assist administering authorities with the process of collecting the historical data they will need to calculate the statutory underpin. The following new documents can be found on the www.lgpsregs.org website:

- guidance for administrators
- standard data collection template
- notes to accompany the standard data collection template
- key messages for employers
- Q&As for employers

The SAB recommends that the standard data collection template and notes are used by all administering authorities that need to collect historic data.

SAB summary of MHCLG McCloud remedy consultation.

On 16 July 2020, MHCLG published a consultation on [amendments to the statutory underpin](#). The amendments are designed to remove age discrimination from the LGPS. You can read a summary of the consultation proposals on the [McCloud page](#) of www.lgpsboard.org.

MHCLG consultation on amendments to the statutory underpin.

MHCLG has published a consultation on amendments to the statutory underpin. The consultation seeks views on proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination identified in the McCloud judgment.

In summary, the consultation proposes that:

- members who were active in the 2008 Scheme on 31 March 2012 who joined the 2014 Scheme and do not have a disqualifying break will be covered by underpin protection
- members do not need to have an immediate entitlement to benefits when they leave the Scheme to qualify for underpin protection
- underpin protection will take account of early and late payment actuarial adjustments
- information about the impact of the underpin must be included in annual benefit statements.

Other proposals clarify how the underpin affects the calculation of survivor benefits, transfer values and trivial commutation payments.

The 12-week consultation will close on 8 October 2020. For your information, a combined response from the Welsh Pensions Officer Group, which represents all the LGPS Pension Funds in Wales, will be submitted.

SAB will be submitting a technical response to the MHCLG consultation. This will include representations to allow the LGPS regulations to be on the statute book ahead of those of the unfunded public service pension schemes, where the coming into force date is expected to be Spring 2022. LGPS remedy regulations will not have to wait for changes in primary legislation so different timescales should be possible. Getting LGPS McCloud regulations in place sooner will give all parties more opportunity to put processes in place before they come into effect in 2022. The Board also agreed that work should commence on central guidance on how the regulations are to be applied and how individual cases of poor or missing member data should be handled.

2.6 £95,000 Cap

Regulations for capping public sector exit payments were published on 21 July 2020. A technical response to the MHCLG consultation will be produced to ensure that the draft regulations accurately reflect the policy as set out in the consultation document.

2.7 **Good Governance Project**

Hymans Robertson have outlined the work the project team has undertaken during the COVID-19 emergency. Draft papers on how the recommendations set out in the Phase II report are to be implemented, will be completed by the end of September 2020. The Board will consider these drafts when it meets on the 2 November 2020. If approved, the Board will then consider the process and timing of implementation.

2.8 **LGPS England and Wales Update**

Actuarial valuation of the LGPS 2016 published

The Government Actuary's Department (GAD) is undertaking an [actuarial valuation of the LGPS as at 31 March 2016](#) as part of the cost control process. This work was on hold because of the changes to the scheme in response to the McCloud judgment.

Employer cost cap process

Alongside the Public service pension schemes consultation, the Government made an announcement on the cost control mechanism that applies to all public service pension schemes. The announcement confirms that:

- the cost control mechanism pause will be lifted, and the cost control element of the 2016 valuations process will be completed
- the cost of addressing the discrimination identified in the McCloud judgment will be included in this process.

GAD issued a Technical [bulletin](#) on public service pensions on 16 July 2020 which summarises:

- the introduction of transitional protections when public service pension schemes were reformed in 2015
- proposals to remove the age discrimination
- the differences between immediate choice and deferred choice
- technical issues that need to be considered when implementing the remedy
- tax implications that may result from members changing scheme
- lifting the pause in the cost control mechanism.

Review of employer contributions and flexibility on exit payments

On 26 August 2020, MHCLG published a second [partial response](#) to the Local valuation cycle and the management of employer risk consultation that was issued in May 2019.

The response confirms that the LGPS 2013 Regulations will be amended to allow greater flexibility on employer exit payments and the ability to review employer contributions between valuations. The LGPS (Amendment) (No.2) Regulations 2020 provide for the changes and were laid on 27 August 2020. They come into effect from 23 September 2020.

A further response will be made by MHCLG in relation to the other proposals in the consultation (changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales) in due course.

2.9 The Pension Regulator Updates

The Pensions Regulator (TPR) has given [guidance](#) to help pension schemes and their employers cope with the impact of COVID-19. The guidance contains various easements, most of which were set to remain until 30 June 2020, such as TPR taking a more flexible approach to what they expect schemes to report. On 16 June 2020, TPR published updated versions, alongside a [press release](#) summarising the changes.

2.10 Adapted version of transfer warning letter for LGPS now available

TPR's guidance on [communicating to members](#) during the COVID-19 pandemic includes a request for pension managers to issue a transfer warning letter to members applying for a cash equivalent transfer value (CETV) quote from a defined 12 benefits (DB) to a defined contributions (DC) scheme. The original letter, jointly prepared by TPR, the Financial Conduct Authority (FCA) and the Money and Pension Advice Service (MaPS), contains references to the Pension Protection Fund and is not suitable for use by the LGPS. TPR has now supplied a version of the transfer warning letter suitable for public sector schemes. TPR has asked that the letter is issued to all members requesting a CETV quote to a DC scheme for the foreseeable future.

2.11 TPR publishes Annual Report and Accounts 2019/20

On 16 July 2020, TPR [published its Annual Report and Accounts](#) for 2019/20.

2.12 2019/20 Scheme return

TPR has advised that the warmup email for the 2019/20 scheme return will be issued in the next few weeks.

3 Risk Register

3.1 The latest Risk register is enclosed for Committee's review.

4 Breaches Register

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

No new recordable or reportable breaches have been added since the last meeting. There has been a small increase in the number of unpaid frozen refunds. Work is continuing on actively locating these members and some payments have now been made.

5 Recommendation

5.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none">To note the update and raise any points of discussion or concerns to ensure that the Fund continues to focus on high standards of governance.		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Cllr Aled Davies
Relevant Local Member(s):	N/A