

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
7th October 2021**

REPORT BY: Head of Finance

SUBJECT: Governance and Administration Update

REPORT FOR: Information and Decision

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. Key points for information

2.1 SAB no longer collecting death data

The SAB for England and Wales has stopped collecting data from administering authorities, with effect from April 2021 onwards.

SAB collected pensioner death data from February 2020 to March 2021 to help understand the impact of COVID-19 on the LGPS. SAB has published a summary of the data on their [Covid-19 Mortality](#) page on the Board's website

2.2 SAB responds to HMT consultation on the cost control mechanism

The Scheme Advisory Board (England and Wales) has responded to HMT's Public service pensions: cost control mechanism consultation. In the response SAB states that:

- the SAB operates a separate cost management process that already functions as an ‘economic check’
- including only reformed scheme costs will be difficult to achieve in the LGPS because the underpin relates to the legacy scheme but will increase the reformed scheme benefits of some members
- widening the corridor to 3 per cent would mean that scheme changes would be more significant if there is a breach
- the SCAPE discount rate as an economic measure is not appropriate for the LGPS and that a measure that takes into account actual discount rates in operation would be more appropriate.

3. Other Updates

3.1 Pensions dashboards update

The latest developments with regards to Pensions Dashboards Programme are published on the Pensions Dashboard [website](#).

Some of the recent announcements and publications include:

- [seven major data providers signed up for initial testing phase](#)
- Pensions dashboards [blogs](#) covering early connection and how pensions dashboards fit into the wider MaPS vision of improving understanding and outcomes.

4. The Pensions Regulator (TPR)

4.1 Automatic enrolment detailed guidance

Since the last meeting and the subsequent information on automatic enrolment that was shared, TPR have updated the [Automatic enrolment guidance](#). The guidance has been updated to remove:

- out of date content relating to an employer's staging date
- the effect on the qualifying person exception as a result of the changes to the cross-border pension requirements following the UK's exit from the EU.

4.2 Climate-risk reporting guidance consultation

On 5 July 2021, TPR launched a consultation on climate-risk reporting guidance. The guidance is aimed at pension schemes who will be required to meet the new climate-risk reporting regulations.

The guidance describes what schemes need to do and report on to comply. Though the regulations do not apply to the LGPS, the guidance says that:

“decision makers at Local Government Pension Schemes, may wish to follow this guidance to improve the governance and resilience of their schemes in relation to climate change.”

4.3 Governance and Administration Survey 2020–21 results

On 1st July 2021, TPR published the [results from the Public Service Pension Scheme Governance and Administration Survey 2020-21](#).

The survey found little change since 2019 for the key processes that TPR monitors as key indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme
- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law

The results also show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time.

4.4 TPR issue interim response to new code of practice consultation

The Pensions Regulator (TPR) has published an [interim response](#) to the new code of practice consultation. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 in the new code.

4.5 Scheme return

TPR is sending out scheme return notices to managers of public service pension schemes in September. This has now been received and the return will be completed and returned in early November.

5 Risk Register

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

5.2 The Local Pension Board scrutinised the risk register at the meeting of the 24th September 2021 and recommended that the comments in the "Further Actions/Controls" column were updated for the following risks:

PEN020, PEN021, PEN022, PEN023, PEN024, PEN025, PEN027, PEN028.

5.3 The Board have also recommended that new risks be added to the risk register in respect of:

- an increase in potential flight risk of staff linked to increased remote working

- that appropriate scrutiny is placed any procurement exercises that the fund undertakes. These have been added as risks PEN038 and 039 for consideration accordingly.

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 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. 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.

7 Recommendation

7.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the content and update the risk register as per the report.		As per the report and acknowledgement of new identified risks.	
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 Aled Davies
Relevant Local Member(s):	