

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
11th March 2022**

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. Key points for information

2.1 Section 13 Report

In December the Department for Levelling Up, Housing and Communities (DLUHC) published the Government Actuary's Department (GAD) [report on the 2019 valuation](#). This report is a requirement set out by section 13 of the Public Service Pensions Act 2013.

The main findings can be summarised as follows:

- Compliance – the valuations were compliant with the regulations
- Consistency - funds implemented GAD's 2016 recommendation to provide a standard dashboard to aid readers when comparing of results for different funds. However, differences in actuarial methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency - the size of pension funds has grown considerably more than local authority budgets since 2016, so there's an

increased risk of strain on employers from any future funding changes

- Long-term cost efficiency - where relevant, funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four funds where they have concerns around the potential trajectory of employer contributions and the implications for taxpayers.

GAD's recommendations for funds for the SAB to consider during the local valuations in 2022, include:

- improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements and setting employer contributions for new academies
- ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan
- continue with ongoing improvements on transparency through an expanded valuation dashboard
- review the governance around asset transfer arrangements from local authorities.

The report also raises "flags" where it is identified that a fund sits outside certain tolerances, which may require action. The Powys Pension Fund received no flags.

2.2 Salary Sacrifice AVC Arrangements

The Local Government Association have published a [guidance note](#) to help administering authorities and employers through the process of setting up the above, which are becoming an increasingly popular employee benefit with employers.

2.3 "Nudge" Consultation

The Department for Work and Pensions (DWP) responded to the consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament [the Occupational and Personal Pension Schemes \(Disclosure of Information\) \(Requirements to Refer Members to Guidance etc\) \(Amendment\) Regulations 2022](#). The regulations come into force on 1 June 2022 and apply to England, Scotland and Wales.

The regulations require administrators of occupational pension schemes, which included the LGPS, to give to their members, in certain cases, a "nudge" to Pension Wise guidance.

Administering authorities will need to give the nudge where it receives an application, or a communication in relation to an application, from a scheme member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The regulations also

apply to applications from members aged 50 or over to transfer out their AVCs.

This means that, as part of the process, administering authorities must:

- offer to book a Pension Wise appointment on behalf of the member
- where the member accepts, take reasonable steps to book the appointment
- where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, give details to the member of how to book an appointment themselves
- explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
- explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority. The member may only give the notification in a separate communication made solely for that purpose (such as a separate phone call, or separate digital / postal form).

Administering authorities must keep a record of whether, in respect of an application, the member attended a Pension Wise appointment or opted out of attending one. The authority will also need to keep other records where the member was allowed to opt out in a communication which was not for that sole purpose.

The Pensions Regulator is expected to provide guidance to help schemes prepare for the changes.

It is unknown at this stage what resource implications this may have on the administration team.

3. Other Updates

3.1 Pension Dashboards

On 31st January, the DWP launched a [consultation](#) on the draft [Pension Dashboard Regulations 2022](#).

The purpose of this consultation is to seek views on a range of policy questions relating to the creation of pensions dashboards.

Committee will already be aware, but it is the intention of the Government for Pensions dashboards to be an online platform, providing one place for individuals to access pensions information from multiple sources.

It is expected that Public Service Pension Schemes will have to interact with the dashboards before April 2024 and schemes must be prepared to match data with member requests and provide specified pensions information, some of which goes beyond existing disclosure requirements.

The Pensions Administration Standards Association (PASA) has published some [initial guidance](#) on data matching conventions that schemes should consider ahead of the upcoming pension dashboard legislation.

Administering authorities should review the accuracy of personal data held for active and deferred members to ensure the dashboards are a success. The data quality of the Powys Pension Fund is usually of a high quality and carries out an annual data quality testing exercise and has a published [data improvement plan](#) to ensure that its data remains of the appropriate standard.

4. The Pensions Regulator

4.1 “Looking ahead” blog published

On the 24th of January the TPR [published a blog](#) to set out what TPR think 2022 will bring to workplace pensions and their plans for the year.

5 Risk Register

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

5.2 The Pension Fund Manager met with the Council’s Strategic and Risk Planning Team in February to review the current risk register, with a view to consolidating risks where appropriate. Work continues on this and a revised risk register will be presented to Committee in the near future.

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 of the report.		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 Aled Davies
Relevant Local Member(s):	