

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
15th July 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 Scheme Advisory Board (SAB) Annual Report

On the 13th of June 2022, the SAB have published the latest [Scheme Annual Report 2021](#) for the Local Government Pensions Scheme in England and Wales.

Some key LGPS highlights for 2021 are:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226m members in 2021 from 6.160m in 2020
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%

- The scheme maintained a positive cash-flow position overall, including investment income
- Over 1.8m pensioners were paid over the year
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

More detail can be found withing the report, available at the hyperlink above.

2.2 DHLUC Levelling Up White Paper

On the 2nd of February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the Levelling Up White Paper which makes reference to the Government's intention to ask LGPS pension funds to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas (UK projects, rather than local to the Administering Authority).

2.3 Letter from Prudential on administration delays for the LGPS

The LGPS has been experiencing some administrative delays from the Prudential with regards to Additional Voluntary Contributions, who have formally acknowledged the issue and provided the [response](#) attached to this report as an Appendix.

2.4 Updated guidance on “Nudge” Consultation

TPR has updated its [guidance](#) on communicating and reporting to reflect the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer members to Guidance etc) (Amendment) Regulations. The regulations came into force on 1 June 2022.

The Local Government Association (LGS) have also produced some [guidance](#) to assist administering authorities in processing the requests and how to refer members to AVC Wise.

In brief

The “Nudge” Regulations affect LGPS members when they apply, or contact about applying, to take payment of or transfer their Additional Voluntary Contributions (AVC). The requirement to refer AVC members to Pension Wise:

- applies to applications received on or after 1 June 2022
- applies to all applications to take payment of AVCs in the LGPS
- replaces the requirement to signpost members to Pension Wise where it applies
- only applies to transfers where the member is 50 or over and transferring their AVCs to access them in another defined contribution scheme

Referring to Pension Wise

Administrators must:

- offer to book a Pension Wise appointment at a time and date and of a type that is suitable for the member. They can attend an online, face to face or telephone appointment
- where the member accepts the offer, take reasonable steps to book the appointment
- provide the telephone number and website address for Pension Wise so the member can book the appointment themselves if they want to
- explain their application cannot proceed unless you receive confirmation that they have received guidance or they opt out of receiving guidance
- explain how the member can opt out of receiving guidance.

2.5 Finance Act 2022

The Finance Act received Royal Assent on the 24th of February 2022. Clauses 9 (Annual allowance deadlines), 10 (Normal minimum pensions age increase from 55 to 57 from 6th April 2028) and 11 (Power to change tax rules related to McCloud remedy) are relevant to the LGPS.

It is the LGA's view that Clause 10 does not trigger Regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which requires schemes to tell members about material alterations to basic scheme information.

This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the normal minimum pension age. The relevant government department will need to change the LGPS rules to align with the normal minimum pension age at some point on or before 6 April 2028. When the LGPS rules change, regulation 8 will then be triggered.

2.6 State Pension Age Review

Under the Pensions Act 2014, must review the State Pension Age every 6 years. The report for the next review must be published by 7th May 2023 and on the 9th of February 2022, DWP launched a call for evidence to gather views from members of the public on several points, including:

- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for taking into account differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age

2.7 LGPS Investments in Russia

On 4 March 2022, the SAB published information on Russian sanctions and divestment. This follows the coming into force of The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 on 1 March 2022.

On 9 March 2022, DLUHC sent a letter to all LGPS Committee Chairs, copying in the Chair of the SAB. It urges all parties to keep up to date with the list of Russian sanctions.

The information from the SAB and the letter from DLUHC can be found on the SAB's Boycotts Divestment and Sanctions [webpage](#).

On 4 March 2022, TPR published [guidance](#) for trustees regarding the conflict in Ukraine, which outlines TPR's expectations and areas for consideration.

The [WPP](#) and [Powys Pension Fund](#) have issued statements on the conflict in Ukraine and Russian investments.

3. Other Updates

3.1 Pension Dashboards

Work continues on the [Pension Dashboards Programme](#) and it is expected that the LGPS will have to interact with the dashboard ecosystem between October 2023 and April 2024.

It is not yet clear what resource and financial implications this will have for the Fund, but data will have to be accurate to ensure that the experience for the member is useful.

There will be a reliance on the administration software providers to help facilitate this project, so we wait to see what that will mean in practical terms for the Powys Fund.

It is imperative that data security is appropriately tested and that a digital ID is secure, since once logged in, a member will have access to pensions data from multiple sources increasing the potential for pension scams and other cyber risks.

3.2 Valuation

Work is also progressing on the triennial valuation. Officers of the Fund have met several times with the actuary to discuss appropriate assumptions, data and a timeline.

The Fund submitted data to the actuary on the 5th of July, who will then commence work on the valuation itself. Data queries will be exchanged between the fund and the actuary over the summer with a view to having an interim set of valuation results before the end of the year, which will be presented to Committee once available.

The actuary will then produce a valuation report and the Rates and Adjustments Certificate, as required under the LGPS regulations by 31 March 2023 with the new employer contribution rates taking effect from 1 April 2023.

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 Committee may recall some recent discussions on the Risk Register, in that it has grown over time as the number of identifiable risks increase.

Work has been undertaken which has consolidated the risks into three separate categories, with the appropriate risks listed in each of those categories:

- Administration
- Governance
- Investment

It is felt that this will make the risk register easier to review and monitor as is attached as an appendix to this report for your review.

This was considered by the Pensions Board at their meeting on the 27th of June and another meeting is planned in the next few weeks to further consider the register.

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
Contact Officer Name:	Tel:	Fax:	Email:
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Relevant Portfolio Member(s):	Councillor David Thomas
Relevant Local Member(s):	