

**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee  
7<sup>th</sup> October 2022**

**REPORT BY:** Head of Finance

**SUBJECT:** Governance and Administration Update

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**REPORT FOR:** Information and decision

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**1 Introduction**

1.1 This report has been produced to provide Committee with an update on Local Government Pension Scheme (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 Statutory Guidance on special severance payments issued by Department for Levelling Up Housing and Communities (DLUHC)**

On 12 May 2022, DLUHC published statutory guidance on special severance payments. Best Value authorities in England (not applicable to Wales) must have regard to the guidance in circumstances in which it may be appropriate to make special severance payments. The guidance also covers approval, disclosure and reporting requirements.

The guidance confirms that:

- strain cost related to the early payment of LGPS benefits under regulation 30(6) or (7) (flexible retirement, redundancy or efficiency retirement over age 55) does not constitute a special severance payment

- strain cost of awarding additional pension under regulation 31 of the LGPS Regulations 2013 may constitute a special severance payment, depending on the terms of the individual's contract.

## **2.2 Local Government Association (LGS) new version of guides published**

The LGA have published updated versions of the following guides, which are being reviewed and considered by the Pensions Section:

- Employee brief guide
- Councillor full guide
- Update for councillors in England
- Introductory leaflet for councillors in Wales
- Retirement planning guide
- Annual allowance factsheet for members
- HR guide
- LTA factsheet
- Payroll Guide

## **2.3 FAQ's on the cost of living crisis available on LGPS member website**

A frequently asked questions (FAQs) section on the cost of living crisis has been added to the LGPS member website.

The FAQs cover:

- Where can I find help with money troubles?
- Can I reduce or stop my pension contributions?
- Could pension scams increase?
- Is there any help for pensioners on lower incomes?

These are available on the Frequently asked questions page of [www.lgpsmember.org](http://www.lgpsmember.org).

## **2.4 SF3 2021/22**

On 1 July 2022, DLUHC published the SF3 form and guidance for 2021/22.

The documents set out the information that administering authorities must provide by Friday 16 September 2022.

DLUHC uses the information collected to provide a benchmark on the administration and fund management. The information is also used in compiling the National Accounts and to show the role of the LGPS in the economy.

This return was completed on time by the Powys Pension Fund.

## **2.5 Stronger Nudge**

The LGA have published a technical guide on the new stronger nudge to pensions guidance requirements, which includes a 'getting guidance' insert document. The document is provided to insert with relevant AVC letters. It is the LGA's view that doing so will meet the legal requirement to refer members to guidance where it applies. The document also includes a Pension Wise declaration form for the member to confirm if they have received guidance or are opting out of guidance.

The Administration team will be in the process of updating procedures and documentation to include the insert where required.

## **2.6 Cost Cap Results Published**

On 29 June 2022, the Government Actuary's Department published the results of the first cost cap valuation for LGPS (England and Wales) and LGPS (Scotland).

The cost cap was introduced by the Public Service Pensions Act 2013 which requires the setting of an employer cost cap rate against which changes in the cost are to be measured. If the cost changes and falls outside a two per cent corridor above or below the rate, then action must be taken to bring the cost back to the rate.

The results of the first valuations show that the cost has remained within the two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed.

The employer cost cap rate for LGPS (England and Wales) is 14.6 per cent. The results for the valuation as at 31 March 2016 show that the cost is 1.2 per cent below the cost cap rate.

## **3. Other Updates**

### **3.1 Pension Dashboards**

Work continues on the [Pension Dashboards Programme](#).

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.

## **Staging deadline**

The staging deadline for the LGPS and other public service pension schemes will be deferred from 30 April 2024 to 30 September 2024. Schemes will be expected to meet the required standards (connection, security and technical) by 30 September 2024. They must also, by that date, be able to respond to find requests, complete matching and provide administrative and signpost data on request.

### **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 5<sup>th</sup> of July and initial results are being reviewed by the Actuary and Fund officers. It is anticipated that the Actuary will present the results to Committee at the meeting on the 16<sup>th</sup> of December.

There is also an Employer meeting scheduled for the afternoon of the 16<sup>th</sup> of December where the results will also be presented to them.

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 Pension Dashboards**

To help pension schemes get ready for the pension dashboards, TPR has published [Pensions dashboards: initial guidance](#) which is based on the draft regulations recently consulted on by DWP.

The guidance outlines scheme managers' legal duties and includes a checklist to help schemes manage their progress. TPR has confirmed they will update and add more detail to the guidance later this year.

The updated guidance will reflect the final regulations and the technical standards being developed by the Money and Pensions Service (MaPS).

### **4.2 Guide to Reporting Pension Scams**

On 15 June 2022, TPR published '[Guide to reporting pension scams](#)'.

The guide looks at:

- why concerns about a scam should be reported
- what should be reported
- when a report should be made
- who a report should be made to
- what happens once a report has been submitted.

Guidance will be updated accordingly to reflect the above.

### **4.3 Corporate Plan for 2022 to 2024**

TPR published its [corporate plan 2022 to 2024](#). The plan sets out TPR's priorities for the next two years. TPR will continue to:

- call on schemes to take its pledge to combat pension scams
- work closely with the Department for Work and Pensions and the Financial Conduct Authority (FCA) on a future consultation for a Value for Money Framework
- assess how smaller defined contribution schemes offer value for money
- help schemes become dashboard ready
- develop its organisational capability with the creation of a Digital, Data and Technology directorate
- launch its second consultation on a new defined benefit funding code this autumn, with the code operational from September 2023.

### **4.4 Annual report and Accounts**

On 14 July 2022 TPR published its [Annual Report and Accounts](#) for 2021/22.

### **4.5 Joint Statement on Transfer Regulations**

On 5 July 2022, TPR and the Department for Work and Pensions (DWP) issued a [joint statement](#) on the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

The statement responds to concerns expressed about how the regulations are being applied. In particular, where overseas investments or small-scale incentives feature in the transfer. The concern is that the regulations are causing low-risk transfers to be blocked or delayed. The statement reminds pension schemes that it was not intended for the regulations to capture transfers that previously caused no concern.

The DWP will consider the concerns when it next reviews the regulations.

To also address the concerns, TPR has updated its [guidance](#) on the regulations. The guidance now confirms that the regulations do not prevent schemes making a non-statutory transfer where the regulations prohibit a statutory transfer. For example, where a red flag is present,

but the pension scam risk is low. Non-statutory transfers are transfers where the member is not entitled to the transfer under the Pension Schemes Act 1993. The pension scheme may for example rely on their scheme rules to pay it. In the LGPS, administering authorities may only pay transfers where the member is entitled to it under the Act. There is an exception to this where the member left before April 1998 with no entitlement to deferred benefits.

## **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.

The Pension Board considered the Administration section of the Risk Register in detail at a meeting on the 6<sup>th</sup> of September and it is presented to Committee today including their recommendations. These revolved primarily around the scores awarded to the risks.

The Pension Board are looking to meet again soon to consider the Governance and Investment risk registers in more detail.

## **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 and approve the recommendations made by the Pensions Board in respect of the Administration risk register.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the content of the report and approve the recommendations made by the Pension Board to the Administration Risk Register		As per the report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
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<b>Relevant Portfolio Member(s):</b>	Councillor David Thomas		
<b>Relevant Local Member(s):</b>			