

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
16th December 2022****REPORT BY: Head of Finance****SUBJECT: Governance and Administration Update**

REPORT FOR: Information and approval

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
- Update on the Fund's breaches register

2. LGPS Updates**2.1 Scheme Advisory Board (SAB) Update****Climate risk reporting**

The Department for Levelling Up, Housing and Communities (DLUHC) launched a [consultation](#) on 1 September 2022. The consultation proposes to introduce a climate risk reporting regime for administering authorities in England and Wales. The SAB responded to the consultation and their response can be seen on their website [here](#). The response included:

- some over-arching observations on the role of pension funds, as well as their limitations
- the production of climate risk reports
- responses to DLUHC's specific questions on governance, scenario analysis, metrics and risk management.

The Powys Pension Fund also submitted a response to this consultation ahead of the deadline of the 24th of November 2022.

SAB Statement on employer contributions

At its meeting on 10 October 2022, the SAB discussed emerging results from the current round of triennial local fund valuations. The Board understands and recognises the extremely challenging position for local government finance.

However, it asks administering authorities and other Scheme employers to have regard to the desirability of long-term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position.

The SAB have produced a [statement](#) which gives more detail on the discussion and the reasons behind issuing it.

2021/22 Annual Reports

There is a statutory duty under regulation 57 of the LGPS Regulations 2013 for administering authorities to publish an annual report 'on or before 1 December'. The Powys Pension Fund published the annual report by the 1st of December and the link has been provided to the SAB.

2.2 Department for Levelling Up Housing and Communities (DLUHC) Publishes LGPS statistics for 2021/22

DLUHC have recently [published](#) the latest statistics for the LGPS for England and Wales in respect of the 2021/22 year.

Highlights include:

- total expenditure of £14.4 billion, an increase of 6.6 per cent on 2020/21
- total income of £15.9 billion, a decrease of 8.1 per cent on 2020/21
- employer contributions decreased by 24.3 per cent on 2020/21 to £7.8 billion
- employee contributions of £2.6 billion, an increase of 4.8 per cent
- the market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8 per cent
- there were 6.3 million scheme members on 31 March 2022: 2.0 million active members, 1.9 million pensioners and 2.3 million deferred members
- There were 94,724 retirements in 2021/22, an increase of 14.2 percent compared with 2020/21.

It should be noted that the decrease in total income and employer contributions is not uncommon in the final year of the three-year

valuation cycle. This is due to employers making early payment of contributions in the previous two years.

3. Other Updates

3.1 Pension Dashboards

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

On the 17th of October 2022, the DWP laid draft [The Pension Dashboard Regulations 2022](#) before Parliament.

The DWP responded to the further consultation on dashboards on the 17th of October 2022.

The response confirmed that the DWP will:

- give pension schemes six months' notice of the point at which pensions dashboards will be available to the public, the 'Dashboard Available Point'. This is an increase to the 90 days proposed in the consultation
- go ahead with the second proposal allowing the Money and Pensions Service (MaPS) and the Pensions Regulator (TPR) to share information about dashboards.

Progress Update Report

On the 26th of October 2022, the PDP published its latest [progress report](#).

Video Updates

On the 13th of October 2022, the PDP published two short video updates.

The [first video](#) is called 'Get your data ready for pensions dashboards'. The video provides guidance to schemes on how to cleanse data so that it is accurate and up to-date.

The [second video](#) is called 'An introduction to find and view data'. The video explains the important differences between find data and view data.

The Powys Fund is about to start working on a test of its data to assess the quality against the expected data requirements.

3.2 Data requests on Opt Outs

On 11 October 2022, the SAB contacted administering authorities in England, Scotland and Wales with a request for data on the number of members opting out or moving to the 50/50 section.

Authorities are asked to respond by 4 November 2022 and I can confirm that Powys County Council responded before this date.

The data will allow the SAB to understand the extent to which the cost of living crisis is potentially changing members' behaviour. The data will also help the SAB to decide whether a more substantial data gathering exercise is required.

The SAB expects to re-run the exercise in 2023.

3.3 Financial Conduct Authority (FCA) Warning on cost-of-living crisis related pension scams

The FCA have conducted some research revealing that a quarter of pension savers may consider withdrawing money from their pension earlier than planned to help with the current crisis, which could lead to potential pension scams. As a result, they have recently issued a [press release](#) warning.

3.4 September 2022 Consumer Prices Index (CPI) rate announced

On the 19th of October, the Office for National Statistics announced the CPI rate of inflation for September 2022, as 10.1%.

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013, on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2023 will be 10.1 per cent.

4. The Pensions Regulator (TPR)

4.1 Pension Dashboards

TPR launched a consultation on a draft dashboard compliance and enforcement policy on the 24th of November.

TPR is responsible for ensuring that schemes comply with their responsibilities towards the dashboards and this draft policy sets out how it intends to do so.

The [consultation](#) closes on 24th February 2023.

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 Governance pillar of the Risk Register in detail at a meeting on the 21st of November 2022 and it is presented to Committee today prior to their suggested recommendations below. These again revolved primarily around the scores awarded to the risks, but also some consolidation of risks and refinement of the narrative and mitigations.

The proposed amendments to the risk register are as follows:

GOVERN0001

The Board recommended that:

- i. reputational risk should be added as an identified risk and that the Inherent risk should be 8
- ii. reference to the various forms of communication with employers should be included under Controls and Actions.

GOVERN0002

The Board recommended that reputational risk should be added as an identified risk and that the Inherent risk should be 10.

GOVERN0003 and GOVERN0010

It was felt that there was overlap in these risks and that they could be consolidated into one ongoing risk.

GOVERN0005, GOVERN0006 and GOVERN0007

It was felt that there was overlap in these risks and that they could be consolidated into one ongoing risk and consideration given to the appropriate risk register pillar for that ongoing risk. More work is required to review and consider this. Committee will be updated accordingly once this has been completed.

GOVERN0008

The Board recommended that reputational risk should be added as an identified risk and the word “newly” should be replaced with “well established” in respect of the Pension Board.

GOVERN0009 and GOVERN0013

the Board recommended that these be consolidated into one risk and that the Residual risk should be 6.

GOVERN0011

The Board recommended that the Residual risk should be 4

GOVERN0012 and GOVERN0014

It was felt that there was overlap in these risks and that they could be consolidated into one ongoing risk.

GOVERN0015

The Board recommended that the Inherent risk should be below that in GOVERN0013.

GOVERN0016

The Board recommended that reference should be made to the procurement process. In addition, reference should be made to the risk of power cuts and infrastructure issues and the Inherent risk should be 10 and the Residual risk should be 6.

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

If Committee are content with these amendments, then the Governance risk register will be updated accordingly to incorporate them.

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, although we are working with the Pension Board on the process for monitoring Employer Contribution returns. Any developments will be reported to the Committee accordingly.

7 Recommendation

- 7.1 To note the contents of this report and approve the recommendations made by the Pensions Board in respect of the Governance risk register.

Recommendation:		Reason for Recommendation:	
To note the content of the report and approve the recommendations made by the Pension Board to the Governance Risk Register		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):	