

**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee**  
**7<sup>th</sup> July 2023**

**REPORT BY:**               **Head of Finance**

**SUBJECT:**                 **Administration and Governance Update**

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**REPORT FOR:**           **Information**

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**1.     Summary**

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.     **Scheme Advisory Board Updates****

2.1    This section provides an update on the Scheme Advisory Board (SAB) notifications within the above bulletins.

**2.2    **Knowledge and Skills Framework Survey****

The SAB is reviewing and updating the CIPFA guidance on the Knowledge and Skills Framework for committee members and officers.

On 22 March 2023, administering authorities were emailed asking them to complete a survey regarding the knowledge and skills framework.

A response was submitted with input from the Pension Board Chair considered.

**2.3    **McCloud data guidance****

The SAB has produced guidance which sets out what options administering authorities may consider if they are unable to collect data needed to implement the McCloud remedy. It covers both missing data and data the authority is not confident is accurate.

## 2.4 SAB Responds to Cost Management Consultation

On 6 March 2023, the SAB responded to the consultation on changes to their cost management process. The response is generally supportive of the Department for Levelling Up, Housing and Communities' (DLUHC) approach.

## 3. LGPS Updates

### 3.1 Employee Contribution Rates from April 2023

The table below shows the pay ranges and corresponding employee contribution rates that apply to the LGPS in England and Wales from 1 April 2023.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £16,500	5.50%	2.75%
2	£16,501 to £25,900	5.80%	2.90%
3	£25,901 to £42,100	6.50%	3.25%
4	£42,101 to £53,300	6.80%	3.40%
5	£53,301 to £74,700	8.50%	4.25%
6	£74,701 to £105,900	9.90%	4.95%
7	£105,901 to £124,800	10.50%	5.25%
8	£124,801 to £187,200	11.40%	5.70%
9	£187,201 or more	12.50%	6.25%

### 3.2 Progress Update Report

On 10 February 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published a consultation and draft regulations on changing the annual revaluation date in the LGPS.

The LGA agree in principle with the change, but do not agree with the timing. They also comment that whilst the policy aim is mostly addressed by the draft regulations, some technical amendments are required.

The proposals seek to remove the impact of inflation on the annual allowance. It does so by changing the annual revaluation from the 1 to 6 April 2023, and thereafter on each 6th of April, for all members.

## **Background**

The annual allowance (AA) should reflect the increase in a member's pension benefits above inflation. However, since HM Treasury realigned the period over which pension growth is measured with the tax year in 2015/16, inflationary increases are taken into account.

As things currently stand, the allowance for inflation in the AA calculation does not match the annual revaluation applied to pension accounts. To date the imbalance has been negligible because inflation has been low.

However, the imbalance for tax year 2022/2023 is 7 per cent. This is the difference between the allowance for inflation in the AA calculation of 3.1 per cent and the annual revaluation of 10.1 per cent. Consequently, without changes to scheme regulations, there will be a significant increase in the number of LGPS members breaching the annual allowance and potentially incurring a tax charge.

By moving the annual revaluation to 6 April the imbalance is removed. Both the AA inflation and the annual revaluation will use the same September CPI, meaning that only members pension savings will count towards the AA.

## **Government Actuary Department (GAD) Data Requests**

GAD confirmed it will be requesting valuation data as at 31 March 2022. This will be used primarily for the Section 13 exercise, but also to assist with other projects including DLUHC and SAB policy work.

## **New LGPS Employers in Wales**

The Government recently made The Local Government and Elections (Wales) Act 2021 (Corporate Joint Committees) (Consequential Amendments) Order 2023. The Order came into force on 1 April 2023.

The Order extends the LGPS to employees of:

- Mid Wales Corporate Joint Committee (CJC)
- North Wales Corporate Joint Committee
- South East Wales Corporate Joint Committee
- South West Wales Corporate Joint Committee.

The Order also specifies the appropriate administering authority for each one. Powys County Council is the administering authority for the Mid Wales CJC.

## **4. The Pensions Regulator (TPR)**

### **4.1 Corporate Plan 2023/24**

On 21 April 2023, TPR published its [Corporate Plan](#) for 2023/24.

The plan outlines TPR's key priorities for the year. These include:

- working with the Financial Conduct Authority and the Department for Work and Pensions to develop a value for money framework
- launching the new defined benefit funding code
- laying foundations for a significant increase in addressing quality outcomes in defined contribution schemes
- increasing its attention on tackling scammers
- supporting schemes to prepare for dashboards.

## 5. Pension dashboards

The [Pensions Dashboard Programme](#) (PDP) regularly publishes a newsletter which includes updates on:

- their new connection hub, which provides useful resources and information to prepare for connection to the ecosystem
- their pensions dashboards myth busting video
- understanding the dashboards available

### **DWP announce delays to dashboards to connection deadlines**

On 2 March 2023, the LGA forwarded an email to stakeholders on behalf of the Pensions Regulator (TPR). The email confirms the Government's intention to legislate to amend schemes' connection deadlines. This follows a written ministerial statement issued by DWP announcing the delays. The statement says delays are necessary to give the Pensions Dashboards Programme (PDP) the time it needs to meet the challenges in developing the digital architecture. DWP will provide an update on dashboards to Parliament before summer recess.

It is not clear if connection deadlines for public service pension schemes will change.

TPR confirms it:

- will write to those schemes affected by the announcement to confirm when new deadlines are set
- has published updated guidance and checklist to help schemes focus on what they should be doing now to prepare for their dashboard duties
- will produce a 'content toolkit' with key messages for administering authorities to use, as appropriate, in their communications.

### **GAD blog on Dashboards**

On 22 March 2023, the Government Actuaries Department (GAD) published a blog on matching members for dashboards. The blog looks at the questions administrators need to ask when deciding what matching data to use. It also emphasises the need for regular data quality reporting and cleansing.

The administration team are currently working on assessing the quality of the data required for the pension dashboard exercise and the initial results demonstrate that the data is of a very high quality. Nevertheless, work will continue on data cleansing ahead of the eventual live launch.

## **Risk Register**

- 6.1 Committee will recall several 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 Investment pillar of the Risk Register in detail at a meeting on the 12<sup>th</sup> of June 2023. Having performed the deep dive into the Investment Risk Register, Board recommended that all the risks be updated to contain better narrative and, where appropriate, reflect the progress of the Wales Pension Partnership.

These amendments have been reflected in the enclosed risk register.

## **7 Breaches Register**

- 7.1 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.

- 7.2 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.

## 8 Recommendation

- 8.1 To note the contents of this report and approve the updated Investment risk register.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the content of the report and approve the amendments to the Investment Risk Register		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Cllr David Thomas
<b>Relevant Local Member(s):</b>	N/A