

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
15th December 2023**

REPORT BY: Head of Finance

SUBJECT: Administration and Governance Update

REPORT FOR: Information

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 since the last meeting.

2.2 DLUHC Consultation on investment reforms

The Board published its response to the above consultation on the 2nd of October 2023 which can be read [here](#).

Committee will be aware that the Powys Pension Fund and Wales Pension Partnership submitted a response to this consultation.

2.3 Knowledge and Skills Survey

The SAB launched a survey for completion by Pension Committee and Board members, which closed on the 6th of November. This was

circulated with Committee and Board members, who hopefully found the time to complete.

The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers.

2.4 Website

For Committee's information, the SAB [website](#) provides more information on the Board's work and meeting agendas/papers.

3. LGPS Updates

3.1 DLUHC LGPS Statistics for England and Wales

On 25th October 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the [2022/23 LGPS Statistics for England and Wales](#).

Some highlights from the report include:

- total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
- total income was £17.3 billion, an increase of 8.5 per cent on 2021/22
- employers' contributions amounted to £8.4 billion, an increase of 7.8 per cent on 2021/22
- employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
- the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
- there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

3.2 McCloud

On 8 September 2023, DLUHC laid [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#) which took effect from 1st October 2023.

The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. It also makes some related changes to the LGPS Regulations 2013. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023.

After the regulations come into force, administering authorities will need to consider McCloud affected cases. To encourage a broadly consistent approach, DLUHC will shortly provide statutory guidance on how authorities should prioritise this work.

The Government Actuary's Department is updating actuarial guidance to reflect the changes and DLUHC will publish this as soon as it is available.

The Powys Pension Fund has commenced work on McCloud cases and is performing the appropriate checks on those current retirement cases in scope. We are monitoring the impact of these amendments to processes on the administration team. The initial impact is that calculating pay figures is taking longer, which also filters through to an increase in time taken to check these figures.

Committee will be updated accordingly on the impact.

3.3 HMRC – Abolishing the Lifetime Allowance

The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation and a policy paper on 18 July 2023 to achieve this and asked for responses by 12 September 2023.

The LGA responded and covered the following:

- they do not think the proposals simplify the pension tax regime for the local authority workforce and other LGPS employers
- having two limits for lump sums will be confusing for members
- the limit for pension commencement lump sums should go up with inflation (instead of being frozen)
- trivial commutation lump sums should not be part of the £1.073 million limit
- it will be difficult to get relevant information from members
- there is no rule on how to value lump sums paid before 6 April 2006
- there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy
- it will be tough to explain the changes to members as the policy, in the LGA's view, is confusing and unclear.

4. The Pensions Regulator (TPR)

4.1 New Blog

On 13 September 2023, TPR [published a blog](#) entitled "Why are we building relationships with pension administrators".

The blog emphasises the importance of building close relationships with administrators, as it allows TPR to gain a better understanding of the challenges administrators face and address risks more effectively.

The blog also highlights several instances of TPR's work in this area.

4.2 Independent review of TPR

The Department for Work and Pensions (DWP) has carried out an independent review of TPR and has [published](#) its findings.

The review found that TPR is broadly well-run and well-regarded, with notable achievements, such as automatic enrolment.

It also made seventeen recommendations across three themes: risk and growth, compliance and enforcement, digital transformation and value for money.

4.3 Annual Scheme Return

The Fund has received the formal request for completion and return of the TPR annual scheme return and will ensure that it is duly completed ahead of the required date towards the end of January 2024.

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

Pensions Dashboards Blog on common questions

The PDP [published a blog](#) addressing some of the common dashboard questions, which covers:

- How is connection guidance different to the connection deadline?
- When will guidance be published, and how will P D P engage with industry?
- Are there any examples of how dashboards will look?
- Will smaller schemes, 1 to 99 members, be required to connect to dashboards in the future?

“Why are Dashboards needed” article

On 13 September 2023, the Pensions Dashboards Programme (PDP) [published an article](#) reiterating the reasons why dashboards are needed.

Risk Register

6.1 Committee will recall that the risk register has been consolidated 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.

There have been no new risks identified and added since the last meeting.

The Pension Board will recommence the deeper dives into each pillar individually from the February 2024 meeting.

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.

Further to the report presented at the last meeting on Employer performance, work continues on measuring the timeliness of submission of contributions and supporting paperwork to the Fund.

8 Recommendation

8.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the content of the report		As per report	
Person(s) To Action	Pension Fund Manager		
Decision:			
Date By When Decision To Be Actioned:	Immediately		

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):	Cllr David Thomas
Relevant Local Member(s):	N/A