



<u>Committee and date</u> Pensions Board 8 July 2022 10.00am

<u>Item</u> <u>Public</u>

Administration and regulatory updates

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1. Synopsis

- 1.1. The report provides Pension Board members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).

2. Executive Summary

- 2.1. Due to the fact that the Pensions Committee meeting has been held recently and to avoid duplication this report covers the administration and regulatory issues which have arisen since the administration report provided to Pensions Committee on the 24 June 2022.
- 2.2. Two national reports have recently been released which provide an overview of the Local Government Pension Scheme as a whole. The first is the Scheme Advisory Board's Scheme Annual Report 2020/21 for England and Wales and the second is a research report from the Pensions Lifetime and Savings Association (PLSA). Both provide Pension Board members with information on a wider perspective of issues within the LGPS.

3. Recommendations

- 3.1. Pension Board members are asked to note the contents of this report with or without comment.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to, risks to the fund are minimised. A risk register is kept and updated in line with council corporate policy.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

5. Financial Implications

5.1. Currently there are no direct financial implications arising from this report.

6. Climate change appraisal

6.1. Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

7. Administration and regulatory update

7.1. In addition to this report, the Pensions Board are advised to note the pensions administration reports submitted to the Pension Committee on 24 June 2022.

8. Cyber security

8.1. The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure they address any potential cyber security issues. Shropshire County Pension Fund takes data security very seriously and works closely with Shropshire Council's IT team and any companies providing pensions software to confirm that the systems holding personal data are protected. The latest update was provided to Pension Committee on 24 June 2022.

9. Communications

9.1. The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As at May 2022 a total of 47% active members, 40% of deferred members and 44% of pensioners were registered to view their records on 'My Pension Online'. Officers are aware of a digital engagement group within the Local Government Association (LGA) Communications Working Group which is currently collating information on funds' experience of getting members to sign up to member self-service and is planning to share successful initiatives and examples of best practice.

10. Scheme Advisory Board (SAB) Annual Report 2021

10.1. The SAB has recently released the Annual Report for the Local Government Pension Schemes and provides a wider perspective on the LGPS in England and Wales. The report confirms that the LGPS is one of the largest defined benefit (DB) schemes in the world and is the

largest DB scheme in England and Wales, with 14,448 active employers, 6.2m members and assets of £342bn.

10.2. The aim of the Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. This report aggregates information supplied in the 86 fund annual reports, as of 31st March 2021.

10.3. Key LGPS highlights for 2021 taken from the SAB Annual Report are:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 million members in 2021 from 6.160 million 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 1.8 million 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

10.4. As at the 31st March 2019, (the date of the last triennial fund valuation) the LGPS liabilities were estimated at £291bn indicating an overall funding level of 98%. During the intervening years since establishment, the Board actively developed proposals to tackle the funding deficit (£6bn in 2019, £37bn in 2016) to improve the sustainability of the LGPS and its future funding levels.

10.5. The full report can be found on the SAB's website:
<https://lgpsboard.org/index.php/scheme-annual-report>

11. Pensions and lifetime savings association (PLSA) research project

11.1. A research project – 'LGPS: Today's Challenges, Tomorrow's Opportunities' – has been carried out independently by the PLSA but with input from those who work within the LGPS. The project incorporates the views of 60+ LGPS funds, and addressed 4 key themes, with both issues and recommendations. A full report has been published and is available on the PLSA website. Due to its size, it has not been attached: <https://www.plsa.co.uk/Policy-and-Research/Document-library/The-Local-Government-Pension-Scheme-todays-challenges-tomorrows-opportunities>

- 11.2. A shorter executive summary has been made available for Pension Board members at **Appendix A**. The purpose of the report was to identify risks and opportunities and address them proactively. It also aims to suggest practical next steps to some of the challenges highlighted. It states:

'For more than a decade, the LGPS has undergone rapid change. Against a backdrop of the world financial crisis, austerity and pay freezes for local authorities, and – more recently – the global pandemic, the LGPS has had to contend with a rolling series of reforms including becoming a Career Average Revalued Earnings (CARE) Scheme for future accrual, transitioning to investment pooling, incoming responsible investment regulations and the impending implementation of the McCloud Judgment.'

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 24 June 2022 Pensions Administration Report
Pensions Board Meeting 29 April 2022 Administration and Regulatory updates

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – PLSA Executive Summary report