



<u>Committee and date</u> Pensions Board 14 October 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 in September 2022 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 16 September 2022 and provides any recent updates on any issues raised at that meeting.
- 2.2. Updates have been provided on national LGPS issues relating to McCloud, Exit Cap, Pensions Awareness Campaign and The Pension Regulator's One Code of Practice.
- 2.3. Updates are also given on legal support services offered to the team, Shared Cost Additional Voluntary Contributions salary sacrifice schemes and the upcoming Employers Meeting 2022.

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 16 September 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 have good cyber security. 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.

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 September 2022 a total of 48% active members and 41% of deferred members and 44% of pensioners were registered to view their records on 'My Pension Online'.

10. Update from Scheme Advisory Board (SAB)

- 10.1. On 26 August 2022, Cllr Roger Phillips, Chair of the SAB, wrote to the Local Government Minister, Paul Scully. The letter to the minister recommends amending the regulations on death grants and survivor benefits. The letter can be found in **Appendix A**. The SAB expressed concern about continuing to restrict death grants to cases where the member died before age 75. It considers the restriction may be at risk of legal challenge and should be removed. The SAB reminded the minister that the LGPS rules on survivor benefits have not yet been amended to reflect the Goodwin judgment. It has previously recommended the Government investigate the feasibility of removing all differences in the survivor benefit rules.
- 10.2. Pension Board members can read a detailed summary of the meeting on the Board updates page of the SAB website: <https://lgpsboard.org/index.php/about-the-board/prev-meetings> The SAB board meetings page includes full details of the meeting and agenda papers.

11. Pensions awareness campaign

- 11.1. Pensions Awareness Week is a national initiative aimed at making all individuals aware of pensions and retirement issues. The proposed pensions awareness campaign running from 12th to 16th September 2022 was postponed following the passing of Her Majesty Queen Elizabeth II. It will now take place between 31st October and 4th November 2022. The team have various communication activities planned for this week and will also be sharing this information with scheme employers for distribution if they wish.

12. Shared Cost Additional Voluntary Contribution (SCAVCs)

- 12.1. The fund has been made aware of two scheme employers currently exploring setting up a salary sacrifice SCAVC option for active scheme members. To date, these are the first employers who wish to consider this option. More information on SCAVCs can be found in an update from the Local Government Association (LGA) update found here: <https://lgpslibrary.org/assets/gas/ew/213AppB.pdf>
- 12.2. Officers have been involved in initial discussions with both employers and have discussed the impact on administering SCAVC's with other funds who have employers with a SCAVC facility already in place. Mixed feedback has been provided to officers on the level of impact on the resources required from

the pension administration teams. Officers will be monitoring the implementation to ensure minimal impact on the team.

13. The Pension Regulator's Single Code of Practice

- 13.1. In April 2022, Pension Board members were provided with an overview on the latest position of The Pension Regulator (TPR)'s new single code of practice. More recently, it was reported at September 2022 Pensions Committee that the new single Code of Practice has been delayed and it was expected to be published by the end of September. The fund understands that the latest position is the new code is now not expected until later 2022 or early 2023. However, it is understood that no material change is expected from the already drafted new code (and reported in April 2022). For the LGPS, there are twelve modules described as 'new', twenty 'existing' and four 'best practice' Some of the 'new' modules listed for Public Sector schemes such as scams and cyber controls have pre-emptively been worked on by the fund and reported to Pensions Committee and Board. An assessment will be required, of all the modules in the Code, when it is published in its final version and comes into force to ensure the fund is compliant.
- 13.2. In the meantime, the fund Actuary, Mercers have released a video covering the new single code and will be offering a webinar when more information is published. More information can be found here:
<https://www.uk.mercer.com/events/webcasts/single-code-of-practice-are-you-ready.html>
- 13.3. One area of the code; Diversity, Equality and Inclusion will be a separate module and TPR have recently published an action plan in partnership with the pensions industry to improve diversity and inclusion across pension scheme boards. The action plan sets out steps to encourage and support trustees to recruit diverse candidates and create a culture of inclusion following new research to prioritising diversity. Whilst not directly related to the LGPS, it is something to consider for LGPS funds.
<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-press-releases/tpr-publishes-action-plan-to-boost-diversity-and-inclusion-across-trustee-boards>

14. Exit Payment Cap consultation

- 14.1. On 8 August HM Treasury published the latest consultation of the £95k exit cap issue. Rather than apply an absolute cap to exit payments, the new proposal seeks to tighten up the

approval process and to give the relevant department's Secretary of State the final say on whether a £95,000 plus payment can be made. The expectation is that approval will only be granted in exceptional circumstances. The consultation relates only to central government, which means that it will cover academies and it will also include pension strain in the £95k calculation. It is still to be confirmed whether DLUHC will seek to apply something similar to local authorities.

15. Legal support services

15.1. Due to a staffing change within Shropshire Council's Legal Services Team, officers are currently exploring alternative options to access LGPS legal services support for ongoing casework (such as admission agreements) and specific LGPS advice. The external providers services provided, including costs are currently being reviewed.

16. Employers Meeting 2022

16.1. Pension Board Members are reminded that the Scheme Employers meeting is due to take place on 23 November 2022 via a Microsoft Teams. It will include an update from the fund Actuary on the 2022 fund valuation and provide employers with initial results. Registration for the meeting is now open and employers have been encouraged to register attendance. There is an opportunity to raise any questions before, during and after the meeting with the team and fund Actuary.

17. McCloud remedy project

17.1. The fund has continued its work on the McCloud project and is working with the Fund Actuary, Mercer, to perform a thorough data check. A dedicated webpage has been set up which will provide updates to both scheme members and employers as the project progresses. It can be found here:
<https://shropshirecountypensionfund.co.uk/mccloud>

18. Data collection on colleges

18.1. On 23 September 2022, Jeremy Hughes emailed managers at administering authorities. Jeremy sent the email on behalf of Teresa Clay, Head of Pensions at the Department for Levelling Up, Housing and Communities (DLUHC) and Joanne Donnelly, Scheme Advisory Board Secretary. The email sets out a request from the Department for Education (DfE) for additional data on colleges.

18.2. The request follows recent discussions with DfE, SAB and DLUHC. DfE will use the data to better understand Colleges' funding requirements and consider the merits of providing additional covenant assurances. For example, a guarantee like that provided for academies. Commissioning of the work is not an indication that a guarantee will be automatically provided. DfE wish to consider the available options as soon as practical in the autumn. To support this review and facilitate efficient, timely receipt of data from the actuaries, DLUHC and the Scheme Advisory Board (SAB) have proposed that:

- actuaries will invoice SAB directly for their time, and DfE will provide the required funding to SAB with no additional fees incurred by administering authorities; and
- actuaries will provide the requested data directly to GAD no later than 21st October 2022. DLUHC and SAB will continue to work with DfE and other stakeholders to support the review.

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

Pensions Committee Meeting 8 July 2022 Pensions Administration Report

Pensions Board Meeting 29 April 2022 Administration and Regulatory updates

Pensions Board Meeting 16 September 2022 Administration and Regulatory updates

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – SAB letter to Paul Scully MP