Shropshire Council	Pensions Board 26 April 2024 10.00am	Item Public

Administration and regulatory updates

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1. Synopsis

1.1. The report provides Pension Board members with information on the activities and performance of the pensions administration team and regulatory updates affecting the Local Government Pension Scheme (LGPS).

2. Executive Summary

2.1. Updates are given on; workloads and resourcing, progress on McCloud implementation, the Pensions Dashboard Programme (PDP), Pension Increase for April 2024, Engage, preparation for Year End and communication updates.

2.2. The Business Plan for 2024-26 has now been signed off by Pensions Committee in March. This is provided at Appendix A.

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. Performance and Team 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 1 December 2023 and 15 March 2024.

7.2.   A review is underway by the pensions management team of the workloads across the team and the resources required to address any backlogs. The team are looking at processes and changes to the way work can be done to improve efficiency. This will include looking at work the team will need to complete in connection with McCloud and Pensions Dashboard and the Pensions Regulator new general code of practice.

7.3.   From a resource point of view the team have had a significant turnover of staff over the past year. This has led to areas of work backlogging whilst we try to recruit and train new staff. We are currently fully staffed for both the Communications and Governance and Systems and Support teams, and new team members are receiving training to support them in their new roles. However, the fund has recently lost a Senior Pensions Officer on the Operations team, this post has been filled as a secondment opportunity and we are now advertising to backfill this post.

7.4.   **McCloud** - The team continue with the implementation of the age discrimination remedy. This has impacted the day-to-day work of the team as more checks are required for members in scope of the remedy. Calculations for members leaving the scheme now include the underpin check and will apply any guaranteed addition to member's benefits where this is due. However, there are certain calculations that cannot be performed as we await further guidance. These relate to transfers between public sector pension schemes as remedy applies differently across these schemes.

7.5.   Employers have been contacted to provide further information for members who reach the age of 65 as there is a requirement to provide final pay at this date. Going forward this can be supplied via i-Connect, however for the remedy period this information will need to be provided and uploaded to member records retrospectively.

7.6.   The second stage of work for the remedy will be the check on members benefits who left in the remedy period (1st April 2014 to 31st March 2022). The underpin check will be run retrospectively and where this may now apply a check and recalculation of benefits will need to be performed. At the moment this will have to be picked up by the team as we do not have

2

additional resources that can undertake this work.

7.7. **Pensions Dashboards** – On 25th March 2024, the Department for Work and Pensions released a written ministerial statement providing an update on the publication of connection guidance, this includes the new staging dates for connecting to pensions dashboards. The staging date for Public Sector Pension Schemes is now 31st October 2025. This is when we will have to have an Integrated Service Provider (ISP) connection, which will allow members to see if they hold benefits in the Shropshire County Pension Fund. This is not the go live date where members will be able to see data, this date is October 2026 once all pension schemes have been able to connect to the Dashboards. A project plan has been created for the work required in preparation for Dashboards and the work that will follow once Dashboards go live to pension scheme members. Regular project meetings will be held to manage the actions and progress made.

7.8. There are two main areas of work that the team will have to undertake to deliver this project and then manage the additional work that will be created once the dashboards go live. The first step is to procure an Integrated Service Provider (ISP) this will allow the dashboards to speak to our pension database. Initial work has begun, looking at providers and consulting with our procurement and legal colleagues to ensure we follow the correct procedures for the purchase of this. The 2nd is the ongoing work to manage data quality, when a member uses the dashboard, they can find a match to any scheme they are a member of. If the information held for members is not quite right, it will lead to a partial match and then the team will have to investigate if that person holds a benefit in the scheme. The team will be looking to update the data quality workplan to improve areas of data that are highlighted. For example, we have more than 600 records where a current address is not held, so we will be looking to run a tracing exercise for these individuals.

7.9. **The Pensions Regulator (TPR) New General Code** – on 27th March 2024 TPRs new general code of practice came into force. This replaces several Codes including Code 14 which covered Public Sector Pension Schemes and incorporates requirements for both public and private pension schemes. The pensions management team will be assessing the requirements of the code and will create a gap analysis and action plan to implement the requirements. This work is expected to start from September as we may then have further information regarding the Scheme Advisory Boards (SAB) good governance review, which will also require a comprehensive review of governance arrangements for the Fund.

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.

8.2.   Shropshire County Pension Fund takes data security very seriously and is working closely with Shropshire Council's IT team to create a Cyber Security Policy for the Pension Fund. The policy is currently in draft format and Pension Committee received training on the policy in March. Pension Board members were also invited to this training.

8.3.   Training regarding the Cyber Policy and Business Continuity plan will be provided to the Pensions team as part of a team training day in May.

9. Communications

9.1.   The Communications team are currently updating the pension fund website and ensuring all content is relevant and accessible.

9.2.   The team have implemented a new telephony system, which was rolled out at the end of March. This will now allow us to record calls for training purposes.

9.3.   The team have also created a BOT where members can direct their queries to the virtual assistant to answer instead of emailing or coming through via a phone call. The BOT was launched with 23 questions and now have 91 with alternative answers. This is an evolving task and questions need updating to ensure the BOT understands the different ways the same query can be asked by a member.

9.4.   Between August 2023 and February 2024, the BOT answered 1,539 queries and, at the moment, the BOT believes it is 65% sure it can answer any question, a figure that was 43% when launched. Work will continue to add to the question-and-answer bank. Shropshire Council's IT team are also keen for the fund to showcase the BOT as they seek to roll out its use for other council services, such as bin collections.

9.5.   Engage (new online platform) - My Pensions Online will be updated towards the end of the year. The newer version of the platform will be more user friendly and provide further information to members regarding planning for retirement. Once updated a campaign to promote the use of platform will be undertaken. This will include targeted communications to employers where take up is low. We will also direct new pension scheme members to create an account as soon as they join the scheme.

10. Scheme Advisory Board (SAB) updates

10.1.   A SAB workstream was established to review the 2019 Annual Report guidance and identify changes required to streamline the current guidance and bring it up to date. Draft guidance was approved by both the SAB's Compliance and Reporting Committee (CRC) and the Chartered Institute of Public Finance and Accountancy Public Finance Management Board in February 2024. The guidance will be submitted for ministerial approval in time for it to be in place from April 2024 and it will apply to 2023/24 annual reports which are due for publication by 1

December 2024 and later years. SAB acknowledge it may be a challenge to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to implement. The guidance says pension funds should use their best endeavours to comply fully with the requirements but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The pensions team have begun work on the 2023/24 annual report and are in the process of reviewing the new guidance.

10.2.   Ahead of the second reading debate on the Economic Activity of Public Bodies (Overseas Matters) Bill in the House of Lords on 20 February 2024, the Local Government Association published a further briefing. The briefing includes matters raised in previous briefings for the House of Commons, and suggested some amendments that the LGA would support.

10.3.   The CRC has agreed its next priority will be to revise the Funding Strategy guidance. This was last updated in 2016 and the aim is to create content in relation to:
• setting up of academies on conversion
• use of employer flexibilities and deferred debt arrangements
• employer representations around asset strategies and partial terminations
• treatment of exit debts and credits
• consultation with employers.

10.4.   The Gender Pensions Gap working group met for the third time on 13 February 2024. It continued to explore what practical actions can be taken to address the underlying issues contributing to the pensions gap identified by the Government Actuary's Department (GAD) in the SAB commissioned reports. As part of the four actions explored by the group, the SAB secretariat and L G A Workforce team will put on a virtual event for local government human resources (HR) professionals on 9 May 2024. The aim of the event is to improve awareness amongst HR practitioners, discuss what best practice already exists amongst employers and encourage them to review the information and pension communications available for their staff at key life points.

10.5.   The SAB's website provides information about its work. Use the links below to find out more about:

- a summary of the last Board meeting
- latest news
- SAB meeting and agenda papers
- committee meetings and agenda papers
- Responsible Investment Advisory Group meetings and agenda papers

11. Abolition of the lifetime allowance (LTA)

11.1.   The Government has introduced legislation to abolish the lifetime allowance from 6 April 2024. It has introduced two new lump sum limits to restrict the amount of tax-free cash an individual can take over their lifetime. As with the lifetime allowance, most LGPS members will not be affected by the new lump sum limits.

Lump sum limit	Limit	Lump sums included
Lump sum allowance (LSA)	£268,275	Pension commencement lump sums (PCLS) and uncrystallised funds pension lump sums (UFPLS)
Lump sum and death benefit allowance (LSDBA)	£1,073,100	PCLS, UFPLS, serious ill health lump sums (SIHLS), authorised lump sum death benefits

11.2.   SAB have been working with Aon on a guide to explain the changes and what they mean for administration processes. This is now with the LGA communications group for refinement before issuing to funds.

12. Legislation updates - statutory instruments

12.1.   On 27 February 2024, the Department for Levelling Up, Housing and Communities made The East Midlands Combined County Authority Regulations 2024, which establishes the East Midlands Combined County Authority. The regulations also amended the LGPS Regulations 2013 to assign Nottinghamshire County Council as the appropriate administering authority for employees of the new authority. This took effect from 28 February 2024.

12.2.   The Finance Bill 2023/24 received Royal Assent, following readings in the House of Lords. The Finance Act 2024 contains provisions on the abolition of the lifetime allowance and its replacement by two new lump sum allowances.

13. Policy updates

13.1.   A review of the fund's Breaches Policy was due to be conducted ready for the March Committee. However, this work has been pushed back for the new Pensions Manager to have a comprehensive review of the current processes involved for recording and monitoring of breaches by the Administration team. We aim to take this to committee in June.

13.2.   The fund's Training Policy was also due to be reviewed at the March committee meeting, but this will now be done following implementation of the new Pensions Regulator General Code of practice on March 28,

2024. The revised policy will be brought to committee/board in due course.

13.3. Members are reminded to complete the required Modules on the Hymans Learning Academy. For those that completed the initial modules, then the new modules 7 and 8 now to be completed but for those that have not completed any modules then all eight need to be done.

13.4. A skills and knowledge assessment for Pension Committee and Board members was last conducted in August 2023 when members self-assessed themselves against questions provided by CIPFA guidance and covering a range of competencies. This exercise will be repeated in August 2024, so that members who have not yet completed the assessment will have the opportunity to do so.

14. Pension Board vacancy

14.1. A Pensions Board was established in 2015. The role of the Pensions Board is to support the administering authority to fulfil their responsibilities and secure compliance with any requirements imposed by the Pensions Regulator. The Pensions Board is made up of three scheme member and three scheme employer representatives. Due to the resignation of Mike Morris a vacancy arose for a scheme employer representative. Interviews took place on April 9 and Becky Summerlin has been appointed and is due to be attending today's meeting. Becky used to work for the fund previously before leaving in 2005 to take up pension consultant roles at JLT, KPMG and more recently Bupa before taking a career break.

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

Pensions Committee Meeting 15 March 2024 Pensions Administration Report

Pensions Board Meeting 26 January 2024 Administration and Regulatory updates

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- Cabinet Member (Portfolio Holder)
  N/A

- Local Member
  N/A

- Appendices
  Appendix A SCPF Business Plan