

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
11th December 2020**

REPORT BY: Head of Finance

SUBJECT: Governance and Administration Update

REPORT FOR: Information

1 Introduction

1.1 This report has been produced to provide Committee with an update on the 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
- Updates on the Fund's breaches register

2 Fund Governance and Administration

2.1 SAB/LGA Update

These are covered in the following paragraphs.

2.2 **Guidance to support the new employer exit flexibilities.** With effect from 23 September 2020, the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 introduced increased flexibility when dealing with exiting employers and the ability to review employer contributions between valuations.

To implement the new employer flexibilities under regulation 58 (Funding Strategy Statements), work is underway on two sets of guidance for pension administration.

Firstly, MHCLG is preparing statutory guidance as a stand-alone addendum to the existing funding strategy statement guidance. The guidance will be high level and will cover what should be covered by policies in each area.

Secondly, the SAB is preparing a Guide to Employer Flexibilities.

Work is currently underway on the review of the Funding Strategy Statement.

2.3 **GAD survey**

On 12 September 2020, the LGA requested that administering authorities complete a survey from the Government Actuary's Department (GAD) by 20 September 2020. This was completed and submitted within the timescales.

2.4 **Revised GAD guidance**

With effect from November 1st 2020, revised guidance and factors became applicable for certain divorce, pension sharing, transfers and trivial commutations within the LGPS. This guidance has been adopted and the transfer factors implemented accordingly.

2.5 **GAD request for valuation data**

GAD have recently submitted their request for 2020 valuation data. As well as asking for data under the usual Universal Data Extract specification, the request included a brief questionnaire.

In light of this additional questionnaire, GAD will be extending the timeframe for returning data to the middle of November. The Powys Fund completed the data return and questionnaire within the timescales.

2.6 **Public sector exit payments cap**

The Restriction of Public Sector Exit Payments Regulations 2020 [SI2020/1122] ('the exit cap regulations') were signed on 14 October 2020 and the regulations came into force on 4 November 2020.

There is a conflict between the exit cap regulations and the LGPS regulations, when a scheme member aged 55 or over is made redundant and the total exit payment exceeds £95,000. The LGPS regulations require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.

The SAB obtained legal advice on the conflict between the LGPS regulations and the exit cap regulations. A commentary of that legal advice was published on 30 October 2020 on the [Public Sector Exit Payments](#) page of www.lgpsboard.org.

The commentary sets out the SAB's opinion on the course of action that presents the lowest risk when the cap is breached in respect of an LGPS member aged 55 or over. In SAB's view, the risks are lowest if:

- the LGPS administering authority offers the member a choice between deferred benefits or a fully reduced pension
- the LGPS employer delays payment of a cash alternative under regulation 8 of [The Restriction of Public Sector Exit Payments Regulations 2020](#)

This approach would allow the maximum flexibility for the administering authority and employer to minimise the financial risks associated with a legal challenge from the scheme member.

Other resources

The [Reform of Local Government Exit Payments](#) webpage is maintained by the LGA and provides up to date information for local government employers and includes:

- links to consultations and responses, regulations, draft regulations and guidance
- a summary of the HM Treasury Directions and Guidance that accompany the exit payment cap regulations
- a position statement on the exit payment cap for employers.

2.7 SF3 Data Published

On 4 November 2020, MHCLG published Local government pension scheme statistics (SF3 statistics) for England and Wales from 2019 to 2020. Highlights include:

- total expenditure of £13.4 billion, an increase of 5.6% on 2018/19
- total income of £16.0 billion, an increase of 2.6% on 2018/19
- employer contributions increased by 7.7% on 2018/19 to £7.7 billion
- employee contributions of £2.3 billion
- the market value of LGPS funds in England and Wales on 31 March 2020 was £272.4 billion, a decrease of 5.1%
- there were 6.1 million scheme members on 31 March 2020, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 88,232 retirements in 2019/20, an increase of 5.7% compared with 2018/19.

2.8 The Pension Regulator (TPR) Updates

2019/20 Scheme Return. TPR have issued emails advising that the scheme return must be submitted by 15th December. At the time of writing this report, this is still outstanding, but it will be completed and returned ahead of the deadline.

2.9 Other updates

September 2020 rate of CPI. On 21 October 2020, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2020 as 0.5%.

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. Confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2021 will be 0.5%, is still outstanding.

3 Risk Register

3.1 The latest Risk register is enclosed for Committee's review.

4 Breaches Register

4.1 The latest version of the breaches register is attached, for information.

No new recordable or reportable breaches have been added since the last meeting. There has been a small increase in the number of unpaid frozen refunds. Work is continuing on actively locating these members and some payments have now been made.

5 Recommendation

5.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> To note the update and raise any points of discussion or concerns to ensure that the Fund continues to focus on high standards of administration and governance. 		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
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 Aled Davies
Relevant Local Member(s):	N/A