

**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee  
9<sup>th</sup> July 2021**

**REPORT BY:** Head of Finance

**SUBJECT:** Governance and Administration Update

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**REPORT FOR:** Information

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**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. Key points for information**

**2.1 LGPS England & Wales Scheme Advisory Board (SAB)**

**Online A-Z Guide to Responsible Investment (RI) launched**

On 28 April 2021, Cllr Phillips, Chair of the SAB, announced the launch of the online [A-Z guide to Responsible Investment \(RI\)](#) at the Local Authority RI Seminar.

The [guide](#) provides a glossary of RI terms, organisations, standards and legislation indexed by its classification (what it is), category (where it fits in Environmental, Social and Governance (ESG)) and status (in the context of the LGPS legislative framework) with related LGPS specific case studies.

The SAB has prepared the guide with the assistance of the newly established Responsible Investment Advisory Group (RIAG). It will continue to be monitored and updated on a regular basis.

## 2020 LGPS Scheme Annual Report

On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:

- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:
  - 68% pooled investment vehicles
  - 14% public equities
  - 6% bonds
  - 3% direct property
  - 9% other asset classes.
- The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners paid in the year.
- LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

### 3. Other Updates

#### Written Ministerial Statement on McCloud

On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that:

- the age requirement for underpin protection will be removed
- a member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- the remedy period will end on 31 March 2022
- the underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022
- the regulations will be retrospective to 1 April 2014
- there will be two stages to the underpin calculation:
  - the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier
  - the second when the benefits are paid

### 3.1 **Employer Flexibilities**

The SAB published a [draft guide to employer flexibilities](#) on 22 February 2021. The SAB has published the guide for information only at this point. The SAB will finalise and publicise the guide after MHCLG publishes statutory guidance covering employer flexibilities.

The LGPS (Amendment) (No. 2) Regulations 2020 introduced increased flexibility when dealing with exiting employers, and the ability to review employer contribution rates between valuations. The purpose of the draft guide is to assist administering authorities to use these new flexibilities appropriately. The draft guide provides information, examples and options associated with the flexibilities. It also sets out:

- matters for administering authorities to consider when setting policies
- the data and information which may be needed
- the roles and responsibilities of all parties during the implementation of the flexibilities.

The Powys Fund is currently working on a new Employer Policy and revised Funding Strategy Statement, which are featured in draft form as later items on the agenda.

### 3.2 **McCloud**

Work is continuing in respect of the McCloud judgement. The fund has contacted Employers and provided guidance, data templates and had several discussions in respect of helping employers provide the data that the fund requires.

The impact of this is expected to be considerable with a significant number of scheme member records requiring data input and recalculations of benefits. These will include:

- Retirements
- Deferred benefits
- Aggregations
- Survivor benefits
- Refunds
- Transfers (Cash Equivalent Transfer Values, Interfund Adjustments)

Work is being finalised on the impact on resourcing within the Pensions Section and this will be available to present to Committee soon.

### 3.3 **The Pension Schemes Act 2021 receives Royal Assent**

On 11 February 2021, the Pension Schemes Act 2021 (the Act) received Royal Assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them to do so.

The provisions of the Act that will affect the LGPS include:

**Climate risk reporting.** On 27 January 2021, the Government launched a consultation on draft regulations entitled [Taking action on climate risk: improving governance and reporting by occupational pension schemes](#). The regulations would require trustees of pension schemes in scope to meet the climate change governance requirements that underpin the 11 recommendations of the Taskforce on Climate-related Financial Disclosures, and to report on how they have done so. The government is also consulting on draft statutory guidance to accompany the regulations.

The regulations will not apply to the LGPS. However it is expected that MHCLG will bring forward regulations which substantially mirror the requirements as set out in the consultation document.

**Pensions Dashboards.** Administering authorities should take action to improve data quality to ensure that they are ready to supply the right information to the dashboards once they are live. The Fund carries out annual data quality testing in line with its [data improvement plan](#).

#### 4. **The Pensions Regulator (TPR)**

TPR has recently published a [climate change strategy](#).

#### 5 **Risk Register**

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

#### 6 **Breaches Register**

6.1 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.

#### 7 **Recommendation**

7.1 To note the contents of this report.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
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 the report

<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
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<b>Relevant Portfolio Member(s):</b>	Councillor Aled Davies
<b>Relevant Local Member(s):</b>	