

Staff and Pensions Committee

Regulatory Update

14 June 2021

Recommendation(s)

1. That the Staff and Pensions Committee note and comment on the report.

1. Executive Summary

- 1.1 This report seeks to update the Committee on developments that impact on the Local Government Pension Scheme.
- 1.2 This report also includes a schedule of Pension Fund policies and when they are expected to be reviewed together with a schedule of training available for members of the Committee (Appendix 1).

2. Financial Implications

- 2.1 No direct costs identifiable at present.

3. Environmental Implications

- 3.1 The Government has issued proposals for pension schemes to comply with the improved governance and risk management arrangements relating to climate change risks.

4. Supporting Information

- 4.1 On 11th February 2021 the UK Pensions Act received Royal Assent. The Act sets out changes in a wide range of areas many of which are not relevant to the Local Government Pension Scheme. Those that are relevant are detailed below:

Pensions Dashboards: The Act introduces a framework to support pension dashboards including new powers to compel schemes to provide information. The impact for the administration service is discussed in more detail in the Administration Update.

Limiting Transfer Rights; the Act will allow schemes to block transfer requests where specified conditions are not met. This item is discussed in more detail in the Administration Update.

Climate Change Governance: regulations to force schemes to ensure there is effective governance with respect to the effects of climate change. Local Authority pension funds are to make disclosures in line with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD). Funds are expecting the Ministry for Housing, Communities and Local Government to release a consultation on TCFD for the LGPS in the summer. See 4.3 below.

4.2 **Increase in minimum pension age;** on 11th February Her Majesty's Treasury launched a consultation on the implementation of increasing the minimum pension age from 55 to 57 in April 2028. This is the age at which individuals will be able to access their pension benefits without incurring a tax charge and was introduced in 2010 when it was increased from age 50. However, the proposal is that members of the LGPS as of the date of the consultation will retain the right to retire from the age of 55 whereas new members on or after 12th February 2021 will be subject to the amendment.

4.3 **Climate change risk and the Task Force on Climate Related Financial Disclosures;** in January the Government published a response to its August 2020 consultation, *taking action on climate risk: improving governance and reporting by occupational pension schemes*, along with draft regulations and non-statutory guidance.

The consultation contained proposals for occupational pension schemes to comply with the recommendations of the TCFD and have effective governance and risk management. The Department for Work and Pensions has launched a consultation on draft regulations and statutory guidance, and it is expected that Regulations on how this will apply to the LGPS will be issued after a consultation by MHCLG expected later in 2021.

4.4 **The Pension Regulator's new code of practice**

4.4.1 The Pension Regulator published a consultation document on a new code of practice that is aimed at all pension schemes (defined and Defined contribution schemes) across both the private and public sector. The code is being introduced to incorporate changes made by the 2018 governance regulations (which did not apply to public service pension schemes) and to encourage increased member engagement, public scrutiny of pension schemes and those who run them, and growing concerns about climate change.

4.4.2 The code comprises of five core sections; The Governing Body, Funding and Investment, Administration, Communications and Disclosure; and Reporting to The Pension Regulator.

4.4.3 A number of existing codes of practice will continue to apply but significantly not Code of Practice 14 which covers public service pension schemes.

4.4.4 The modules are designed to be presented online and will be interlinked. A web-based version of the draft code has been published as part of the consultation. Below is the link:

<https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice>

4.4.5 The consultation closed on 25th May 2021. The Scheme Advisory Board will be issuing guidance to local authority pension funds on the implications and impact of the new code of practice.

4.4.6 There are a number of areas applicable to the Local Government Pension Scheme within the five core sections of the new code:

The Governing Body:

- Meetings and decisions (new)
- Remuneration policy (best practice)
- Managing adviser and service providers (new)
- Continuity planning (best practice)
- Assurance of governance and internal controls (new)

Funding and Investment:

- Investment governance (best practice)
- Investment monitoring (best practice)

Administration:

- Administration (new)
- Financial transactions (new)
- Transfers (new)
- Scheme records (new)
- Data monitoring (new)
- Maintenance of IT (new)
- Cyber controls (new)

Communications and disclosure:

- General principles for member communications (new)
- Scams (new)

Reporting to TPR:

- Registrable information of scheme returns (new)

4.4.7 It is anticipated that the new code will come into effect later this year and officers will ensure that any developments introduced by the Code will be included as part of the business planning cycle.

4.5 **Schedule of policies and training;** the Pension Fund is required to maintain a number of policies to ensure good governance and administration of the Fund. Also, Committee members and members of the Local Pension Board who are responsible for the investment and administration of the Fund are required to maintain their knowledge of skills. Appendix 1 provides a schedule of policies and when they should be reviewed and Appendix 2 planned training events for the coming year. The intention is to bring these updated schedules to each meeting.

5. Timescales associated with the decision and next steps

5.1 Officers will keep the Committee updated with developments.

Appendices

1. Appendix 1 Schedule of policies and training
2. Appendix 2 Schedule of training events

Background Papers

1. None.

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: n/a