

# **Staff and Pensions Committee**

**13 June 2022**

## **Regulatory and Policy Update**

### **Recommendation**

That the Staff and Pensions Committee endorses and comments on the content of the Report.

### **1. Executive Summary**

- 1.1 This Report sets out the Fund policies reviewed recently either as part of an annual review or where there have been minor amendments required.
- 1.2 The Report also updates the Committee on regulatory developments in the pension arena.

### **2. Financial Implications**

- 2.1 None.

### **3. Environmental Implications**

- 3.1 None.

### **4. Supporting Information**

#### ***Breaches Policy***

- 4.1 Officers have reviewed the Fund's Breaches Policy and are content that it does not require any amendments.
- 4.2 Where a breach has occurred, it is being identified and logged in line with the requirements of the Policy. Regular meetings are held to discuss any issues that have arisen and to agree the steps that need to be taken to improve compliance.

## ***Communication Policy***

- 4.3 The Warwickshire Pension Fund must provide, maintain and publish a communications policy in accordance with Regulation 67 of the Local Government Pension Scheme (LGPS) Administration Regulations. The policy must be revised and republished following any changes to it.
- 4.4 The Communications Policy sets out the adopted policy concerning the methods of communications with the stakeholders of the Warwickshire Pension Fund. Officers have reviewed the Policy and recommend that the following minor amendments be made as set out in Appendix 1, in relation to the following areas:
- the move to agile working
  - the launch of a new Fund website
  - details of the new 'member self-service' platform

## **Regulatory Update**

### ***LGPS Investments in Russia***

- 4.5 The UK Government has sanctions in place as a result of events in Ukraine. On 28 February the Scheme Advisory Board (SAB) advised any LGPS fund that is not already doing so to consider the implications for their investment portfolios. The Pension Fund Investment Sub Committee of 13 June 2022 will receive an update on the position. A full update of the Warwickshire position is also publicly available on the Fund's [website](#).
- 4.6 The SAB also launched a survey to which 50% of LGPS funds responded. The survey confirmed that an average of just 0.24% of assets were held directly in Russian investments.
- 4.7 On 9 March 2022 Rt Hon Michael Gove MP also wrote a letter to all LGPS Committee Chairs which echoes the guidance issued by SAB. A copy of the letter is appended below.



DLUHC to LGPS  
Committee Chairs v2

### ***Legal Opinion on the Prepayment of Contributions***

- 4.8 In response to an enquiry from an administering authority the SAB has obtained a legal opinion on the prepayment of primary employer and/or employee contributions. The opinion has been provided by Mr James Goudie QC.
- 4.9 In summary, Mr Goudie QC finds no legal barrier to the prepayment of these contributions. However, the advice makes clear that any prepayment should be taken on the basis of 'reasonableness, proportionality and prudence'. The full opinion and further information are available on the legal opinions page of the SAB website which you can view by clicking on the link below:

[LGPS Scheme Advisory Board - Legal Opinions \(lgpsboard.org\)](https://www.lgpsboard.org/legal-opinions)

### ***HMT - Mandatory Scheme Pays Deadlines are Changing***

- 4.10 The Finance Act 2022 and the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 ('the new regulations') will change the timescale for members to make or amend a mandatory scheme pays election when paying an annual allowance charge. These regulations came into force in April 2022 with retrospective effect. The changes will apply when the information used to calculate a member's pension input amount is retrospectively amended.

For reference if an LGPS member has an annual allowance tax charge that is more than £2,000, they may be able to opt for the LGPS to pay some or all of the tax charge on their behalf. The tax charge would then be recovered from their pension. This is known as 'scheme pays'.

- 4.11 The Local Government Association has provided full coverage of this issue in its [bulletin](#) 223 (Annual Allowance changes).

### ***Public Service Pensions and Judicial Offices Bill***

- 4.12 A last-minute amendment to the Public Service Pensions and Judicial Offices Bill was accepted before the Bill received Royal Assent on 10 March 2022.
- 4.13 The amendment introduces the power for the Secretary of State to give guidance or directions to the LGPS on investment decisions that conflict with the UK's foreign and defence policy.
- 4.14 There are no changes that Warwickshire Pension Fund needs to make now. Changes will only be needed if the Department for Levelling Up, Housing and Communities (DLUHC) issues guidance or directions, which would be subject to the usual 12-week consultation process.

### ***Levelling Up White Paper***

- 4.15 On 2 February 2022 the Government published its white paper on 'levelling up' the UK. The paper expressed a wish to increase the provision of financial capital from institutional investors such as pension funds into local business and projects.
- 4.16 Specifically, the paper noted that, 'if all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment.'
- 4.17 Therefore, the government is asking LGPS funds working with their asset pools to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support the UK.

### ***Consultation on Draft Pensions Dashboards Regulations***

- 4.18 On 8 March 2022, the Local Government Association (LGA) emailed administering authorities letting them know that they had published a response to [DWP's consultation on the Pensions Dashboards Regulations 2022](#).
- 4.19 The LGA in their response stated that, in their view, the LGPS will not be able to connect and meet its statutory duties by the proposed connection deadline of April 2024. The reasons for this include:
- the value data required goes beyond what LGPS administering authorities must currently provide.
  - LGPS administering authorities will already be under significant pressure at this time implementing the McCloud remedy.
  - the proposed response times for value data mean that funds will need to collect and validate data on a monthly basis; and
  - recruitment and retention remain a barrier.
- 4.20 They also took the opportunity to raise other concerns that they had with the dashboards, these included:
- the lack of clarity concerning pension credit and deferred pensioner members.
  - the lack of clarity about providing in house AVC data.
  - dashboards not including frozen refunds.
  - the feasibility of providing information to dashboards for new members within three months of them joining the Scheme.
  - the response time to provide accrued and projected values for a variety of reasons; and
  - the timescale for administering authorities to turn a possible match into a match.

### ***A Stronger Nudge to Pension Guidance***

- 4.21 On 1 June 2022 the Government will introduce [Nudge Regulations](#) to deliver the 'A Stronger Nudge to Pensions Guidance' which will apply to Additional Voluntary Contributions (AVC's) individuals make or have made in the past, linked to their membership of the Warwickshire Pension Fund. These new regulations do not affect the benefits members have in the LGPS.
- 4.22 The 'Stronger Nudge to Pensions Guidance' aims to ensure that individuals have either received or opted out of receiving appropriate pensions guidance before deciding what action to take with their AVC plan.
- 4.23 Therefore, under the new regulations, at the point the member elects to receive their LGPS retirement benefits, the Warwickshire Pension Fund must try and ensure they book an appointment with Pension Wise.
- 4.24 The Fund is unable to proceed with the member's application to receive their pension benefits unless they have attended the appointment and confirmed this to the Fund, or they have opted out of attending an appointment.
- 4.25 Pension Wise is a government service from Money Helper that offers free, impartial pensions guidance about pension options. An appointment with Pension Wise is free and will allow members to understand what their overall financial situation will be when they retire.

### ***General Summary on the Cost Cap mechanism***

- 4.26 Following HM Treasury's publication of Amending Directions in October 2021, the Home Office has finalised the 2016 valuations for the Fire Pension Scheme (FPS) providing certainty on the outcome to scheme members. On 16 March 2022, the final outcome of the cost-control element of the 2016 valuation for the FPS in England was published, confirming a breach to the cost cap ceiling of 14.6%. This process had previously been paused following the uncertainty arising from the McCloud and Sargeant judgments and was recommenced in 2020.
- 4.27 The report confirms that the cost control element 2016 valuation is not used to set the employer contribution rate and that changes to the employer contribution rates resulting from the 2020 valuations will take effect from April 2024.

These reforms do not affect the 2016 valuations as the government previously decided that it would be inappropriate to reduce member benefits based on a mechanism that may not be working as intended. The government therefore announced that any ceiling breaches found when schemes complete the 2016 valuations will be waived. This means that no member will face a reduction in

their benefits as a result of the 2016 valuation. The Home Office has published a set of FAQs on the valuation results to assist stakeholders.

## Appendix

Communications Policy

### Background Papers

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Martin Griffiths Victoria Moffett	martingriffiths@warwickshire.gov.uk victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder for Finance and Property	Councillor Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local Member(s):

Other members: Councillor Jenns and Councillor Gifford