

Warwickshire Local Pension Board

12 July 2022

Governance, Policy and Training

Recommendation

The Local Pension Board notes and comments on the content of the report.

1. Executive Summary

- 1.1 This report sets out the regulatory and governance issues that have occurred in the Local Government Pension Scheme recently at a national level.
- 1.2 This report also sets out the Warwickshire Pension Fund policies reviewed since the last report either as part of an annual review or where there have been minor amendments required.
- 1.3 The report also provides details of the current Training Plan

2. Financial Implications

None.

3. Environmental Implications

None.

4. Regulatory and Governance 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 received 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.

Government publishes statutory guidance on special severance payments

- 4.15 On the 12 May 2022, DLUHC published statutory guidance on special severance payments. Best Value authorities in England must have regard to the guidance in circumstances in which it may be appropriate to make special severance payments.
- 4.16 The government considers that most public sector workers enjoy statutory and contractual redundancy or severance terms that are significantly better than the minimum statutory redundancy entitlement and are often higher than the value of redundancy or severance payments made in the private sector. The government is of the view that paying additional, discretionary sums on top of these entitlements ("special severance payments") do not usually provide good value for money or offer fairness to the taxpayers who fund them and so, should only be considered in exceptional cases. Warwickshire Pension Fund has communicated this with its employers.

Consultation on Draft Pensions Dashboards Regulations

- 4.17 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](#).
- 4.18 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.
- 4.19 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

- 4.20 On 1 June 2022 the Government will introduced the [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.
- 4.21 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.
- 4.22 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.
- 4.23 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.
- 4.24 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.

Good Governance Review

- 4.25 The Scheme Advisory Board (SAB) is still at Phase III of the Good Governance Review, which will see them consider how statutory guidance can be used to put the LGPS governance framework in place and what KPIs can be used to measure governance effectiveness. The Chair of the Local Pension Board asked Officers to forward a link to the SAB Annual Report and this was done.

5. Updated Policies

5.1 The Breaches and Voting Policies have been reviewed by officers and no amendments were considered necessary.

5.2 With regard to our Communication Policy, the 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. Officers have reviewed the Policy and recommended the following amendments were made, in relation to:

- the move to agile working
- the launch of a new Fund website
- details of the new 'member self-service' platform

5.3 Hymans Robertson have reviewed and updated the Warwickshire Pension Fund Investment Strategy Statement and the Committee were asked to approve the additions and amendments.

6. Updated Training Plan

6.1 A current version of the Committee and Local Pension Board's Training Plan has been produced for review by the Board.

6.2 All Board members should have received the information they request at the last Pension Board Meeting on the Knowledge and Skills Framework from Hymans Robertson.

Appendices

1. Appendix 1 Communication Policy
2. Appendix 2 Investment Strategy Statement.
3. Appendix 3 Training Plan

Background Papers

None

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	Finance and Property	
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The report was circulated to the following members prior to publication:

Local Member(s):

Other members: