

Staff and Pensions Committee

12 June 2023

Policy and Regulatory Update Report

Recommendations

That the Staff and Pensions Committee:

1. Notes and comments on the updates contained in this Report, and.
2. Approves the new Data Retention Policy drawn up for the Warwickshire Pension Fund attached at Appendix 1.

1. Executive Summary

- 1.1 This Report confirms the findings of the annual review of Pension Fund policies. Any significant changes recommended to any policy are confirmed in the body of this report.
- 1.2 This Report also provides a regulatory update of issues that have arisen in the Local Government Pension Scheme (LGPS) arena in the last quarter.

2. Financial Implications

- 2.1 There are no financial implications arising directly from this report.

3. Environmental Implications

- 3.1 There are no environmental implications arising directly from this Report.

4. Supporting Information

Review of Policy and Process

- 4.1 Fund Officers have reviewed both the Breaches and Communication Policies and have concluded that no amendments were required at this time.
- 4.2 It is important that members of the fund are confident that we collect and use their data safely and compliantly. This includes ensuring that data is disposed of safely when no longer required. Fund Officers have therefore reviewed

processes and created a 'Data Retention Policy' (Appendix 1) that distils our current best practice into a single document. Officers ask that this be approved by the Committee. The approach and measures detailed within the Policy have always been followed but were not formally recorded. This draft Policy documents the Fund's practices within a written document.

- 4.3 The LGA also commissioned a data retention policy template which we will encourage employers to use and display on their websites, if they approach the Warwickshire Pension Fund for any guidance. The document sets out what data they should keep for members of the LGPS and for how long.

Regulatory Updates since March 2023

Single Code of Practice

- 4.4 The Pension Regulator (TPR) first published a draft version of the Single/General Code of Practice as part of its consultation in March 2021. The purpose of the draft being to bring together 10 of the existing separate 15 Codes of Practice. The Regulator has recently confirmed that the new Code is likely to be published in early June. Upon publication Officers will ensure that the Fund is compliant with the requirements.

McCloud Remedy

- 4.5 Following consideration of consultation responses, the government has confirmed the steps it will be taking to resolve the issues raised by the McCloud judgement in respect of the LGPS (England and Wales). As the Committee will recall, the Local Government Pension Scheme in England and Wales (LGPS) was reformed in 2014 as part of a wider project by the government to review and reform the pensions terms of public sector workers. In the 20 years prior to the reforms, the cost of public service pension schemes had significantly increased, with most of the increased costs falling on the taxpayer. The reforms were intended to ensure greater fairness between lower and higher earners, and the future sustainability and affordability of the scheme. In 2014, the new LGPS with a career average design, an increased normal pension age linked to a member's state pension age and the introduction of a cost control mechanism was introduced
- 4.6 As part of the reforms, and following negotiations with member representatives, transitional protections were provided to members closest to retirement to provide those members with greater certainty. Transitional protection was challenged by younger members of the firefighters and judicial pension schemes and, in 2018, the Court of Appeal held, in the case known as 'McCloud', that the arrangements gave rise to unlawful discrimination in those schemes. Following that judgment, the government accepted that the Court's judgment had implications for all public service pension schemes which included similar transitional protections, including the LGPS. The steps now in place will address this discrimination and the Fund will work to address this, although only a relatively small number of members are expected to be affected.

Pension Changes in the Spring Budget

- 4.7 In the Spring budget, the Chancellor announced significant changes to pensions taxation. These included:
- Increase the annual allowance (AA) from £40,000 to £60,000
 - Increase the Money Purchase AA from £4,000 to £10,000
 - Increase the income level for the tapered AA to apply from £240,000 to £260,000
 - Ensure that nobody will face a Lifetime allowance (LTA) charge from April 2023
- 4.8 The Pension Administration Team have introduced new processes and have communicated these changes to members that will be affected.

SCAPE

- 4.9 On the 30 March 2023, the superannuation contributions adjusted for past experience (SCAPE) discount rate was reduced. As a result, the Department for Levelling Up, Housing and Communities confirmed the following calculations should be immediately suspended until new factors are issued:
- certain non-club transfers and interfund / interfund calculations
 - certain non-club cash transfer sums
 - all cash equivalent values (C E V) for divorce
- 4.10 The Pension Team will suspend any calculations that would be affected, until the new factors are available.

Pensions Dashboard

- 4.11 The DWP have announced there will be a delay to the Pension Dashboard Programme while they meet the challenges in developing the digital architecture. An update is expected before the summer recess.

Pensions (Extension of Automatic Enrolment) (No2) Bill

- 4.12 The Pensions (Extension of Automatic Enrolment) (No 2) Bill was introduced as a Private Members' Bill on 27 February 2023. Since then, the Bill has passed through its second reading.
- 4.13 The Bill seeks to amend the current Pensions Act 2008 to allow the Secretary of State to make regulations that would lower the age for auto enrolment to 18 from the current age of 22. The Bill also seeks to allow the introduction of regulations to lower the earnings limit so that pension contributions can be made from the first pound rather than at the current minimum earnings threshold. This follows concerns that currently 12.5 million people are estimated to be under-saving for retirement. The changes would allow young people and low earners to start contributing to their pension earlier and

without threshold limitations. Most staff will find that they are automatically admitted to the LGPS, Employers will need to ensure they are applying the correct auto enrolment rules to employees. Auto-enrolment is the responsibility of Employers not the Pension Fund.

5. Timescales associated with the decision and next steps

5.1 There are no timescales associated with this Report.

Appendices

Appendix 1 – Data Retention Policy

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

Local Member(s): Councillors Yousef Dahmash and Bill Gifford

Other members: N.A