

Pension Advisory Board

15 November 2021

Regulations and Governance Update

Report by the Chairman of the Pension Advisory Board

Summary

Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance and should maintain their awareness of developments in the regulatory framework. This report provides a brief update on issues covered by the LGPC bulletins, by the Scheme Advisory Board at its meetings, by the Pensions Regulator, and other guidance.

Recommendations

The Board is asked to note the current issues relating to Scheme Regulations and Governance.

Proposal

1. Background and context

- 1.1 The Board receives updates on regulatory changes at each meeting but has decided that access to the websites for the LGPS, the Scheme Advisory Board (SAB), and the Pensions Regulator (tPR) provides an additional and valuable source of information on the LGPS regulations and guidance, and to changes under consideration or consultation.
- 1.2 Reviewing current developments not only improves knowledge and understanding but also enables the Board to keep pace with these developments as they are considered by the officers and reported to the Pensions Committee.

2. LGPS Bulletins and regulations

- 2.1 Bulletins issued since the last meeting and issues of interest are:
[July Bulletin 212](#) with information on actuarial guidance queries, consultation on special severance payments, and tPR survey results (covering at the Board's meeting in July).

August Bulletin 213 with information on responses to consultations on severance payments and tPR code of practice (see below).

September Bulletin 214 with information on renaming of MHCLG, and the CPI rate for September of 3.1%. The application of this rate to revaluing and increasing pensions is subject to Government confirmation.

October Bulletin 215 with information on the new Government minister, pensions dashboard programme, and the publication of (Local Government Pension Statistics) [SF3 data](#).

- 2.2 In September, the Government announced that the Ministry of Housing, Communities and Local Government (MHCLG) will become the Department for Levelling Up, Housing and Communities (DLUHC). This is the primary regulator for the LGPS and it is not clear yet whether these changes will help speed up outstanding work on updating LGPS regulations and guidance or not.
- 2.3 A review of these Bulletins gives an indication that the day-to-day work of regulating and administering local government pensions is continuing at the detailed technical level but overall policy decisions on Scheme governance are not progressing. Full details are available on the LGPC website (www.lgpsregs.org) under "LGPC Bulletins". Other changes or potential changes to the regulations are addressed in the Administration report on the agenda.

3. Scheme Advisory Board/DLUHC outstanding issues

- 3.1 The impact of the COVID-19 pandemic continues to slow progress on a number of regulatory and guidance matters, and there is still a 'build-up' of regulatory matters requiring attention. A summary of these outstanding issues was reported to the Board in February.
- 3.2 A recent article on the governance and regulatory issues relating to asset pooling and climate change has been circulated to Board members. This gives a helpful perspective from the LGPS industry on the inter-relationship and complexity of these two areas on which further regulatory guidance from DLUHC is anticipated. Although essentially investment issues, compliance with new regulatory guidance will be a key issue for the Pensions Committee and for the Board.
- 3.3 The SAB last met on 27 September with an agenda covering the Cost Transparency Report, the replacement of the CIPFA Pensions Panel, the Cost Management Committee and the Investment Committee. No further information has been issued about the matters discussed and decisions taken, and there are therefore no further developments to report. Information about their past meetings and other issues is available on their website (www.lgpsboard.org).
- 3.4 The reference to the CIPFA Pensions Panel is relevant in that the Panel has issued guidance and advice on a wide range of pension fund issues in the past and some are built in to the LGPS regulations as guidance to which funds should have regard, e.g. preparation of annual reports. CIPFA

has now disbanded the Panel and the SAB is considering setting up a new Compliance and Reporting Committee under its own framework.

4. The Pensions Regulator

- 4.1 The consultation on a new combined Code of Practice concluded at the end of May but due to the number of responses, the new Code is not expected to be published until the summer of 2022.

5. Other options considered (and reasons for not proposing)

- 5.1 N/A

6. Consultation, engagement and advice

- 6.1 N/A

7. Finance

- 7.1 N/A

8. Risk implications and mitigations

- 8.1 ***Failure of Board members to maintain a suitable level of knowledge and understanding*** – By having this report as a standing item for each Board meeting, members are kept abreast of developments.
- 8.2 ***New training requirements imposed on the Board in relation to compliance testing*** – monitoring new developments in this way should identify ***potential*** new requirements at an early stage.

9. Policy alignment and compliance

- 9.1 Integral part of agreed training strategy.

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Background papers

None