

Report to Pension Advisory Board

16 May 2022

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 Emails from the Local Government Association (LGA) announcing the issue of these Bulletins are forwarded to all Board members for early reference. Bulletins issued since the last meeting are:
January Bulletin 219, February Bulletin 220, March Bulletin 221 (annual update), March Bulletin 222, and April Bulletin 223.
- 2.2 None of these Bulletins contained any matters of significance to the Board's activities and technical details about the Scheme are covered in the Administration Report where appropriate.

- 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 Actuary Update, Business Plan and Administration Procedures and Performance reports on the agenda.

3. Scheme Advisory Board/DLUHC outstanding issues

- 3.1 The SAB last met on 7 March and a summary note of the meeting, as published on their website is attached as **Appendix A**. Further information about this and their past meetings, and other issues is available on their website (www.lgpsboard.org).
- 3.2 The SAB reports on its website that an amendment has been agreed to the Public Service Pensions Act 2013 as follows:
- 12 The administration and management of the scheme, including -*
- (a) the giving of guidance or directions by the responsible authority to the scheme manager (where those persons are different); including guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy.*
- Reference is also included in Appendix A.
- 3.3 Once enacted, this amendment would enable the Secretary of State to issue directions regarding such investments, which it had tried to do previously and been prevented by the courts. Application to the LGPS would require a consultation (normally 12 weeks) on an amendment to the Investment Regulations and/or guidance. At that stage, it would be appropriate for the Board to consider any compliance implications.
- 3.4 Apart from this potential change, there has been no apparent progress on other governance developments, details of which have been reported to the Board previously and are summarised in the Committee's Business Plan as reported to this meeting.

4. The Pensions Regulator

- 4.1 The new combined Code is still not expected to be published until the summer, due to come into force in October 2022.

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

N/A

6. Consultation, engagement and advice

N/A

7. Finance

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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Appendices

Appendix A –Summary note of the SAB meeting on 7 March 2022

Background papers

None

