

## **Report to Pension Advisory Board**

**5 September 2022**

### **Regulations and Governance Update**

#### **Report by the Chairman of the Pension Advisory Board**

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### **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.

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### **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:

**May Bulletin 225, June Bulletin 226, and July Bulletin 227.** Bulletin 228 for August is likely to be issued towards the end of the month.

- 2.2 None of these Bulletins contained any matters of significance to the Board's activities and technical details about the administration of 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](http://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 SAB last met on 6 June 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](http://www.lgpsboard.org)).
- 3.2 There has been visible progress on major governance developments in the pipeline, details of which have been reported to the Board previously. These include the implementation of the Good Governance review and changes to the investment regulations to cover boycotts and sanctions; responsible investment and fiduciary duty; asset pooling and the proposed Task Force on Climate-Related Financial Disclosures (TCFD). Consultation is expected in October.
- 3.3 In addition, it is anticipated that there will need to be some updating of references in the regulations to CIPFA guidance following the disbandment of the CIPFA Pensions Panel and the creation of the SAB's Compliance and Reporting Committee.
- 3.4 The SAB published the LGPS Scheme annual report for 2021 in May which provides a combined summary of the annual reports for all the LGPS funds. A copy of the SAB Chair's statement and summary is attached as **Appendix B**. A copy of the report is available on their [website](#) and local pension boards have been asked to draw this to the attention of their board members.

### **4. The Pensions Regulator**

- 4.1 The new combined Code has still not been published following an extensive consultation exercise and is expected to be published in the autumn. It is not clear when this will now come into force or the precise implications for the LGPS. Further guidance on this from SAB and/or DLUHC may be forthcoming.

## **5. Other news**

- 5.1 The PLSA (Pensions and Lifetime Savings Association) published its review of the LGPS in June which it states is intended to provide additional information to aid and inform debate about its operation and purpose. It also aims to suggest practical next steps to some of the challenges highlighted.
- 5.2 It is not entirely clear what status this review has or how it might be used in the current governance framework. The Board will be kept informed of any key outcomes.

## **6. Other options considered (and reasons for not proposing)**

- 6.1 N/A

## **7. Consultation, engagement and advice**

- 7.1 N/A

## **8. Finance**

- 8.1 N/A

## **9. Risk implications and mitigations**

- 9.1 ***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.
- 9.2 ***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.

## **10. Policy alignment and compliance**

- 10.1 Integral part of agreed training strategy.

Peter Scales

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## **Appendices**

Appendix A – Summary note of the SAB meeting on 6 June 2022

Appendix B – Scheme Annual Report 2021 statement

## **Background papers**

None