

## **Report to Pension Advisory Board**

**09 February 2024**

### **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 Local Government Pension Scheme (LGPC) bulletins, by the Scheme Advisory Board (SAB) at its meetings, by the department for Levelling Up, Housing and Communities (DLUHC), by the Pensions Regulator (tPR), and by 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 SAB, and tPR provides an additional and valuable source of information and reference 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, and any matters of significance to the Board's activities are drawn to the attention of members. The most recent was Bulletin 245 in December.
- 2.2 Full details of the Bulletins are available on the Local Government Pensions Committee (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 4 December and a summary note of the meeting has been published on their website. A copy of this note is provided in **Appendix A** for ease of reference and provides an update of progress on certain developments at the time of their meeting. The only point of note is the indication that revised annual reporting guidance will be produced in the Spring to apply initially on a voluntary basis for the 2023/24 fund annual reports.
- 3.2 Subsequent to that meeting, the SAB has issued a Statement on Surpluses. This is principally about continuing high funding levels for most funds and the impact these might have on employer contribution rates. The full statement is available on the SAB website and is not included with this report as it is not a 'live' issue for the Board until such time as funding strategy is considered by the Pensions Committee.
- 3.3 However, it is worth noting the final paragraph of the Statement, replicated below, as it makes reference to local pension boards.
- "In the rare cases where it is proposed to set a negative secondary contribution at a level that puts the overall employer contribution in line with, or below, average employee contributions (generally around 6.5%), funds should consider how best to present this and may wish to seek views from employee representative members on their Local Pension Board, before moving to do so."*
- 3.4 As part of the Autumn Statement, the Government announced that it had concluded its consultation on "The Next Steps on Investments" for the LGPS. The consultation has been considered by the Committee and Board at previous meetings. There is no indication yet as to how this will be taken forward but new regulations and/or guidance can be expected in the coming year.

#### **4. The Pensions Regulator (tPR)**

- 4.1 The new combined Code, now called the "General Code" was issued on 10 January 2024 and has been laid before Parliament. The new requirements are expected to come into force from 27 March 2024. While funds are expected to comply with the new Code from that date, there is usually some leeway given for implementation but there is no indication of how long this might be.
- 4.2 A copy of the Code has not been attached to this report as it has yet to receive final approval, but a copy is available on tPR's website. The document is long, 171 pages, has 51 modules and 5 key sections. These cover The Governing Body, Funding and Investment, Administration, Communications and Disclosure, and Reporting to tPR. There are two references to the LGPS to exclude the Scheme from certain sections but no references to local pension boards.
- 4.3 TPR indicated during their consultation period that it was a deliberate intention not to identify which sections of the Code apply to which schemes and the index is not helpful in this respect. However, there will be copious amounts of advice and various training opportunities available to assist the officers, the Committee and the Board in implementing the new requirements. Needless to say, this will represent a major piece of work for the fund in the coming year.

#### **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 meeting of the SAB on 4 December 2023

**Background papers**

None