

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator some of which are relevant to the financial management of the Fund.	
FINANCIAL SUMMARY: There are no financial implications associated with this report	

1. RECOMMENDATION

- 1.1 The Committee are asked to note the contents of this report.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund.

3 DETAIL

3.1. Local Government Pension Scheme Advisory Board (SAB)

LGPS Investments in Russia

On 4 March 2022 SAB advised that they had drafted a relevant note available on the [Boycotts, Divestment and Sanctions](#) page of their website.

[https://www.lgpsboard.org/images/PDF/BDS/Investments in Russia 4 March 2022.pdf](https://www.lgpsboard.org/images/PDF/BDS/Investments_in_Russia_4_March_2022.pdf)

On 28 February 2022 SAB advised that in the light of events in Ukraine and resultant extant and potential sanctions by the UK Government any LGPS funds which are not already doing so should consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken.

McCloud response

On 6 October 2020 the SAB published its final response to the MHCLG consultation.

On 11 May 2021, in the Queen's Speech, it was announced that a "Public Service Pensions and Judicial Offices Bill" will be introduced that will deal with the amendments necessary to incorporate the McCloud judgement into public service pension schemes including the LGPS.

On 13 May 2021 a "Written Ministerial Statement" was published setting out the high level objectives of Government in applying the remedy as required following the McCloud judgement.

On 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 was given Royal Assent although not all of the provisions are in force.

On an unrelated point to McCloud, on 22 February 2022 an amendment to the Public Service Pensions and Judicial Offices Bill, relating to investment in line with UK foreign and defence policy, was passed at the report stage. This amendment remains in the finalised Public Service Pensions and Judicial Offices Act 2022 (section 100). The effect of this is that MHCLG may give guidance or directions to administering authorities on "*investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy*".

Levelling Up White Paper

On 2 February the Government published the [Levelling Up](#) [whitepaper](#) which includes references to the Government asking LGPS funds to publish plans for increasing local investment and to have an ambition for up to 5% of assets to be allocated to projects which support local areas. SAB understands that in this context local refers to UK rather than local to a particular fund and that there will be no mandate beyond the requirement to have a plan. Further details are expected to emerge over the period up to an expected summer consultation which SAB understands will also include the outstanding climate risk and reporting regulations and the pooling guidance.

The white paper also notes that the UK Infrastructure Bank is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS.

[Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](#)

Pensions Dashboards

On 31 January 2022 the DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022..

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

Section 13 Report

On 16 December 2021 the Department for Levelling Up, Housing and Communities published the Government Actuary's Department report on the 2019 fund valuations as required by Section 13 of the Public Service Pensions Act 2013. The report can be found via the link below:

<https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019>

Letter from Mr Michael Lynk

On 11 January 2022 the Chair of and representatives from LAPFF, together with the SAB Secretary held a call with Mr Lynk to discuss his [letter](#). The discussion was productive and it was agreed to a follow up with another call in a month or so. It was made clear that LGPS funds' primary objective in investment is to ensure pensions are paid but they do take human rights issues seriously in their decisions and through LAPFF are actively engaging with many of the companies listed on the database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it.

On 22 November 2021 a letter was sent to all LGPS pension committee chairs (link below) from Mr Michael Lynk , United Nations Special Rapporteur on the Palestinian Territories asking a number of questions regarding their investments.

<https://lgpsboard.org/images/Other/LetterLynk22112021.pdf>

Cost Control

On 7 October 2021 HMT published its Cost Control Directions. On their publication the Board became able to publish the results of their own cost management process which were agreed in the summer subject to confirmation of the HMT Directions. Details can be found via the link below:

[LGPS Scheme Advisory Board - Cost Management \(lgpsboard.org\)](https://lgpsboard.org)

Code of Transparency

Following a consultation with Code signatories proposed amendments to the LGPS Code of Transparency were agreed by the Board at its meeting on 27 September 2021. The updated Code wording can be found via the link below:

<https://lgpsboard.org/index.php/the-code>

[The Pensions Regulator new code of practice](#)

The Pensions Regulator (TPR)

TPR has a wider remit than the SAB and most of its publications / press releases concern private sector schemes. However, in recent months it has published the following matters of interest to the LGPS:

Adapting Pensions to Climate Change

On 28 October 2021 TPR published its “Climate Adaptation Report” in which it argues that too few schemes give enough consideration to climate-related risks and opportunities, which means that investment and saver outcomes could suffer. It reports that a survey of defined benefit schemes showed that more than half had not allocated time or resources to assessing any financial risks and opportunities associated with climate change. The Report can be accessed at:

<https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/climate-change-and-environment/climate-adaptation-report>

Asset Allocation by Defined Benefits Schemes

On 21 October 2021 TPR confirmed that from 2023 it will ask “trustees” of defined benefits schemes for more information about how they allocated their assets.

New Code of Practice

On 24 August 2021 TPR published its interim response to the consultation on its new code of practice. Full details can be accessed via the link above.

On 17 March 2021 TPR issued a consultation document on a proposed new code of practice, mainly dealing with the governance and administration of pension schemes, that will replace 10 of their existing codes. The “existing codes” include Code of Practice 14 which applies to the LGPS. The consultation period ended on 26 May 2021.

4. CONSULTATION

4.1 No consultation is required.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

- 8.1 There are no equalities impacts arising from this report.

9. ENVIRONMENTAL IMPACT

- 9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime and disorder impacts arising from this report.

11. DATA PROTECTION IMPLICATIONS

- 11.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.