

REPORT TO:	Pension Board 8 July 2021
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

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

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board 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)

Boycotts, Divestment and Sanctions Bill

On 11 May, in the Queen's Speech, it was announced that a Bill will be introduced to stop public bodies from taking a different approach to UK sanctions and foreign relations policies when making purchasing, procurement and investment decisions.

Climate risk

On 27 January 2021 a policy consultation response and Consultation regulations entitled "Taking action on climate risk: improving governance and reporting by occupational pension schemes" was launched and ran until 10 March 2021. The regulations do not cover the LGPS but regulations are expected from MHCLG substantially to mirror these requirements.

Employer Flexibilities Guidance Published

On 2 March 2021 MHCLG published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020.

Exit payments and 95k cap

On 10 March 2021 the guides for Administering Authorities and Employers on the lgpsregs site were updated to take account of the revocation regulations and the

requirement for payment of interest on exit payments by employers.

On 4 March 2021 MHCLG issued a letter to authorities withdrawing its letter of 28 October 2020.

On 25 February 2021 revocation regulations were laid.

On 17 February 2021 guides on lgpsregs were updated.

On 12 February 2021 HMT directions disapplied parts of the exit cap regulations effectively switching off the cap in England.

On 28 October 2020 a letter was sent from the Local Government minister to all administering authorities, in respect of the implementation of the public sector exit payment regulations from 4th November 2020. The SAB was also sent a copy of the letter and considered its contents alongside legal advice it had received.

On 15 October 2020 the Exit Cap regulations were made.

Good Governance – Final Report

On 8 February 2021 the Board agreed that “Good Governance – Final Report” be published and that the Board’s action plan be submitted to the Local Government Minister for consideration. The action plan comprises those matters that would fall to MHCLG for implementation, those that would fall to the Board and others to implement and those items identifying and promoting existing best practice which can be implemented without further agreement. The report and action plan can be accessed at <https://www.lgpsboard.org/>

Indexation

On 23 March 2021 HM Treasury published its “Response to the Guaranteed Minimum Pension Indexation Consultation” which ran from October to December 2020. The response sets out that the Government has decided to discount conversion as a long-term policy solution for equalisation and make full GMP indexation the permanent solution for public service pension schemes.

Lifetime Allowance Frozen

In the Budget on 3 March 2021 the Chancellor announced that the Lifetime Allowance ie the maximum amount of pension plus lump sum that can be drawn from a pension scheme without triggering an extra tax charge, would be frozen at its current level (£1,073,100) until April 2026.

McCloud response

On 13 May 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 11 May, 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 6 October 2020 the SAB published its final response to the MHCLG consultation.

Minimum Pension Age

On 11 February 2021 the Government launched consultation proposing that the minimum pension age be increased from 55 to 57 in 2028. The consultation runs until 22 April 2021.

Pensions Scheme Act 2021

On 11 February 2021 royal assent was received. Elements which will impact on the LGPS include climate risk reporting and the pensions dashboard.

Responsible Investment

On 28 April 2021 the Board Chair announced the launch of an online publication entitled “A-Z of Responsible Investment.”

Scheme Annual Report

On 18 May 2021 the Chair of the Board announced that the “Scheme Annual Report” is now available on the Board website.

Social Investment

On 24 March 2021 a call for evidence entitled “Consideration of social risks and opportunities by occupational pension schemes” was launched by DWP running until 16 June. The consultation seeks views on the effectiveness of occupational pension scheme trustees’ current policies and practices in relation to social factors, how trustees understand social factors and how they seek to integrate considerations of financially material social factors into their investment and stewardship activities.

3.2. The Pensions Regulator (TPR)

TPR has a wider remit than the SAB and most of its recent publications / press releases have concerned private sector schemes. Its only recent “statement” of immediate relevance to the LGPS was Guidance on Covid-19 published on 16 September 2020. However two of its recent “statements” are likely to be important to the LGPS.

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 and the new Code is expected later in the year.

In a press release on 7 April 2021 TPR announced the publication of a new “Climate Change Strategy” ahead of proposed regulations which will require trustees of larger schemes to maintain oversight of, and make mandatory disclosures in relation to, climate risks. Whilst the LGPS may not be immediately and directly affected by the proposed regulations TPR indicate that they will monitor developments affecting the LGPS as the MHCLG intends to consult on the recommendations of the international

“Taskforce on Climate-related Financial Disclosures” later this year

On 26 May 2021 TPR published its “Annual Funding Statement 2021” in which it headlined that “Trustees of defined benefit pension schemes must remain alert to the risk of weakening employer covenants as uncertainties remain following a challenging year for businesses.”

4 DATA PROTECTION IMPLICATIONS

4.1 Will the subject of the report involve the processing of ‘personal data’?

No.

Approved by: Chris Buss, Interim Director of Finance, Investment and Risk,
S151 Officer

CONTACT OFFICER:

Nigel Cook, Head of Pensions and Treasury,
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.