

# Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee 6 December 2022</b>
<b>SUBJECT:</b>	<b>Local Government Pension Scheme Advisory Board / The Pensions Regulator Update</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

## 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. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisors.

## 3 DETAIL

### 3.1. Local Government Pension Scheme Advisory Board (SAB)

#### Statement on employer contributions

On 1 November 2022 the Board announced that, at their meeting on 10 October 2022, they discussed emerging results from the current round of triennial fund valuations. Whilst understanding and recognising the extremely challenging position for local government finance, the Board asks that administering authorities and other fund employers have regard to the desirability for long term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position. The full statement gives more detail of the Board's discussion, and full reasons for making this statement.

#### Scheme Advisory Board response to HM Treasury's exit pay consultation

In August, HM Treasury issued a consultation on a new controls process for high value exit payments paid to staff working in central government. Although that will not affect local government workers directly, some LGPS employers are likely to be covered by the new arrangements and on 17 October 2022 the Scheme Advisory Board submitted this response.

### Taskforce on Climate-related Financial Disclosures (TCFD)

On 1 September 2022 The Department for Levelling Up, Housing and Communities (DLUHC) launched its consultation regarding governance and reporting of climate change risks. The consultation seeks views on proposals to require Local Government Pension Scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closed on 24 November 2022.

### Audit issues within the Local Government Pension Scheme (LGPS)

On 3 August 2022 the Board Chair, Cllr Phillips, has written to the Minister outlining issues facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem and asks the Minister to task officials to work with the Board and its committees to consider the benefits and risks of such an approach.

### Age discrimination in LGPS benefits

On 26 August 2022 the Board Chair, Cllr Phillips, has written to the Minister recommending reform of the LGPS rules on death grants and survivor benefits. This is to address recent challenges that the current rules are discriminatory and also to investigate “future proofing” Scheme benefits against potential future legal challenge

### Queen’s Speech

On 11 May 2022, the Queen’s Speech included a Procurement Bill which will cover the procurement, purchasing and investment decisions of public bodies and a Boycotts, Divestment and Sanctions Bill.

### Special Severance Payment Guidance

On 12 May 2022 DLUHC published statutory guidance on the making and disclosure of special severance payments by local authorities in England. The guidance sets out the criteria employers should consider in the circumstances in which it may be appropriate to make a special severance payment. It also the clarifies the disclosure and reporting requirements.

[Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/statutory-guidance-on-the-making-and-disclosure-of-special-severance-payments-by-local-authorities-in-england)

## Academy Trust and Local Government Pension Update

On 21 July 2022 the Department for Education (DfE) made a statement confirming an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the fund. This guarantee was first made in 2013 and now includes a new increased annual ceiling of £20m. The Guarantee provides academy trusts with direct Government backing for certain pension costs. The DfE has asked administering authorities to ensure that this is reflected in this year's scheme valuation, both in the setting of employer contribution rates and the length of deficit recovery periods.

## McCloud response

On 2 August 2022 the DLUHC provided an update on its work to rectify "McCloud" age discrimination. This has already been shared with LGPS administering authorities in England and Wales and software suppliers. Full details are available in the July LGPC bulletin.

On 17 March 2022 the Queen gave Royal Assent to the Public Service Pensions and Judicial Offices Bill and it became the Public Service Pensions and Judicial Offices Act 2022.

## Levelling Up White Paper

On 27 April 2022 the Board Chair wrote to the Minister in response to the White Paper.

[https://lgpsboard.org/images/Other/Letter\\_to\\_Kemi\\_Badenoch\\_Levelling\\_Up\\_270422.pdf](https://lgpsboard.org/images/Other/Letter_to_Kemi_Badenoch_Levelling_Up_270422.pdf)

On 2 February 2022 the Government published the Levelling Up White Paper which includes references to LGPS funds having plans 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 \(www.gov.uk\)](https://www.gov.uk/government/white-papers/levelling-up-the-united-kingdom)

### **3.2 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 matter of interest to the LGPS:

## Guidance on tendering for fiduciary managers and setting objectives for investment consultants

On 4 August TPR took over the regulation of trustee duties from the Competition and Markets Authority. TPR has revised its guidance on the tender process for fiduciary management services and trustees setting objectives for their investment consultants.

Since December 2019, trustees have been legally required to run a competitive tender process when appointing fiduciary managers in relation to 20% or more of scheme assets. They have also been prohibited from receiving investment consultancy services without having set strategic objectives for their investment consultancy provider.

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/tender-for-fiduciary-management-services>

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/set-objectives-for-your-investment-consultant>

### **4. CONSULTATION**

4.1 No consultation is required for this report however Fund advisors are consulted as appropriate on matters arising from it.

### **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There are no financial or risk assessment considerations arising from this report.  
**Approved by:** Alan Layton 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 although it is important to be aware that a number of changes to the regulations governing the LGPS are likely to be announced in the next few months (for example dealing with McCloud remedies).

### **7. HUMAN RESOURCES IMPACT**

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

**Approved by:** Gillian Bevan Head of HR Resources and Assistant Chief Executives on behalf of the Chief People Officer

## **8. EQUALITIES IMPACT**

- 8.1 There are no impending equality implications arising from the report. However, should special severance payments be made in relation to the report, payments should be monitored by protected characteristic.
- 8.2 It is also advised that an update on challenges regarding age discrimination be reported to the next meeting.

**Approved by:** Denise McCausland Equality Programme Manager

## **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.

**Approved by:** Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

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## **CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

## **BACKGROUND DOCUMENTS:**

None.