

Scheme, legal, regulatory and Fund update

| Source & Subject | Update Status | Subject detail & comments | Risk mitigation comments | Residual risk rating |
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| Fund Update: Business Focus | No change | A 3-year business plan to cover the period 1 April 2023 to 31 March 2026. | WPFC & LPB to review officer progress against the business plan through an actions log which is reviewed on a quarterly basis | ST101 |
| HM Treasury: Reforms to public sector exit payments | No change | <p>After a brief period of 'going live', the Restrictions on Public Sector Exit Payment Regulations were revoked in early 2021.</p> <p>On 8 August 2022 HM Treasury published a consultation on Administrative Controls Process for Public Sector Exits, seeking views on a "new administrative control process for public sector exit payments over £95,000". The consultation closed in October 2022, and we are waiting to hear further information. Initially, the changes will not apply to Councils/most LGPS employers, which may be a sign of things to come. The major difference on the revised proposal is that rather than the employee receiving capped benefits (after the employer made a decision), the cap applies to the stage before (i.e., the employer approval). Therefore, if the costs are going to be above £95,000 then the employer needs approval to go ahead. From a pension's perspective, such an approach would quite possibly avoid nearly all the issues from initial implementation. However, it may well still be unwelcomed for employers in other respects.</p> | <p>Officers will continue to appraise themselves of developments via Hymans updates and the following links:</p> <p>Public Sector Exit Payments: a new controls process for high exit payments - GOV.UK (www.gov.uk)</p> <p>Return of the £95k cap - News Barnett Waddingham (barnett-waddingham.co.uk)</p> | ST102 |
| Scheme Advisory Board (SAB): Good Governance Project | No change | Good Governance Project (formerly known as the Separation Project) | <p>Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.</p> <p>Hymans Robertson and SAB are now moving towards Phase III of the project and a proposal is going to MHCLG to implement the proposals.</p> <p>Implementation is likely in 2023.</p> | ST102 |

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| The Pension Regulator (tPR): Single code of practice | No change | <p>TPR have released a consultation concerning its intention to produce a single code of practice covering all pension schemes (Consequently, 10 of the 15 existing codes will be merged).</p> <p>Whilst this will impact the Fund's current adherence to Code of Practice 14, it is understood that the new Single Code will be modelled on Code of Practice 14.</p> | <p>Whilst some of the exercise is merely one of administrative consolidation, tPR have also used this as an opportunity to make some changes.</p> <p>Implementation is likely in 2023.</p> | ST102 |
| Scheme Advisory Board (SAB): Goodwin Case | No change | <p>With some similarities to McCloud, another discrimination case affecting public service schemes including the LGPS is the Goodwin case. This time it's on the grounds of sexual orientation whereby it has been shown that it is discriminatory for female partners of members who are in a same sex or opposite sex marriage to receive different survivor benefits from one other.</p> | <p>Although the funding costs will be small, this will be a further administration and communication burden to address.</p> <p>Little information has still been provided of the impact on the LGPS, but the DfE has started a consultation in relation to the Teacher's Pension Scheme to start the process of altering the scheme rules. It is expected DLUHC will undertake a similar process for the LGPS in due course.</p> | ST102 |
| DLUHC: Fair Deal Consultation | No change | <p>A DLUHC proposal to strengthen the pension protections that apply when employees are outsourced from their LGPS employer.</p> <p>https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection</p> | <p>Officers have responded to the consultation but have yet to hear anything further from DLUHC. The next step is likely to be either another consultation or the introduction of legislation.</p> <p>Due to the Parliamentary backlog, further progress may not be seen until late 2023.</p> | ST102 |
| DLUHC: Education Sector reforms & Changes to the Local Valuation Cycle and the Management of Employer risk Consultation | No change | <p>Education sector reforms</p> <p>Sixty Second Summary - Education sector in the LGPS - Hymans Robertson</p> <p>Management of employer risk regulations - Hymans Robertson</p> | <p>Education sector reforms: These are outlined in the helpful 'sixty second summary' link to the left. Some of these discussions related to point 5 of the Consultation outlined below.</p> <p>One positive area being considered by Government is the introduction of guarantee to protect Funds against FE Colleges defaults.</p> <p>Scope:</p> <p>1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle.</p> | ST102 |

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| | | | <p>Nothing further has been heard on this. As contribution rates are currently being set for the period 2023-2026, it is likely that any changes would not take place for a number of years.</p> <p>2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. As above.</p> <p>3). Proposals for flexibility on exit payments.</p> <p>4). Proposals for further policy changes to exit credits.</p> <p>Legislation has been introduced in relation to 3) & 4) and is embedded in the Fund's cessation policy.</p> <p>5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees)</p> <p>The Fund is unaware of any further developments in this area.</p> | |
| Brexit Freedoms: Retained EU Law Bill | No change | <p>The Retained EU Law (Revocation & Reform) Bill will assess all EU derived subordinate legislation and all retained directly applicable EU legislation. It excludes primary law, subject to certain conditions. This will be assessed by a Minister or devolved authority (not Parliament) Circa 4,000 pension related laws to be reviewed by 31st December 2023.</p> <p>There is the power to retain legislation until 23 June 2026. Retained EU laws from 31 December will be known as Assimilated Law. In addition, EU case law will no longer be binding.</p> | <p>Relevant Ministers will review the laws. Pension related issues are expected to include laws around Employment, Age Discrimination & material events prior to December 2006.</p> <p>Officers will take guidance from their professional advisers concerning any changes impacting the Fund.</p> <p>The key risk will be officers' ability to apply all the changes within the required time frames.</p> | ST102 |
| GDPR: Data Protection & Digital Information Bill | No change | <p>To amend the current GDPR & Data Protection Act 2018. Its aim is to providing organisations with greater flexibility on how to comply with some aspect of data protection legislation. In particular, less box-ticking, improvements in the clarity of the framework and reforming the ICO.</p> | <p>A project plan will be developed. At present, whilst it is noted that the data mapping requirements could be simplified (Article 30), the existing data map will receive it annual review. It is anticipated that DPIAs will be more targeted, DPO's replaced by senior responsible individuals, vexatious SARs can be more easily rejected, personal data definitions altered, new rules around the legal basis for processing, greater flexibility around data</p> | ST102 |

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| | | | security, reforms around international data transfers rules, changes to provider contracts and the ICO reformed. The key risk being the acceptability of these changes to the EU. | |
| DLUHC: Cost control consultation | No change | <p>Proposed amendments to the Scheme Advisory Board's cost control mechanism have been published for consultation. Closing date 24 March 2023.</p> <p>The mechanism operates in addition to the HM Treasury cost control valuations (which apply to all public sector pension schemes) to recognise that the LGPS is unique in having funded schemes that are administered locally. The broad purpose of the consultation is to update the SAB mechanism to align with the HMT cost control valuations (ensuring the SAB mechanism can still influence the HMT outcome) and give the SAB greater flexibility in how it manages any cost variations</p> | Hymans are responding to the consultation and officers will take guidance from Hymans response. | ST102 |
| DLUHC: Edinburgh Reforms | No change | <p>On 9 December, over 30 regulatory reforms were announced, with the aim of driving growth and competitiveness in the UK financial services sector.</p> <p>The proposed reforms are designed to maintain and build a competitive marketplace and promote the effective use of capital, secure the UK's leadership role in sustainable finance, ensure the regulatory framework supports technology and innovation and deliver for consumers and businesses.</p> <p>From a pensions perspective this means encouraging schemes to invest more of their assets in illiquid investments, such as UK infrastructure through the removal of performance fees & repealing & replacing EU law on financial services. Other considerations are also on the table.</p> | Officers await details of the proposed regulatory changes before considering the impact and associated risks. | ST102 |
| DLUHC: Revaluation Date Change Consultation | No change | The Govt. has announced that a full 10.1% increase (from last September's CPI) will apply to pensions in payment and Career Average Revalued Earnings pension revaluation. However, the impact of this apparently minor change actually has material | The move is designed to bring the revaluation of LGPS CARE benefits into line with the Pension Input Period (PIP) used for Annual Allowance tax calculations. The consultation lasted only 2 weeks from 10 February 2023 to 24 February 2023. | ST102 |

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| | | implications for the Pension Input Period (PIP) used for Annual Allowance tax calculations. Consequently, changing the date on which CARE pensions are revalued, from 1 April to 6 April is being consulted on. | The tight timescales are likely to mean that, if any changes are implemented, pension administration systems will not be updated in time for April's increases to be applied. In addition, if this change is not, it is likely to mean that twice as many members will be impacted by the annual allowance tax charges than usual. | |
| DLUHC: Consultation: Taking action on climate risk | No change | DLUHC have released the consultation, and WPF has responded (as approved by Committee on 17 Nov 22) https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations The Fund intends to manage investment portfolios, and/or to take advantage of the investment opportunities which arise from the transition to a low carbon economy. | The Fund is in a good place here as the Committee has already done significant work to address this risk, via modelling, education (both of Committee members and the wider scheme membership), transparent reporting and meaningful actions. Quarterly reviews and reporting submitted to the WPF. Plus, annual TCFD reporting. Preparation of (and monitoring against) an annual Responsible Investment Plan and RI Policy (including climate action plan). Further mitigations (not mapped as controls here) include review of the strategic asset allocation, and climate scenario modelling from both an investment and actuarial basis. | ST103 |
| Fund Update: Control and risk framework: | No change | A poor operating control and risk framework could lead to negative outcomes for the Fund, such as incorrect financial transactions and/or records, incorrect member records, or fraud and misappropriation. Onward adverse outcomes could include minimal internal audit assurance, qualified audit reports and reputational damage. | This Scheme, legal, regulatory and Fund update has been integrated with the officer led risk register to provide strategic updates for the LPB and WPF. In addition, Committee tab of the main risk register will provide a summary of the prevailing operational risks. An annual internal audit action plan, focussed on high priority areas. Risk and control meetings are now regularly happening with full engagement from managers | ST104 |
| Fund Updates: Funding position | No change | Failure to consider the multiple factors affecting the Fund's funding position could lead to adverse outcomes, including lack of awareness around the impact of macroeconomic events on the Funding position, failure to act in a timely manner in response to significant falls (>20%) in the funding level, or failure to proactively address employer cessation and solvency issues. | Regular review of the funding level, including reporting movements (and reasons) to key stakeholders, via monthly update emails | ST105 |

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| Fund Update: Evolve programme | No change | Evolve programme – which involves the Council changing the pensioner payroll system and Fund accounting system. | <p>The target system implementation date was 1 April 2023, but officers understand from the Evolve project team that the target date is now in doubt, and it is possible the new systems will not be implemented until later in 2023. SAP contract expires in December 2023.</p> <p>PF officers are engaging with the Evolve programme. In addition, officers are implementing an integrated payroll, and in ensuring that pension increases are correctly applied through Oracle.</p> | ST106 (supported by PJ106) |
| Fund Update: Operational resilience | No change | The Fund is not appropriately resourced and staff all adequately trained to enable the service to be delivered in a sustainable and reliable way | A KPI improvement plan is in draft. Weekly insights reports have now been launched for half the processing staff. The team restructure represents an increase in headcount and there may be issues with recruitment. Recruitment is proving to be challenging for senior roles. Progress has been made to assess the level of resource needed to deliver the service. | ST107 |
| Fund Update: Cost of living crisis | No change | The cost-of-living crisis could impact the Fund from numerous perspectives including funding, investments, communications, administration, cash flow, resourcing etc. | A report has been prepared on the impacts, with the largest impact expected to be on cashflow. Modelling work has been undertaken by Hymans and supports the initial analysis that this is not an immediately issue. | ST108 |
| DLUHC: McCloud | No change | The Public Service Pensions and Judicial Offices Act 2022 is the primary legislation The LGPS Regulations associated with that legislation is to be released. It is anticipated that the remedy legislation will apply from 1 October 2023, with backdated effecting across the remedy window of 1 April 2014 to 31 March 2022. | <p>The Fund's software provider continues to release software updates in stages in anticipation of the final remedy legislation being laid before parliament.</p> <p>A Project plan has been established and officers have identified how much data has already been collected. Officers are widening the data collection process to all employers & validated and started uploading data to the pensions administration system.</p> <p>In particular, as part of i-Connect onboarding, officers continue to update part-time hours histories for active staff. Requested part-time hour history for all other employers which are not currently on i-Connect, albeit it is noted that this is problematic due to some employers having incomplete records covering the remedy period.</p> | PJ101 |

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| | | | Aon was commissioned to provide some advice on McCloud including a summary of what work a standard LGPS fund should have completed to date in order to be prepared. These reports have now been received, and officers have reviewed the reports. | |
| The Department of Work and Pensions (DWP): Pension dashboard project | No change | <p>DWP consulted on draft regulations earlier this year, and the consultation closed on 13 March 2022. A further consultation was issued in June 2022, and this closed on 19 July 2022.</p> <p>The consultation raises some issues due to the different rules that apply in the LGPS in comparison to other schemes. Such as: excluding deferred refunds, issues around missing starter notifications and the value of benefits if the vesting period is not met etc.</p> <p>The public sector staging date has been pushed back by 5 months and is now targeting September 2024.</p> | <p>The Fund's software provider, Aquila Heywood, is designated as an 'Integrated Service Provider' and is part of the national working party to help deliver the Pensions Dashboard. The Fund intends to work with Aquila Heywood to provide the data required.</p> <p>Aon was commissioned to provide some advice on the Pensions Dashboard, including a summary of what work a standard LGPS fund should have completed to date in order to be prepared. These reports have now been received, and officers have reviewed the reports</p> <p>https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</p> | PJ102 |