

## Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.		No change since the last meeting	After revoking the Restrictions on Public Sector Exit Payment Regulations in early 2021 but promising replacement legislation, we are yet to hear what type of replacement regulations will be implemented or when this may apply.	PEN021
MHCLG	Fair Deal Consultation	<a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection">https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection</a>	No change since the last meeting	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Due to the Parliamentary backlog, further progress may not be seen until 2022 or 2023.	PEN040
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf</a>	No change since the last meeting	<p><b>Scope:</b></p> <ol style="list-style-type: none"> <li>1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle.</li> <li>2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles.</li> <li><b>3). Proposals for flexibility on exit payments.</b></li> <li><b>4). Proposals for further policy changes to exit credits</b></li> <li>5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees)</li> </ol> <p><b>Reform progress:</b></p> <p>The Government has introduced legislation in relation to items 3 and 4. The changes resulting from item 4 are already embedded in the Fund's cessation policy and the changes from item 3 were covered in a paper revising the Fund's cessation policy in the December 2020 committee pack.</p> <p>We are unaware of any further developments on the other areas.</p>	PEN044
	Consultation: Taking action on climate risk	<a href="https://www.gov.uk/government/consultations/taking-action-on-climate-risk">https://www.gov.uk/government/consultations/taking-action-on-climate-risk</a>	No change since the last meeting	MHCLG are shortly expected to release draft regulations and statutory guidance for consultation on how schemes will need to take action on climate risk. The DWP have already issued a consultation for occupational pension schemes – this is the link provided – and the	PEN041

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		<a href="#">improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations</a>		<p>MHCLG consultation will apply to the LGPS and is expected to be virtually identical.</p> <p>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.</p>	
<b>The Department of Work and Pensions (DWP)</b>	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>	Updated	<p>DWP consulted on draft regulations earlier this year, and the consultation closed on 13 March 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 is April 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>	PEN038
<b>Financial Reporting Council</b>	Proposed revision to the UK Stewardship Code	<a href="https://www.frc.org.uk/investors/uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code</a>	Updated	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on <b>24<sup>th</sup> October 2019</b> which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>During April 2022, officers submitted an application to gain signatory status of the new Code, to the FRC.</p>	
<b>Scheme Advisory Board (SAB)</b>	Cost cap mechanism & McCloud case		<b>Updated</b>	<p>The Fund's software provider is currently releasing software updates in stages in anticipation of the final remedy legislation being laid before parliament. Primary legislation is currently being finalised but no draft changes to the LGPS Regulations have been released. It is anticipated that the remedy legislation will apply from 1 October 2023, with backdated affect across the remedy window of 1 April 2014 to 31 March 2022.</p>	PEN042

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				<p>In preparation of this, as part of i-Connect onboarding, officers continue to update part-time hours histories for active staff. For other categories, there is little work officers can do until the final remedy is in force (even if the administration software is fully updated). Correcting part-time hours histories remains a Fund priority.</p> <p>As part of the 2022 Triennial Valuation, there will be an assumption about the impact of remedying legislation and therefore the financial impact will be 'baked in'. At Fund level, the financial impact is likely to be small but the employer level impact will vary depending on each employer's membership profile.</p> <p>The cost cap floor, which was breached, is likely to be remedied by McCloud although that is currently being disputed by the Unions.</p>	
	Goodwin Case		No change since the last meeting	<p>With some similarities to McCloud, another discrimination case affecting public service schemes including the LGPS, this time 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 expect MHCLG will undertake a similar process for the LGPS in due course.</p>	PEN056
	Good Governance Project (formerly known as the Separation Project)	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change	<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>The timeframes for implementation are still unclear.</p>	PEN039

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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 (rather than over 15 at the moment).</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>	PEN050
	Finance Act 2022		New	<p>The normal minimum pension age will increase from 55 to 57 from 6 April 2028 (the general intention was the minimum age would always be 10 years less than the state pension age).</p> <p>Act allows certain pension age protections to apply but DLUHC are yet to advise how these might apply in the LGPS.</p> <p>The Stage Pension Age is due to be reviewed again next year (under the Pensions Act 2014, it should be reviewed every 6 years). As a reminder, the LGPS normal pension age for post 2014 service is set as being equal to the State Pension Age.</p>	