



Purpose: For Noting

Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	28 APRIL 2021
Title	LGA AND LEGISLATION UPDATE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. The Local Government Association (LGA) issue a Local Government Pensions Committee (LGPC) bulletin at the end of each month. The bulletins are emailed out to a variety of contacts but can also be accessed via the www.lgpsregs.org website.
2. The Technical Finance Manager circulates the LGPC bulletins to committee and board members as they are received. This report is for noting and summarises the bulletins published since the last meeting, highlighting key areas for note and action. A separate item will be included on all future board and committee meeting agendas to receive summaries of future LGPC bulletins.
3. In this first report, focus is on LGPC Bulletins 206 (February 2021), 207 (annual update) and 208 (March 2021).

£95K EXIT CAP (206 and 208)

4. On 12 February 2021, HM Treasury issued the Exit Payment Cap Directions 2021 (the directions), disapplying the provisions of the Restriction of Public Sector Exit Payment Regulations 2020 (the 2020 regulations) with immediate effect. This means that the exit cap does not apply to exits that take place on or after 12 February 2021.
5. Bulletin 206 sets out how employers and administering authorities should deal with any exits falling between 4 November 2020 (the date of the introduction of the 2020 regulations) and 11 February 2021.
6. Bulletin 208 contains confirmation from the Ministry of Housing, Communities and Local Government (MHCLG) that there will be no amendments to the Local Government Pension Scheme (LGPS) following their consultation on reforming local government exit pay.
7. Members are asked to note that the Isle of Wight Council Pension Fund has not been made aware of any redundancies occurring between those dates which could be impacted by the exit cap.

8. The government has confirmed that HM Treasury will “bring forward proposals at pace to tackle unjustified exit payments.” There is currently no further detail on the timing of these proposals.

McCLOUD REMEDY (206)

9. On 4 February 2021, HM Treasury published a Written Ministerial Statement (WMS) outlining the government’s response to the consultation on the McCloud remedy for the unfunded public service schemes.
10. The Local Government Pension Scheme (LGPS), as a funded scheme, will require its own remedy process. A written ministerial statement from MHCLG is expected in mid-March, which will include details on timing of the necessary amending regulations. As at the date of writing this report, the statement has not been issued.

GOOD GOVERNANCE REPORT (206)

11. On 15 February 2021, the Scheme Advisory Board (SAB) published the Phase 3 report from the Good Governance project.
12. The Phase 3 report provides further details on some of the recommendations that were included in the Phase 2 report, which was published in November 2019.
13. The SAB’s Good Governance Action Plan has been submitted to the Local Government minister for consideration, with the chair of the SAB expecting to meet with the minister in the next month to discuss the way forward.
14. Updates on this matter will be brought to future board and committee meetings, including consideration of the fund’s action plan for compliance with the recommendations where appropriate.

GUIDE TO EMPLOYER FLEXIBILITIES (206 and 208)

15. The LGPS (Amendment) (No. 2) Regulations 2020 introduced increased flexibility for administering authorities when dealing with exiting employers, and the ability to review employer contribution rates between valuations.
16. On 2 March 2021, MHCLG published statutory guidance on employer flexibilities, and the SAB guide to employer flexibilities was published on 5 March, to be read in conjunction with the statutory guidance. The purpose of both is to assist administering authorities to use these new flexibilities appropriately.
17. These regulations and the guide will be reviewed with the fund’s actuaries, with any changes built into the fund’s Funding Strategy Statement as part of the next triennial valuation of the fund as at 31 March 2022.

CONSULTATION: IMPLEMENTING THE INCREASE TO THE MINIMUM PENSION AGE (206)

18. On 11 February 2021, HMT published Increasing the normal minimum pension age: consultation on implementation. In 2014, the Coalition Government consulted on

increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation.

19. The consultation, which closes on 22 April 2022, seeks views on:
- the implementation of the rise in NMPA, and
 - protections for pension scheme members: members of registered pension schemes who have a right under the scheme rules to take benefits before age 57 at the date of this consultation will be protected from the increase in NMPA.

LGPS CYBER SCORECARD (206)

20. The consultancy firm AON has launched a free cyber scorecard to help LGPS administering authorities in the fight against the increasing risk of cybercrime. The scorecard will enable administering authorities to benchmark their approach to managing cyber risks against what other authorities have done.
21. Participating in the assessment is free. On completion, Aon will provide a report that includes:
- an overall score.
 - a breakdown of the 10 key areas covered.
 - a comparison of your results against other administering authorities that have completed the assessment.
22. Consideration should be given to the Isle of Wight Council Pension Fund participating in this assessment as part of its ongoing risk management activities.

PENSION SCHEMES ACT 2021 (206)

23. On 11 February 2021, the Pension Schemes Act 2021 (the Act) received Royal Assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them to do so. The Act paves the way for:
- the introduction of Collective money purchase schemes.
 - the creation of Pensions Dashboards.
 - the introduction of new powers for the Pensions Regulator (TPR) concerning employer debt.
 - the introduction of a requirement to assess, manage and report on climate-related risks.
 - amendments concerning:
 - funding for defined benefit schemes.
 - extra conditions that members must satisfy before they are able to transfer out their LGPS benefits.
 - pension protection fund and administration charges.
24. Updates on the implications of the Act will be brought to future meetings.

LGPC BULLETIN 207

25. This bulletin provided confirmation of the contribution rates and salary bands applicable for the year 2021-22, as well as taxation and national insurance

thresholds, automatic enrolment limits and other statutory payroll updates for the new financial year.

26. Members are assured that relevant information has been shared with employers within the fund and will be implemented in the pensions administration system as approximate.

RESPONSIBLE INVESTMENT ADVISORY GROUP (208)

27. The Responsible Investment Advisory Group (RIAG) has been established to support the SAB on all matters relating to responsible investment, including the MHCLG proposals for Task Force on Climate-related Financial Disclosures (TCFD) reporting within the LGPS.
28. The RIAG is responsible for developing and maintaining the Responsible Investment A to Z website, which was due to go live at the end of March 2021. At the date of writing this report, the website is not yet active.

REMOTE MEETINGS LEGISLATION (208)

29. The minister responsible for the LGPS has written to councils explaining that the legislation allowing remote meetings will not be extended beyond 7 May 2021.
30. The Monitoring Officer is working with democratic services colleagues to determine how this will impact the Isle of Wight Council meetings.

THE PENSIONS REGULATOR'S NEW CODE OF PRACTICE CONSULTATION (208)

31. On 17 March 2021, the Pensions Regulator (TPR) launched its New Code of Practice consultation. The consultation closes on 26 May 2021.
32. The draft new code consolidates (with updates and amendments) most of the existing codes of practice (including the public service code of practice 14) into a new online code providing a single up-to-date and consistent source of information.
33. Further updates on the consultation, and the implications of the combined code on the governance and administration of the fund will be brought to future committee and board meetings.

RECOMMENDATION

34. The Committee is asked to note the content of this report.

APPENDICES ATTACHED

35. APPENDIX 1: LGPS Bulletin 206 – February 2021.
36. APPENDIX 2: LGPS Bulletin 207 – Annual update.
37. APPENDIX 3: LGPS Bulletin 208 – March 2021.

BACKGROUND PAPERS

38. LGPS Regulations and Guidance website
<http://www.lgpsregs.org/>

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk