

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES****LGPS GOVERNANCE CONFERENCE 19 – 20 JANUARY 2023****Purpose of the Report**

1. To report on the LGPS Governance Conference 2023.

Information and Advice

2. The Annual LGPS Governance Conference took place on the 19 and 20 January 2023. The Conference was opened by Joanne Donnelly, head of Pensions at the LGA. Joanne welcomed all delegates to the conference and trailed the range of interesting speakers on a variety of important topics relevant to LGPS practitioners.
3. This year the conference was attended by Pension Board Chair, Thulani Molife, Councillor Mike Introna, Deputy Chair, Pension Committee, along with Jonathan Clewes Pension Administration Manager.
4. The following are the main highlights of the presentations given at the conference and represent the views of the presenters.

Day 1 – Keynote address – Good complaint handling Chief Operating Officer, The Pension Ombudsman.

5. Alex set out the approach that was being taken by the Pensions Ombudsman in handling complaints and, specifically, the approach to early resolution whereby customers are encouraged and supported to seek the answers to their queries and complaints.
6. It was explained that it was important to acknowledge what customers want. In most cases, simply an apology, for things to be put right, and to help ensure that others are not affected by the same issue.
7. From an LGPS point of view the biggest category of complaint is in respect of ill Health decisions made by employers. The main issue is the process that leads up to the decision relating to an ill health retirement.

8. Alex provided guidance on how pension schemes can avoid the Pensions Ombudsman and highlighted the importance of clear member communication.
9. The session was wrapped up by highlighting the important work done by volunteers (specifically supporting early resolution) and encouraged pension professionals in the room to consider volunteering for the Pensions Ombudsman.

Scheme Advisory Board update – Jon Richards, Unison and SAB vice chair

10. Prior to this session, a video address was shown from Lee Rowley MP, the Local Government Minister.
11. The Minister expressed optimism about what the LGPS and Government can achieve going forward.
 - The minister set out his key priorities; chief amongst these was the need for the LGPS to manage risk and seize opportunities given significant geopolitical shocks on the horizon. Being vigilant on this will help ensure the LGPS remains sustainable and healthy going forward.
 - The minister finished his address by highlighting the work done by the SAB to improve the governance and administration of the LGPS and commented on the Great value he places on the support of SAB in carrying out his role.
12. An update was provided on the work done by SAB to support the LGPS, specifically, the ability of the SAB to create a trusted forum in which a single recommendation was presented to Government in response to the cost floor breach in 2018.
13. It was pointed out that the level of scrutiny on the LGPS will grow, but the LGPS is well placed to step up to the challenges. A particular challenge will be addressing low take up across younger potential members; the benefits of the scheme should be made clearer to this group. This challenge requires the input from scheme members.
14. On investment pooling, it was noted that a lot of effort has been put into this to make it a success, with some justifiable criticisms, along with some successes. The SAB is committed to make the pooling model work for the LGPS.

The Member and Employer View – Panel Session, George Georgiou, GMB; Emelda Nicholroy, UCEA; Cllr John Fuller, LGC; Jon Richards, Unison.

15. The session focused on some of the challenges of the LGPS from the member and Employer views from the University Council for Educational Administration.
16. Imelda explained some of the issues around how different treatments are applied by LGPS Funds, in this case Universities. It was stated that this leads to confusion and belief from these employers that certain funds are being more penal than others. It was stated tha consistency is difficult to achieve but funds should be aware that groups of employers like universities talk to each other and that they are open to discussing funding options.

17. Jon commented on communication standards in the LGPS with the point that it varies from fund to fund. An example was given of the lack of communications with deferred members and dispersed employers. It was acknowledged by funds that communication could be improved but is also difficult to achieve.
18. George's view, LGPS members understand the value of the benefits provided by the LGPS, and that they will receive a decent and fair pension. However, it was stated that the GMB had put a lot of effort into convincing members to Join and remain in the scheme.
19. The discussion moved to asset pooling, and that asset pooling needed to work> It was acknowledged that there is a question mark on the savings that have been delivered, and whether the scale achieved provides any particular benefit to the LGPS, but a solid foundation had been made.

How to Keep on the Right Side of the Law – Kirsty McLean, Squire Patton Boggs.

20. The benefits of the Pension Dashboard were highlighted and the need for the LGPS Funds to be engaging with the development and implementation of the Dashboard, not least due to the fines in the event of non-compliance.
21. Pensions transfers was also highlighted and the inconsistencies between the guidance from the Pension Regulator on paying non statutory transfers, and the fact that the LGPS cannot pay non-statutory transfer. The implications of this may lead to member benefits having to be reinstated.
22. The presentation ended with a warning in respect of the Retained European Law Bill and the fact that over four thousand items of EU-derived subordinate legislation could disappear from the statute book on 31 December 2023 unless preserved in UK law by a Minister or Developed Authority prior to then.

Responsible Investment – Steve Lee, Ninety-One; Edwin Whitehead, Redington; George Graham, SYPA.

23. It was acknowledged that there was a huge task facing Elected Members in looking at the climate impact of investments, in trying to understand the carbon footprint of their funds and setting target date to become net Zero. It was also acknowledged that this is an overly complex area.
24. There was the South Yorkshire Pension Authority approach to responsible investment, explaining how the Authority starts from the Position that Responsible investment should do no harm when the fund invests. Specifically, a good company is one which treats workforce and communities well.
25. It was acknowledged that there is no single one correct approach to responsible investment but encourage funds to approach this by the purpose of their investments. to pay pensions through the prudent management of risk whilst mitigating the impact of this on the real world.

Day 2 – Welcome from the Chair.

26. Welcomed delegates and reflected on the previous day

Keynote address Nick Gannon, The Pension Regulator

27. The regulator opened by listing an extensive list of regulatory challenges coming forward, including the new single code of practice, the pensions dashboard and managing cyber risk, the LGPS is a large and important scheme and a target for Cyber criminals.
28. On the single code of practice, the regulator is confident that the LGPS will respond well to this. The single code of practice brings together 10 existing codes and well-run pension schemes should not be concerned.
29. In terms of the new code the pension fund will need to review itself against the code once it is finalised and issued. The code covers the governance of the Pension Fund.
30. The advice from the regulator was for Elected Members to focus on Governance and Administration. It was acknowledged that Pension Processes vary with individual Funds but should be slick and do what they are designed to do. The regulator also focused on the administration of funds and committees and Boards should ensure resources are in place to meet the future challenges.

Fund Valuation 2022 – Panel Session with:

Michelle Doman, Mercer; Jonathan Teasdale, Aon; Steven Scott, Hymans Robertson; Melanie Durrant, Barnett Waddingham.

31. Mercer provided an overview of the key drivers leading to improved balance sheets at the 2022 valuation, specifically, strong investment returns and highlighted how the main driver of costs is now the cost of benefits (i.e., the Primary Rate), which has increased at the 2022 valuation. AON followed up on this by explaining how post valuation experience has influenced the contribution rate setting process, noting that inflation uncertainties remain, asset values have come down and emerging pessimism around the strength of the economy may lead to concerns around employer covenant.
32. Barnett Waddingham explained how the number of LGPS employers had increased and the challenges this brings to Funds. An overview of the employer flexibilities now available in the LGPS was also provided and it was noted that recent market changes have led to many Deferred Debt arrangements being concluded earlier than expected.
33. Hymans set out the key post valuation actions for LGPS Funds, these being.
 - Continue to evolve funding strategies so these remain fit for purpose in the changing economic environment.
 - Put robust monitoring processes in place
 - Continue engaging with participating employers.

The administration challenge - panel session with:

Kevin Gerard, Dyfed Pension Fund; Lorraine Bennett, LGA; Ian Colvin, Hymans Robertson; Catherine Pearce, Aon.

34. The LGA highlighted some of the future policy challenges, the main one being the McCloud remedy, with the expectation that legislation will be provided by the Government in October 2023, along with supporting guidance and a further consultation on the detail (including tax treatment of rectification payments). It was explained that there will be a need for all pension fund leavers to have their calculations reviewed as part of the McCloud rectification, and further highlighted how the manual nature of these checks will cause issues for funds, not least from a resourcing perspective.
35. Other challenges that were raised is the Pension Dashboard, and the Pension Regulator single code of practice which when released the fund will need to measure itself against). There is also the imminent consultation by DLUHC on the implementation on the moving of the moving of the date that CARE benefits are revalued to match the revaluation date for Annual Allowance purposes.
36. Dyfed Pension Fund explained to the conference how they had restructured its admin teams to deal with the current pressures and explained the benefits of having separate teams looking at various aspects of the administration service. There was also a discussion on the issues facing the Pension Team following the emergence of agile working from home. The market for experienced LGPS administration staff is now UK wide and geographical location is no longer a barrier for staff looking for new opportunities. With some funds offering premiums to recruit experienced staff.
37. It was also highlighted by the panel the significant role Committees and Boards have in advancing improvements in administration matters. It was acknowledged that there is quite a bit of focus on investment matters, but it was pointed out to the conference there is a necessity of the Fund to pay correct pensions to members, and so there should be appropriate focus on administration matters at meetings. There was a discussion from the floor on pay and gradings for Pension Funds and the difficulties of recruitment and retention.
38. Hymans Robertson explained to the conference the key findings of their 2022 National Knowledge Assessment. 16 Funds took part in the survey and there were 200 participants made up of Pension Board and Committee members. The results of the survey help participating Funds understand where to focus training and, at a national level, the results provide an encouraging baseline of knowledge across LGPS Committees and Boards.

The Good Governance Project – Ian Colvin Hymans Robertson; Jeremy Hughes LGA

39. The presentation started with the background to the SAB's Good Governance Review. It was explained that the intention behind the review was to identify enhancement to the LGPS governance, along with maintaining strong links to local democratic accountability.
40. The Project was a collaborative one, involving the views from a wide range of LGPS stakeholders as possible. There have been 3 Good Governance reports in total which are available on the SAB website [LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](https://www.lgpsboard.org). These reports have provided recommendations to government on several key areas on the governance of the LGPS. These areas include the managing of conflicts of interest, knowledge and understanding of trustees and senior officers, structure of pension funds, representation, service delivery, and compliance and improvement.

41. Conference was updated on where DLUHC are in terms of taking forward the Good Governance Recommendations, in that discussions with department officials are progressing, and there is a will on behalf of Government to take forward the recommendations. It was reported that Ministers are keen to be reassured that the LGPS is in safe hands, so documenting best practice across funds, centralised KPI's and training and skills are a priority.
42. One of the recommendations is for Funds to Have a workforce strategy, which needs to focus on resource needs, and plans to recruit and retain staff.

Investment Outlook – Investment Advisors Ninety-One

43. There was an explanation to conference for the recent poor asset performance.
44. There was an explanation of the impact of the war in Ukraine on inflation in the west, and how the policy response to this has led to a deterioration in economic growth in western economies.
45. The future is uncertain, and interest rates may continue to rise in 2023, depending on the path of inflation and recession is just around the corner. Significant geopolitical risks remain and the relationship between US and China has deteriorated which may drive high inflation due to reduced reliance on globalisation.
46. In terms of finding investment opportunities in this environment, noted caution around US/UK/EU equities and expressed positive sentiments around Asia(china) and emerging markets equities. It was pointed out that it is important to be selective.

Closing remarks from the chair

47. The chair summarised the morning's messages, thanked the organisers for their work and looked forward to next year's event.

Statutory and Policy Implications

48. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability, and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

The report is for noting.

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For any enquiries about this report please contact:

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Constitutional Comments (KK)

49. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KP)

50. There are no financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.