

Agenda Item:7

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES**

LGPS GOVERNANCE CONFERENCE 18 – 19 JANUARY 2024

Purpose of the Report

1. To report on the LGPS Governance Conference 2024.

Information and Advice

2. The Annual LGPS Governance Conference took place on the 18 and 19 January 2024. The Conference was opened by Joanne Donnelly, Head of Pensions at the Local Government Association (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, and 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 – Pensions Ombudsman Dominic Harris.

5. Dominic, formerly a pension lawyer, became the Pensions Ombudsman (TPO) a year ago and set out his priorities for the next four years, against a backdrop of increasing cases and resource challenges. Working efficiently, early resolution and creating a Pensions Dishonesty Unit will feature in the TPO's plans.
6. A Cyber-attack in June affected their ability to process complaint cases, and they are still getting back to full capability. Pensions transfers, overpayments and misinformation continue to be the key complaint topics with ill-health complaints particularly relevant in the LGPS.
7. Dominic covered recent determinations, highlighting that a pragmatic approach would be taken by him in decisions e.g., in relation to topics such as divergences between legislation and Department of Work and Pensions (DWP) guidance in relation to pensions transfers.
8. The Court of appeal recently found that TPO is not a competent court for the purposes of schemes recovering from overpayments from members. Schemes will need to go to County

Courts to recoup overpayments if a scheme member disputes recovery. There were some examples which demonstrated how cases would be dealt with.

9. He also covered other cases with lessons for funds spotting fraudsters.

Scheme Advisory Board (SAB) update – Cllr Roger Phillips, SAB (England and Wales) Cllr Nathan Yeowell, Local Government Pension Committee (LGPC) Chair.

10. Prior to this session, a video address was shown from Simon Hoare MP. The Minister apologised for not attending and confirmed that Pensions is a key focus in local government. He is committed to:

- Knowledge and Training in the LGPS
- Stronger policies on how decisions are made, and conflicts of interest managed; and
- Focus on investment governance and giving serious thought to the prudence of retaining as many funds as possible.

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 excellent value he places on the support of SAB in conducting his role.

12. Cllr Yeowell provided more information on the LGPC, explaining how it represents the sector by responding to consultations, and working with bodies such as the TPO, the Pensions Regulator (TPR) and the Department for Levelling up, Housing and Communities (DLUHC). He emphasised the communications and technical expertise available to funds and employers together with ongoing engagement with the pensions management institute to create national LGPS qualifications. Other priorities include implementing McCloud, getting ready for dashboards, and implementing changes to the tax regime.

13. Councillor Phillips described how SAB works with government. He discussed his meeting with the Minister; given fund considerations over the last 10 years, a natural reduction of numbers to increase efficiency did not seem unlikely. Responsible investment will remain a key issue and he impressed the need for Task Force on Climate related Financial Disclosures (TCFD) legislation for the LGPS on the Minister. On pooling, he urged funds to take on leadership, and reiterated that funds should act in the meantime to benefit from improved governance.

The employer landscape – panel session

Lisa Clarkson, LGA; Andrew Dobbie, Unison; Debbie Sharp, South Yorkshire Pensions Authority; Jennie Mulrooney, Education & Skills Funding Agency.

14. Lisa discussed the huge growth in employee volumes, driven by academisation and outsourcings.
15. Debbie discussed the challenges of obtaining timely information when academisation is happening and that, at all stages, getting the right data is key.
16. Jennie provided an overview of the Education and Skills Funding Agency (ESFA) work, with reference to the LGPS academies guarantee and the powers to investigate and act where employers may not be meeting their regulatory requirements. It was mentioned about challenges around employers understanding their role and that LGPS funds were not created for multi-Fund employers.
17. Andrew provided the union perspective. All scheme members should receive the same quality and accessibility of their rights and entitlements, and outsourcing should not be an impediment to that.
18. All the panel recognised challenges with outsourcing, the Regulations and impact on administration teams.

Legal Update – how to keep on the right side of the law.

Kirsty Mclean, Squire Patton Boggs.

19. Kirsty acknowledged the TPR's General Code of Practice and flagged the reference to the knowledge and understanding requirements being directly applicable to Local Pension Board members. DLUHC are expected to replicate these for Pension Committee members. Funds should complete a 'gap analysis' on the code and create plans to comply.
20. To prepare for Pensions Dashboards, funds should consider the national LGPS Technical Group draft guidance published in Nov 2023.
21. On Transfer Regulations, she recommended that funds follow the Regulations as written but welcomed the pragmatic approach that TPO has taken.
22. On data protection and cyber risk, she referenced the updated TPR guidance issued in December 2003 and the ICO's recent £1.7m fine for poor privacy notices.

Responsible investment – Panel Session

23. The panel discussed measuring and reporting on climate and nature risk. Although legislation was still awaited, it is possible to conduct climate risk reporting. TCFD is a great tool to do this.
24. Pools are a centre of expertise in this and can share their experience with their partner funds and between pools. Border to Coast produced its first climate risk report in 2019/20.
25. The Environment Agency has been conducting climate reporting for several years. Members want to know if the Fund's net zero target is being met.
26. Measuring nature loss and biodiversity is still new on most agendas, but its significance is increasing. Consideration of nature and biodiversity is a continuation of the climate journey.

Day 2 – Welcome from the Chair.

DLUHC Update

Con Hargrave, Department for Levelling Up, Housing & Communities

27. DLUHC's role is to set the rules and regulations for the LGPS in England and Wales. Con mentioned that Simon Hoare, the new Minister, is a former councillor with finance experience.
28. Its role is one of stewardship and policy reform, and a mix of the apolitical and political. Their LGPS team is small – he acknowledged that this, combined with the scheme's complexity and multitude of stakeholders within government, can cause delays.
29. DLUHC's priorities include proposals in relation to investment issues in the LGPS, with many consultation responses received and considered. The responses highlighted the controversy around government interference in asset allocation matters. Con reiterated that the government is clear that this is an ambition for funds rather than a requirement upon funds.
30. Work is ongoing towards a TCFD consultation and on an anticipated consultation on LGPS governance, following SAB's Good Governance Project. Statutory guidance and technical regulations are expected in relation to the McCloud regulations, with a key message around ensuring that administration functions are adequately resourced.
31. Finally, the 2020 cost control process will conclude shortly, with reforms including an 'expanded corridor' and an 'economic check'. The 2022 'section 13 valuation' report is due to be published in summer/autumn this year with engagement starting now to ensure there are no surprises.

The Risk of de-risking – Panel Session.

Steve Lee, Ninety-One; Tony English, Mercer; Melanie Durrant, Barnett Waddingham; George Graham, South Yorkshire Pensions Authority

32. Mel discussed what de-risking is, the ways in which it can be achieved and how all stakeholders, including employers, could be engaged.
33. Tony discussed the more complex ways in which de-risking can be achieved and the benefits of looking at the valuation and investment strategy review in tandem.
34. George explained that the role of the Committee is to set the fund's risk appetite. It reflects the culture of the fund; the role of officers and advisers is to translate this into a strategy.
35. The panel all discussed the need for training on these topics to allow Committee members to make good decisions especially if meetings only take place four times a year.

Cyber security

Representative from the National Cyber Security Centre

36. Closed session.

Improving and measuring your knowledge & skills – Interactive session

Becky Clough, LGA

37. Becky began by running through the work that the SAB's Compliance and Reporting Committee (CRC) do to support committee and board members.

38. CRC's surveys show that 22% of newly appointed committee members have little or no knowledge of the LGPS at appointment, suggesting they face a steep learning curve.

39. Delegates were then split into groups and asked to consider a range of questions about the issues they face and the support they would like from CRC.

Investment outlook

Atul Shinh, Ninety-One

40. Atul began by reflecting on some of the more common economic predictions being made this time last year. None of them happened.

41. Atul took delegates through some of the forces that will shape global economics this year including geopolitics, the biggest year for democracy in history, climate change and AI.

42. In conclusion "Winter is coming but spring will follow."

Closing remarks from the chair

43. 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

44. 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

1. That the Nottinghamshire Pension Fund Board notes the contents of the report.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

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Constitutional Comments (KK)

45. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (TMR)

46. 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.