

Lancashire Local Pension Board
Meeting to be held on Tuesday, 5 July 2022

Electoral Division affected:
(All Divisions);

Regulatory Update

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Executive Summary

This report sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

Recommendation

The Board is asked to consider and note the contents of the report.

Background and Advice

1. Prudential

Following a meeting in January with the Scheme Advisory Board (SAB), Prudential have written to Jo Donnelly, Chair of the SAB, to explain the background to various issues that arose following a new system implementation in late 2020, the steps that have and are being taken to remedy the situation and the expected timescale before normal service is resumed. A copy of the letter can be found at [Prudential letter](#).

It was reported in the April regulatory update that although the situation is much improved, Local Pensions Partnership Administration Ltd (LPPA) have recently reported that there are still delays in responsiveness from Prudential and difficulties in getting through to them, which can impact on retirements with AVCs.

The Fund are now liaising with the new Prudential Client Manager and LPPA to help raise concerns as they arise. This has enabled Officers to access member records held by Prudential which has given some confidence that contributions are correctly allocated.

2. The Department for Levelling Up, Housing and Communities (DLUHC) publishes statutory guidance on special severance payments

On 12 May 2022, DLUHC published statutory guidance on special severance payments. Best Value authorities in England must have regard to the guidance on

circumstances in which it may be appropriate to make special severance payments. The guidance also covers approval, disclosure and reporting requirements.

The guidance confirms that:

1. strain cost related to the early payment of LGPS benefits under regulation 30(6) or (7) (flexible retirement, redundancy or efficiency retirement over age 55) does not constitute a special severance payment;
2. strain cost of an employer awarding additional pension under regulation 31 of the LGPS Regulations 2013 may constitute a special severance payment, depending on the terms of the individual's contract; and
3. strain cost related to an employer waiving an actuarial reduction when a member retires early may constitute a special severance payment, depending on the terms of the individual's contract.

The position is fairly clear on payments within (1) above and the rationale would be that, although these payments are based on decisions made by the individual employer, they are part of workforce management strategy.

However, in circumstances (2) and (3) above, these payments 'may' be a special severance payment. The government guidance states that special severance payments should only be paid in exceptional circumstances and 'best value' needs to be considered by an employer.

Best Value authorities are designated under the Local Government Act 1999 and include councils, the police, and fire authorities. An LPPA communication will be sent to affected employers.

This new guidance will have minimal impact on the Fund (as it is for an employer to determine whether a special severance payment is justified, and the employer will bear the cost of any pension strain). However, this guidance is only part of the Government's policy to reduce exit payments to see the £95,000 exit payment cap implemented in some form in due course.

3. Single Code of Practice

As previously reported, the Pensions Regulator (TPR)'s new single Code of Practice (SCOP) is expected to be laid before Parliament in June/July 2022 and to come into force from October 2022. At the time of writing this report, there is no further information on latest progress against this expected timeline.

The Pension Fund Team are currently undertaking a project for the transition to the new SCOP during this year. The current task as part of this project which the Team are undertaking, is an impact assessment of the new and amended modules of the new SCOP – further detail is provided in a separate report to the Board.

4. The Pensions Regulator Consultation on Draft Enforcement Policy and Updated Prosecutions Policy

On the 4th May, the Pension Regulator (TPR) launched a [consultation](#) on its new consolidated and simpler draft enforcement and updated prosecution policy. This

consultation closes on 24 June 2022. This consultation continues the review of policies being undertaken by TPR following the additional powers conferred to it by [The Pension Schemes Act 2021](#).

The Pension Regulator has released a [Public Sector pension scheme compliance and enforcement policy](#). The consultation contains several questions on enforcement action and a response by LPPA has been submitted.

5. Stronger Nudge

The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 came into force on 1 June 2022.

The regulations require pension schemes to explain the nature and purpose of Pension Wise guidance and facilitate the booking of a Pension Wise appointment as part of the application process. The regulations will also require the member to have confirmed that they have received the guidance or opted out of receiving it before the scheme can action the application.

The Local Government Association have produced sample documents to use for retirements with AVCs, and for transfers of AVCs where the member is over aged 50, and LPPA have reviewed their letters and incorporated these into their processes.

6. Good Practice Guidance on Defined Benefit Transfers

The Pensions Administration Standards Association has published Good Practice Guidance on defined benefit transfers. This guidance incorporates the red and amber flags introduced by the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. LPPA are reviewing their processes to ensure compliance with this guidance.

7. Pensions Administration Standards Association (PASA) Cybercrime checklist

PASA have published a [cybercrime protection checklist](#) which helps administrators to:

- Meet legal & regulatory standards
- Understand your organisation's vulnerability
- Ensure your organisation is resilient
- Remain able to fulfil key functions

Separately the Pension Fund is reviewing cyber-security in conjunction with the new single Code of Practice.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

**Local Government (Access to Information) Act 1985
List of Background Papers**

N/A

Reason for inclusion in Part II, if appropriate

N/A