

Report for: Pensions Committee and Board – 12 July 2022

Title: Local Government Pension Scheme (LGPS) Update – June 2022

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key Decision

1. Describe the issue under consideration

- 1.1. This paper updates the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:
- Asset (Investment) Pooling
 - Climate Reporting – Task Force on Climate Related Financial Disclosures (TCFD)
 - Levelling Up White Paper and the LGPS in England and Wales
 - Good Governance in the LGPS
 - Age Discrimination in the LGPS (commonly referred to as “McCloud”)

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the Independent Advisors Local Government Pension Scheme (LGPS) Update paper, appended as Appendix 1 to the report.

4. Reason for Decision

- 4.1. Not applicable

5. Other options considered

- 5.1. Not applicable

6. Background information

- 6.1. The independent advisor has prepared a paper for the Pensions Committee and Board which provides an update on several developments relating to the LGPS. The paper has been included as appendix 1 to this report, and a summary of the issues covered in the paper will be provided in this section.

Asset (Investment Pooling)

- 6.2. The government has been widely expected to issue a consultation on further developing asset (investment) pooling in the LGPS since 2019. The latest indication from the Scheme Advisory Board (SAB) is that the Department for Levelling Up, Housing and Communities (DLUHC) intends to include this in a wider LGPS Consultation to be issued in Autumn 2022. Further details on this are set out on page 1-2 of Appendix 1 to this report.

Climate Reporting – Taskforce on Climate Related Financial Disclosures

- 6.3. The Taskforce on Climate Related Financial Disclosures (TCFD) published its final recommendations in 2017 which outlined the four key areas of a climate reporting framework – governance, strategy, risk and metrics and targets.
- 6.4. In the UK, the Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD reporting by private sector pension schemes. However, DWP Regulations do not apply to the LGPS as this responsibility lies with DLUHC. DLUHC is widely anticipated to include climate reporting as part of the wider LGPS Consultation to be issued out in the Autumn of 2022. Further details on this are set out on page 3-4 of Appendix 1 to this report.

Levelling Up White Paper and the LGPS in England and Wales

- 6.5. DLUHC issued a White Paper on “Levelling Up in the United Kingdom” which sets out the Government’s ambition and plans for local investment in the UK. A key paragraph in the paper outlines the governments plans to have LGPS funds invest locally which includes setting an ambition of up to 5% of assets to be invested in projects which support local areas. Further details on the potential implications of this statement are set out on page 4-6 of Appendix 1 to this report.

Good Governance in the LGPS

- 6.6. The Good Governance in the LGPS project was initiated by the SAB in 2018 with a view to fundamentally enhance and strengthen the governance of the individual LGPS Funds in England and Wales. The detailed proposals of the Good Governance in the LGPS project are set out on page 6 of Appendix 1 to this report.
- 6.7. The Pensions Committee and Board has been briefed on these recommendations in the past and has taken a positive approach to implementing the Good Governance in the LGPS proposals as set out on page 7 of Appendix 1 to this report.

Age Discrimination in the LGPS (commonly referred to as “McCloud”)

- 6.8. The Pensions Committee and Board has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving the transitional protection arrangements introduced as part of the 2014 reforms of the LGPS. Page 8-9 of Appendix 1 sets out the latest update regarding this case and subsequent amendments to the statutory underpin which were introduced to address the age discrimination identified in the LGPS.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

Finance and Procurement

- 8.1. There are no immediate financial implications arising from this report.

Comments of the Head of Legal and Governance (Monitoring Officer)

- 8.2. The Head of Legal and Governance has been consulted on the content of this report. The updates may have legal implications for the Fund which will need to be dealt with as and when they become relevant.

Equalities

- 8.3. None applicable.

9. Use of Appendices

- 9.1. Appendix 1: Independent Advisor’s LGPS Update June 2022

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.