

# Conference highlights

LGA Governance Conference 18-19 January 2024



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The 2024 LGA Governance Conference took place in York on 18 and 19 January and was expertly chaired by Jo Donnelly, Head of Pensions at the LGA. The conference covered a wide range of topics, including Scheme Advisory Board, LGPC and DLUHC updates, the employer landscape, responsible investment, de-risking and cyber security.

## Day 1: Welcome from the Chair

### Jo Donnelly, Head of Pensions (LGA)

- Jo welcomed delegates to the conference.

## Keynote address

### Dominic Harris, The Pensions Ombudsman (TPO)

- Dominic, formerly a pension lawyer, became the Pensions Ombudsman a year ago and set out his priorities for the next four years, against a backdrop of increasing cases and resource challenges. In particular, working efficiently, early resolution and creating a Pensions Dishonesty Unit will feature in TPO's plans.
- A cyber-attack in June affected their ability to process cases. Still working on getting back to full capability. Pension transfers, overpayments and misinformation continue to be the key complaint topics with ill-health complaints particularly relevant in the LGPS.
- He covered recent determinations, highlighting that a pragmatic approach would be taken by him in decisions eg in relation to topics such as divergences between legislation and DWP guidance in relation to pensions transfers.
- The Court of Appeal recently found that TPO is not a competent court for the purposes of schemes recovering overpayments from members. Schemes will need to go to the County Courts to recoup overpayments if a scheme member disputes recovery. Determination CAS-39869-Q8J7 is the first one since this finding so provides an indication of how such cases may be dealt with.

- He covered other recent important cases. CAS-38681-W2H9B (with lessons for funds regarding spotting fraudsters), CAS-93568-H0D0 (regarding the interpretation of “overseas assets”) and CAS-56210-B2T3 (where a flawed process can still produce a reasonable outcome as long as all relevant matters in the exercise of a discretion are considered).

## Scheme Advisory Board (SAB) and LGPC update

### **Cllr Roger Phillips, SAB (England and Wales) Chair; Cllr Nathan Yeowell, LGPC Chair**

- A video message from the Minister, Simon Hoare MP, was played. 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 give serious thought to the prudence of retaining as many funds.
- Cllr Yeowell provided more information on the LGPC, explaining how it represents the sector by responding to consultations, and working with bodies such as 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.
- Cllr Phillips described how SAB works with government. He discussed his meeting with the Minister; given fund consolidations over the last ten years, a natural reduction of numbers to increase efficiency didn't 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**

- Lisa discussed the huge growth in employer volumes, driven by academisation and outsourcings.
- Debbie discussed the challenges of obtaining timely information about when academisation is happening and that, at all stages, getting the right data is key.
- Jennie provided an overview of ESFA work, with reference to the LGPS academies' guarantee and the powers to investigate and take action where employers may not be meeting their regulatory requirements. She mentioned challenges around employers understanding their role and that LGPS funds were not created for multi-fund employers.
- Andrew provided a 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.
- All of 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

- Kirsty called out the publication of 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 for Pension Committee members. Funds should complete a 'gap analysis' on the Code and create plans to comply.
- To prepare for Pensions Dashboards, funds should consider the national LGPS Technical Group draft guidance published in Nov 2023.
- On Transfer Regulations, she recommended that funds follow the regulations as written but welcomed the pragmatic approach that TPO has taken.
- 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

### Jeremy Hughes, LGA; Edina Molnar, Redington; Marion Maloney, Environment Agency; Jane Firth, Border to Coast

- The panel discussed measuring and reporting on climate and nature risk. Although we're still waiting for the legislation, it is possible to carry out climate risk reporting. TCFD is a great tool to do this.
- 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.
- The Environment Agency has been carrying out climate reporting for a number of years. Members want to know if the Fund's net zero target is being met.
- Measuring nature loss and bio-diversity is still new on most agendas, but its significance is increasing. Consideration of nature and bio-diversity is a continuation of the climate journey.

## Day 2: DLUHC update

### Con Hargrave, Department for Levelling Up, Housing & Communities

- 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.
- 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.
- 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.
- 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.
- 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**

- Mel discussed what de-risking is, the ways in which it can be achieved and how all stakeholders, including employers, could be engaged.
- 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.
- 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.
- 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 National Cyber Security Centre**

- Closed session.

## Improving and measuring your knowledge & skills – interactive session

**Becky Clough, LGA**

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

- Atul began by reflecting on some of the more common economic predictions being made this time last year. Pretty much none of them came to pass.
- 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.
- In conclusion "Winter is coming but spring will follow".

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