

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 15 – PAPER H

Compliance and Reporting Committee (CRC) update

Workplan update – summary of workstreams

1. The Committee's workstreams have continued to make considerable progress since the last Board meeting. This paper summarises the agreements and the work undertaken by each of the five workstreams since the last Board meeting in December 2023. The Board Secretariat wants to thank all volunteers within each workstream for their input into each project.

Annual Report guidance

2. A working group was established to review and update the 2019 guidance on preparation of pension fund annual reports, previously issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel. The work to review the 2019 guidance has entailed consultation with funds, industry experts, Department for Levelling Up, Housing and Communities (DLUHC) and other interested stakeholders and been reported to previous Board meetings.
3. With many thanks to those who participated in the working group, the drafting work is now complete, and the 2024 Annual Report Guidance was approved by the CRC on the 12th February 2024 and by CIPFA's Public Finance Management Board on the 22nd February 2024. The revised guidance for the Board to approve can be found at Annex A.
4. The next approval step is Ministerial agreement and the Pensions Team at DLUHC are preparing the necessary submission to the Minister. Once it has received Ministerial approval, the final design process (and accessibility checks) will be completed before publication. The Board may wish to note that this will be the first jointly produced statutory guidance document emanating from this Committee.
5. As with the previous guidance, it will be applicable to Scotland. The Secretariat have checked with the Scottish Public Pensions Agency (SPPA) policy team and the Scottish Scheme Advisory Board (SSAB), and they have indicated that they will arrange for this guidance to be adopted by Scottish Ministers.
6. Once in force, the guidance will apply to 2023/24 Annual Reports (so for those reports due to be published by 1 December 2024) and later years. However, it is acknowledged that it may be a challenge for funds to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to

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implement. The guidance therefore says that pension funds should use their 'best endeavours' to comply fully with the requirement but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

7. As agreed at the creation of the CRC, the new guidance will be freely available and hosted on the Board's website. This means that it should be easier to maintain the guidance and keep it up to date with any changes required from year to year. The Board should note that further work may be needed to align the guidance with any additional reporting duties added to the Investment Strategy Statement guidance when that is reviewed later this year. DLUHC committed to making such changes in its [response to the investments consultation](#) last year. Also to be considered is the Pensions Regulator's General Code of Practice, which is expected to be effective from 27 March 2024 and may also require further changes to the annual reporting guidance for next year.

Audit issues workstream

8. As previously reported, the audit working group recommended production of a short factual briefing note which sets out the timeline and information flow throughout a triennial valuation period. At the last Board meeting it was reported that the workplan budget for the current year did not include this work, however through collaboration on cost with the Institute of Chartered Accountants in England and Wales (ICAEW (Institute for Chartered Accountants in England and Wales)) the Secretariat was able to commission this work within the existing budget.
9. The purpose of the briefing note is to help aid understanding and signpost different parties, and in particular employer auditors, to where they should be requesting the information that they need during the audit process. The intended audience for the guide is actuaries, auditors, and pension fund accounting practitioners. As the briefing note has been commissioned by the Board and ICAEW the output (based on the specification agreed by the workstream) was jointly agreed and will cover specifically:
 - A short factual briefing note;
 - Visual maps showing the flow of information between employers, actuaries, funds, custodians, and auditors;
 - A model questionnaire with key questions for actuaries to complete each year and provide to scheme employer auditors.
10. The briefing note should be completed in the next few weeks and the Secretariat are planning to use various events, including the next LGPS (Local Government Pension Scheme) Audit Roundtable in April, the LGPC bulletin, the Board website, and relevant contacts to ensure the intended audience of the guide are made aware of this publication.

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Knowledge and skills

11. The working group conducted a survey of views of Pension Board and Committee members which closed on 6th November 2023. The high-level findings of the survey were presented at the Local Government Association's Governance conference held in York on 18th – 19th January 2024. Some of the key messages were:

- There need to be a range of training options that reflect the various levels of knowledge and experience
- It was recognised that obtaining LGPS knowledge was a journey and would take time
- Training needs analyses for the committees and boards help to understand 'collective knowledge'
- Forums for sharing best practice across funds would be desirable
- Committee and board members are volunteers with busy schedules and other duties so accessibility of training options should be a key consideration in any training strategy
- A syllabus that set out a mutual understanding of the different roles required would be helpful

12. The working group will meet again in March 2024 but has already agreed:

- To analyse the requirements of TPR's General Code and how this linked with the findings of the survey and research amongst LGPS funds on clarity required within the Code
- To make recommendations on what is required for any new scheme-wide guidance and consider the various communication channels through which this could be disseminated
- To work with DLUHC on what is needed for the investment consultation response on training and to implement the Board's Good Governance recommendations.

Good Governance and Administration workstream

13. This workstream has started work on revised statutory guidance on governance that aims to incorporate the Good Governance recommendations that the Board made to DLUHC in 2021, along with an update of the 2008 Governance Compliance Statement guidance.

14. DLUHC are aiming to consult on the Governance Compliance Statement guidance in the early Summer 2024 and the group would be meeting on a more regular basis to facilitate this ambition. The Administration guidance consultation is expected later in the year.

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Funding Strategy Statement (FSS) guidance

15. Now that the review of the Annual Report guidance has been completed, the next priority for the CRC will be to complete the review of the Funding Strategy Statement guidance which was last revised in 2016. The working group has already identified the high-level prospective changes and additions required to the current FSS guidance following a review of a sample of fund policies and discussions at previous workstream meetings.
16. It is expected that the new FSS guidance is likely to include more detailed guidance on information to be included in the FSS around policies on partial terminations, employer exits/cessations and engagement with fund employers. These topics were also discussed at the Board's working group on Surpluses and some of the members of that group have asked to join the FSS group (including representation from the four actuarial firms), which have been accepted.

Recommendations – that the Board notes the progress made by each of the five workstreams set out above and approves the 2024 Annual Report guidance at Annex A.
