

**LGPC MINUTES
MEETING HELD ON 16 JANUARY 2019
AT 18 SMITH SQUARE, WESTMINSTER,
LONDON, SW1P 3HZ**

PRESENT

Cllr D Le Gal	Chair & Scheme Advisory Board
Cllr G Edwards	LGA
Cllr A Waters	LGA
Cllr J Fuller	LGA
Cllr D Jones	LGA
Cllr A Paynter	LGA
Cllr D Renard	LGA
Cllr S Blackburn	LGA
Cllr S Taylor	LGA
Cllr C Lloyd	SAB member [observer]
Mr K Gerard	Technical Group rep – Dial in
Ms N Mark	Scheme Advisory Board adviser
Mr D Murphy	Northern Ireland
Ms K Linge	Scotland
Ms L Welsh	Scotland
Mr J Hughes	MHCLG
Secretariat	
Mr J Houston	LGPC
Ms L Bennett	LGPC
Ms E English	LGPC

1. APOLOGIES

None. Mr T Norton attended the meeting as an observer alongside Cllr D Jones. No declarations of interest were declared.

2. TRIBUTE TO CLLR IAN GREENWOOD

The Chair asked for a minutes silence in honour of the late Ian Greenwood who sadly passed away in December. Cllr Greenwood's enormous contribution to the LGPS was noted; he will be greatly missed within the local government family. A memorial service will be held on 25 January 2019 at Bradford cathedral.

2. MINUTES

The minutes of the previous meeting held on 10 October 2018 were agreed.

3. MATTERS ARISING

Members of the committee enquired about the progress of the separation project (now called good governance project); however, as an update was contained within the agenda it was agreed to pick this up later.

4. REGULATION UPDATE [E&W]

Lorraine Bennett [LB] presented the key points from Item B, in particular highlighting:

LGPS (Miscellaneous Amendment) Regulations 2018

- The above regulations were laid on 18 December and introduce changes to survivor benefits as well as general power for MHCLG to issue statutory guidance.
- The regulations take effect from 10 January, but the changes to survivor benefits will be backdated to 5 December 2005 in relation to survivor pensions for civil partner members, and 13 March 2014 in respect of a surviving spouse of a same sex marriage.
- The LGA will issue an impact analysis of the regulations to administering authorities in January. MHCLG have confirmed that they will be issuing statutory guidance in February which will set out MHCLG's expectations with regard to backdating pensions in payment, as well as transfer values and trivial commutation payments, where an additional amount would be due as a result of the changes.
- LB informed the Committee that the Communications Working Group had met yesterday and were looking at producing standard communications for administering authorities to use when communicating the changes to members.
- Cllr Renard [DR] asked whether any benefits would be reduced. Jeremy Hughes [J Hughes] confirmed that this would not happen.

Exit credits

- LB advised that these became payable where a scheme employer leaves the Scheme on or after 14 May 2018. The Secretariat are aware that the payment of exit credits is causing problems where side contractual agreements are in place providing that no exit debt is payable by the employer. Also some employers are no longer extending contracts but terminating and re-bidding to receive an exit credit. LGA met with MHCLG on 8 January 2018 to raise the issue.
- MHCLG have accepted that the payment of exit credits is an issue where the contractor/employer is not sharing any of the risk ie a form of pass through is in place via a side contractual agreement. This is an unintended consequence of the regulations; however, in their view the general thrust of the regulations is right where employers do bear the risk. MHCLG will consider making a regulatory change or issuing statutory guidance to provide that where the employer bears no risk this can be taken account in the calculation of an exit credit payment.

Fair Deal

- LB informed the Committee that the consultation commenced on 10 January 2019 and will conclude 4 April 2019. The consultation proposes introducing the concept of fair deal employers. The consultation states that the Scheme Advisory Board will issue advice to help Fair Deal employers put in place service contracts which give them flexibility and protect them from potential risks.

Pension Dashboards

- LB informed the Committee that DWP released the results of a feasibility study to explore the delivery of online pension dashboards in the form of a

consultation on 3 December. The consultation closes on 28 January. The Secretariat are working closely with DWP to ensure the interests and views of LGPS administering authorities are heard.

6. SAB REPORT E&W

Jeff Houston [JH] presented the key points for the Committee to note from Item C, in particular highlighting:

Cost management

- JH explained how the cost management processes work in the LGPS and why member costs have increased.
- JH confirmed that the HM Treasury process takes into account changes made the SAB process.
- The SAB have agreed a set of recommendations to return the overall cost of the scheme to the target cost of 19.5%. It was hoped that MHCLG would issue a consultation on the proposed changes before Christmas; this was not possible.
- SAB's recommendations were forwarded to administering authorities on 21 December 2018.
- The Committee asked if the additional costs incurred by employers due to the changes to benefits would be recognised by MHCLG and financial support provided. JH reminded the Committee that the spending review only applies to local authorities and the LGPS is made of lots of other employers.
- Any changes in employer costs will not be fed through until the next valuation.
- The timetable for introducing the changes is tight – Government have confirmed that it will not be possible to move the date the changes must be introduced by from 1 April 2019. It is possible that changes may have to be made retrospectively.
- Kevin Gerard (KG) expressed concern regarding the timing of the new early retirement factors. The Committee were concerned about the time slippage and the impact on administering authorities of backdating the changes.
- Jeremy Hughes confirmed that if the consultation was too short the changes made could be open to challenge.
- SAB are currently drafting an employer Q&A.

Procurement process for cost transparency compliance system

- SAB is currently procuring for an investment cost transparency compliance and reporting system.
- Four bids were received and are currently being evaluated by a sub group of the Board.

IORP II Directive

- JH stated that this directive is due to be transposed into UK law by 19th January. SAB will work with MHCLG to explore appropriate remedies to avoid any potential legal challenge.

Pooling guidance

- JH stated that MHCLG had published draft guidance for comment by selected stakeholders. The guidance consolidates the original guidance and areas that have been clarified since.
- A discussion took place around the status of statutory guidance. Jeremy Hughes confirmed that whilst statutory guidance is not a statement of law, any alternative approach to that appearing in the guidance would need to be justified.

- The Chair asked why the draft guidance did not mention member representation on oversight structures of pools. JH confirmed that the [statement](#) made by the SAB in May 2018 in relation to this was the view of the SAB.

7. REGULATIONS UPDATE SCOTLAND

The Committee noted the key points from Item D which was presented by Ms K Linge (KL).

- Draft Regulations (Scotland) Miscellaneous Amendments Regulations 2018 technical consultation commenced on 18 December and will close on 11 March 2019 to look at amendments to extend flexibility to take an uncrystallised lump sum from the member's AVC provider.
- The Increased Pension Element (IPE) Regulations are delayed due to limited parliamentary time.
- Section 13 of the Public Service Pensions Act 2013 - GAD are currently working on their report based on the 2017 valuations. GAD will present their report to the Scheme Advisory Board in May.
- Cost Cap – SPPA expect a similar outcome as E & W and intend to consult with SAB and others on how to address this.

The Chair asked for an update on pooling in Scotland. KL stated that the consultation had closed in December 2018 and that the Scottish Scheme Advisory Board is currently working on their report; also good collaborative work between funds is already taking place.

8. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from Item E which was presented by David Murphy (DM) highlighting the key points:

- Due to the lack of a Minister in Northern Ireland no legislation can presently be made; however, the Department for Communities is currently considering if it can make amendments by negative resolution in the absence of the Assembly. However, there is a risk that when the Assembly sits again in the future, they could undo what has been done.
- The Assembly made its own version of the Public Service Pensions Act (Northern Ireland) 2014
- The scheme valuation, as part of the HM Treasury cost cap process, has calculated that the cost of the Scheme is 13.8% - this represents a fall in cost of 3.2%. Therefore, the cost-cap floor has been breached.
- Changes to the scheme will have to be made to bring the cost back to the target cost of 17%. A consultation commenced on 17 December and will conclude on 15 February 2019. The SAB considered the various options but agreed a proposal that the accrual rate be adjusted to 1/43.5.
- GAD have almost completed the Section 13 review of the 2016 actuarial valuation, the final report will be issued in January, however early indication is that there is no concern.
- Nicola Mark (NM) mentioned that if the accrual rate changes to 1/43.5 this will provide for a different level of benefits to those provided by E&W and Scotland and that this could be confusing for members.

- Pensions Dashboard does not directly apply to NI however, it is expected that NI will follow suit subject to Ministerial and Executive Assembly approvals.

9. TRAINING AND CONFERENCE UPDATE

- Elaine English (EE) reminded the Committee that the LGPS Governance conference is taking place on 17 /18 January 2019 in Bristol. The number of attendees is higher than in previous years. Feedback will be reported at the next meeting.
- Fundamentals training has now been completed with positive feedback. The Secretariat will shortly be looking at the programme for Fundamentals 2019.
- Further training events on employer role will be run from March 2019, as well as a new course from April on covering aggregation of LGPS benefits.

10. ANY OTHER BUSINESS

- NM asked that a document be produced to explain the role of the LGA, LGPC, SAB and other groups like POGs [Pension Officer Groups] and Technical Group etc. The different bodies and how they fit together is not always understood and it would be helpful if this could be clarified.

11. DATE OF NEXT MEETING

The Committee agree they would like to continue co-ordinate meetings with the SAB meetings. The next meeting date will be confirmed. **Post meeting update – next meeting will be held on 8th April 2019.**

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