

### LGPC MINUTES MEETING HELD ON 8 JULY 2019

#### PRESENT

Cllr David Renard	Interim Chair, LGA
Cllr Mark Kemp-Gee	LGA
Cllr Sharon Taylor	LGA
Cllr Alan Waters	LGA
Cllr Adam Paynter	LGA – Dial in
Cllr Clive Lloyd	SAB member [observer]
Mr Kevin Gerard	Technical Group rep – Dial in
Ms Nicola Mark	Scheme Advisory Board adviser
Ms Kimberly Linge	SPPA
Mr Jeremy Hughes	MHCLG
Ms Denise Le Gal	Guest
<b>Secretariat</b>	
Mr Jeff Houston	LGPC
Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Mr Karl White	LGPC
Ms Elaine English	LGPC

#### 1. INTRODUCTION FROM INTERIM CHAIR

The Interim Chair Cllr David Renard [DR] informed the Committee that, as Ms Denise Le Gal [D LG] was not re-elected in May, he was appointed the Interim Chair for this meeting by the LGA Political Groups. DR welcomed D LG to the meeting and on behalf of the Committee thanked her for her dedicated service and valuable support over many years and wished her the very best for her future ventures. Jeff Houston [JH] on behalf of the LGPC Secretariat also thanked D LG for her excellent service.

DR announced that a new member Cllr M Kemp Gee has been appointed and welcomed him to the meeting.

A new Chair will be appointed after the LGA Political Groups make their nominations.

#### 2. APOLOGIES

Apologies were received from Cllr Goronwy Edwards – LGA, Cllr John Fuller – LGA and Mr David Murphy – Northern Ireland.  
Cllr Donna Taylor – LGA and Cllr Simon Blackburn – LGA did not attend the meeting.

Introductions were made and no declarations of interest were reported.

### **3. MINUTES**

The minutes of the previous meeting held on 8 April 2019 were agreed.

### **4. MATTERS ARISING**

At the LGPC meeting held on 16 January 2019 a request was made for the Secretariat to produce a document that explains the roles of the LGA, LGPC, SAB and other groups. The first draft was circulated at the meeting on 8 April 2019 when a further request was made to add more detail to the document, specifically how elected members are nominated and the role of local pension boards.

Lorraine Bennett [LB] presented an updated version of the document (paper B).

The Committee thanked LB for the excellent document and agreed that it provides clear explanation of a complex area.

Nicola Mark [NM] requested an addition to explain who a councillor should contact if they want to join the LGPC. She also asked that the document contain more information about the make-up of the SAB. Kevin Gerard [KG] suggested that the SAB subcommittees should be mentioned. The Committee agreed that this could be added to the narrative and that no further changes should be made which may complicate the diagram.

**Action:** LGPC to make final changes and circulate 'The LGPS Community' paper to all stakeholders.

### **5. LGPC BUDGET**

LB presented paper C, in particular highlighting:

The LGA pension team provides an advisory and training service to LGPS administering authorities across the UK, which is funded by a subscription paid by those authorities and income from training.

- The LGPC subscription charge has remained frozen since 2014/15
- An increase of 2% is proposed for the year 2019/20

The LGA pensions team proposes commissioning five member videos to promote the benefits of LGPS membership and increase member understanding of the Scheme. Based on the increased subscription and a conservative estimate of income from training, there would be a small budget deficit in the 2019/20 year.

LB asked for the Committee's agreement to the proposed increase in subscription charge and to the use of reserves to fund part of the cost of producing the member videos.

The Committee agreed that the proposed increase in subscription was proportionate and in line with local government salary awards. It was also agreed that an annual

incremental increase was preferred in future years, rather than freezing for a number of years followed by a larger single year increase.

The Committee approved the increase in subscriptions.

LB confirmed that a further two member videos covering pension taxation will be funded by the Scheme Advisory Board.

Cllr Sharon Taylor [ST] asked about the impact of pension taxation on recruiting to senior posts and the retention of senior staff, and whether there is evidence that higher earners are leaving employment or opting out of the Scheme because of pension taxation.

JH stated that he had recently met with HM Treasury to discuss pension taxation. Discussions are ongoing about changes to public sector pension schemes that would lessen the impact of pension taxation, particularly the introduction of flexibility in accrual rates.

KG pointed out that those affected by the Lifetime Allowance are more likely to opt out of the Scheme, but the Annual Allowance currently has a higher profile and affects more members.

The Committee agreed to the commission of the videos and the use of reserves to fund them. The budget was agreed.

**Action:** LB to write to all administering authorities with details of the new subscription charges. Invoices will be produced by the end of September 2019. LGA pensions team to proceed with video project.

## **6. LGPC response to the 'Changes to the Local Valuation Cycle and the Management of Employer Risk' consultation**

JH presented the key points for the Committee to note from paper D, in particular highlighting:

- In May MHCLG published a consultation relating to valuations and employer risk, which closes on 31 July 2019
- JH raised a number of points of principle that would, with the Chair's agreement, form the basis of the LGPC response

The Committee debated the paper in full and a summary of the discussion and decisions is below.

### **Valuation Timetable**

The consultation asks for views on the timetable that should be followed to align the Scheme valuation with the LGPS fund valuation. The Committee supported a three plus two year transition timetable. NM noted that a fund's investment strategy may be changed in response to the valuation result, and that changes may not have been fully implemented by the date of the next valuation, based on this proposed timetable. The Committee recognises the significant additional administrative burden that this timetable would place on administering authorities, but believes this option

provides an appropriate level of financial oversight in a time of change. Cllr Alan Waters (AW) asked if this would be classed as a new burden and qualify for funding.

### **Interim Valuations**

The greater flexibility offered by the power to perform interim valuations was welcomed by the Committee. It was noted that each administering authority's Funding Strategy Statement must set out the criteria for performing an interim valuation of an employer or group of employers.

### **Exit payments**

The Committee was in favour of introducing flexibility in how an exiting employer (an employer with no active members) meets the cost of its liabilities in the pension fund. It was emphasised that this should be an administering authority discretion and deciding on the appropriate path for an exiting employer must be a purely financial decision that minimises the financial risk to other employers in the fund. The Committee were of the view that the regulations should reference the need for administering authorities to obtain appropriate financial advice before agreeing to spread deficit payments or agree to a deferred employer status.

### **Exit credits**

The Committee supported changes in the regulations that would allow risk sharing to be taken into account in assessing the level of any exit credit payable to an exiting employer. NM asked about timescales because this is a live problem faced now by pension funds. Jeremy Hughes [JHu] confirmed that MHCLG is currently seeking legal advice on retrospection and that regulation changes that result from this consultation are likely to be phased. It is hoped that the first set of draft regulations will appear before the end of 2019.

### **Proposed changes for further and higher education establishments and sixth form colleges**

The Committee recognised that the change in status of these organisations means that grouping them with local authorities and academies in terms of the LGPS regulations may no longer be appropriate. If the sector chooses not to offer the LGPS to new employees then this would have effect on future cash flows. The Committee were also concerned that this proposal could lead to similar moves in the Teachers' Pension Scheme which could result in increased employer contributions for local authorities. JH confirmed that the Scheme Advisory Board project looking at options for tier three employers including higher and further education establishment is still underway. The Committee agreed that the consultation response should recommend a pause in these proposed changes until the SAB tier three project is complete so that an evidence-based decision can be made.

An update on the tier three project will be provided at the next meeting.

## **7. REGULATION UPDATE [E&W]**

LB presented the key points from paper E:

[The LGA response to the consultation on 'Restricting exit payments in the public sector'](#)

- HM Treasury launched a 12 week consultation in April 2019
- The LGA responded ahead of the 3 July 2019 deadline and made their response available to employers and LGPS administering authorities to assist with their own response.

There are many problems with the draft consultation documents, particularly:

- The approval process to relax the cap
- The scope of the cap and that it may impact local government workers on moderate incomes
- Uncertainty over how this policy will be implemented in the LGPS
- No implementation period is set out.

JHu stated that meetings are planned with some of the councils that are in the process of reorganisation, as they had already raised concerns that this process may be frustrated due to uncertainty about the effect of this policy and timescales for its implementation.

### Fair Deal

- The consultation closed on 4 April 2019. The main proposal is the introduction of 'deemed employer' status in the LGPS – with the original local government employer remaining the employer for pension purposes when an employee is compulsorily transferred to a service provider
- The Scheme Advisory Board are working closely with MHCLG to produce comprehensive guidance
- Guidance and new regulations must be produced at the same time and are expected to come into force in spring 2020.

### Pensions Dashboard

- The Government published its response to the consultation on 4 April 2019 which confirmed that they will introduce legislation compelling pension providers to make consumers' pension data available on the dashboard
- Participation will be staged with most schemes onboarded within three to four years
- The dashboard will include state pension data
- MAPS – The Money and Pensions Service will take the leading role in delivering the non-commercial dashboard.

### Factor Review

- MHCLG in conjunction with GAD have undertaken a review of actuarial guidance in relation to the LGPS
- A technical consultation on proposed changes to the late retirement factors and methodology was undertaken in April 2019
- New factors and methodology will take effect from 1 September 2019 and will remove the 'cliff edge' effect which reduced the value of some members' LGPS benefits when the factors last changed in January 2017.

## LGPS Knowledge System

- The national Technical Group requested that the LGA procures a LGPS knowledge system on behalf of administering authorities in England and Wales. The LGA are currently in the process of writing to each administering authority to ask them to confirm they are willing to sign a legal agreement with the LGA so that the procurement process can begin.

## **8. SAB REPORT E&W**

JH presented the key points for the Committee to note from paper F, in particular highlighting:

### McCloud judgment

- The Supreme Court denied the Government's request to appeal the McCloud decision. The SAB has produced a Q & A which can be found on the cost management page of their website
- We expect a ministerial statement confirming that the decision relates to all public sector schemes and not just the Firefighters' and Judges' pension schemes
- Updates will be provided once the next steps are confirmed

NM commented on the far-reaching implications of this decision for employers, elected members and administrators and stated that it would be useful for the LGA to issue a guidance note to confirm the current position and the steps that have taken.

### Formal consultation on pooling

- MHCLG have confirmed that a formal consultation on pooling is forthcoming but is unlikely to be launched before the summer recess.

### Good Governance

- Hymans Robertson have been awarded the contract to look into how LGPS functions are delivered within the framework of a local authority. They will consider best practice, conflicts of interest and the role of the Section 151 officer.

### Simplification Project

- A working group made up of representatives from trade unions, actuaries, MHCLG, SAB, LGA, and depending on the topics covered, scheme employers, payroll providers, software providers and administering authorities is considering areas where flexibility could be introduced to the LGPS regulations. A progress report will be provided at the next Scheme Advisory Board meeting in November.

## Local Pension Boards survey

- The survey is due to be issued imminently and progress will be reported at the next meeting.

## Pensions Tax

- HM Treasury are currently considering concerns raised across the public sector about the impact of pension taxation on the public sector workforce and the resulting effect on delivery of essential services.

## **9. REGULATIONS UPDATE SCOTLAND**

The Committee noted the key points from paper G which was presented by Kimberly Linge (KL).

**LGPS Regulations (Scotland) (Miscellaneous Amendments) Regulations 2019** came into force on 28 June 2019, and made the following changes:

- Extended the flexibility to take an uncrystallised funds pension lump sum from a member's AVC provider to deferred members
- An active member who is absent from work with permission for a continuous period of 30 days who is receiving reduced or no pay must pay contributions on the pensionable pay the member would have received
- A deferred member who is age 55 or over may elect to receive immediate payment of a retirement pension, reduced in line with the actuarial guidance
- No account is to be taken of any reduction in pay when working out Assumed Pensionable Pay if the member was working reduced hours because of ill health.

**Increased Pension Entitlement Regulations 2019** – these have been postponed until October.

**Civil partnerships for mixed sex couples** – A Bill will be introduced in the autumn to extend civil partnerships to mixed sex couples. The Bill will be subject to Parliamentary scrutiny.

## **10. REGULATIONS UPDATE NORTHERN IRELAND**

The Committee noted the key points from paper H.

## **11. TECHNICAL GROUP UPDATE**

The Committee noted the key points from paper I which was presented by KG:

- The Technical Group response to the Exit cap consultation has been submitted
- a working group has been set up to coordinate a response to the 'Local valuation cycle and the management of employer risk' consultation
- HMRC have decided to resolve 'stalemate' cases at the point of retirement, rather than solving them now. These are cases where HMRC records suggest

a fund holds GMP liability for an individual, but the records held by the scheme do not. JH noted that there might be implications for the valuation if administering authorities hold potential future liabilities in respect of stalemate cases.

## **12. TRAINING AND CONFERENCE UPDATE**

The Committee noted the key points presented by Karl White [KW]:

- Aggregation training, Insight Residential course and bespoke courses have all received positive feedback
- The introduction of tablets for training rather than paper format is proving successful
- Fundamentals training is now live for booking
- Governance Conference in York in January 2020 is also live for bookings via the LGA events pages.
- Training dates from January onwards will be organised soon.

## **10. ANY OTHER BUSINESS**

ST asked for access to the LGPS for Councillors to be discussed at the next meeting. DR noted that MPs and councillors in Wales and Scotland are offered membership of the LGPS or another public sector scheme. ST noted that the lack of pension provision for councillors in England was a disincentive and had a negative impact on the recruitment and retention of councillors.

## **11. DATE OF NEXT MEETING**

The Committee agree they would like to continue to co-ordinate meetings with the SAB meetings. The next meeting dates are confirmed as:

6 November 2019

3 February 2020

4 May 2020.

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