LGPC MEETING – 11 March 2024

Meeting agenda

Item		Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 4 December 2023 – Paper A	11:10
3	Matters arising	11:15
4	LGPC budget – Paper B	11:20
5	Regulations update for England and Wales – Paper C	11:35
6	SAB update for England and Wales – Paper D	11:50
7	Regulations update for Scotland – Paper E	12:05
8	Regulations update for Northern Ireland – Paper F	12:10
9	Technical Group update – Paper G	12:15
10	Training and conference update – Paper H	12:20
11	Any other business	12:25
12	Dates of future meetings 22 July and 25 November	12:30

Paper A: Minutes of meeting held on 4 December 2023 - Hybrid

PRESENT

Cllr Nathan Yeowell	Chair, LGA
Cllr Michael Headley	LGA
Cllr Richard Wenham	LGA
Cllr Deirdre Costigan	LGA
Cllr Azhar Ali	LGA
Cllr Doug McMurdo	LGA
Cllr John Fuller	LGA
Cllr Eddie Reeves	LGA
David Murphy	NILGOSC
Alan Wilkinson	SPPA
Kim Linge	SPPA
Alan Wareham	DLUHC
Linda Welsh	SPLG
George Graham	SAB representative
Kevin Gerard	Technical Group representative

Secretariat

Lorraine Bennett	LGPC
Joanne Donnelly	Scheme Advisory Board (SAB)
Rachel Abbey	LGPC
Becky Clough	SAB
Karl White	LGPC

Apologies

Cllr Bev Craig	LGA

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr Nathan Yeowell [NY], welcomed everybody to the hybrid meeting and asked members to introduce themselves and outline their LGPS responsibilities.

Cllr John Fuller [JF], the outgoing chair, summarised the responsibility and purpose of the Committee – to allow employers a safe space to consider LGPS issues. JF wished the incoming Chair the best in his new position.

2. APOLOGIES

Apologies for absence were received from Cllr Bev Craig. No declarations of interest were made – Lorraine Bennett [LB] confirmed that being a member or former member of the LGPS is not a conflict.

3. MINUTES

The minutes of the previous meeting held on 22 May 2023 were agreed as a true and correct record.

4. MATTERS ARISING

LB provided an update on subscriptions. Only one subscription is outstanding for 2022/23. Invoices for 2023/24 subscriptions have been sent to administering authorities.

All administering authorities have signed up to pay the voluntary subscriptions and make use of the services we offer. Getting payments can be a problem, but some of these problems arise because of limitations of the LGA finance system.

5. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper B.

LGPS statistics for 2022/23

The Department for Levelling Up, Housing and Communities (DLUHC) has published statistics for the LGPS in England and Wales. These are the combined figures from the 86 administering authorities. LGPS Scotland and Northern Ireland are separate schemes. There are 11 administering authorities in Scotland and a single one in Northern Ireland.

The figures for LGPS England and Wales reflect the fact that it is one of the biggest pension schemes in Europe. Assets at the end of the 2022/23 year were £357 billion. There were 6 million scheme members, of which 2 million were active in 2022/23.

McCloud update

LB summarised the McCloud judgment for the benefit of new members of the Committee. All public service pension schemes were reformed in 2014/15 following the findings of the Hutton Report. The main change was a switch from final salary to career average accrual. The Government protected older members from these changes because they had less time to adjust their retirement plans. Members with the support of unions launched legal challenges in the firefighters' and judges' pension schemes. The Court of Appeal found that younger scheme members had been unlawfully discriminated against because the protections for older members did not apply to them. The Government agreed that the decision would apply across all public service schemes, not just the schemes directly involved in the cases.

The court case is known as the McCloud judgment after a member of the judges' pension scheme involved in the case. The means by which the age discrimination will be removed is known as the McCloud remedy.

The protection given to older members of the LGPS was very different from the protection awarded in other public service pension schemes. All LGPS members moved to the career average scheme on 1 April 2014. An underpin was designed to give the better of a final salary or career average pension to protected LGPS members. In the other schemes, older members stayed in the 'legacy' final salary schemes. This difference means that the remedy in the LGPS will be very different from the remedy in the other schemes.

The LGPS regulations were amended from 1 October 2023. We had hoped for a long lead-in time to allow software suppliers and administering authorities to prepare their systems, communications and processes. In the end, the final regulations were laid three weeks before they came into force.

The amended regulations extend underpin protection to younger members. Further changes were also needed to clarify how the underpin works for different members and how it feeds into survivor benefits and transfer values. The new regulations clear up some of the deficiencies of the 'old' underpin, ensuring it works consistently and fairly for all protected members.

Administering authorities have many new responsibilities to implement the McCloud remedy:

- collecting and verifying the data needed to build 'notional' final salary service for the underpin period – hours changes and service breaks
- changing the basis of new calculations to reflect members' underpin protection
- reviewing past payments and making top-up pension, death grant and transfer payments.

DLUHC has published a draft version of their prioritisation policy setting out how they recommend administering authorities prioritise the McCloud casework. They have set up a working group to consider this and other statutory guidance that will assist funds. The statutory guidance may also cover compensation, the treatment of transfer payment top-ups where the receiving scheme cannot or will not accept the extra payment and how to identify members in scope.

The criteria for protection are different under the new rules. An LGPS member may be protected if they have a previous period of public service pension scheme membership, even if that membership is kept separate. The LGA maintains a database that can help administering authorities identify individuals with previous LGPS membership. Administering authorities will need to ask members about previous membership of a different public service pension schemes to establish their protection status.

The LGA has created various resources to help administrators navigate the McCloud project. These include:

- a 90-page **technical guide for administrators**. The guide covers who is in scope of protection, how to perform certain calculations and includes lots of examples. Further instalments of the guide will be published covering transfers out and processing retrospective cases as more information becomes available.
- **areas of the member websites dedicated to the McCloud remedy** including an interactive tool, a video, FAQs and examples. The main message for LGPS members is that they do not need to do anything. If a member is protected, the underpin will apply automatically.
- **member factsheet** – to send to members who have opted out of digital communications or to hand out at in-person events.
- **Template letters** to notify members about the change to the scheme including a template to satisfy disclosure requirements. Affected members must be informed by 31 December 2023.

DLUHC will consult on further regulation changes in 2024. These will mainly cover teachers with excess service. A teacher has excess service if they have an additional teaching post as well as a full time teaching post. Remedy in the Teachers' Pension Scheme (TPS) means that the teacher will retrospectively become eligible for membership of the LGPS for the remedy period in respect of the additional post. This will involve exchanging a significant amount of information between TPS, employers and LGPS administering authorities. There will also be a transfer of contributions.

Kevin Gerard [KG] asked how many teachers with excess service there are. TPS have estimated that there are 18,000 cases across England and Wales. LB has concerns about data quality, which means that the 18,000 estimate may not be correct.

Pensions dashboards

Pensions dashboards will allow people to see information about all their pensions in one place, with the aim of encouraging pension saving and engagement. There will be a Government funded dashboard and multiple private ones. Development of pensions dashboards has already taken many years. The Government announced a reset in March 2023 – the connection deadlines for schemes will be later than originally planned. All schemes must connect to dashboards, but will have more time to do so.

Legislation setting out the staging timetable has been removed and replaced with a backstop date. The backstop date of 31 October 2026 is the latest date that all schemes in scope must connect. The LGA team meets regularly with DWP and MaPS and they have informally shared the proposed connection date for public service pension schemes.

Abolishing the Lifetime Allowance

There are currently two restrictions on the amount of tax-free pension savings an individual can have. The annual allowance limits the annual increase in pension savings before the member has to pay extra tax. The lifetime allowance limits the total amount of pension savings in all UK registered pension schemes.

The Government has announced that it will abolish the lifetime allowance from April 2024. The lifetime allowance is still currently in operation, but no one will incur a tax charge if they exceed the limit in the 2023/24 year. HMRC consulted on proposals to abolish the lifetime allowance in summer 2023. After it is abolished, there will still be a limit on the amount of tax-free cash that a member can take from their pension.

The LGA raised a number of concerns in their response to the consultation:

- there is not enough time to bring in the new legislation before April 2024
- the limit on the amount of tax-free cash should increase with inflation rather than being fixed
- there will be two different lump sum limits which will be confusing for members
- individuals will need a record of the lump sums they have received in the past, even though there was no requirement to track this under the regime in force since 2006.

A draft finance bill has been published. There is little time to read and understand the 100 pages of the Bill that relate to the abolition of the lifetime allowance and update systems before the changes take effect next April. HMRC are likely to issue guidance that is easier to follow.

New resources for employers

The LGA team has produced bite-size training for employers on the ill health retirement process. Ill health retirement is the most common topic that LGPS members complain about to the Pensions Ombudsman and this training is designed to improve employer understanding.

The LGA has published FAQs on strike action and its effect on an LGPS pension for members and employers. Unions were voting on possible strike action earlier in 2023.

6. SAB UPDATE [E&W]

Joanne Donnelly [JD] gave a brief overview of the Scheme Advisory Board (SAB). The Board considers the interests of the Scheme and its members when making decisions and recommendations. Six employee representatives and six employer representatives have the power to vote, but a vote is very rare as the Board almost always reaches a consensus. The Board is supported by actuarial and legal advisers and a non-voting member from the Pensions and Lifetime Savings Association. The requirement for public sector schemes to have a statutory board was introduced in the Public Service Pensions Act 2013.

All public sector pension scheme advisory boards advise their relevant Secretary of State. The LGPS Board has an additional role of advising administering authorities as well.

The results of the last valuation on 31 March 2022 were used to set employer contribution rates in the LGPS for the three-year period from April 2023 to March 2026. Changes to the Scheme rules made in 2020 allow mid-cycle reviews of employer contribution rates in certain circumstances. The expectation was that mid-cycle contribution reviews would only be undertaken for charities and admitted bodies, it was not anticipated that they would be used for councils. The fact that many funds are in surplus combined with the severe funding pressures faced by councils has led to calls by some advisers for the employer contribution rates paid by councils to be reviewed mid-cycle. Some advisers are recommending giving employers a contribution discount for the remainder of this valuation cycle.

SAB will discuss this issue at their meeting which follows this one. They plan to issue advice for funds on how best to navigate the current situation. They recognise that different funds will adopt different approaches. The view expressed by DLUHC is that these flexibilities should not be used to assist councils in financial difficulties because councils have cast-iron covenants as tax raising bodies. Councils also must remain LGPS employers – they do not have the option to withdraw from the Scheme. Even if a council issues a section 114 notice, they must continue to pay employer contributions at the rate agreed with the scheme actuary.

NY noted that housing associations have requested mid-cycle contribution reviews. Each administering authority should have a policy on when it will undertake such a review. DLUHC does not expect that this policy will include reviewing the employer contribution rate as a result of changes in the wider economy and financial markets. Reviews were intended to be used when there was a change to the position of an individual employer.

Alan Wilkinson [AW] asked what the funding levels in the LGPS in England and Wales are. JD confirmed that the Scheme as a whole was 107 per cent funded, but there are variations across administering authorities. The recent increased funding level since the valuation date is due to reductions in the value of liabilities, not an increase in the value of the Scheme’s assets.

George Graham [GG] noted that some funds could be 150 percent funded on a theoretical roll forward basis. Most funding strategy statements say that the administering authority will not review employer contribution rates in response to market movements. JD confirmed that some administering authorities have learned hard lessons from giving employers a contribution holiday in the past. The valuation of the LGPS in Scotland happens a year later. The position in Scotland is very different from that in England and Wales. Some Scottish funds have been in surplus for a number of years. For many English and Welsh funds, this is the first time this has happened.

JD presented the key points from paper C.

Cost management process

HM Treasury (HMT) conducts a valuation of public service pension schemes every four years. The cost management process was introduced in 2013 to measure how employer costs have changed against a baseline amount. This process is used to set the employer contribution rate in the unfunded schemes. The LGPS is valued as part of this process. The results could affect member contributions or benefits, but they do not directly affect LGPS employer contributions.

Initially, costs in all public sector schemes breached the cost floor at the 2016 valuation due to pay increases being lower than expected and a slowed increase in longevity. However, the cost of the McCloud remedy increased scheme costs so that there was no cost floor breach, and no scheme changes were necessary.

The results of the 2016 valuations showed that the cost control mechanism was not working as expected. Legislative changes in 2021 widened the cost corridor from 2 per cent to 3 per cent and introduced an economic check. If the initial valuation results suggest that there has been a breach, there will be further check to see if the breach would still have occurred if other economic factors were taken into account.

HMT issued Directions in August 2023 covering the assumptions to use in the 2020 valuations. GAD is currently working on these valuations. Initial results suggest that scheme costs are lower than expected, but the economic check means that no scheme changes will be triggered.

Employer contribution rates in the Teachers’ Pension Scheme are set to increase by five per cent as a result of the increase in the SCAPE rate. This increased cost will be funded for local authority schools and academies but not for further or higher education establishments.

David Murphy [DM] pointed out that the employer contribution rates in other public service pension schemes are much higher than they are in the LGPS. He suggested sharing information about the higher contribution rates with LGPS employers to allow them to make a comparison. The Committee will consider this question at the next meeting once the employer contribution rates in the other schemes have been set. High employer contribution rates could lead to a review of public service pension provision in the future.

There is a separate cost management process in the LGPS in England and Wales. SAB sets the assumptions it uses but has regard to the assumptions used in the HMT process. It can use a different discount rate. As a funded scheme, Gross Domestic Product may not be the best measure of expected investment performance. The Board will discuss those assumptions when they meet later.

Local authorities are facing significant issues in getting their accounts audited, which is delaying the audit of pension fund accounts in England. The SAB made a recommendation to the previous Minister that pension fund accounts should be separate from council accounts. The Levelling Up, Housing and Communities select committee recently made the same recommendation in their first report on financial reporting and audit in local authorities. Primary legislation would be needed to achieve this.

NY asked for an update on the pooling consultation. JD confirmed that the Government response to the consultation did not include any changes to the original proposals. Government policy is for there to be fewer pools in future, but is also pushing for faster progress to pool assets. There has been some resistance from funds who are concerned about the cost of pooling illiquid assets in a pool that may not exist in the future.

Sharia compliance

SAB has received reports from funds about increasing numbers of employees of Muslim faith opting out of the LGPS. Some believe that the Scheme is not Sharia compliant because it is funded. Claims of direct discrimination are possible if employers are not providing a scheme that all groups can pay into. SAB sought legal advice on this issue on behalf of the whole scheme to reduce costs compared with each fund obtaining its own advice. Counsel recommended seeking advice on this issue from an Islamic finance scholar. SAB procured that advice and has now received a final report from the Islamic scholar.

The advice was that the LGPS, as a public sector scheme and a defined benefit scheme, is compliant with Sharia law principles. Pensions are considered deferred pay – LGPS employers set aside pay for members to receive later. The scholar’s view is that such an arrangement is consistent with Islamic beliefs.

SAB will refer the issue back to legal counsel. The Islamic scholar made some recommendations about LGPS investments that would constitute a significant change to the LGPS, should they be taken forwards. There could also be implications for the Scheme in relation to members with different belief systems, not just followers of Islam.

7. REGULATION UPDATE SCOTLAND

The Committee noted the key points from paper D, which was presented by Kimberly Linge [KL].

CPI revaluation regulations

In line with DLUHC, SPPA are changing the revaluation date that applies in the LGPS. Progress on laying the regulations has been delayed due to work on McCloud.

McCloud remedy regulations

The LGPS (Scotland) regulation amendments to introduce the McCloud remedy are in force from 1 October 2023. SPPA recognises the large amount of work for pension administrators that starts now to implement the remedy.

Exit credits

The LGPS (Scotland) regulations will be amended to introduce more flexibility in working out an exit credit to be paid to an exiting employer. The changes are in line with those made to the LGPS in England and Wales in 2020. SPPA is hopeful that the changes can be made in Spring 2024, but there are many SSIs outstanding due to the time and resources that have been devoted to McCloud.

McCloud guidance

SPPA has joined the DLUHC working group that is developing statutory guidance on McCloud. They have asked administering authorities to suspend transfers for protected members until new guidance is in force.

Surpluses

As mentioned earlier at this meeting, many Scottish funds have been in surplus for some years. Strathclyde Pension Fund has reduced employer contribution rates as a result of a surplus that is due to investment returns.

8. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper D, which was presented by DM.

LGPS regulations for Northern Ireland are made by the Department of Communities. Most of the time they follow changes made to the LGPS in England and Wales, but they have been first to make some changes. The LGPS in Northern Ireland does have a surplus that means they have been able to reduce employer contribution rates. Some employers have exited the Scheme with an exit payment because of the current financial position.

LGPS regulations

The Northern Ireland LGPS Regulations were amended to implement the McCloud remedy three days before the deadline on 1 October 2023.

Economic Activity of Public Bodies (Overseas Matters) Bill

Northern Ireland was covered by this Bill, which came as a surprise because they had not been included in earlier versions. DM confirmed that LGPS Northern Ireland is supportive of the LGA position on these proposals and thanked JD for appearing in front of the relevant Select Committee.

9. TECHNICAL GROUP UPDATE

Kevin Gerard [KG] presented the key points from Paper F.

The McCloud remedy will be a nightmare for LGPS administrators. Regional groups provide an update at Technical Group and the group aims to achieve a consistent application of the remedy across the country. The challenges are twofold – with funds having to change new calculations and revisit past cases. They are currently awaiting further guidance on how to deal with retrospective cases.

Technical Group is hopeful for changes to the Scheme rules to be included in the next set of amendment regulations:

- removal of the upper age limit of age 75 for death grants – a legal challenge to the current rules is likely
- removal of the requirement to pay a refund within five years.

Administering authorities have experienced 18 months of poor performance from Prudential, the AVC provider for the majority of funds. There have been recent improvements and they will decide at the next Technical Group meeting whether the AVC subgroup should continue to meet.

The group is keen to ensure that everyone is measuring KPIs included in the annual report consistently. KPIs in the annual report will cover processes, but also phone calls and other communications.

10. TRAINING AND CONFERENCE UPDATE

Karl White [KW] presented the key points from Paper G.

The annual Fundamentals training aimed at pension committee and local pension board members is underway. We are delivering the three day course in London, Manchester and online. Each day covers a different area, with Day two covering investment. Feedback from the events will be used to see if we can make improvements. We appreciate the support from actuarial firms, the SAB, DLUHC and investment advisers that allows us to deliver this training.

The Annual Conference will be held in York in January 2024. In-person places are sold out, but there are still spaces to attend online.

We have published our training programme for 2024. Online events are proving most popular. We have encouraged regional pensions officer groups to commission local in-person training. The training plan includes a one-day retirement course, but we are considering extending this to a two-day course because of the complexity of the subject.

The team will be delivering webinars on McCloud in December and will consider what other McCloud training is needed.

We have been tasked to create a specific LGPS qualification. We have recruited to a new post on the team to help take this forward and help with the existing training programme. We are planning to:

- work with Barnett Waddingham to promote and deliver a level 2 generic pensions qualification – a pilot will start in April 2024
- work with the Pensions Management Institute to develop a level 3 qualification that is specific to the LGPS – we are aiming to roll this out from April 2025.

11. ANY OTHER BUSINESS

None

12. DATES OF NEXT MEETINGS

Future meetings will be held on 11 March 2024, 22 July 2024 and 25 November 2024.

Paper C – England and Wales update

Decisions

The Committee is asked to note the contents of this report.

McCloud update

Statutory guidance

On 1 March 2024, DLUHC started a closed consultation on draft statutory guidance for implementing the McCloud remedy in the LGPS. The purpose of the guidance is to encourage a broadly consistent approach across the LGPS and provide additional guidance on how certain technical issues should be approached.

The guidance includes areas such as:

- case prioritisation
- identifying members in scope
- complexities of transfers
- unpaid additional pension contributions
- qualifying scenarios
- governance

The guidance confirms the Department's view on how deferred refunds and transfers to private sector schemes are treated for the purposes of qualifying for underpin protection and working out if there is a disqualifying gap.

The Department's view means there will be circumstances where a member may initially qualify for underpin protection, but that protection is lost because they take a transfer from another public service pensions scheme to a private sector scheme.

Similarly, there will be situations where a member does not initially qualify for underpin protection, but a subsequent aggregation or transfer of a deferred refund to another public service pension scheme means they later do.

This interpretation of the legislation will make implementing and explaining the McCloud remedy extremely challenging. The LGPC secretariat plans to obtain legal advice on this.

The consultation closes on 12 April 2024.

New GAD guidance

On 25 January 2024, DLUHC issued new LGPS actuarial guidance. The guidance provides information about how the McCloud remedy will affect certain calculations.

- early payment of pension guidance
- late retirement guidance
- individual incoming & outgoing transfers guidance
- interfund transfers – addendum.

GAD is currently working on the remaining guidance which the LGPC secretariat is reviewing. It will cover flexible retirements, trivial commutation and divorce calculations.

Transfers

Certain transfer cases have been on hold since the LGPS regulations were amended to implement the McCloud remedy from 1 October 2023. The publication of the individual incoming & outgoing transfers guidance means that administering authorities have the information they need to process:

- transfers in on Club and non-Club terms
- transfers out of deferred benefits on Club and non-Club terms.

We understand that conversations with software suppliers about system updates to reflect the new calculations are ongoing. Administering authorities may need to consider running manual calculations in urgent cases to ensure any statutory deadlines are met.

On 21 February 2024, the LGPC secretariat published a spreadsheet for calculating the McCloud element of a non-Club transfer value.

Tax treatment of interest

Interest of 8 per cent will be due on the late payment of certain benefits because of the McCloud remedy. HMRC has confirmed that interest on certain payments above the commercial rate (1 per cent above base rate) will be treated as an unauthorised payment under the Finance Act 2004.

This means it will be subject to a 40 per cent tax charge for the individual and a potential 15 per cent charge to the LGPS fund. We understand that HM Treasury plans to introduce legislation to remove the pension fund charge.

McCloud administrator guide and webinars

We are continuing work on the McCloud guide for administrators which explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.

We are releasing the guide in instalments due to the breadth and complexity of the McCloud remedy project and because we are still waiting for guidance in some areas. We aim to publish the next instalment in May 2024.

We ran two McCloud webinars in December. The webinars provided administrators with an opportunity to ask us any questions they have about the guide and the McCloud remedy more generally. We had approximately 270 attendees and feedback was very positive.

TPS McCloud remedy and the LGPS

The LGPC secretariat continues to work with a group set up by DfE to agree a process for dealing with teachers who will become retrospectively eligible for the LGPS as part of the McCloud remedy in the Teachers' Pension Scheme (TPS). Other representatives on the group include DLUHC, Capita and LGPS administering authorities.

The group is currently working on the data collection and transfer process to enable LGPS administering authorities to create pension records for the affected teachers. DfE has estimated that approximately 18,000 teachers are in scope. These will be a mix of active, deferred and pensioner members.

Abolishing the Lifetime Allowance

The Government announced in the Spring Budget 2023 that it planned to abolish the lifetime allowance. On 22 February 2024, the Finance Bill 2023/24 received Royal Assent and became the Finance Act 2024. The Act contains provisions to abolish the lifetime allowance from 6 April 2024 and replace it with two new lump sum allowances. The new lump sum limits restrict the amount of tax-free cash an individual can take over their lifetime.

As with the lifetime allowance, most LGPS members will not be affected by the new lump sum limits.

We are currently working with Aon on a guide to explain the changes and what they mean for LGPS administration processes. We hope to publish this by the middle of March.

Annual revaluation and pensions increase

On 25 January 2024, HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation and pensions increase due to apply from April 2024. The statement confirms:

- public service pensions will increase on 8 April 2024 by 6.7%, in line with the Consumer Prices Index for the year up to September 2023
- revaluation of 6.7% will be used in April 2024 to revalue CARE accounts in the LGPS.

We are currently updating our guides and website to reflect the increase which also impacts employee contribution bands and the amount of additional pension a member can buy.

Contact officer

Name: Lorraine Bennett
Job title: Senior Pensions Adviser
Phone no: 07766 252847
E-mail: lorraine.bennett@local.gov.uk

Paper D – Scheme Advisory Board update

Key points to note

The Board continues to engage actively with the government to represent the views of LGPS funds and wider stakeholders. We are preparing advice on issues arising from the current surplus situation in line with our statutory duty to promote the effective administration and management of the Scheme. The Board also continues to bring together different stakeholders on key issues of interest to identify best practice and encourage collaboration across the scheme, eg in relation to the proposed new climate risk reporting duties.

Decisions

None – this paper is for information only.

Summary

The Scheme Advisory Board (SAB) will be meeting later today. The papers for the Board will be available online closer to the date of the meeting. This paper summarises some of the main issues that the Board is addressing.

Cost Management and Benefit Issues

Cost Control Mechanisms

The Board is expecting the Government Actuary's Department to publish the final outcome of the HM Treasury 2020 valuation of LGPS E&W in the coming weeks. We do not expect the outcome to require any changes to scheme benefits. Having agreed the assumptions at its previous meeting, the Board will agree later today the final results of its own Scheme Cost Assessment process, set out in revised Regulation 116 of the 2013 Regulations and which runs in parallel with the HMT process, when it meets on 11 March 2024. Similar to the HMT process, that will not recommend any changes to scheme benefits.

Gender Pensions Gap

The Board is continuing to consider how best to respond to the Gender Pensions Gap that was identified in the reports produced for it by GAD.

One workstream is to improve the materials available members at key life stages. The aim is to ensure that members are able to make well informed choices about their pensions throughout their working career. The Board will be running, alongside the LGA's workforce team, a webinar for local government HR professionals on 9 May 2024. The aim of this seminar will be to improve awareness of this issue for HR practitioners and discuss best practice in the information and pension communications provided for their staff at key life points.

The Board is also considering partnering with another organisation to further explore this topic, particularly in relation to intersectionality with other protected characteristics (eg ethnicity, disability and working pattern). While funds and scheme employers hold a wealth of valuable and interesting data, there are significant funding and Data Protection issues that need to be overcome in progressing this work.

Sharia Compliance and LGPS

The Board has now published the review of the LGPS by an Islamic scholar according to Sharia principles on the Board's website. The report concludes that since defined benefit pensions are seen as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS. However, the report does note that the Muslims are likely to still have concerns over the investment choices made by the pension funds.

The Board has also obtained from Counsel an updated opinion, informed by the new analysis, of the risks to scheme employers and administering authorities of a legal challenge on grounds of unlawful discrimination. A digest of Counsel's advice will be published in due course.

Administration and Governance Issues

Annual Report Guidance

With the closure of CIPFA's Pensions Panel, the Board needed to put in place alternative arrangements for keeping up to date the statutory guidance that they had produced for LGPS funds. The Board created the Compliance and Reporting Committee (CRC), which has joint reporting lines between CIPFA and the Board, to take on this new role. The CRC's first priority was to review the 2019 Pension Fund Annual Report guidance.

Revised guidance was developed and approved by the CRC and the CIPFA Public Finance Management Board. This will now be submitted for Ministerial approval. The expectation is that this will be in place from April 2024 and is intended to apply to 2023/24 Annual Reports (so for those reports due to be published by 1 December

2024) and later years. The guidance says that in the first year of application, pension funds should use their best endeavours to comply fully with the requirements but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

The Pensions Regulator's New General Code

The Board has welcomed the publication of The Pensions Regulator's (TPR) General Code of Practice which has been laid in Parliament and which is expected to come into force on 27th March 2024. The Code brings together 10 previous TPR Codes into one single Code, mainly covering governance and administration of pension schemes. The previous Codes will be revoked, including Code of Practice 14 for Public Sector Pension Schemes.

The Board Secretariat is studying the Code closely to identify any new requirements for funds. There is some ambiguity over what parts of the Code are binding and which are just recommended for LGPS. However, the Secretariat believes that many of these areas overlap with existing work to provide guidance to funds in implementing the Good Governance recommendations.

Funding Strategy Statement (FSS) Guidance

The CRC's next priority will be to revise the FSS guidance which was last updated by CIPFA in 2016. A working group has been established to help with the detailed review, but already identified that the main aims are to have enhanced content in relation to:

- Setting up of academies on conversion
- Use of the "new" employer flexibilities and Deferred Debt Arrangements
- Employer representations around asset strategies and "partial terminations"
- Treatment of exit debts and credits
- Consultation with employers

LGPS Fund Audit

The Board has convened a number of audit roundtables to bring together fund practitioners, actuaries, scheme employer representative and audit firms to discuss areas of common concern and seek pragmatic solutions.

At the previous Roundtable in July it was agreed that it would be helpful to produce a briefing papers which set out the timeline and information flow for triennial valuation and IAS19 purposes. The aims would be:

- to aid mutual understanding, explaining some of the background and respective constraints
- signposting the different parties to where they should be requesting the information that they need
- to provide visual maps showing the flow of information between employers, actuaries, funds, custodians and auditors,
- provide a model questionnaire with key questions for actuaries to complete each year and provide to scheme employer auditors.

The proposed audience would be auditors, fund practitioners and employers.

The Board, together with the Institute for Chartered Accountants in England and Wales (ICAEW), has jointly commissioned a consultant to produce this report and is working with him on the draft. A further Audit Roundtable has also been arranged in April which can agree communications around this information note, as well as consider any new issues that might create problems when the audit round for 2023/24 accounts kicks off later this year.

Investment Issues

Economic Activity of Public Bodies (Overseas Matters) Bill

The Government Bill on boycotts, divestment and sanctions (BDS) passed Third Reading in the House of Commons on 10 January and the Government managed to vote down all amendments, including those amendments supported by the LGA. The Bill has now moved to the House of Lords. Second Reading in the House of Lords was on 20 February and a date has yet to be set for Committee stage there.

The Board has already submitted oral and written evidence to the Public Bill Committee and continues to make representations to Parliamentarians to make the case for technical amendment. We have already secured a very helpful Ministerial clarification on the record (Hansard) and in the Explanatory Note (see revised paras 32 and 33) in relation to statements by Pension Committee members. However, we still maintain that the Bill itself should be amended to put this matter beyond doubt.

Pooling Consultation

The Government consultation which closed on 2 October included proposals in a range of areas, including; setting a target date for the migration of all listed assets to pools, a proposed move to fewer pools (with a target size of £50bn), a requirement for funds to have a plan to invest up to 5% of assets to support levelling up in the UK and a proposal for funds/pools to dedicate 10% of assets to private equity investments. The SAB response urged government to shift their focus more to getting the governance and dynamics right – both within funds and pools.

Surpluses

The Board issued a statement of its position shortly after the last meeting. This statement has generally been very positively received.

Contact officer

Name: Jeremy Hughes
Job title: Deputy Board Secretary
Phone no: 07786 681936
E-mail: jeremy.hughes@local.gov.uk

Paper E – Scotland update

Key points to note

- the LGPS (Scotland) (Amendment) Regulations 2024 were signed by Ministers on the 6 February and laid in the Scottish Parliament on 8 February 2024.
- GAD has now completed its draft transfer guidance for Scottish funds which has been reviewed by the LGPC secretariat. The final version is expected to be published next week.
- work has begun on legislative amendments and statutory guidance in Scotland, allowing for certain factors to be taken into account when assessing whether there is an exit credit and the amount of that credit, in line with amendments made England and Wales in 2019.
- the LGPS 2024/01 Circular has gone out to notify stakeholders of the increase to public service pensions with effect from 8 April 2024.
- as a result of comments from stakeholders, changes have been made to the ill-health guide to clarify the requirements for employers and administrators when assessing members for benefits. The updated Ill-health guidance is with SPPA's comms team and will be sent out shortly.

Decisions

The Committee is asked to note the contents of this report.

Summary

1. LGPS (Scotland) (Amendment) Regulations 2024

1.1 The LGPS (Scotland) (Amendment) Regulations 2024 were signed by ministers on the 6 February and laid in the Scottish Parliament on 8 February 2024.

1.2 Under these amended regulations, the revaluation date for pension benefits in the LGPS is moved to 6 April each year to align with the HMRC annual allowance assessment period.

1.3 The regulations also remove the need to disclose employer liabilities in the Rates and Adjustments (R&A) certificate and provide clarification of the requirement for an indicative cessation valuation to be "fixed for a period of 90 days", from a specified date. This change will allow the employer to exit the scheme knowing the extent of their liabilities to the fund.

1.4 Further questions on how these changes will be administered will be covered in guidance to be provided by the Scottish SAB.

1.5 The revaluation regulations will apply retrospectively from 31 March 2023.

2. GAD Transfer Guidance

2.1 Regulation 2(3) of the LGPS Regulations 2018 provides that the Scottish ministers may, after consultation with the Government Actuary's Department (GAD), issue actuarial guidance to administering authorities.

2.2 There are changes to the calculation and information to be exchanged when a member protected by the McCloud remedy transfers between Club schemes. The Club memorandum was updated to reflect the changes and GAD has reviewed their guidance to reflect these changes. Funds were notified that transfers should be suspended until further notice.

2.3 GAD has now completed their draft guidance for Scottish funds which has also been reviewed by the LGPC secretariat.

2.4 Advice has been given to funds on whether a breach should be reported to TPR as a result of delays to transfers.

3. Exit Credits

3.1 Exit credit payments were introduced for the Scottish LGPS in 2018. Based on the wording of the legislation, the exiting employer has an automatic entitlement to be paid the exit credit by the administering authority (AA).

3.2 The results from the 2023 triennial valuations show that the funding position of LGPS funds has improved significantly and admission bodies who previously had significant deficits in June 2021, exited in the first half of 2023 with surpluses that required an exit credit to be paid.

3.3 Work has begun on legislative amendments and statutory guidance allowing for certain factors to be taken into account when assessing whether there is an exit credit and the amount of any exit credit were included in regulations and statutory guidance in line with England and Wales.

4. Increase to Public Service Pensions

4.1 The Local Government Pension Scheme 2024/01 Circular has gone out to notify stakeholders of the increase to public service pensions with effect from 8 April 2024.

5. Updated Ill-health Guidance

5.1 The purpose of the Guide to Ill Health Retirement and Early Payment of Deferred Benefits is to provide guidance to employing & administering authorities around ill health retirement and the Internal Dispute Resolution Procedure (IDRP)

5.2 It is of particular relevance to line managers, HR Staff and appointed persons reviewing appeals at Stage 1 of the IDRP.

5.3 As a result of comments from stakeholders, changes have been made to clarify the requirements for employers and administrators. The updated Ill-health guidance is with SPPA's comms team and will be sent out shortly.

Contact officer

Name: Kimberly Linge
Job title: LGPS policy manager
E-mail: kimberly.linge@gov.scot

Paper F - Northern Ireland Update

Background

Public Service pension regulations are a devolved matter for the Northern Ireland Assembly. Regulations for the Local Government Pension Scheme (LGPS) in Northern Ireland are made by the Department for Communities (the Department).

The Northern Ireland Assembly made its own version of the Public Service Pensions Act (Northern Ireland) 2014.

Decisions

The Committee is asked to note the contents of this report.

Northern Ireland LGPS Regulations

The Department for Communities made its regulations for the McCloud remedy on 27 September 2023 and they came into operation on 1 October 2023. The Department has yet to publish its response to the most recent consultation or the previous McCloud consultation in 2020/21.

Governance

Scheme Advisory Board

The Scheme Advisory Board last met on 23 October 2023 and plans to meet again in March 2024.

NI Government

On Saturday 3 February 2024 the Northern Ireland Assembly elected a Speaker and Ministers to the Executive allowing a government to be formed for the first time in 2 years. Mr Gordon Lyons (DUP) was appointed as the Minister for Communities, the Department with responsibility for the LGPS.

Departmental Review

In November 2023 the Department for Communities commenced a departmental review of the Northern Ireland Local Government Officers' Superannuation

Committee (NILGOSC), the arms-length body responsible for the administration of the LGPS in Northern Ireland. The outcome is expected in March 2024.

Contact officer

Name: David Murphy
Job Title: CEO, NILGOSC
Phone no: 0345 319 7320
E-mail: david.murphy@nilgosc.org.uk
Twitter: @DMurphy_NILGOSC

Paper G - Technical Group Update

Background

The National Technical Group is made up of representatives from LGPS administering authorities in England, Wales, Scotland and Northern Ireland. Its purpose is to represent the views of LGPS administering authorities in relation to the direction of pension and other areas of government policy.

Decisions

The Committee is asked to note the content of this report.

Update from meeting of 8 December 2023

McCloud Remedy

Each Fund is requested to complete an online survey and provide updates on the questions below. It would appear that whilst software systems may be able to extract information for employers validation, scheme administrators anticipate having to undertake a large number of manual calculations in order to reflect the change from CARE to final salary/service prior to the bulk McCloud calculation. Administering Authorities are progressing well with data collection and rectification. Although regulations have been published, funds are still awaiting statutory guidance in respect of prioritising the recalculation of benefits which have been brought into payment.

It was anticipated a consultation would been issued in the first quarter of 2024 regarding a number of areas required to process McCloud recalculations. Further updates on McCloud progress will be recorded at the March 2024 Technical Group meeting.

- At what stage is each administering authority with regards to collecting the hours/breaks data?
- Administering authorities that already have the hours/breaks data, are you checking the existing data? Or, are you assuming that it is correct?
- Have any of your employers refused or are unable to provide the missing hours/breaks?
- Have administering authorities communicated with scheme members about McCloud?

- Have administering authorities put in extra resource to cover this project?
- Are administering authorities in discussions with their system provider, in terms of loading the missing data? and/or, recalculating benefits etc? (with the caveat that until remedy is received, we are not 100% sure what the final position will be).
- Anything else any administering authority wishes to add?

DLUHC

DLUHC confirmed they are still deciding whether to take forward the change request in respect of the treatment of inward transfers from the EEA along with the change to remove the age 75 limit for death grants. A consultation will be issued in the first quarter of 2024 and will cover forfeiture regulations and survivor benefits. Alan Wareham stated that DLUHC do not have resources to look at the outstanding queries, an update on the outstanding Technical Group changes, along with timescales, will be provided at the March 2024 meeting.

Scheme Advisory Board (SAB)

A comprehensive report was provided in respect of the work undertaken by the SAB and its committees.

Pensions Dashboards

TPR and MaPS delivered a presentation on Dashboards to the Group. Staging guidance and data standards will be published in Spring 2024. Technical Group were updated by individual software suppliers on the progress they had made towards meeting statutory requirements. AVCs were again discussed and how a consistent method of providing data to members could be agreed. Concerns were expressed in respect of the reconciliation required in respect of AVCs with the various providers.

Annual Report KPIs

The proposed range of KPI comparators in the LGPS have been agreed at all POGs and Technical Group. This includes agreement of appropriated start and end points for the KPIs listed in the CIPFA annual report guidance. Additional KPIs were also included for discussion and were agreed. A session focusing on KPIs was also held at the annual Pensions Manager Conference. The indicative live date for National KPIs is April 2024.

Teachers' Excess Service

Technical Group were made aware of the timescales that Teachers' Pensions would be contacting employers on a regional basis to identify which Teachers are in scope.

Transfers

The new deferred member transfer pack will be issued shortly by LGA. Each POG was also requested to provide feedback on a request from a private sector transfer company to use their audit trail when completing a transfer out declaration form.

Contact officer

Name: Kevin Gerard
Job title: Pensions Manager – Dyfed Pension Fund
E-mail: KGerard@Carmarthenshire.gov.uk

Paper H – Training and conference update

Decisions

The Committee is asked to note the contents of this report.

Fundamentals Training

We ran our 2023 Fundamentals training in London, Manchester and online between October and December 2023. We sold 364 places in total. Online training was most popular.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees and local pension boards.

The feedback was positive. Delegates like the online course being run over two half days, so we will continue with that format for 2024.

We have confirmed the locations and dates for the 2024 training:

Table 1: Fundamentals training 2024

Day	Date	Location or online
Day 1	10 October	York
Day 1	16 October	London
Day 1	23 & 30 October	Online
Day 2	5 November	York
Day 2	13 November	London
Day 2	21 & 28 November	Online
Day 3	4 December	York
Day 3	10 December	London
Day 3	12 & 17 December	Online

Annual conference

Our annual governance conference took place in York on 18 and 19 January 2024. Final bookings were 118 in person and 55 online delegates.

Feedback is very good. Next year's conference will be held at the Bournemouth Highcliff Marriott on 30 and 31 January 2025.

Employer and administrator training

The 2024 training programme is selling well. The Transfer course has sold out and there are limited places available on the Aggregation and Survivor benefit courses.

The Employer Role course continues to prove popular. It is run on a rolling program throughout the year. We have increased the capacity on this course from 15 to 18 delegates.

The Insight course is an introduction to the LGPS for new administrators. It runs over three to four days. We are running this course four times in 2024, with two sessions in person and two online. The demand remains strong, although we will need to review the pricing for the in person course in 2025 as the cost of hotels has risen.

A number of funds have requested commissioned training which we will do our best to accommodate. We have agreed to run an additional Insight course for one fund in the South West.

Apprenticeships and qualifications

Work has begun on the creation of the LGPS level three qualification. The qualification will be supported by the Pensions Management Institute (PMI).

We are running a pilot of a level two generic pension qualification in April 2024. This qualification will be facilitated by Barnett Waddingham. 18 students from 8 different funds are signed up. If the pilot is successful, we will advertise the qualification more widely across the sector.

An apprenticeship education session was run at the pension manager's conference in November 2023. We plan deliver more sessions about the pensions administration apprenticeship in 2024.

Contact officer

Name: Karl White
Job title: Pensions Adviser (Training)
Phone no: 07464 652886
E-mail: karl.white@local.gov.uk