

LGPC MEETING – 22 July 2024

Meeting agenda

Item		Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 11 March 2024 – Paper A	11:05
3	Matters arising	11:10
4	Regulations update for England and Wales – Paper B	11:20
5	SAB update for England and Wales – Paper C	11:35
6	Regulations update for Scotland – Paper D	11:50
7	Regulations update for Northern Ireland – Paper E	12:00
8	Technical Group update – Paper F	12:10
9	Training and conference update – Paper G	12:20
10	Any other business	12:25
11	Dates of future meetings 25 November	12:30

Paper A: Minutes of meeting held on 11 March 2024 - Hybrid

PRESENT

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

Secretariat

Lorraine Bennett	LGPC
Joanne Donnelly	Scheme Advisory Board (SAB)
Rachel Abbey	LGPC
Daniella Howell	LGPC
Karl White	LGPC

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr Nathan Yeowell [NY], welcomed everybody to the hybrid meeting and asked those attending to introduce themselves.

On behalf of the Committee, NY congratulated Cllr John Fuller [JF] on his appointment to the House of Lords.

2. APOLOGIES

Apologies for absence were received from Cllr Bev Craig and Cllr Vince Maple. No declarations of interest were made.

3. MINUTES

The minutes of the previous meeting held on 4 December 2023 were agreed as a true and correct record.

4. MATTERS ARISING

NY stated there were no matters arising to raise.

5. LGPC BUDGET

Joanne Donnelly [JD] presented the key points from the first part of Paper B.

Restructure of the LGPC secretariat team

The LGA pensions team has continued to grow over the last few years, and there has been growing demand for its services, and for training in particular. The increase in demand has led to additional posts being created. JD is proposing a re-grading of the existing team. The reasons for this include:

- to accurately reflect the skills and technical expertise required to be a pensions adviser
- to align the grading structure of the team with other teams at the LGA, which have similar levels of expertise
- the need to keep pay competitive in line with adviser and officer pay at LGPS funds which has increased due to wage inflation since COVID
- to acknowledge the vital support services the team provides to DLUHC and SPPA, as shown by the secondment of a team member to DLUHC to help to deliver the McCloud remedy regulations in 2023.

The pensions team recognises that it is important to have competitive salaries that properly reflect the skills and expertise of the team.

Redrafted job descriptions are currently being assessed by HR. JD expects HR to confirm that the redrafted job descriptions and additional responsibilities are sufficient to warrant the proposed re-grading.

Subscriptions 2024/25

Lorraine Bennett [LB] presented the key points from the confidential second part of paper B.

LB explained that the team's budget is funded by a subscription that all LGPS administering authorities pay and training income.

The proposal is for an increase of five percent to the LGPC subscription charge for 2024/25. The pay award to apply from 1 April 2024 has not yet been agreed. The subscription increase is based on an assumed pay award and also reflects the cost of the team's re-grading.

There is a projected deficit for the 2024/25 year. But that is in part due to the one-off cost of building new LGPS administrator websites for England and Wales, and Scotland planned for this year.

Subscriptions are based on the number of members in a fund, with Scotland paying a higher rate for an enhanced service.

The reserves would cover the termination costs of the team. Those costs have decreased because of the departure of a long-standing employee in 2023/24.

Committee decision

Cllr Doug McMurdo [DM] asked whether LGPS administering authorities use the pay rates set out in the Green Book. JD confirmed that most do, but many administering authorities are paying additional allowances to experienced pension staff. It is not straightforward to rely on the Green Book for salary comparisons.

The Committee approved:

- the re-grading of the LGPC team, subject to approval from the LGA HR team
- an increase of five percent to the subscription charge for 2024/25.

The Committee raised some additional points about the re-grading and the increased subscriptions:

- JF stated that we need a strong narrative in favour of the increase. The LGPC team is increasingly holding the institutional memory of the LGPS. A strong narrative could be a necessary insurance to keep the scheme running at a technical level.

- George Graham [GG] asked whether there were enough team members, the demand for training is apparently insatiable. Increasing the number of trainers could be self-financing because of the potential to increase income.
- The Committee expressed their concern about the secondment in 2023, and the fact that local government money was essentially being used to deliver central Government responsibilities. The Committee believes that the LGA team should take a stronger line with DLUHC should they continue to rely on LGA resources to perform central Government's role.
- NY identified the need for forward planning to assess future growth in demand and for income from training and conferences. This will feed into future subscription increases and possible expansion of the team. A subgroup of Committee members and representatives of the Secretariat will form to make a medium-term plan for 2025 to 2028.

JD confirmed that she will continue to have robust conversations with DLUHC about subsidising the Department's work, although she is not optimistic about the outcome of those conversations.

LB confirmed that the Secretariat continues to support DLUHC and their lawyers in regular meetings. Early discussions about policy changes and the opportunity to review draft legislation allow the team to help shape policy and make sure the changes meet the needs of administrative authorities, employers and LGPS members. JD highlighted that the team would be scrutinising proposals at the consultation stage anyway.

6. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper C.

McCloud Update

LB explained at the last meeting what the McCloud remedy is, what resources the team has produced so far, and some of the impacts that it is having on administering authorities. Legislation was put in place from October 2023 to introduce the McCloud remedy which aimed to remove age discrimination from the LGPS.

Statutory Guidance

DLUHC has been working with an implementation group to bring forward statutory guidance to help implement the remedy in a consistent way across all LGPS administering authorities.

DLUHC published draft guidance on 1 March 2024 which covers:

- case prioritisation
- how to identify members in scope of protection
- how to deal with complexities of past transfers
- governance and data collection
- qualifying scenarios.

The section on qualifying scenarios confirms the department's view on deferred refunds and transfers out of deferred benefits, and how these affect underpin protection. The Department's view means that there are some circumstances when a member's protection status could change.

DLUHC's interpretation means that:

- a member who appears not to be protected may become protected if a deferred refund is later aggregated with benefits built up in a different public service pension scheme
- a member who appears to be protected could lose that protection if a deferred benefit is later transferred to a pension scheme that is not a public service scheme.

LB has requested an independent legal opinion on the department's interpretation from the legal firm that advises the Scheme Advisory Board [SAB].

The closed consultation on statutory guidance ends on 12 April 2024. The LGPC team will respond on behalf of the Committee after they have received the legal opinion. DLUHC has asked for each pension officer group to submit a response on behalf of their region.

GG asked if it would help if responses from regional groups supported the LGA response. LB confirmed that it would.

New GAD Guidance

GAD published new guidance in January on early and late retirement and transfers. The guidance has been updated to include the impact of the McCloud remedy. More guidance on flexible retirement, divorce calculations, and trivial commutation is expected. The team is having regular meetings with GAD and will review draft versions of this guidance.

Transfers

Certain transfers had been on hold awaiting transfer guidance, which has now been published. However, pension software systems have not yet been updated to reflect the new guidance. LGPS funds are having to perform manual calculations as they wait for system updates.

The team has produced a spreadsheet to help funds calculate the McCloud element of a transfer value for transfers to private sector schemes. Transfers between public service pension schemes are much more complicated and it will not be possible for the team to produce a calculator for these cases. Software suppliers have indicated that it may take up to six months to programme the changes.

Tax treatment of interest

Special interest rules will apply when pension schemes make extra payments to members because of the McCloud remedy. HM Treasury rules mean that all public service pension schemes must pay interest at eight percent on certain payments. HMRC has confirmed that interest above the 'commercial rate' will be an unauthorised payment. There will be an unauthorised payment charge of 40 percent. There would usually be a further 15 percent scheme sanction charge, but we expect legislation to disapply this further charge. GAD is currently working on a calculator to assist administering authorities with these complex calculations.

McCloud administrator guide and webinars

The team has already published the first instalment of the McCloud guide for administrators. The team is working on the next two instalments which will deal with lump sum payments such as death grants and trivial commutation lump sums, and retrospective cases.

The team ran two McCloud webinars in December 2023. 270 people attended across the two webinars and the feedback from both was very good. The team will deliver further webinars after they publish the next instalment of the technical guide.

TPS McCloud remedy and the LGPS

As part of the TPS McCloud remedy, some teachers will be rolled back retrospectively into the LGPS. The legislation to deliver this is not yet in place. The LGPC team is working with DfE, DLUHC and TPS on this project to get a workable process.

Alan Wilkinson [AW] asked about the expected number of cases. TPS has identified 18,000 members in this group in England and Wales. Early reactions from employers

who have received their data from TPS suggest that numbers may be lower due to data issues. AW believes the number of cases in Scotland will be much lower.

GG expressed concern about the availability of employer data, and who would be responsible for providing that data on behalf of an employer that no longer exists.

Abolishing the lifetime allowance

The Government is abolishing the lifetime allowance (LTA) from 6 April 2024. However, there will be two limits on the amount of tax-free cash that individuals can take from all their pensions. The team is currently working with Aon, one of the actuarial firms, on a guide for administering authorities. The lead-in time to introduce this legislation was very short. The team is hoping to publish the guide as soon as possible to help administering authorities navigate the changes.

Annual revaluation and pensions increase

All public service pensions in payment will increase by 6.7 percent on 8 April 2024. This is based on the CPI rate from September 2023. Active LGPS CARE accounts will also increase by 6.7 percent in April 2024.

The team will update their employer, member and administrator guides, and the member websites in the coming weeks to reflect the annual increase and the removal of the lifetime allowance.

7. SAB UPDATE [E&W]

Joanne Donnelly [JD] presented the key points from paper D.

Cost Control Mechanism

This is a quadrennial (4 yearly) scheme valuation that is conducted by GAD and governed by HM Treasury Directions. In other public sector schemes, the valuation is used to set employer contribution rates. This is not the case for the LGPS, but the cost control mechanism is used to ascertain whether the cost of the scheme remains within certain limits, based on a set of assumptions.

Scheme changes would be triggered if the cost of the scheme deviates by more than three percent from the target cost. This was increased last year from two percent. All public service schemes have breached the cost 'floor' - the cost of the schemes are more than three percent lower than they were predicted to be in 2012/13. However, HM Treasury introduced an economic check based on the performance of the economy to the process. Higher scheme costs arise because of the economic check.

As a result, no schemes have breached the cost 'corridor' and there will be no change to scheme benefits or contributions.

The SAB runs a separate cost control process based on slightly different assumptions. The results of the SAB process show that the LGPS in England and Wales is one percent above the target cost. At this level, the SAB could recommend Scheme changes, but they are not required to. The SAB Secretariat will not be recommending Scheme changes to reduce costs. The Board will make a final decision at their next meeting.

The valuation also checks how contributions are split between members and employers. The results indicate that no changes are needed to meet the target one third / two thirds split.

David Murphy [DM] asked about the legal challenge to the inclusion of costs relating to the McCloud remedy in the valuation process. We are currently waiting for the Court's decision. If the unions' challenge is successful, this could mean scheme changes backdated to 2020. JD expects the Government would take the case to the Supreme Court if they were to lose at this stage.

Gender pensions gap

The SAB is working with GAD on the gender pensions gap and hopes that other public sector schemes will also pick this up. The SAB will be delivering a webinar on the gender pay and pensions gaps with the LGA workforce team. The webinar will be aimed at employers and will encourage them to include pensions in discussions with employees who are considering reducing their hours or taking a career break.

The SAB is also interested in patterns of employees opting out of the LGPS. Administering authorities do not hold information about protected characteristics such as ethnicity or disability as these are not relevant to pension calculations. Systems changes would be needed if administering authorities are to collect this data and there would be data protection considerations.

Sharia compliance and the LGPS

The SAB commissioned a report from an Islamic scholar on whether membership of the LGPS is Sharia compliant. The report concluded that it is because members' benefits are guaranteed, they are not determined by investment performance. The SAB hopes that members who have opted out because of their religious beliefs will now choose to re-join the Scheme.

The SAB has received further Counsel advice following the receipt of the report and is deciding how best to share that advice. The team is also seeking legal advice on

the likelihood that a legal challenge from a member who does not consider the LGPS to be halal would be successful.

Administration and governance issues

Annual report guidance

The Compliance and Reporting Committee (CRC) has been working over the last year and a half to update the annual report guidance. This has now been approved by the CIPFA board and will be approved by the SAB at their afternoon meeting. The guidance will be published once it has Ministerial approval, which is expected to be before the end of March. The additional requirements in the guidance will be on a 'best endeavours' basis for the first year. The report guidance will be easier to follow. It will also result in increased transparency with improved consistency in reporting investments. This will make it easier to compile the scheme annual report.

The Pensions Regulator's New General Code

The Pension Regulator's new general code will come into force on 27 March 2024. The single code will replace the current ten separate codes. The SAB team is digesting the lengthy document and will publish guidance for administering authorities. That guidance will set out which provisions are binding, recommended or best practice in relation to the LGPS.

Funding Strategy Statement (FSS) Guidance

The CRC will be updating the funding strategy statement guidance. A working group has been set up and aims to publish a new version of the guidance in time for the next round of valuations in England and Wales in 2025.

LGPS fund audit

Audit problems continue to affect administering authorities in England. The SAB has scheduled the next round table event for stakeholders in April. The SAB has also commissioned a report from the ICAW for practitioners, so they know who to ask for certain information.

The SAB raised concerns about backstop dates in its response to the consultation on this issue. Their key recommendation is to separate pension accounts from authority accounts. Primary legislation would be required to do this.

Investment Issues

Economic Activity of Public Bodies (Overseas Matters) Bill

The Economic Activity of Public Bodies (Overseas Matters) Bill was brought to parliament last summer and is now at the House of Lords Committee stage. The

SAB has been working with LGA colleagues to recommend amendments, but the Government has rejected all amendments so far. The SAB is limiting its recommendations to those that would most benefit the LGPS.

Cllr Doug McMurdo asked if the SAB would share the recommended amendments. JD confirmed that they were concentrating on technical amendments relating to the enforcement regime, and to introduce more flexibility where the current wording is too restrictive. JD agreed to share the SAB paper on the recommended amendments with the Committee.

Pooling consultation

The Government has published its response to the pooling consultation. There is a strong push towards pooling all assets by March 2025. The consultation response also confirms that there will be fewer pools in future, which does not help to persuade administering authorities to move assets to pools.

8. REGULATION UPDATE SCOTLAND

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

LGPS (Scotland) (Amendment) Regulations 2024

These regulations were laid in the Scottish Parliament on 8 February 2024 and will come into force on 31 March 2024. The main effect is to change the revaluation date to 6 April in line with changes made to the LGPS in England and Wales in 2023.

GAD transfer guidance

GAD has now published transfer guidance for Scottish funds which has been shared with administering authorities.

Exit credits

The regulations have been changed to mirror the provisions for exit credits in the England and Wales LGPS. Some employers who had debits at the last valuation are now exiting the Scheme with large exit credits.

Increase to Public Service Pensions

A circular has been sent to Scottish administering authorities about the public service pensions increase.

Updated ill health guidance

The ill health guide has been updated in response to recommendations from stakeholders. This is with the communications team to be uploaded to the website. Once published, SPPA will issue a circular.

9. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper F, which was presented by David Murphy [DM]. DM mentioned that a lot of the issues affecting England and Wales, also affect Northern Ireland.

Northern Ireland LGPS Regulations

NILGOSC has not received its cost control report yet.

Government has been restored in Northern Ireland and the new Minister for Communities is reviewing whether there is a need for a scheme administrator within Northern Ireland, could the Scheme be administered without NILGOSC? They await the final report.

10. TECHNICAL GROUP UPDATE

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

McCloud remedy

Administering authorities are continuing to focus on reconciliation and rectification of records.

KG acknowledged the support funds have received from the LGPC and SAB and passed on his thanks to JD and the LGA team.

11. TRAINING AND CONFERENCE UPDATE

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

Fundamentals training for members of pension committees and boards, and officers with responsibility for governance was well received. The events were delivered in person and online.

The annual governance conference took place in York on 18 and 19 January 2024. 173 delegates attended, with around one third joining online and two thirds attending in person. The feedback was very good and the team is taking on board

recommendations for improvements. Next year's governance conference will take place on 30 and 31 January 2025 in Bournemouth.

The training programme for 2024 has been announced and demand is high. Most courses will be delivered online, but the regional groups have been asked to consider commissioning in person training. The capacity on employer role training has been increased to 18 to reach more employers.

The team is currently writing course materials for an LGPS-specific Level 3 qualification - the equivalent of an A level. PMI will facilitate this course.

There will also be a pilot level 2 qualification that is not LGPS specific, facilitated by Barnett Waddingham. 18 students have signed up to the pilot which starts in April. If the pilot is successful, the team will promote the training more widely.

12. ANY OTHER BUSINESS

No other business was raised.

13. DATES OF NEXT MEETINGS

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

Paper B – England and Wales update

Decisions

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

McCloud update

McCloud ABS consultation

DLUHC launched a limited technical consultation on potential changes to the LGPS regulations concerning whether underpin information is included in annual benefit statements (ABSs) for years 2023/24 and 2024/25. DLUHC emailed details to relevant stakeholders on 4 June 2024.

The LGPC Secretariat submitted a response before the consultation closed on 9 July 2024.

The consultation did not indicate the approach any future government will take. Decisions will be taken by new ministers.

Annual benefit statement wording

The LGA, in conjunction with the Communications Working Group (CWG), has produced standard wording for administering authorities to use in the 2023/2024 annual benefit statements. Using the standard wording will help provide a consistent message to LGPS members.

Statutory guidance

DLUHC has now published the McCloud implementation statutory guidance. You can find it on the [Administrator guides and documents page](#) of www.lgpsregs.org. The guidance covers several issues related to the McCloud remedy, including:

- data collection and verification
- identifying members in scope
- prioritisation
- compensation.

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.

New GAD guidance

DLUHC has recently issued new LGPS actuarial guidance. The guidance provides information about how the McCloud remedy will affect certain calculations.

- trivial commutations
- individual incoming and outgoing transfers – this guidance has been updated to correct errors in the examples
- pension debits – transfer date after 1 April 2014
- CETVs on divorce
- applying the McCloud remedy to retrospective cases.

Authorities are still waiting for guidance on flexible retirement, GADs special interest calculator and clarification of policy in a few other areas.

McCloud administrator guide and webinars

We continue to 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 plan to publish a final version of the guide in September 2024. We will run webinars for administration staff following publication.

We are also working with the national Communications Working Group (CWG) to produce some more template letters now that the guidance on applying the remedy to retrospective cases has been published.

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 now confirmed that interest above the commercial

rate (1 per cent above base rate) will not be treated as an unauthorised payment under the Finance Act 2004.

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.

Abolishing the Lifetime Allowance

The [Finance Act 2024](#) abolished the lifetime allowance from 6 April 2024 and replaced 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.

Although most LGPS members will not be affected by the new lump sum limits, authorities must check that every member has available lump sum allowances when they pay a relevant lump sum.

On 22 March, we published an administrator guide to help administering authorities in England, Wales and Scotland implement these changes. We also published a template previous pension benefit declaration form for authorities to use to gather information from members.

We have updated the guide several times since publication as the Government has corrected errors in the legislation and confirmed changes in policy in some areas. We are still awaiting answers to queries we have raised with HMRC some months ago.

Pensions dashboards

Guidance on staged timetable

The DWP released [guidance on the staged timetable](#) on 25 March 2024, accompanied by a [written ministerial statement](#).

The Pensions Dashboard Regulations provide for a single connection deadline of 31 October 2026 for relevant schemes to connect to the dashboard ecosystem.

The guidance published on 25 March 2024 sets out a staged timetable to smooth the process of connecting thousands of schemes by 31 October 2026. The guidance specifies 31 October 2025 for public service pension schemes. The staged timetable

is not mandatory, but authorities must have regard to the guidance when making decisions about implementation.

TPR nudge campaign

TPR is about to recommence their programme of nudge communications to schemes.

Administering authorities can expect to receive a series of five emails in the run up to the 'connect by' date of 31 October 2025. For public service pension schemes the emails will commence in July 2024.

The nudge emails will contain key messages about where TPR expects authorities to be in the dashboard implementation process.

In November 2024, authorities can expect to receive their first dashboards readiness survey from TPR.

LGPS promotion project

The LGPC secretariat in conjunction with the national Communications Working Group (CWG) will shortly start work on a toolkit for employers to use to promote the LGPS. The toolkit will include:

- an e-learning module
- a video
- posters
- promotional leaflet
- social media toolkit.

The Secretariat is also working with the CWG on a toolkit for LGPS administering authorities to use during Pensions Awareness week in September.

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Paper C – SAB England and Wales update

Key points to note

The Board has made good progress in taking on the role of revising statutory guidance that was previously maintained by CIPFA's Pensions Panel. Detail of this is reported below. The Board has also extended its remit to produce new guidance products eg on the treatment of LGPS assets and liabilities in the audit of scheme employers' accounts. While this work is guided and facilitated by the Secretariat, it only succeeds because of the generous input from fund officers and others to working groups.

The Board is still waiting to see what priorities the new Labour Government has for the LGPS, but recent engagement activity (convening meetings for all pension committee chairs and fund officers) has put us in a good place to represent the views of funds to the new Minister. The Secretariat intends to make these meetings a more regular part of our work in consulting and representing funds.

Decisions

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

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

SAB Cost Management Process

The valuation report for the 2020 SAB Cost Management Process has been finalised and is included on a confidential basis in the Board's papers. The Board should publish the report after their meeting, together with a letter to the Minister confirming that the Board will not be making recommendations for benefit changes.

Gender Pensions Gap

There has been a lot of activity since the last LGPC meeting. In March 2024, [a blog post](#) was published by the Board Secretary, Jo Donnelly, to introduce the GPG work

and how the employer's role could help the gap. On 9 May 2024, the LGA Workforce team and the Secretariat jointly hosted a webinar attended by over 100 HR representatives from local government employers. The Secretariat has also held scoping meetings with organisations interested in supporting further research on the gender pensions gap and a written proposal of what this may entail will be developed over the coming months.

On 17 May 2024 the Board wrote to the then Chief Secretary to the Treasury suggesting that the Government take a consistent and active approach to the gender pensions gap across public sector pension schemes.

The working group on this issue has also met, discussing the process for dealing with unpaid authorised leave in the LGPS regulations and the actuarial factors which determine the cost of purchasing additional pension lost during an absence, known as Shared Cost Additional Pension Contributions (SCAPCs). It was felt that the regulatory timescale and cost of SCAPCs could be disproportionately impacting female members of the LGPS, and agreed to recommend that the Board writes to GAD and DLUHC to ask for a review of factors used for SCAPCs.

Opt Out Survey

The Board has published [a report analysing the result of the opt out survey](#) issued to local government employers in England, which closed on 7 June 2024. Following this up, the Board Secretariat intend to:

- a) engage with respondents interested in discussing further and whether they hold data on the characteristics of the individuals opting out (to see if opt out rates vary across certain groups)
- b) engage with LGPC to review the opt out template documents, including with a view to suggesting that employers collect reasons for opting out (maybe with a short list of common reasons and a plain text field)
- c) engage with LGPC and the National Communications Working Group to help produce promotional materials for the LGPS, as supported by employers in the survey response.

Forthcoming change to National Minimum Pension Age

The Board's Cost Management, Benefit Design and Administration Committee received a background paper on changes to the normal minimum pension age (NMPA) which is set in overarching pensions legislation and has been legislated by Government to rise from 55 to 57 on 6 April 2028. The Committee was asked by

member representatives to take a position on whether the current LGPS statutory minimum pension age of 55 should be protected for existing members. The Committee did not reach a decision on this but agreed to discuss again at its next meeting.

Administration and Governance Issues

Annual Report Guidance

Following approval by the Board, the [Annual Report guidance document](#) was published on the Guidance page of the Board's website at the end of March 2024. The guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance states that administering authorities should use 'best endeavours' to comply fully with the requirements for the 2023/24 reporting year. A similar approach will be adopted in relation to the MHCLG SF3 return, which will for the first time ask for a breakdown of asset classes and progress with pooling of investments.

The annual report guidance will be kept under regular review. An awareness session was held in March 2024 and a dedicated LGPS Live webinar was held in April 2024 to discuss the guidance. The Secretariat has received some minor feedback on the guidance and plans to review the contents later in the year, but any changes are not expected to be extensive.

Audit issues workstream

A jointly produced document by the Institute of Chartered Accountants in England and Wales (ICAEW) and the Board has been finalised and published on the [Board's website](#). The document is called the 'Local Government Pension Scheme Informer' and sets out the timeline and information flow throughout a triennial valuation period. The purpose of this document is to make clearer to all parties involved in the audit and accounting of LGPS balances, how the LGPS works in practice, show key information flows between employing bodies, pension funds and actuaries, explain key accounting requirements for employing bodies and explain the role of external auditors.

The Secretariat wishes to thank the ICAEW for the additional work undertaken on the final design and formatting of the document. A short video created alongside the ICAEW has been produced to promote the informer. The Secretariat has used all the relevant LGPS communication networks to share the document and funds have been encouraged to share the document with scheme employers.

Good Governance Project

Significant progress had been made working with MHCLG officials to shape the Statutory guidance to implement their response to the Good Governance recommendations. Areas of discussion covered mandating monthly data collection for employers, the specific definition of the LGPS Senior Officer role, the knowledge and skills requirements for Committee/Board members and the need for pension fund-specific conflict of interest policies.

It was understood that Government had been aiming for regulation changes and some associated guidance to be ready for consultation before the Summer Recess, however the calling of the General Election meant this was not possible. The Board will seek an early meeting with the new Minister and urge them to follow through on the productive work to date as soon as possible.

Funding Strategy Statement (FSS) guidance

The Board's working group that is revising the 2016 guidance from CIPFA has started work on a new draft and received comprehensive feedback from the group on that. One overarching theme of the feedback has been striking a balance between providing a succinct list of what is required in a FSS for fund officers, whilst also providing and explaining issues to be covered in the FSS for a wider audience (eg other employers). A timetable to ensure the guidance is ready for the end of this calendar year is being created and discussed with MHCLG with the aim that the guidance is brought to the November 2024 Board meeting for approval.

New Peer Support Officer

The Board's Good Governance action plan recommended that the LGA consider establishing a peer review process for LGPS Funds. The Secretariat has been looking more broadly at what peer support offer could be implemented (looking as well at options that aren't formal "peer reviews"). The Board has secured sufficient budget to take on another member of staff to take this forward and a job description is in development. It is hoped that the new role would assist in the development of the Board's communication strategy, including developing on-line networking tools.

The new member of staff will help to create a draft framework for Board approval which sets out options for models of a LGPS peer support service, with a specific focus on governance. High-level objectives for a peer support service would be:

- a. Allow LGPS funds to gain external assurance support of its governance activities
- b. To share, promote and increase good governance practices

- c. To facilitate access to an expert network of LGPS peer members

Investment Issues

Economic Activity of Public Bodies (Overseas Matters) Bill

As the EAPB(OM) Bill – more commonly known as the BDS Bill – had not proceeded through all necessary Parliamentary stages, it fell at the dissolution of Parliament. The Labour Party manifesto made no mention of this Bill and the Board will be waiting to see whether any similar Bill is proposed at the King's Speech. In discussing the Bill, Labour spokespeople had said that while they were sympathetic to the intent of banning targeted boycotts of Israel, they did not accept the approach contained in the EAPB(OM) Bill.

Code of Transparency data system project update

The Board will later consider a confidential paper outlining progress in the ongoing project to determine the long-term future of the Code of Transparency data compliance and reporting system.

Understanding of the Fiduciary Duty

The Board would like to ask its Responsible Investment Advisory Group to consider in more detail the evolving concept of the fiduciary duty. Given the different expectations between those running the scheme and making investment decisions, and those lobbying it, the Board is also considering whether to make a statement on how best to support officers and elected members who are facing increasing amounts of challenge about investment decisions – which sometimes borders on unacceptable verbal abuse.

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Paper D – Scotland update

Key points to note

1. The LGPS (Scotland) (Amendment) Regulations 2024 require that the scheme revaluation adjustment be made on 6 April each year to align with the HMRC process for assessing the annual allowance tax charge. These regulations came into force on 28 March 2024.
2. GAD is considering SPPA's comments on its draft guidance regarding the commutation of trivial or small benefit rights in the Scottish LGPS.
3. SPPA carried out a short technical consultation on draft regulations to amend the Scottish LGPS Regulations (2018), to create a similar discretion for administering authorities as provided in the E&W scheme. This is a discretion to determine the amount of exit credit payable to an employer leaving the Scottish LGPS. We are currently considering responses from stakeholders.
4. Scottish Ministers understand the complexity of the work being undertaken by administrators to address the McCloud remedy and believe that fund authorities should not be expected to include McCloud remedy information in 2023-24 Annual Benefit Statements (ABS) and intend to set this out in regulatory changes later this year.
5. On 4 July 2024, SPPA issued statutory guidance regarding the implementation of the 'McCloud Remedy' in Scotland.

Decisions

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

Summary

1. The LGPS (Scotland) (Amendment) Regulations 2024

1.1 The LGPS (Scotland) (Amendment) Regulations 2024 (2024/37) were signed by Ministers on the 6 February and laid in the Scottish Parliament on 8 February 2024. These regulations came into force on 28 March 2024.

1.2 The overall effect of the changes made by these Regulations to the 2018 Regulations is that the revaluation adjustment is made on 6 April each year, so that the Scheme revaluation is brought into alignment with the HMRC process for assessing the annual allowance tax charge.

1.3 Regulation 8 of these Regulations makes technical amendments to the provisions of regulations 60 and 61 of the 2018 Regulations relating to actuarial valuation of pension funds.

2. GAD - Trivial Commutation Guidance

2.1 Payment of a trivial commutation lump sum in respect of a pension is permitted under Regulation 33 of the 2018 Regulations and discharges administering authorities from their liability for any pension payable to the member, and for any pensions or lump sums which may become payable on the member's death (including children's pensions).

2.2 Scottish Ministers are required under The LGPS (Scotland) Regulations 2018, to issue actuarial guidance on the calculation of the amounts payable on trivial commutation of a pension, either on a member's retirement, or following a member's death.

2.3 GAD has provided draft guidance relating to commutation of trivial or small benefit rights, regardless of whether the member has been an active member of the 2015 scheme, or whether the benefits were earned before or after 1 April 2015.

2.4 GAD is currently reviewing our comments on the draft guidance. We will pass the final version to fund administrators once it is finalised.

3. Exit Credits

3.2 A change to the Regulations was made in 2018 to allow pensions risks to be shared more fairly between employers and administering authorities. Previously scheme employers were responsible for any estimated shortfall against their liabilities at the point of exit but could not receive any surplus.

3.3 Changes were subsequently made to the Regulations in England and Wales in 2020, to provide that administering authorities have a discretion to determine the amount of exit credit which should be payable to an employer leaving the LGPS.

3.4 SPPA recently consulted on draft regulations to amend the LGPS Regulations 2018 to create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the LGPS.

3.5 We received some responses expressing concerns over possible outcomes for employers and the need for guidance to accompany these regulations. The

Scottish SAB has set up a working group to provide draft guidance and therefore the draft regulations have been put on hold over summer recess.

4. McCloud Remedy – ABS

4.1 The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 SSI 2023/240 set out changes to rectify the unlawful discrimination identified by the McCloud judgement by extending ‘underpin’ protection to the younger members of the LGPS scheme.

4.2 The Department for Levelling-up, Housing and Communities is undertaking a limited technical consultation on potential changes to the LGPS regulations concerning how the McCloud remedy is reflected in annual benefit statements. This consultation will last for five weeks, closing on Tuesday 9th July. More information can be found at lgpensions@levellingup.gov.uk

4.3 Recognising the complexity of the work being undertaken by administrators to address the McCloud remedy, Scottish Ministers also believe that fund authorities should not be expected to include McCloud remedy information in the 2023-24 annual benefit statements and will set this out in regulatory changes later this year.

4.4 Draft regulations to this effect will follow, timescales dependant on the availability legal colleagues to draft the changes.

5. Statutory McCloud Remedy Guidance for funds in Scotland

5.1 SPPA issued statutory guidance regarding the implementation of the ‘McCloud Remedy’ in Scotland on 4 July 2024. We would like to express our sincere Thanks to colleagues in the Department for Levelling-up, Housing and Communities and the Local Government Association for their continued help and support.

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Paper E – 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 content 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. On 11 June 2024 the Department published its [response to the original consultation on the draft regulations](#).

Governance

Scheme Advisory Board

The Scheme Advisory Board last met virtually on 22 March 2024. Board members discussed:-

- Cost Cap Valuation 2020
- Departmental review of NILGOSC
- Revised Employee contribution bands
- Departmental Transfer guidance
- Departmental McCloud statutory guidance
- Economic Activity (Overseas Matters) Bill

TPR General Code

The new TPR General Code was laid with the NI Assembly on 26th January 2024. The Pensions (2005) (Codes of Practice) (Revocation) Order (Northern Ireland) 2024, designed to revoke the previous TPR Code 14 (amongst others), came into operation on 5 July 2024.

Departmental Review

In November 2023 the Department commenced a 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 report has yet to be formally published however a key finding is that NILGOSC should continue to function and remain an arms-length body of the Department for Communities.

McCloud Implementation

NILGOSC is working closely with the Department, and through into DLUHC, to have legislative amendments made removing the requirement to produce annual benefit statements in 2024 that include the McCloud underpin values. Similarly, it is also engaging with DLUHC on matters concerning club transfers which pose difficulties for the LGPS including the 12 month deadline and consent procedures.

Cost Cap Valuation

At the request of the Department for Communities, the Government Actuary's Department has [completed the Cost Cap valuation](#) of the LGPS (Northern Ireland) as at 31 March 2020. This was the first scheme valuation undertaken since revisions were made to the cost control mechanism, which the [Government consulted on in 2021](#). The methodology by which this is undertaken [was revised last year](#), which widened the cost corridor (the amount by which the scheme costs could vary from the target cost before action was taken to address it) from 2 per cent to 3 per cent. The process was also revised to include consideration of the wider economic situation through a new 'economic check' that was introduced alongside the previously established core cost control mechanism.

The valuation has found that the core 'cost cap cost' of the scheme lies outside the 3 per cent cost control mechanism corridor (4.1 per cent below target cost of 17 per cent). The new 'economic cost cap cost' of the scheme also lies outside the 3 per cent corridor, but in the other direction (6.4 per cent above target cost). As a result, the mechanism as a whole is not breached and the Department is not required to make any changes to scheme benefits.

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LGPC Meeting – 22 July 2024

Agenda Item 7

Page - 2

Paper F - 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 March 2024

McCloud Remedy

The Group discussed the online survey sent to administering authorities and if it needed to continue in its current format. Technical Group decided that the survey in its current format was no longer appropriate and would not be issued. The requirement for a revised survey format will be discussed at the June 2024 meeting.

DLUHC

DLUHC provided a verbal update and covered a number of areas in respect of McCloud, outstanding statutory guidance and regulatory amendments proposed to DLUHC by Technical Group.

Scheme Advisory Board (SAB)

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

Pensions Dashboards

Technical Group were updated by individual software suppliers on the progress they had made towards meeting statutory requirements. The Pensions Regulator will commence a 'nudge' campaign 15 months prior to the connect by date. This removes the requirement for Technical Group to undertake a Dashboards survey. 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. The LGA will publish both a 'connection' and 'AVC' guide in July 2024.

Annual Report KPIs

Following agreement and clarification at all POGs and Technical Group regarding the range of KPI comparators in the LGPS, CIPFA have updated their annual report guidance to reflect this. Funds will need to record the revised KPIs from April 2024.

Teachers Excess Service

Technical Group discussed the issues that the first two regions had encountered whilst undertaking the validation element for Teachers Excess Service.

Transfers

The new deferred member transfer pack will be issued shortly by LGA. Delays were due to McCloud workloads. Software systems are still unable to calculate 'Club' transfers (transfers between public sector pension schemes on favourable terms). There is no other alternative available other than to manually calculate the value if it is an urgent case. The LGA has provided a spreadsheet for funds to calculate 'non-club' transfers.

Each regional Pensioner Officer Group (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. This will be discussed again at the June 2024 meeting as there wasn't support for using an audit trail as a means of replacing existing procedures.

Terms of Reference (ToR)

The ToR were last reviewed and approved in 2019. A review will be undertaken at the June 2024 with feedback from each POG.

Scottish Widows

It would appear that the issues administering authorities experienced nationally with Prudential have now emerged with Scottish Widows. A subgroup was created to assist Funds and approach Scottish Widows.

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Paper G – Training and conference update

Decisions

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

Fundamentals Training

Pension Fundamentals is a bespoke three-day training course predominantly aimed at councillors and others who attend pension committees/panels and local pension boards.

The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the Local Government Pension Scheme (LGPS). The course also provides valuable networking opportunities. All sessions are delivered by experts in their field.

We have confirmed the locations and dates for the 2024 training and they went live for bookings on Tuesday 18 June:

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

The programmes for each date have now been decided and speakers invited to participate:

Day one:

- Duties and responsibilities of Pension Committees and Boards – Aon
- Benefit structure – Local Government Association
- The legal landscape – Osborne Clarke
- Good governance – Scheme Advisory Board

Day two:

- The investment framework – Scheme Advisory Board
- Investment basics – Ninety One
- Working with your pool – Border to Coast / London CIV / LGPS Central
- Valuations and funding – Hymans Robertson

Day three:

- Being a responsible asset owner – Scheme Advisory Board
- The LGPS landscape – Scheme Advisory Board
- A view from the bridge – DLUHC
- Meeting the Pension Regulator's expectations - TBC
- Cyber security – TBC

Annual Conference 2025

Next year's conference will be held at the Bournemouth Highcliff Marriott on 30 and 31 January 2025. Planning is underway to finalise topics and speakers.

Councillors of the LGPC are able to book a complimentary place for both the Fundamentals training and annual conference. If you would like to take advantage of this offer, please email training.lgps@local.gov.uk rather than booking online where you will be charged.

Employer and administrator training

The [2024 training programme](#) has continued to sell well. The Understanding Transfers course has sold out and there is only one space left available on both the Aggregation and Survivor benefit courses.

LGPC Meeting – 22 July 2024

Agenda Item 9

Page - 2

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 is running online this week over 5 mornings. The demand remains strong, and we have scheduled a further online course for November this year. We are in the process of sourcing a venue for the in person course in the Midlands/South for 2025, due to increased costs. York has been secured at the same rate as this year and we have increased the cost of the online training for 2025 so that it falls in line with other online commissioned training.

Requests for commissioned training have been increasing with the team having recently delivered at West Midlands Pension Fund, East Riding Pension Fund and Peninsula Pensions. Further commissions are to be delivered at South Yorkshire Pensions Authority and Richmond and Wandsworth in the near future.

Qualifications

The training team is continuing to develop course materials and an examination question bank for the LGPS level three qualification. Meetings have taken place with the Pensions Management Institute (PMI) to confirm that work completed to date is at the correct grading level. Regular meetings continue to ensure that the structure is in place before we start advertising and recruiting students. We plan to deliver a session about the LGPS level three qualification at the manager's conference in Torquay in November 2024 which should kickstart the recruitment.

The pilot of the level two generic pension qualification began in April 2024. This qualification is being facilitated by Barnett Waddingham. Eighteen students from eight different funds are signed up. Students have recently completed the first round of examinations with an 83% pass rate. Recruitment for the next cohort(s) is imminent with Barnett Waddingham able to accept a cohort every two months, should demand require.

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LGPC Meeting – 22 July 2024

Agenda Item 9

Page - 3