

Paper A: Minutes of meeting held on 10 May 2021

Present

Cllr John Fuller	Chair, LGA
Cllr Alan Waters	LGA
Cllr Richard Wenham	LGA
Cllr Phil Murphy	LGA
Cllr Goronwy Edwards	LGA
Cllr Joanne Laban	LGA
Mr Jeremy Hughes	MHCLG
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Ms Linda Welsh	SPPA
Mr Kevin Gerard	Technical Group representative
Ms Rachel Brothwood	SAB representative
Ms Joanne Donnelly	SAB – Deputy Board Secretary

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Ms Elaine English	LGPC
Mr Jeff Houston	LGPC

Non-attendees

Cllr Adam Paynter	LGA
Cllr Oliver Ryan	LGA

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr John Fuller [JF] welcomed members to the fourth virtual meeting and outlined the importance of the meeting to represent the interests of LGPS Scheme employers. Issues raised by the Committee are fed through to the Scheme Advisory Board that meets directly after this meeting.

2. APOLOGIES

No apologies were received.

No declarations of interest were declared. JF also confirmed that there had been no change to the membership as a result of local elections held on 6 May 2021.

3. MINUTES

The minutes of the previous meeting held on 8 February 2021 were agreed.

4. MATTERS ARISING

No matters arose that are not covered elsewhere on the agenda.

5. REGULATIONS UPDATE ENGLAND AND WALES

Lorraine Bennett [LB] presented the key points from Paper B.

Consolidation of academies

There are over 9,000 academies in England, many of them operating as part of multi academy trusts (MAT). Some MATs are looking to consolidate all their schools into one LGPS fund by applying to MHCLG for a Direction order.

The SAB considered this issue as part of the academies project. Their conclusion was that it would be too problematic to move all academies to a single administering authority now, with so many already established.

Consolidating academies in a single administering authority could have a significant impact on the cash flow and investment strategy of the former administering authority. The Secretariat has raised these concerns with both MHCLG and DfE.

Cllr Richard Wenham [RW] asked whether DfE would meet any financial shortfall of an academy that fails. Jeremy Hughes [JHu] confirmed that the liabilities of an academy that fails are backed by an HM Treasury guarantee. This has been tested and proven as a small number of academies have failed.

Exit payment data

Since the last meeting, the Restriction of Public Sector Exit Payments Regulations 2020 have been revoked. The Government remains committed to ending excessively high exit payments in the public sector. In order to develop this policy, the Government will request data from local authority employers about the exit payments they have made since April 2014.

The Secretariat has provided feedback to MHCLG on the draft request for this data. We have requested further clarification on whether employers must provide data relating to the exits of teachers in maintained and other schools under local authority control. MHCLG intends to revise the specification in response to the feedback that they have received. Jeff Houston [JH] stated that MHCLG recognises the difficulties employers will face in obtaining historical records.

JF indicated that the LGPS would be hit disproportionately among public sector pension schemes because we expect the exit payment reforms to limit the amount of strain cost that can be paid when an employee exits. JH confirmed that strain costs in other public service pension schemes exist, but these are less direct and obvious than they are in the LGPS.

Normal minimum pension age

With the agreement of the Chair, the LGPC has responded to a consultation on increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028. The consultation sought views on the implementation of the increase, not on the policy itself.

The impact of the increase in NMPA on the LGPS will depend on policy decisions made by MHCLG. The response states that the LGPC would not want to see a blanket policy on providing protections to existing members across all public sector pension schemes. The unique nature of the LGPS should be taken into account.

You can read the LGPC response on the [Non-scheme consultations](#) page of www.lgpsregs.org.

TPR consultation on new code of practice

The Pensions Regulator (TPR) has launched a consultation on a new code of practice which closes on 26 May 2021. The Committee agreed that the Secretariat should prepare a response on behalf of the LGPC which the Chair approves on the parts of the consultation that cover:

- Administration
- Communication and disclosure
- Reporting to TPR.

JH stated that the SAB Government and Investment Committee will be responding to the remaining questions in the extensive consultation. It is not obvious in the draft code which parts apply to the LGPS. This lack of clarity and the number of questions asked in the consultation are the main reasons why progress on preparing a response has been slow.

McCloud age discrimination

The Secretariat and SAB continue to work with MHCLG, administering authorities and scheme employers on changes to the LGPS regulations to remove discrimination. The Secretariat will also attend meetings with software suppliers to ensure any system changes are appropriate.

We expect a ministerial statement setting out the high-level changes to the LGPS in response to the McCloud judgment later in May. Draft regulations should follow in the Autumn. JHu noted that timings will be affected by the Public Service Pensions Bill, which is expected to be included in the Queen's Speech.

New video on transferring out

The Secretariat has produced a new video in the 'Pensions made simple' series called Transferring your pension. All videos can be viewed on the [Videos page](#) of the LGPS member website www.lgpsmember.org.

6. SAB UPDATE [E&W]

Jeff Houston [JH] presented the key points from paper C.

Good governance project

The Good governance project is now in its fourth year. The time it has taken reflects the unique position of the LGPS and the fact that it is unlike other public service pension schemes. This project considers how the scheme is governed and how those responsible for governance could be supported to achieve the best results.

The SAB has passed its recommendations from the project to MHCLG for consideration. Most of the recommendations require amendments to the LGPS regulations or changes to statutory guidance. The SAB is waiting for a formal response to the recommendations from MHCLG before taking any further action.

JH confirmed that conflicts of interest are very rare in the LGPS; however, there may be additional strain as councils develop their climate change policies. Administering authorities will need support to deliver on their obligations.

Cllr Phil Murphy [PM] reported receiving queries concerning investment in companies based in Palestinian territories and asked whether others had received anything similar. JH is aware of many similar queries being received. The SAB will re-issue the earlier advice that they published on this subject.

JHu reminded the Committee of the Government's manifesto commitment on boycotts 'We will ban public bodies from imposing their own direct or indirect boycotts, disinvestments or sanctions campaigns against foreign countries'.

Responsible Investment (RI) project

The Responsible Investment Advisory Group (RIAG) is made up of representatives from the LGPS and wider pension industry. RIAG has launched the Responsible Investment A to Z to provide information on acronyms, organisations, measures and investment approaches. You can find the latest information on the [Responsible Investment](#) page of the Board's website.

Climate risk and reporting

DWP responded to the January 2021 consultation on 'Taking action on climate risk'. The Government intends to introduce regulations that will require pension schemes to assess and report on the financial risk of climate change in their portfolios.

MHCLG intends to consult on similar regulations for the LGPS later in the year. The obligations could be in force in 2023. There will be differences. Responsibilities will be introduced to private sector schemes on a staggered basis, depending on the size of the scheme. In the LGPS, the rules will apply to all administering authorities when they are introduced. The responsibility for knowledge and understanding is more likely to be collective in the LGPS as opposed to being an individual responsibility as it will be for trustees in the private sector. The Board via RIAG will assist MHCLG to ensure regulations adequately cover the differences in the LGPS.

Cost cap and McCloud

HM Treasury (HMT) has resumed the cost control mechanism associated with the 2016 valuations. HMT will take into account the cost of implementing the McCloud remedy in that process. The McCloud costs will generally be spread over four years, but they may be spread over three years for LGPS Scotland because of the difference in valuation dates. The provisional cost control results indicated that all

schemes breached the cost floor in 2016. The cost increase related to implementing the McCloud remedy may mean that results fall back within the 2% corridor. If the costs do fall within the corridor, there would be no scheme improvements.

The SAB is responsible for a separate cost control process. The Board is due to make a decision on how McCloud costs will be taken into account in their calculations as at 31 March 2016. JF asked why McCloud costs are concentrated into a short period rather than the true longer period over which the costs will arise. JH confirmed that the SAB could choose to spread the cost over a longer period in their cost control process. The Board could also choose to use different assumptions about future pay rises which could mean different results from those returned by the HMT mechanism.

Unions have launched a judicial review, arguing that McCloud costs should not be taken into account in the cost control mechanism.

Preliminary work on the 2020 valuations has started. It is likely that the 2020 valuation will be based on an amended cost control mechanism

7. REGULATION UPDATE SCOTLAND

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

Employer flexibilities

SPPA are looking to introduce further options for employers exiting the scheme similar to those introduced to LGPS England and Wales by the LGPS (Amendment) (No. 2) Regulations 2020. Responses to the consultation have been positive and SPPA intends to proceed with the changes. The SAB will publish guidance to support administering authorities managing exiting employers.

Draft Amendment of the LGPS Regulations 2018

Regulations to introduce the McCloud remedy to the LGPS regulations are expected in 2022. SPPA intends to amend the regulations in advance of those changes to make it clear that actuarial adjustments should be taken into account when operating the current underpin.

Cost Cap valuation

GAD has recommenced work on the 2016 cost cap valuation. HMT has made it clear that the cost of remedy will be included as a member cost and that the costs for remedy period will be factored into the single implementation period of 2017-2020.

8. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper E, which was presented by David Murphy [DM].

LGPS Regulations

The Department's consultation on the McCloud remedy closed on 31 January 2021. The Department has not yet confirmed when it will publish its response.

The Department is currently drafting changes to the regulations to remedy the Goodwin case, remove the existing rule that the 10-year death grant is capped at age 75 and amend the forfeiture provisions.

Governance

The SAB met virtually in December and discussed the provisional result of the 2016 cost cap valuation. The provisional results breached the cost floor and would have resulted in benefit improvements. The revised result, taking McCloud costs into account was within the 2% corridor.

9. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from paper F, which was presented by Kevin Gerard [KG]

Most of the issues discussed by the Technical Group have already been covered in other Papers.

McCloud continues to be a major concern for administering authorities. They reiterated the need for central guidance on certain issues, such as the approach to take when it is not possible for employers to supply the data the administering authority requires. This will be the case for employers that no longer exist, but could also be an issue for employers who no longer have access to legacy payroll systems.

Technical Group welcomed the data templates produced by the LGA. They are concerned about software development and the ability of administering authorities to upload that data to their systems.

Technical Group is awaiting further guidance on how the final Lloyds judgment and GMP equalisation will impact the LGPS.

10. TRAINING AND CONFERENCE UPDATE

The Committee noted the key points from paper G, which was presented by Elaine English [EE]

The Fundamentals programme which is aimed at elected members and others who attend pension Committees and pension boards is being finalised. The venues have been secured. The programme will run over three days at three different venues face-to-face. Delegates will also be able to attend the London events virtually. You can read more about the course in the [Fundamentals Training programme](#).

The dates and venues are shown below. A complimentary place will be offered to members of the LGPC. If you wish to take up this offer please email elaine.english@local.gov.uk with your preferred date and she will book your place.

Postscript: Since the meeting, Fundamentals has been advertised and is live for booking on the [LGA events page](#).

12 October: Day 1 London	Etc Venues – also Hybrid (use code HYB)
21 October: Day 1 Leeds	Park Plaza Hotel
26 October: Day 1 Cardiff	Marriott Hotel
9 November: Day 2 London	Etc Venues – also Hybrid (use code HYB)
18 November: Day 2 Leeds	Park Plaza Hotel
23 November: Day 2 Cardiff	Marriott Hotel
2 December: Day 3 London	Etc Venues – also Hybrid (use code HYB)
8 December: Day 3 Leeds	Park Plaza Hotel
15 December: Day 3 Cardiff	Marriott Hotel.

The 2022 conference will be held at Bournemouth on 20 -21 January. The programme and speakers will be confirmed by the end of June. Again, LGPC members will receive a complimentary place. Please email elaine.english@local.gov.uk if you would like to attend.

Practitioner and employer training for the rest of the year has been agreed and advertised which is proving as ever, very popular with demand outweighing our current resources.

11. ANY OTHER BUSINESS

None reported.

12. DATE OF NEXT MEETING

To be confirmed.
