

LGPC MEETING – 5 December 2022

Meeting agenda

Item		Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 10 October 2022 – Paper A	11:05
3	Matters arising	11:10
4	Regulations update for England and Wales – Paper B	11:15
5	SAB update for England and Wales – Paper C	11:35
6	Regulations update for Scotland – Paper D	11:55
7	Regulations update for Northern Ireland – Paper E	12:05
8	Training and conference update – Paper F	12:15
9	Any other business	12:25
10	Dates of future meetings 20 February, 22 May, 17 July, 4 December	12:30

Paper A: Minutes of meeting held on 10 October 2022 - Hybrid

PRESENT

Cllr John Fuller	Chair, LGA
Cllr Oliver Ryan	LGA
Cllr Richard Wenham	LGA
Cllr Phil Murphy	LGA
Cllr Bev Craig	LGA
Cllr Keith House	LGA
Cllr Doug McMurdo	LGA
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Mr George Graham	SAB representative

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Ms Joanne Donnelly	LGPC
Ms Elaine English	LGPC

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr John Fuller [JF], welcomed new members to the hybrid meeting.

2. APOLOGIES

Apologies were received from Cllr Eddie Reeves, Cllr Alan Waters, Mr Alan Wareham and Mr Kevin Gerard.

No declarations of interest were declared.

3. MINUTES

The minutes of the previous meeting held on 6 June 2022 were agreed.

4. MATTERS ARISING

JF reminded the Committee that Cllr Alan Waters [AW] agreed to share the report from Hymans Robertson prepared for Norfolk on 'carbon footprint' with the Committee.

JF also reminded the Committee that the 3 percent increase in LGPC subscriptions was agreed at the last meeting. There have been no negative reactions to the increase from administering authorities.

5. REGULATIONS UPDATE ENGLAND AND WALES

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

Pensions Dashboards

DWP responded to the consultation on the draft Pension Dashboards Regulations on 14 July 2022. The original connection deadline for public service pension schemes has been pushed back from 30 April 2024 to 30 September 2024. This is due to the pressures administration teams will be under to implement the McCloud remedy in 2024.

Public service pension schemes will initially have to supply scheme data only to pensions dashboards. They will need to provide value data from 1 April 2025, although they could choose to do so earlier.

A member who leaves the LGPS with less than two years' membership is entitled to a refund. If the member does not take that refund, it becomes a deferred refund. Those with deferred refunds will not be in scope of the dashboards because they are not considered members. The LGA is disappointed with this outcome. Including

deferred refunds on pensions dashboards would help to achieve the stated aim of reconnecting people with their 'lost' pension pots. DWP has confirmed that deferred refunds may be included on pensions dashboards at a later date. LGA will keep the DWP informed of any issues that arise for the LGPS.

Cllr Richard Wenham [RW] state that 10,000's people will be using the dashboard and asked if it will be made clear that deferred refunds are not included. LB stated that the LGA's requested this in their response to the data standards and guidance consultation.

The DWP launched a further consultation on pensions dashboards on 28 June 2022. The LGA response to that consultation included our concerns about the proposed 90-day notice period for the dashboard available point. We recommended market research about the level of demand that would result from the national publicity we expect in advance of the launch. We also suggested a phased introduction to prevent capacity issues for administrators.

Over the summer, the Pensions Dashboard Programme (PDP) ran a consultation and call for evidence on data standards and guidance. In its response to the PDP consultation, the LGA expressed the view that national insurance number should be a compulsory data element for dashboard users. The Committee agreed that verifying individuals correctly was key to the success of dashboards. Using address as part of the matching will increase the certainty of 'matches'.

George Graham [GG] noted that the verification process to use the Government gateway service is rigorous. There may be real problems with user engagement if registration for dashboards is not simple.

FAQs on the cost-of-living crisis

Frequently asked questions on the cost-of-living crisis have been added to the member website. The new section covers the risk of scams, the 50/50 section and State Pension Credit. Statistics show that two thirds of State Pension Credit goes unclaimed. Pension Credit is a 'gateway benefit' – even if the amount payable is low, it entitles to the claimant to other benefits such as free dentistry.

Government – academy guarantee

On 21 July 2022, the Government confirmed in a written ministerial statement that the academy guarantee will continue. The annual ceiling will increase to £20 million. The guarantee provides comfort to other Scheme employers because there is no risk that any costs will fall on them if an academy fails. Cllr Richard Wenham [RW] asked

how many academies had claimed. LB is aware of three examples. In all cases a full pay out was made. GG has experience in this area and said the application process to call on the guarantee was easy.

LB noted that the Office for National Statistics is currently considering the classification of Further Education establishments. If they are deemed to be in the public sector as opposed to the private sector, a guarantee similar to that already in place for academies may be introduced.

McCloud update from DLUHC

We expect the Government's response to the 2020 McCloud consultation to be published in November 2022. This will be followed by a further consultation and draft regulations early in 2023. The final regulations will come into force from October 2023. The LGA pensions team is working with DLUHC on a member factsheet to be published with the consultation response.

LGA and SAB have set up a working group including representatives from administering authorities, actuarial firms, DLUHC, SPPA and the Department for Communities to produce guidance on the data needed to implement the McCloud remedy.

David Murphy [DM] expressed his concern about the McCloud timescales. Ideally, a year's notice will be needed to make and test the system changes for the McCloud remedy and to produce member and employer communications. It is now looking like there will only be six months between the publication of the final regulations and the date they come into force. He is concerned about the progress that software suppliers will be able to make before they see the final regulations.

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury launched a consultation to introduce an expanded approval process for employee exits and special severance payments. The strain costs related to paying LGPS benefits without reduction when a member leaves due to redundancy or efficiency over age 55 will be covered by this guidance. This could mean that an academy that closes would need to seek approval from HM Treasury before making a statutory payment.

All bodies classified as 'Central Government' will need to follow the guidance. This does not include local authorities, but we expect that it will apply to academies. The SAB is currently working on a response to the consultation which closes on

17 October. That response will make the point that further clarity is needed on who the guidance applies to.

6. SAB UPDATE [E&W]

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

Good Governance Action Plan

The Board submitted their Good Governance action plan to DLUHC in February 2021. It has now been considered by the Local Government minister. Almost all of the recommendations were accepted. DLUHC is not going to provide further guidance on the definition of fiduciary duty. The Government is proposing to include a requirement for administering authorities to have a workforce strategy alongside their administration strategy.

A consultation on regulation changes to incorporate the Good Governance action plan is expected early in 2023. That consultation may also include proposed changes to forfeiture rules.

SAB forward look review

The Board has now established a Steering Group made up of Board members and advisers which will meet before each SAB meeting. The group is not decision-making. Its purpose is to perform horizon scanning and discuss priorities with the aim of getting the best value out of full board meetings.

Section 13 Report

The Government Actuary made recommendations as part of his report into the 2019 fund valuations. These include aiming for more consistency across pension funds when dealing with academy conversions. Representatives from the academy sector now sit on the SAB cost management and investment subcommittees. The SAB will re-establish an academies working group to address current issues in that sector.

SAB annual report

The 2021 annual report was launched by the SAB Chair Cllr Roger Phillips at the PLSA's Local Government Conference on 14 June 2022. The report sets out the good performance of fund assets as at 31 March 2021. Total membership compared to 2020 remained static. There was a slight decrease in the number of active members with a corresponding increase in the number of deferred and pensioner members.

There is a risk that the cost-of-living crisis will lead to more employees choosing to opt out of the LGPS. The SAB will scrutinise opt out rates and consider how to get more accurate and regular data on opt outs.

Consultation on pooling, Levelling Up and CMA Order

DLUHC will be consulting on a range of investment related issues before the end of the calendar year. Following a tumultuous period for the Government, levelling up remains a priority. The SAB needs better understanding of where funds stand on the Competition and Markets Authority (CMA) Order and advisers.

The SAB expects a Boycotts, divestment and sanctions Bill before the end of this parliamentary session and further clarity on the addition to the Public Service Pensions and Judicial Offices Act 2022 covering boycotts. No further information on timing is yet available.

Cost Management committee report

HM Treasury proposed three changes to the cost management mechanism:

- include only costs of service in the reformed schemes
- widen the 'corridor' from 2 percent to 3 percent
- add an economic check if there is a breach of the 3 percent corridor.

Results from the 2020 cost control process are expected from early 2023.

Three unions have launched legal challenges concerning including McCloud remedy costs as a member cost in the HM Treasury cost control mechanism. There will be a Judicial Review hearing to consider this in January 2023. GG asked whether the Judicial Review is likely to delay the 2020 cost control process results. JD does not expect a delay.

JF noted the vagueness of the 'economic check' and asked if any further information was available. JD confirmed that the initial results of the 2016 cost control process were perverse. In future, if there is a breach, there will be a mechanism to check whether the breach would still have occurred if economic conditions were taken into account. This economic check is designed to prevent such perverse results occurring in future.

Survivor Benefits and Death Grant Entitlement

DLUHC has confirmed that it intends to legislate to amend survivor benefits in the LGPS in response to the Goodwin case. GG asked if survivor benefits would be

equalised across the board. JD's view is that the changes will only reflect the survivors covered by the case – male survivors of female Scheme members. There is an issue of intergenerational fairness – the additional cost of improving survivor benefits will be paid by current members, those that benefit will not contribute to the cost.

DLUHC also plans to remove the age 75 upper age limit for death grants. The LGPS (England and Wales) is the only public service pension scheme that has retained this upper age limit.

Gender Pensions Gap

The SAB recognises that pay inequality is a major cause of the gender pensions gap, but wants to consider the impact of other factors. The Board's approval to commission research from GAD on this topic will be sought at the next meeting.

Investment Committee

The committee proposes changes to the Code of Transparency system to improve functionality and increase usage. They propose to introduce automated reminders for asset managers who are due to upload data. The aim is to get more timely data. The committee will set up a working group to take this forward. The LGPS is an industry leader in this area, but people need to better understand the benefits.

In GG's view, it is important to report all costs in reports and accounts, but not all funds do so. Funds may wish to consider use of the system when choosing fund managers. DM noted that the information could be used to defend investment choices, because funds can show the true total costs, but that no one is currently challenging those decisions.

JF noted the many issues funds currently face and asked whether this system could prove its usefulness, as opposed to being a 'nice to have'.

Compliance and Reporting Committee

This new committee is now up and running with Mark Wynn as Chair. It is working with CIPFA to deliver significant workplan and workstreams. It is clear that CIPFA is struggling to devote resources to this area. The Committee can make progress using the expertise available to it.

JF noted that CIPFA may now have more time and resource to devote to other useful projects.

Responsible Investment Advisory Group

DLUHC have now published their consultation on reporting requirement for climate risk. The consultation closes on 24 November 2022. Similar reporting requirements are already in force for larger private sector schemes.

The SAB recognises that there is a limited amount of standardisation in reporting. This will make producing a scheme-wide report challenging if not impossible.

Cllr Doug McMurdo [DMc] is supportive of measures to mitigate climate risks. He noted that GAD has instructed actuaries to consider climate risk in the 2022 Section 13 report. JF asked to give notice to DLUHC that the Committee wants more information on the purpose of the GAD instruction to actuaries and how the approach was decided between GAD and DLUHC.

Kimberly Linge [KL] noted concerns about GAD's request for information on climate risk. This will be very difficult and of limited use because of the lack of standardised reporting. SPPA will be asking for more information from GAD.

7. REGULATION UPDATE SCOTLAND

The Committee noted the key points from paper D, which was presented by KL and distributed at the meeting.

McCloud remedy

SPPA expects to publish its response to the 2020 consultation early in December 2022. Draft regulations and a further consultation will follow early in 2023.

Government Actuary – Factor Review

SPPA expects a change in the SCAPE rate in the near future. This will affect the calculation of cash equivalent transfer values. Some calculations such as transfers and divorces will need to be suspended if a change is announced. Administering authorities may wish to consider their current member communications and make sure that they make it clear that the factors that underpin calculations are regularly reviewed and may change.

Ill Health Guidance Review

SPPA is responsible for the second stage of ill health appeals. There has been some resistance from administering authorities concerning ill health guidance. That

guidance instructs the employer and adjudicator to look at medical evidence as well as the Occupational health report when making a decision.

SPPA commissioned the Pensions Ombudsman to deliver a seminar on ill health to address these concerns. SPPA will review the seminar and comments made in response to it and update the guidance accordingly. It will consult on the changes before publication.

LGPS Scheme Advisory Board

[Scottish Annual Report 20/21](#) has been published on the Scottish SAB website.

8. REGULATIONS UPDATE NORTHERN IRELAND

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

LGPS regulations

McCloud remedy consultation closed on 31 January 2021; response is awaited.

Trade Union Legal Action

Claims for hurt feelings have been made against NILGOSC in connection with the McCloud remedy by 4,219 employees. There is no reason why these claims should be restricted to Northern Ireland, but so far, they are. There are very tight timescales for responding to complaints and this additional burden is impacting workloads and could have an adverse effect on administrative performance.

9. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from paper F, which was presented by LB.

McCloud remedy

Administering authorities are reporting their progress on the McCloud remedy project by responding to a quarterly survey. The number of responses has been good. Those responding are progressing well in collecting data and updating the relevant records. The LGA has facilitated a McCloud missing data group to ensure cases are dealt with consistently across all administering authorities.

DLUHC update

DLUHC issued an update on potentially removing contribution bands from regulations and moving them to statutory guidance. This would allow contribution bands to be changed more easily and quickly.

DLUHC is aware of the difficulties administering authorities are facing with recruitment and retention of staff.

AVCs and Prudential performance

Prudential is the AVC provider for around 70 administering authorities. Poor performance is still being reported despite reassurances from Prudential in their letter dated 29 April 2022. Administering authorities have reported an improvement in performance, but not to the level of service they expect. We understand the problems, at least in part, stemmed from the introduction of a new system in November 2020. Employers were not made aware of changes in processes necessitated by that new system.

A meeting planned for September was re-scheduled for early October. Prudential were very positive in the meeting and have agreed to work more closely with administering authorities when they make changes in future.

Roughly five percent of members have an AVC fund, but this generates a disproportionate amount of work for administering authorities. The number of members taking out an AVC may increase as more employers recognise the cost savings related to salary sacrifice AVC arrangements.

DLUHC has sought the advice of a lawyer who confirmed that the regulations do not require AVC life assurance benefits to be offered. As there are only a small number of companies operating in this market, the provision of life assurance AVCs was considered a barrier. In the past, administering authorities reviewing their AVC provider often stayed with Prudential.

GG recommends changes to the regulations to make it clear that administering authorities are not required to offer life assurance AVCs.

DMc asked whether the fact that pension funds hold Prudential stock could be used as leverage to encourage performance improvements.

(After the meeting it was ascertained that LGPS funds generally hold stock in Prudential plc, which is a separate entity from Prudential the AVC provider that is part of M&G).

10. TRAINING AND CONFERENCE UPDATE

Elaine English [EE] gave a verbal update:

Fundamentals

Fundamentals training 2022 is a bespoke three day training course aimed at elected members and other who attend pension committees and local pension boards. The training this year will be delivered in person in London and Birmingham and separately online. Booking is now open and interest is high.

Annual conference

The annual governance conference will take place in Cardiff on 19 and 20 January 2023. The programme is now finalised, and the event is open for bookings.

EE reminded the Committee that LGPC elected members are offered complimentary places at Fundamentals and the Annual Governance Conference. Please email EE elaine.english@local.gov.uk if you would like to attend.

Annual training programme

The 2023 training programme is currently being finalised we hope to publish it in November.

Employer Role training: 12 sessions April to November

Aggregation training: February and March

Survivor benefits training: April and May

Retirement training: TBC

Insight Residential: York in May, online in July and Bournemouth in September.

We also expect to deliver other forms of training and resources in 2023:

- McCloud webinars
- commissioned training days
- the basics for administrators in England and Wales – by March 2023
- discretions for employers in England and Wales – December 2023

Our annual governance conference will be taking place in York on 18 and 19 January 2024. Save the date – more information will follow.

JF welcomed the extra resources devoted to training as the demand for training has never been higher.

11. ANY OTHER BUSINESS

DM raised the issue of the impact of high inflation on the annual allowance. The annual allowance is supposed to reflect the increase in a member's pension benefits above inflation. However, we expect LGPS career average pension accounts to increase by 10.1 percent in 2022/23. The allowance for inflation will be 3.1 percent only. HM Treasury has left it up to individual schemes to make adjustments to re-align revaluation with the annual allowance pension input period. We expect the NHS Pension Scheme regulations to be changed to protect doctors from the impact of high inflation.

DM asked whether there should be a united approach across the LGPS. Modelling has suggested that generally employees earning over £75,000 will be affected. This issue will be added to the agenda of the next meeting for further discussion.

DM noted that actuaries will have assumed active CARE pension accounts, deferred pensions and pensions in payment will all increase by CPI in April 2023. He asked whether there is any possibility that a different increase could apply. JD pointed out that increases to pensions in payment mimic the increase to the State Pension. She does not expect a different approach this year. The wording in the Public Service Pensions Act 2013 is looser, meaning HM Treasury could use a different rate to revalue active CARE pension accounts.

12. DATES OF NEXT MEETINGS

5 December 2022, 20 February 2023, 22 May 2023, 17 July 2023 and 4 Dec 2023.

Paper B – England and Wales update

Key points to note

- New ministerial positions confirmed
- LGPS statistics for 2021-22 issued
- McCloud data guidance underway
- September 2022 CPI rate is 10.1 percent
- High inflation impacting annual allowance
- Pensions dashboards update

Decisions

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

Ministerial Changes

[Lee Rowley MP](#) has been confirmed as the new minister responsible for the LGPS. The chair of the Scheme Advisory Board (SAB) has written to the minister to welcome him to his new role.

[Laura Trott MBE MP](#) has been confirmed as DWP's Minister for Pensions. Her responsibilities include the new State Pension, automatic enrolment, the pensions dashboard, oversight of the Pensions Regulator.

LGPS statistics for 2021/22 published

On 26 October 2022, DLUHC published the [Local government pension scheme statistics](#) for England and Wales: 2021 to 2022.

Highlights include:

- total expenditure of £14.4 billion, an increase of 6.6 per cent on 2020/21
- total income of £15.9 billion, a decrease of 8.1 per cent on 2020/21
- employer contributions decreased by 24.3 per cent on 2020/21 to £7.8 billion
- employee contributions of £2.6 billion, an increase of 4.8 per cent
- the market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8 per cent

- there were 6.3 million scheme members on 31 March 2022: 2.0 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 94,724 retirements in 2021/22, an increase of 14.2 per cent compared with 2020/21.

The decrease in total income and employer contributions is common in the final year of the three-year valuation cycle. This is due to employers making early payment of contributions in the previous two years.

McCloud data guidance

LGA and SAB have set up a working group including representatives from administering authorities, actuarial firms, DLUHC, SPPA and the Department for Communities to produce guidance on the data needed to implement the McCloud remedy.

The guidance will be published as SAB guidance once approved by DLUHC. It will apply to administering authorities in England and Wales. The guidance will not apply to Scottish administering authorities or NILGOSC. The SABs in Scotland and Northern Ireland may choose to adopt this guidance for their use following any changes they deem necessary.

September 2022 CPI rate announced

On 19 October 2022, the Office for National Statistics announced [the Consumer Prices Index \(CPI\) rate of inflation for September 2022 as 10.1 per cent.](#)

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2023 will be 10.1 per cent.

Annual allowance and high inflation

The annual allowance is the amount by which a member's pension benefits can increase in a year without the member having to pay a tax charge. The annual allowance is supposed to reflect the increase in a member's pension benefits above inflation.

However, since HM Treasury realigned the period over which pension growth is measured with the tax year in 2015/16, inflationary increases are taken into account. In 2022/23, we expect LGPS career average pension accounts to increase by 10.1 percent. The allowance for inflation in the annual allowance calculation will be 3.1 percent only.

HM Treasury has left it up to individual schemes to make adjustments to re-align revaluation with the annual allowance pension input period. We understand that DLUHC is currently considering this as an option for the LGPS.

We expect the NHS Pension Scheme regulations to be changed to protect doctors from the impact of high inflation.

Pensions Dashboards

The Pensions Dashboards Regulations 2022

The regulations received royal assent on 21 November 2022 and come into force on 12 December 2022. They set out trustees and scheme managers obligations in respect of pensions dashboards.

The regulations confirm the connection deadline for public service pension schemes as 30 September 2024. The requirement to provide pension value data comes into force on 1 April 2025.

DWP responds to further consultation on dashboards

On 17 October 2022, DWP responded to the further consultation on dashboards. The consultation ran from 28 June to 19 July 2022 and set out two proposals. The first proposal provides clarity on the 'Dashboard Available Point' (DAP). The second proposal allows the Money and Pensions Service and the Pensions Regulator to share information about dashboards with each other.

The DAP is the point at which dashboards will be available to all members of the public.

The response confirms that the DWP will:

- give pension schemes six months' notice of the point at which pensions dashboards will be available to the public, the 'Dashboard Available Point'. This is an increase to the 90 days proposed in the consultation

- go ahead with the second proposal allowing the Money and Pensions Service (MaPS) and the Pensions Regulator (TPR) to share information about dashboards.

Pensions Dashboards Programme (PDP) publishes updated standards

On 16 November 2022, the [PDP published its revised standards](#) for connecting to the dashboards ecosystem. They cover the technical and operational detail that underpins dashboards legislation.

TPR consultation on dashboard enforcement

On 24 November 2022, the Pensions Regulator (TPR) launched a [consultation on its dashboards compliance and enforcement policy](#).

The draft compliance and enforcement policy sets out expectations for scheme managers to achieve compliance with the Pensions Dashboards Regulations 2022 and provides clarity on TPR's approach to enforcement in the event of a breach of legislation.

You can access all the consultation documents on:

[the non-scheme consultations](#) page of www.lgpsregs.org

[the non-scheme consultations](#) page of www.scotlgpsregs.org

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Paper C – Scheme Advisory Board update

Key points to note

Particular attention is drawn to the sections on progress with cost control, submission of a Board response on the DLUHC climate risk consultation and the anticipated further consultations on pooling and Levelling Up.

Decisions

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

Summary

This report sets out below the current activities of the Local Government Pension Scheme Advisory Board (England and Wales).

Good Governance Action Plan

1. As reported at the last LGPC meeting, DLUHC ministers are proposing to accept almost all recommendations from the Board's Good Governance Review. The Secretariat is now having informal discussions with DLUHC officials to agree the detail of the proposals in relation to both scheme regulations and statutory guidance. Consultation on the regulations is likely to begin next year, with work being done to develop guidance for consultation through the course of the year.

Section 13 Report recommendations

2. The Government Actuary made a number of recommendations as part of his report into the 2019 fund valuations. One recommendation was that the SAB should establish a consistent approach to schools converting to academies. SAB therefore established a small working group which met on 8 November. There it was agreed that GAD would work with the fund actuaries to develop before Christmas a draft section for inclusion in the tripartite (DfE, DLUHC and SAB) [advice document on academies](#) which would cover: a common nomenclature for conversion methodologies, factors that might determine which approach a fund adopted and possible consequences of the choice of methodology over time.

Coming consultation on pooling, Levelling Up and the CMA Order

3. DLUHC has committed to consulting on a range of investment related issues. Likely to come as a single package, this is expected to cover the Minister's desire to accelerate the process of pooling of assets and for that process to be more transparent (via fund annual reports).
4. We are also expecting the Government to return to its Levelling Up agenda, which included a policy of requiring LGPS funds to have a plan to invest at least 5% of their assets in local projects. At some point in 2023, we are also likely to see a Government Bill on boycotts, divestment and sanctions (BDS). Both initiatives will be controversial in the sector and require delicate work from the Secretariat to achieve consensus over a Board position.

Cost Management Committee report - 21 November 2022 meeting

Cost Control 2016 and 2020

5. We are waiting for HM Treasury to issue a response to the consultation on the discount rate methodology for public sector pension schemes (the "SCAPE rate"). That is a key assumption for the 2020 cost control mechanism (CCM) and needs to be settled before HMT issue their full set of directions for use in the CCM. Other critical assumptions will be around future public sector pay awards and changes in life expectancy. The Cost Management Committee was consulted at its last meeting by GAD on the scheme-mandated assumptions which are largely driven by scheme experience. To the limited extent that these were material, they showed downward pressure on scheme costs.
6. As previously reported, the Secretariat has discussed reform of the SAB's own cost management process with DLUHC officials, so that it better aligns with the revised HMT process. We are still hopeful to see a consultation on this before the end of the calendar year. The Board will also consider what assumptions to make in that process once it has sight of the HMT directed assumptions.

SAB assumptions for standardised actuarial valuation basis (2020 reports)

7. The Committee approved a report from GAD which set out a standardised actuarial valuation basis to allow comparison of funding levels between different Funds, based on their local fund valuation report. This also features in the dashboard that GAD have developed as part of their s13 review of fund valuations. The valuation assumptions are purely to allow comparison on a consistent basis and are intended to be used to provide a funding target or to set

contribution levels. In the absence of updated HMT assumptions for CCM purposes, it was agreed to stick to broadly similar assumptions to previous years.

Survivor Benefits and Death Grant Entitlement

8. We expect to see very shortly a consultation paper from DLUHC that proposes to amend LGPS regulations to implement recent court judgments in this area, and to remove the upper age limit on entitlement to death grants (which is currently 75).

Gender Pensions Gap

9. The Committee has received further advice from GAD as to what would be needed to compile a Gender Pensions Gap report for the scheme. Later today the Board will consider giving approval for GAD to provide some initial analysis by mid-January and more detailed analysis of factors which may be driving gender differences later in the year.
10. The Secretariat have also collected data from funds on opt outs in the Scheme and is in the process of analysing the returns.

Investment Committee report - 28 November 2022 meeting

11. The Committee also received a report outlining compliance with the Code of Transparency reporting tool developed and administered by Byhiras. This showed continuing use and compliance. The Board at its last meeting approved software developments which will enhance the functionality of the tool, by allowing quarterly reporting of costs and building in reminders for completion. The Investment Committee will also be developing proposals to improve awareness of the tool and how it can be used to better manage investment costs (which are now standing at about £1.8bn per year).

Compliance and Reporting Committee report – 14 November 2022 meeting

12. The committee has begun work on a number of workstreams that would previously have been delivered by CIPFA. Working groups reported back to the committee on their initial meetings and plans to take forward the following workstreams:
 - Funding Strategy Statement guidance update;
 - Review of Annual Report Guidance;
 - Separation of pension fund audit from host authority audit;

- Refresh of the Knowledge and Skills framework;
- Guidance on the issues with pension fund accounting for non-public sector scheme employers;
- Review guidance on administration, communications and governance strategies and statements

Responsible Investment Advisory Group report - 14 November 2022 meeting

13. The DLUHC policy consultation on climate risk reporting has now closed. The proposals require all LGPS administering authorities to put in place new governance and risk management arrangements, as well as setting and reporting against various metrics and targets on climate risk and opportunity. The Board's [response](#) was largely led by the Responsible Investment Advisory Group and the final version was signed off by the Chair and Vice-Chair.

14. There will be plenty more work emerging needing to be done on this, though, as much of the detail is expected to be covered in statutory or SAB guidance. In addition, from 2024 the Secretariat will have the extra function of compiling a scheme-level climate risk report. This is likely to focus more on a narrative and not attempt to over-analyse what was recognised as far from satisfactory data.

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Paper D - Scotland update

Decisions

The Committee is asked to note the content of this report

Summary

Government Actuary's Department - Section 13 Report

Section 13 of the Public Service Pensions Act 2013 requires the Scottish Ministers, as the 'responsible authority', to appoint a person to review the actuarial valuations of each fund and employer contributions rates and to publish the findings of that review. The review must consider whether the fund valuations comply with the scheme regulations, whether they are consistent with other valuations under the scheme and whether the employer contributions rates have been set as required.

Scottish Ministers appointed The Government Actuary's Department (GAD) to undertake this review for the Scottish scheme and will report on whether the aims in relation to compliance, consistency, solvency and long-term cost efficiency are being achieved.

GAD colleagues will give an overview of their current work on the report and answer any questions at the next meeting of the Scottish Local Government Scheme Advisory Board on the 30 November.

Factor Review

When the change in the SCAPE discount rate is announced, we understand that HM Treasury will make a corresponding change to the discount rate they specify for calculating Cash Equivalent Transfer Values from public service pension schemes.

GAD will provide an update, once the anticipated change in SCAPE rate is formally announced, to provide more information.

The Pensions Dashboard

The Pensions Regulator (TPR) has confirmed the timeline for LGPS funds to be ready to connect and respond to matching requests is 30 September 2024.

In advance of this, funds should review the guidance and resources available on TPR's website and speak with their administration or software providers. There is a checklist available on TPR's website, which funds are encouraged to use to help track their progress.

At the annual LGPS Pension Managers' Conference in Torquay on the 15/16 November, Angela Bell from TPR confirmed that frozen refunds would not be included in the information to be provided on the dashboard and that there will be a 10 day turnaround time for data requested from funds in public sector schemes, to provide that information.

TPR will issue compliance notices and penalties to trustees and managers if they fail to comply with pensions dashboards requirements. These requirements include connecting and maintaining their connection with dashboards and complying with technical, data and other standards that the Money and Pensions Service requires.

They may also issue compliance notices and penalties to third parties where they have caused non-compliance. This may include administrators, integrated service providers and employers. Under the updated regulations, TPR will have the option to issue penalties of up to £5,000 to individuals and up to £50,000 for organisations, for a single compliance breach.

A failure to return information will be viewed at a similar level of breach as returning incorrect information. Although TPR's focus will be on 'wilful non-compliance', they have confirmed that the response to these cases will be 'robust'.

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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 contents of this report

LGPS Regulations

The Department's consultation on the McCloud remedy closed on 31 January 2021. Its response is awaited. No new regulations have been made in the time since the last LGPC meeting.

Trade Union Legal Action

NILGOSC, the sole administering authority for the LGPS in Northern Ireland, has received Industrial Tribunal claims issued by local trade union NIPSA in the name of each of their members with any scheme membership. The claims purport to be connected to McCloud and seek damages for injury to feelings based on McCloud.

To date NILGOSC has received claims in respect of 47 Employers and 12,888 Employees. It expects to receive claims in respect of the vast majority of the 175 Employers within the scheme and tens of thousands of Employees. Similar claims have been lodged against the other public service pension schemes and their employers in Northern Ireland.

Governance

The NI LGPS Scheme Advisory Board last met on 15 September 2021. The [minutes](#) of previous meetings are available on the Department's website.

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Paper F – Training and conference update

Decisions

The Committee is asked to note the contents of this report

Fundamentals Training

Our 2022 Fundamentals training is underway. Fundamentals is a three-day training course aimed at elected members and others who attend pension committees and local pension boards.

The training is taking place in London, Birmingham and online. Unfortunately, the day two session in London was cancelled due to the train / tube strikes, but many of the delegates were moved to the online session.

We have approximately 125 delegates booked over each of the three days with over 80 booking for the online session. The sessions have been well received so far.

Annual conference

Our annual governance conference will be taking place in Cardiff on 19 and 20 January 2023. LGPC elected members are offered complementary places. As at 22 November we have 83 in person and 51 online delegates booked to attend. In person places are limited to 100.

Employer and administrator training

Our bookings have been very good, although the ongoing rail dispute has disrupted some in person events. Online events have continued to prove more popular. Our [2023 training programme](#) will have published this by the time of this meeting.

The annual and lifetime allowance tax course has been well received by delegates and a number of additional dates were put on to meet demand. Two in person courses were planned in Liverpool and London but due to a planned rail strike the London date was moved online.

Online training courses

In response to feedback through our focus group we now ask all delegates to keep cameras on during online training courses. The intention is to increase delegate participation and assist with their focus. This also enables the trainer to better gauge delegate reaction and understanding.

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