

LGPC MEETING – 20 February 2023

Meeting agenda

Item		Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 5 December 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	Technical Group update – Paper F	12:15
9	Training and conference update – Paper G	12:20
10	Any other business	12:25
11	Dates of future meetings 22 May, 17 July, 4 December	12:30

Paper A: Minutes of meeting held on 5 December 2022 - Hybrid

PRESENT

Cllr John Fuller	Chair, LGA
Cllr Oliver Ryan	LGA
Cllr Richard Wenham	LGA
Cllr Keith House	LGA
Cllr Eddie Reeves	LGA
Cllr Oliver Ryan	LGA
Cllr Doug McMurdo	LGA
Cllr Alan Waters	LGA
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Ms Linda Welsh	SPPA
Mr Alan Wareham	DLUHC
Mr George Graham	SAB representative
Mr Kevin Gerard	Technical Group representative

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Mr Jeremy Hughes	Scheme Advisory Board (SAB)
Ms Elaine English	LGPC

1. INTRODUCTION FROM THE CHAIR

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

2. APOLOGIES

Apologies were received from Cllr Phil Murphy, Cllr Bev Craig and Ms Jo Donnelly.

No declarations of interest were declared.

3. MINUTES

The minutes of the previous meeting held on 10 October 2022 were agreed.

4. MATTERS ARISING

Lorraine Bennett [LB] informed the Committee that 43 LGPC subscriptions totalling £350,000 are still outstanding. This is due to the introduction of a new LGA finance system which meant a delay in being able to check for and chase outstanding payments. Elaine English [EE] is now able to chase because finance reports are now available. JF to raise this issue with the LGA Head of Finance.

5. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper B.

Ministerial changes

Lee Rowley MP is the new minister responsible for the LGPS in England and Wales. The Chair of the Scheme Advisory Board (SAB) is due to meet the Minister for the first time in early December. The Minister has a wide portfolio and the Committee hopes that pensions will get sufficient attention. Lee Rowley does not have a background in pensions, but has been a local councillor. Cllr Keith House [KH] expects a high level of engagement from the Minister based on previous meetings he has attended with him.

Laura Trott MBE MP has been appointed as the new DWP Minister for Pensions.

LGPS statistics for 2021/22 published

On 26 October 2022, DLUHC published LGPS statistics for England and Wales for the 2021/22 year. The figures show a reduction in income which is due to the 'frontloading' of employer pension contributions earlier in the valuation cycle. This is also reflected in a 24.3 percent drop in employer contributions.

The market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8 percent in twelve months.

Membership numbers were up, but the increase in the number of active members was slower than the increase in deferred and pensioner members. There was also a significant increase in the number of retirements – nearly 95,000 retirements in 2021/22, an increase of 14.2 percent. This was due in part to the retirements of members who had delayed their retirement plans during the pandemic.

McCloud

LGA and SAB have created a working group to produce guidance for administering authorities to use if they cannot get the accurate data they need to calculate a member's underpin. The group includes representatives from administering authorities, actuaries, DLUHC, SPPA and LGA.

The first draft of the guidance has been completed. The LGA has obtained legal advice on when the guidance should be used and the responsibilities of the administering authority and employer. That legal advice will be incorporated into the guidance. DLUHC will need to approve the SAB guidance to ensure it does not clash with any guidance the department issues in the future. The SAB hopes to publish the guidance in the new year.

The timings related to the McCloud remedy have slipped. We now expect a response to the 2020 consultation before Christmas, a second consultation early in 2023 and final regulations before the summer recess in 2023. The SAB will set up McCloud remedy implementation groups after the consultation response has been published.

David Murphy [DM] expressed his disappointment at the revised timings which will make it very difficult for administrators to implement the remedy. They had hoped for a lead-in time of 12 months to develop and test system updates and prepare member communications. It is now looking like they will only have three months.

Kevin Gerard [KG] pointed out it will be problematic for the rules to be in force from 1 October 2023 because of these delays. Pension software suppliers will not be able to deliver the required system changes in time. This will mean that calculations will have to be done manually which is excessively time-consuming and carries a greater risk of error.

George Graham [GG] noted that this exercise will involve a huge amount of work to revisit past leaver calculations, but very few members will see any increase to the value of their benefits.

JF will raise the issue of McCloud timings at the SAB meeting on 5 December 2022.

September 2022 CPI rate

On 19 October 2022, the Office for National Statistics announced the CPI rate for September 2022 was 10.1 percent.

This rate is normally used to increase LGPS deferred pensions, pensions in payment and active CARE pension accounts in the following April. We await confirmation through Statutory Instrument in February or March that this increase will apply in April 2023.

The Government confirmed in the Autumn Statement that the State Pension triple lock will be honoured. This provides a good indication that the 10.1 percent increase will also apply in the LGPS.

Annual allowance and high inflation

The annual allowance is the amount a member's pension benefits can increase in a year above inflation without the member having to pay a tax charge. A quirk in the regulations in means that inflation allowed for in the annual allowance calculation is not the same as the inflationary increase that applies to a member's pension account in the relevant period.

In the 2022/23 year, 3.1 percent inflation will be allowed for, but we expect the increase to apply to CARE pension accounts to be 10.1 percent.

HM Treasury has allowed individual schemes to decide whether to change their scheme rules to correct this misalignment. We understand that the NHS Pension Scheme rules will be changed to correct this anomaly. We await a decision from DLUHC on whether the LGPS rules will be changed.

Without a change, more people will exceed the annual allowance in 2022/23. These will mainly be higher earners and carry forward rules mean that not all will incur a tax charge. There is very little time to make the change which would need to be in place by April 2023. Software suppliers have indicated that this would require a significant amount of development which would have an impact on their progress on the McCloud remedy.

DM said that modelling indicates there will be an increase in the number of people exceeding the annual allowance in 2022/23 and an increase in the tax charges that become payable. He is concerned that members affected may challenge the calculation in the courts.

GG noted that an increased number of members exceeding the annual allowance would increase the burden on administrators. Many of these cases require a time-consuming manual check as the annual allowance calculation delivered by the software system is not always reliable. He also noted the workforce impact. The annual allowance was intended to impact the highest earners but it is now affecting a larger part of the workforce. People are taking early retirement or not applying for promotions to avoid pension tax charges.

Pensions dashboards

The Pensions Dashboards Regulations 2022 received Royal Assent on 21 November 2022 and they come into force on 12 December 2022. We continue to raise queries with DWP and Pensions Dashboards Programme (PDP) about the application of the regulations.

We plan to issue a connection guide early in 2023 that is specific to the LGPS.

DWP responded to the further dashboards consultation on 17 October 2022. We had suggested in our response to the consultation that scheme managers would need more than 90 days' notice of the Dashboard Available Point (DAP) – the date on which dashboards are available to all members of the public. The DWP response confirms that it will increase the DAP notice period from 90 days to six months.

The PDP has published updated standards for connecting to the dashboards ecosystem.

The Pensions Regulator is consulting on its dashboards enforcement policy. We will respond to the consultation before it closes in February 2023.

6. SAB UPDATE [E&W]

Jeremy Hughes [JH] presented the key points from paper C.

Good governance action plan

As reported at the last meeting, DLUHC ministers have accepted almost all SAB's recommendations in the good governance report. DLUHC plans to launch a consultation in 2023. They plan to bring forward all the recommendations as a

package, but this could mean the changes are held up by the progress of the 'slowest moving' provision.

The consultation will include proposals to change the Annual Report. These include removing strategy statements and instead including details about what the fund has done to achieve the targets set out in its policies and strategies in the Annual Report. Training requirements for pension committee members are likely to be introduced. Funds will need to demonstrate the knowledge and skills of committee members and to keep those skills up to date.

The final regulations will be accompanied by guidance and further consultations are expected in 2023.

The Committee discussed the recent problems associated with LDIs. In JF's view, training would not have had an impact on that issue. GG pointed out that committee members are responsible for making a broad investment strategy. That strategy is delivered by officers who should have a better understanding of investment vehicles. JH is not aware of any administering authorities suffering unsustainable losses as a result of the LDI crisis but SAB is monitoring the issue.

The Committee noted that MiFID II means that the onus is on asset managers to explain the product that they are selling. DM wants to make sure that administering authorities can continue to opt up to professional investor status under MiFID II. If elected members need to be professionally qualified, it will be even harder to get people to serve on committees.

Section 13 report

The Government Actuary made recommendations as part of his report into the 2019 fund valuations. One recommendation was for the SAB to establish a consistent approach to schools converting to academies. GAD has committed to publish recommendations to support that work. This is now expected in 2023.

The Government has a target of all schools becoming academies by 2030. This would represent a significant acceleration, particularly for primary schools.

Consultation on pooling, levelling up and CMA order

DLUHC will be consulting on a range of investment issues in the new year. We expect an early consultation to include the target from the Levelling Up agenda for the LGPS to invest at least 5 percent of assets in local infrastructure projects.

JF pointed out that investing in local schemes could lead to a concentration risk. 'Local' for this purpose means within the UK, not necessarily in the area local to the administering authority.

JF emphasised the importance of being on the front foot and influencing the definition of 'infrastructure'. Infrastructure does not have to be buildings. JF gave the example of investing in a local water company.

The SAB expects a Bill covering boycotts, divestment and sanctions in 2023. No further information on timing is yet available.

Cost Control 2016 and 2020

We are waiting for a response to the HM Treasury consultation on the discount rate methodology. SAB has discussed reforms to its cost management process with DLUHC officials. The aim of the reforms is to better align the process with the HM Treasury cost control mechanism.

A Judicial Review concerning the inclusion of McCloud remedy costs as member costs will be heard in January 2023. It is possible that the Judicial Review will delay the 2020 cost control mechanism process.

Assumptions for standardised actuarial valuation basis (2020 reports)

The cost management committee approved a report from GAD which sets out the actuarial valuation basis to allow comparison of funding levels between funds. These are broadly similar to assumptions used in previous years.

Survivor benefits and death grant entitlement

We hope to see a DLUHC consultation on survivor benefits in March 2023. Incremental amendments have been made to survivor benefits over time which make it more complicated to implement new regulations. The 2023 consultation is expected to address the issues raised in the Goodwin case and to propose the removal of the upper age limit for paying death grants.

Gender pensions gap

The SAB is keen to examine the compounding effects of lower pay, maternity breaks and lack of promotion on the gender pensions gap. The board is in discussion with GAD about undertaking further analysis.

Differences in pension entitlements between genders will not be solved by changes to the pension scheme rules. The results and analysis will be of interest to Scheme employers who should be considering this issue as part of public sector equality duties.

In the past we have looked at pensions in payment. By investigating pensions currently accruing, we will be able to see if this is a historical issue or an ongoing pattern.

Investment committee

The investment committee is considering how to raise awareness of the code of transparency reporting tool and make it more effective. Use of the tool varies across administering authorities and evidence suggests it is not leading to a reduction in costs. Annual investment costs in the LGPS rose again last year to £1.8 billion.

The SAB is currently considering the budget it will need to develop the tool and provide support and training to boost understanding. The SAB expects a significant increase to the levy to fund this and other major projects. The SAB levy is a statutory levy - it has to be signed off by DLUHC and administering authorities must pay it.

LB stated that the SAB levy is compulsory whereas the LGPC subscription is voluntary.

Compliance and reporting committee

The newly established committee has now begun work on a number of workstreams that would have previously been undertaken by the CIPFA pensions panel. These include:

- Funding Strategy Statement guidance update
- Review the Annual Report guidance
- Separation of the pension fund audit from host authority audit
- Refresh of the Knowledge and Skills framework
- Guidance on issues with pension fund accounting for non-public sector scheme employers and
- Review guidance on administration, communication and governance strategies and statements.

Some of these workstreams will feed into the good governance project.

The SAB is aware that delays to the host authority's audit has delayed the publication of some Annual Reports. SAB has recently issued a statement to remind administering authorities of the requirement to publish an Annual Report by 1 December. If it is not possible to include audited data in the report, it should be based on unaudited data and re-published once audited data is available.

The SAB has asked DLUHC to separate pension audit from the host authority audit. This has already been done in Wales, Scotland and Northern Ireland but DLUHC believes a change to primary legislation would be needed for England. Separating the pension audit from the host authority audit should mean that it is done by those with pensions expertise.

Currently funds spend a significant amount of time dealing with questions from auditors with limited knowledge. Pension funds are also responding to queries from Scheme employers and their auditors about valuation of assets for the employer accounts.

Responsible Investment Advisory Group

SAB responded to the recent DLUHC consultation on climate risk reporting. We expect a response to the consultation, regulations and guidance that will include more detail about the new responsibilities.

The Committee discussed the SAB response to the consultation and the implications of this policy for investment decisions:

- The SAB response acknowledges the limited powers of individual funds – national Government policies would be more effective in addressing the climate emergency.
- It is hard for investors to ignore industries that are profitable such as oil and energy companies.
- The Law Commission opinion on fiduciary duty is useful – funds can consider climate impact of investments if this would have scheme member support, but they are not required to do so.
- Some funds did not think that these regulations would change their investment decisions. These regulations should be a nudge to change behaviour, but they would be more effective if there was more clarity on what funds are allowed to do and what they are being asked to do.
- There is no standard measure of environmental impact of investments and measurement is particularly difficult for private equity and bonds. Measuring scope three emissions presents a particular problem.

- The Pensions Regulator is currently reviewing climate risk reports from private sector schemes. The results of this review could inform the LGPS regulations.
- Funds will need significant resources to comply with the reporting requirements. We hope that investment pools will be able to help.
- Cllr Alan Waters [AW] championed the progress that Norfolk Pension Fund has made in this area. The obligation to pay pensions to current members extends at least 60 years into the future. It is in the interest of those members that the fund takes a long term view of investments. Norfolk Pension Fund invests in renewable energy rather than extractive industries and AW expects that trend to continue.

7. REGULATION UPDATE SCOTLAND

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

Section 13 report

Scottish Ministers have appointed GAD to review the actuarial valuations of each fund and employer contributions rates. They expect the report to be published later in December 2022. It will look very similar to the corresponding report for England and Wales published a year ago.

Annual allowance and high inflation

LGPS Scotland is also considering the impact of high inflation on the annual allowance. They have asked the LGPS Scotland SAB for advice.

KL expects changes to be introduced to pension schemes for NHS staff and police in Scotland. There is support for the change, but it is unfortunate that it is being considered now when there is so little time and so much else going on.

8. REGULATIONS UPDATE NORTHERN IRELAND

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

LGPS regulations

The McCloud remedy consultation closed on 31 January 2021. The Department has not yet responded.

Trade union legal action

NILGOSC has received Industrial Tribunal claims from nearly 13,000 Scheme members across 47 employers. The claims relate to hurt feelings as a result of the discrimination identified in the McCloud legal case. NILGOSC has had to employ additional staff to deal with the claims.

There is no reason why such claims could not be made against the LGPS in the rest of the UK, but none have been brought so far. Claims have been made against other public service pension schemes and their employers in Northern Ireland. The protections offered to older members in the LGPS and the proposed remedy to correct that position are very different in the LGPS compared with the unfunded schemes. It is possible that the result of the tribunal could be different for the LGPS.

Governance

The Northern Ireland Local Government Pension Scheme Advisory Board last met in September 2021.

9. TRAINING AND CONFERENCE UPDATE

EE gave a verbal update:

Fundamentals

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

We have had over 125 delegates at for each of the three days, with over 90 people attending the online events. Unfortunately, two of the face-to-face events had to be postponed due to rail strikes. Most of the delegates attended the online course instead. Feedback received has been very positive.

Day three will run tomorrow (6 December 2022) at Smith Square in London and online on 20 December.

Fundamentals is an annual event that we will run again next year between October and December.

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. We have over 90 delegates registered to attend in person and over 50 attending remotely. We

have increased the spaces available to attend in person because we expect more bookings for this prestigious event.

The 2024 annual governance conference will take place in York on 18 and 19 January.

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

Employer and administrator training

Bookings for both employer and practitioner training have proved very popular with some courses having waiting lists. Unfortunately, some face-to-face events were cancelled due to the rail strikes but delegates were offered places at future online events. Feedback from all courses has been very positive.

Annual training programme

We have published our 2023 training programme. Events with confirmed dates will open for booking in the middle of December. We will be running:

- 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 will also 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

11. ANY OTHER BUSINESS

LB reminded the Committee to let Elaine or herself know whether they plan to attend meetings in person or virtually. This will allow us to arrange the necessary security badges and order the appropriate amount of catering.

Have a lovely Christmas.

12. DATES OF NEXT MEETINGS

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

DRAFT

Paper B – England and Wales update

Key points to note

- McCloud data guidance to be published shortly
- Working group set up for TPS McCloud remedy and the LGPS
- Tax rules for the McCloud remedy made
- Consultation issued on changing the annual revaluation date
- Pensions dashboards update

Decisions

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

McCloud update

Data issues guidance

The LGPC secretariat 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.

We hope to publish the guidance by the end of February 2023. The guidance will be published as SAB guidance. 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.

TPS McCloud remedy and the LGPS

The LGPC secretariat is contributing to a working 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.

Teachers in scope are those with a part time contract in addition to a full time contract. The additional part time contract will no longer be pensionable in TPS when they are rolled back into the TPS final salary scheme as part of the McCloud remedy.

The additional part time contract will become retrospectively pensionable in the LGPS. The remedy period on the TPS is 1 April 2015 to 31 March 2022.

DfE has estimated that approximately 18,000 teachers are in scope. These will be a mix of active, deferred and pensioner members. This exercise is going to be administratively challenging for both the TPS and LGPS administering authorities.

Tax rules for McCloud remedy laid

HMRC recently consulted on how pensions tax will apply to members protected by the McCloud remedy. The consultation ran from 24 November 2022 to 6 January 2023. We responded to the consultation on behalf of the LGA and this Committee on 6 January 2023.

On 6 February 2023, the [Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023](#) were laid. They apply to relevant public service pension schemes in England, Wales and Scotland and come into force on 6 April 2023.

The regulations aim to ensure that people who are impacted by the McCloud remedy are not adversely affected by the existing tax framework. We will provide a detailed commentary on the impact of the changes to LGPS administering authorities in due course.

You can find links to the consultation document and our response on the [Non-scheme consultations](#) page of www.lgpsregs.org

Consultation on changing the annual revaluation date

On 10 February 2023, DLUHC issued a consultation on changing the revaluation date in the LGPS from 1 to 6 April with effect from 1 April 2023. The consultation lasts for two weeks and closes on 24 February 2023.

The consultation seeks to remove the impact of inflation on the annual allowance. 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.

As things currently stand, LGPS career average pension accounts will increase by 10.1 percent in 2022/23 but the allowance for inflation in the annual allowance calculation will be 3.1 percent only. The result of this is that, without changes to scheme regulations, there will be a significant increase in the number of LGPS members breaching the annual allowance threshold and potentially incurring a tax charge. This is despite the revaluation not representing a 'real terms' increase in their pension.

The consultation proposes changing the yearly in-scheme revaluation adjustment from the 1 to 6 April 2023, and thereafter on each 6th of April, for all members.

Pensions Dashboards

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 TPR's 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.

We circulated a draft response on behalf of the LGA and LGPC to the Committee on 9 February 2023. We will submit a final response before the closing date of 24 February 2023.

You can access all the consultation documents on [the non-scheme consultations](#) page of www.lgpsregs.org

Contact officer

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

Paper C – Scheme Advisory Board update

Key points to note

Particular attention is drawn to the sections on the DLUHC consultation on changes to the Scheme Cost Assessment process, the work to identify the nature and origin of the gender pensions gap and the work to explore the status of the scheme from an Islamic financial and legal perspective.

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).

Section 13 Report recommendations

1. The 2019 review of fund valuations by the Government Actuary recommended that the SAB should establish a consistent approach to schools converting to academies. In response, SAB has established a small working group which is looking to develop some guidance for academies which would cover: a common nomenclature for conversion methodologies, factors that influence conversions and possible consequences of the approach adopted over time. This guidance would be included in a refresh of the tripartite (DfE, DLUHC and SAB) [advice document on academies](#). The intention is that this will enable a better-informed discussion to take place at conversion between the academy trust and the fund, without encroaching on local funding approaches. In parallel, SAB are reviewing with CIPFA the content of the statutory Funding Strategy Statement guidance, again with the aim of improving transparency of approach without prescription.

Cost Management Committee – 30 January 2023 meeting

SAB Scheme Cost Management Process

2. We are still waiting for HM Treasury to respond to its consultation on the discount rate methodology for public sector pension schemes (the “SCAPE rate”) and also set out the main assumptions for the 2020 cost control

mechanism. However, in the meantime DLUHC has issued a [consultation](#) on reforming the SAB's own parallel process for reviewing scheme cost, the Scheme Cost Assessment (SCA) set out in Regulation 116 of the 2013 Regulations.

3. The key changes proposed align the SCA with HMT's [reformed cost control process](#) and give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. Importantly, the consultation also reaffirms the Government's position that the SCA (and implementation of recommendations made from it) will operate prior to the HMT cost control mechanism. The SAB Secretariat will lead on the response to this consultation.

Gender Pensions Gap

4. The Committee has received the initial analysis from GAD on the Gender Pensions Gap in LGPS. As expected from other evidence, this showed significant cumulative differences in pension entitlement by gender. The gender pension gap is therefore much greater than the reported gender pay gap in local government (although this difference was also due in part to the different population covered by the two separate analyses). The data also showed that an emerging gender pensions gap was evident for younger active scheme members (in their 30s-40s) and so it could not be assumed that we were on a path to eradicate gendered differences in accrual of pension entitlements. The Committee is recommending that the Board publish those initial findings and gives approval for GAD to do further analysis to investigate what accounts for the differential outcomes.

Survey of opt-outs

5. It was not possible to do much analysis of the data collected by the Secretariat from funds on opt outs in the Scheme. It was not possible to reliably strip out the effects of auto-enrolment and there was also inconsistency in practice of recording data which has become apparent. While it was reassuring that there was no evidence of an increase in opt-outs, the data could not support a definite conclusion and so further work on this is being scoped and we expect to repeat the exercise, with a view to getting more reliable data, in the coming months.

Investment Committee – 6 February 2023 meeting

6. The Committee approved proposals to improve awareness of the Code of Transparency investment cost disclosure system. Sessions will be run for local pension board, committee members and officers over the summer to explain why investment costs matter and how the SAB-procured system can help manage these very significant costs in the scheme (which are now standing at about £1.8bn per year).
7. The Committee also took forward an action recommended in the [legal advice](#) received on the issue of members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. It agreed to recommend that the Board issue a tender for an Islamic finance and legal scholar to review the scheme according to Sharia principles, and in particular to consider whether the LGPS “pensions promise” is of a contractual nature rather than being a financial investment by the member. The proposed report will also look at governance and administrative authority investment principles. That proposal will be discussed at the Board meeting later today.

Compliance and Reporting Committee – 23 January 2023 meeting

8. On the separation of pension fund audit from the audit of the host authority, there seems to be a consensus that this should happen. SAB, CIPFA and ICAEW have all made representations to DLUHC, and officials are thought to be sympathetic. We have been advised to expect a response from the Minister to [our letter](#) soon.
9. On the trickier question of issues arising from different audit dates and the reporting of the notional allocation of assets to employers within a fund, discussions with the Financial Reporting Council and NAO have been constructive. The Secretariat has also agreed to convene the first of what will be the annual summits between auditors and actuaries to share current thinking, general approaches and means of streamlining/managing communications. While there is no “silver bullet” it seems that we can make significant incremental improvements in this space by co-ordinating and communicating better.
10. The Committee continues to develop its thinking on the following workstreams:
 - Funding Strategy Statement guidance update

- Review of Annual Report guidance
- Refresh of the Knowledge and Skills framework (including a survey of funds to look at current practice and road-test some initial thoughts).

Coming consultations on investment issues

11. There is no progress to report with the range of consultations from DLUHC on investment related issues (eg pooling, climate risk reporting, levelling up, CMA order). We anticipate that RBKC's recent decision may lead to further consideration of policy in this area but underlines the importance of a response from DLUHC. When it met in December, SAB discussed but decided not to respond to the RBKC consultation on leaving the London CIV.
12. We believe that a Government Bill on boycotts, divestment and sanctions (BDS) is fairly imminent. Depending on the content, this is likely to be controversial in the sector and may require the Secretariat to produce detailed briefing for interested Parliamentarians.

Good Governance Action Plan

13. No further progress, with DLUHC still saying that consultation on amendments to the 2013 regulations is likely to happen this year, but with no greater detail on precise timings.

Survivor Benefits and Death Grant Entitlement

14. We are still waiting to see the promised DLUHC consultation on amendments to LGPS regulations which would implement recent court judgments in this area, and to remove the upper age limit on entitlement to death grants (which is currently 75).

Contact officer

Name: Jeremy Hughes

Job title: Deputy Board Secretary

Phone no: 07786 681936

E-mail: jeremy.hughes@local.gov.uk

Paper D – Scotland update

Decisions

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

Summary

1. CPI Revaluation

1.1 As you are aware, there is a timing mismatch between the CPI used to revalue the pension at the start of the year and the CPI used for revaluation of CARE benefits. Recent high inflation means that this “disconnect” will result in more members breaching the annual allowance.

1.2 The Department for Health and Social Care has announced it intends to explore an option to mitigate this disconnect, by moving the date that revaluation is applied to CARE pensions from 1 April to 6 April each year. This will align the rate of CPI used in both calculations.

1.3 HMT have confirmed that this policy option has been extended to all workforce departments in England and Wales on a voluntary basis. DHSC have announced that they will be implementing this policy for the NHS (England & Wales) Pension Scheme for the 2022/23 scheme year, so that revaluation will next take place on 6 April 2023.

1.4 We understand that the Department for Levelling up, Housing and Communities will shortly consult on this change for the LGPS in E&W. Scottish Ministers expect to adopt this change for the NHS in Scotland and consideration is also being given to similar changes to the Scottish Police Pension Scheme.

1.5 If the Scottish LGPS were to adopt this policy, we expect that changes to scheme legislation would be necessary, however there would be more impact on administration routines and the application of scheme factors may need to be reviewed. We are also considering whether there are any implications for individuals who may retire between 1 April and 6 April 2023.

1.6 We have considered the interaction with other schemes, such as for club and bulk transfers and there would be additional pressures if the policy is adopted by one workforce and not another or in one region of the UK and not another.

1.7 We have also asked fund authorities for their view on the administrative issues this potential change may cause.

2. McCloud Remedy Update

2.1 In tandem with DLUHC, we are working on updated draft regulations to remove the discrimination identified in the McCloud judgment - to ensure that eligible younger members will be provided with a protection equal to the underpin already provided for older members.

2.2 Consultations on amending regulation will be undertaken by DLUHC, Scottish Ministers and the Department for Communities in Northern Ireland early in 2023. These updated draft regulations also take into consideration technical responses received during the 2020 consultation.

Contact officers

Name: Kimberly Linge / Craig Finlay

E-mail: kimberly.linge@gov.scot

Craig.Finlay@gov.scot

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.

Review of the Effects of the Public Service Pensions Act (Northern Ireland) 2014

The Northern Ireland version of the 2014 Public Service Pension Act includes a requirement to review the effects of the Act on public servants every 2 years. The Department of Finance published the latest [review](#) in January 2023.

The key finding was that insufficient time had elapsed since the introduction of the link of the normal retirement age to the State Pension Age to notice any change in behaviour of scheme members. The report recommended that data was continued to be monitored.

Annual Allowance and High CPI

The Department for Communities is considering whether it will follow the actions taken by DLUHC to amend the date of pension account revaluation in order to resolve an anomaly with the HMRC's annual allowance calculations that become prominent when inflation rises sharply from one year to the next as has happened in 2022/23. If it decides to emulate DLUHC's actions it will also need to consider how regulations can

be made in the absence of an Assembly. If affirmative resolution secondary legislation is required it appears unlikely that Northern Ireland will be able to follow suit.

Governance

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

Contact officer

Name: David Murphy

Job Title: CEO, NILGOSC

Phone no: 0345 319 7320

E-mail: david.murphy@nilgosc.org.uk

Twitter: @DMurphy_NILGOSC

Paper 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 9 December 2022 Technical Group meeting

McCloud remedy

Each Fund is requested to complete an online survey and provide updates on the questions below. It would appear that whilst software systems may be able to extract information for employers validation, scheme administrators anticipate having to undertake a large number of manual calculations in order to reflect the change from CARE to final salary/service prior to the bulk McCloud calculation. Administering Authorities are progressing well with data collection and rectification. DLUHC stated that a further consultation on the McCloud regulations would take place in early 2023.

- at what stage is each administering authority with regards to collecting the hours/breaks data?
- administering authorities that already have the hours/breaks data, are you checking the existing data? Or, are you assuming that it is correct?
- have any LGPS employers refused or are unable to provide the missing hours/breaks?
- have administering authorities communicated with scheme members about McCloud?
- have administering authorities put in extra resource to cover this project?
- are administering authorities in discussions with their system provider, in terms of loading the missing data? and/or, recalculating benefits etc? (with the caveat that until remedy is received, we are not 100% sure what the final position will be)

- anything else any administering authority wishes to add.

DLUHC update

DLUHC provided a brief update. Technical Group reminded DLUHC that a response remains outstanding on a query raised at the June 2022 meeting regarding the treatment of inward transfers from the EEA. The Group also raised queries in respect of exit payments and the scheme revaluation date. Alan Wareham (DLUHC) will provide an update to Jayne Wiberg (LGA) on the latest position following discussions with colleagues.

Technical Group requested that amending the revaluation date is discussed at each POG and responses provided at next meeting. If the revaluation date is not amended more and more members will be impacted by exceeding the annual allowance.

SAB update

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

Pension Dashboards

Technical Group received updates from the majority of POG's along with development progress made by each software supplier and the next survey will be issued on 3 May 2023. Technical Group expressed disappointment with the completion rate for London POG for both Dashboard and McCloud surveys.

Prudential

Despite assurances contained within the Prudential letter dated 29 April 2022, poor customer service continued with limited improvement experienced. Scheme members were still forced to wait extended periods for payment of pension and AVC benefits. A meeting was held with Prudential on 5 October 2022 at which they stated that their timeline for improvement would be concluded by 30 November 2022.

A review meeting has been set for 8 February 2023 to assess if there has been an improvement in customer experience. Anecdotal evidence from Technical Group did not portray that an improvement had been experienced to date. Anonymised details have been requested in order that these can be raised as examples of continuing issues experienced by scheme members at the next meeting.

AVCs

Following confirmation from DLUHC that life cover provision does not need to be offered, Technical Group has asked for support from each POG agreeing to develop a national framework for AVC providers. Technical Group would welcome funds who wish to act as founder members.

Transfers

Technical Group requested that each POG provides feedback and a suggested process for simultaneously transferring deferred benefits from separate administering authorities to a single provider to ensure the same guarantee date is used in the calculation.

Contact officer

Name: Kevin Gerard

Job title: Pensions Manager - Dyfed Pension Fund

Phone no: 01267 224157

E-mail: KGerard@carmarthenshire.gov.uk

Paper G – Training and conference update

Decisions

The Committee is asked to note the contents of this report

Employer and administrator training

The [2023 training programme](#) has been published and ‘aggregation’ and ‘survivor benefit’ training sessions are being run online and face to face. Online delivery continues to be booked up quickly, with demand being greater than for face to face courses. Both face to face and online Insight courses are proving popular and an additional online Insight course has been advertised to those on the waitlist.

Employer role training is being rolled out with regular sessions throughout the year.

All online sessions are now advertised as “camera on” as previously reported with the trainer encouraging this throughout a training course.

Commissioned training requests from administering authorities were considered in a recent meeting and the training team have contacted the funds they can provide these for.

Training focus group

The training focus group met on the 24 January. The main discussion points were the lower uptake of face to face training and the possibility of an LGPS pensions qualification, which could potentially be used as part of an apprenticeship as well as a standalone qualification.

The focus group members were asked to add training as an agenda item on their pension officer group (POG) agendas. Each POG is being invited to tell us if they would like the LGA to run courses in their area. This is to help with the uptake of face to face training, which funds are telling us they still prefer despite the uptake being lower.

The LGA agreed to investigate the feasibility of offering a qualification.

Annual LGPS governance conference

The conference took place on 19-20 January and was run as a hybrid event for the second time. A total of 160 delegates attended (63 online and 97 in person). Feedback from both online and in person attendees has been excellent with an average rating of 4.7 out of 5 and many positive comments in respect of the programme, speakers, and organisation.

Next year's event will again offer both online and in-person options. The conference will take place at the Principal Hotel, York on 18-19 January 2024.

Contact officer

Name: Karl White

Job title: Pensions Adviser (Training)

Phone no: 07464 652886

E-mail: karl.white@local.gov.uk