

Paper A: Minutes of meeting held on 20 February 2023 - Hybrid

PRESENT

Cllr John Fuller	Chair, LGA
Cllr Richard Wenham	LGA
Cllr Keith House	LGA
Cllr Doug McMurdo	LGA
Cllr Alan Waters	LGA
Cllr Phil Murphy	LGA
Cllr Bev Craig	LGA
David Murphy	NILGOSC
Kimberly Linge	SPPA
Linda Welsh	SPLG
Alan Wareham	DLUHC
George Graham	SAB representative
Kevin Gerard	Technical Group representative

Secretariat

Lorraine Bennett	LGPC
Joanne Donnelly	Scheme Advisory Board (SAB)
Elaine English	LGPC

Non attendees

Cllr Oliver Ryan	LGA
Cllr Eddie Reeves	LGA

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr John Fuller [JF], welcomed everybody to the hybrid meeting. He reminded the Committee that the LGPC represents employers' interests in the LGPS, whereas the SAB represents employers and members.

2. APOLOGIES

No apologies for absence were received. No declarations of interest were declared.

3. MINUTES

It was noted that Cllr Oliver Ryan [OR] appeared as an attendee twice and that Linda Welsh [LW] was listed as SPPA instead of SPLG. Subject to these corrections, the minutes of the previous meeting held on 5 December 2022 were agreed.

4. MATTERS ARISING

Lorraine Bennett [LB] informed the Committee that over twenty LGPC subscriptions for 2022/23 remain unpaid. They relate mostly to London Boroughs, although Bedford and Glasgow invoices are also unpaid. The LGA introduced a new finance system in September and there have been significant implementation issues which has meant the finance team has not chased non-payers.

Elaine English [EE] will chase outstanding invoices and provide an update at the next meeting. George Graham [GG] suggested it might be worth emailing the pension committee chairs of the relevant funds.

Cllr Doug McMurdo [DMc] confirmed he will raise the issue of non-payment with the team at Bedford.

5. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper B.

McCloud remedy

JF noted that McCloud has been on the agenda for many years and little progress appears to be being made.

LB informed the Committee that the McCloud remedy legislation will need to be in place by 1 October 2023. DLUHC is yet to respond to underpin consultation that took place in the summer of 2020. The LGA has been told to expect the response in February; however, it keeps getting pushed back each month. There will be a further consultation on matters not already consulted on in Spring 2023. Final regulations

are not expected until September. They will take effect from 1 October 2023. This leaves very little implementation time for administering authorities and software suppliers.

Communication will be key. Administering authorities will need to carefully manage member expectations.

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 guidance is currently being finalised and should be published by the end of February.

JF asked if funds could pay affected members an estimated payment on account and sort out the details later. Joanne Donnelly [JD] stated this would make it more difficult for funds in the longer term. Making one payment that is correct is the best method for the member and the administering authority.

TPS McCloud remedy and the LGPS

LB talked through how the McCloud remedy in the TPS means that some teachers will be retrospectively rolled back into the LGPS for the remedy period. The remedy period in the TPS is 1 April 2015 to March 2022. There are around 18,000 teachers in scope. This is a challenging administrative exercise for both the LGPS and TPS.

Cllr Keith House [KH] asked if a risk analysis has been carried out because the regulations will be introduced so close the effective date. The lack of lead in time means the chance of everything going to plan is likely to be relatively low. LB stated that it would be up each administering authority to take account of the risks at a local level. There is no specific feedback from funds on this currently due to timings still being unclear. One of the risks is that administering authorities could be inundated with queries from members in October 2023. The LGA will produce central communications for all administering authorities to use.

Kevin Gerard [KG] reminded the Committee that the number of members expected to receive an addition to their pension is very low. So managing member expectations is very important.

David Murphy [DM] asked if the 1 October 2023 date is moveable. JD confirmed that the date is in primary legislation so cannot be moved.

Tax rules for McCloud remedy laid

HMRC recently consulted on how pension tax will apply to members protected by the McCloud remedy. 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.

Consultation on changing the annual revaluation date

On 10 February, DLUHC, issued a two-week consultation on changing the annual revaluation date in the LGPS from 1 to 6 April. The aim is to remove the impact of inflation on the annual allowance calculation.

Whilst the LGA agrees with the policy, the timing is unfortunate with so much already going on in the sector. Software suppliers have confirmed they will not be able to make the changes in time for the 1 April, so some manual calculations will need to be done in the interim.

GG asked that LGA's response to the consultation mention the administrative impact and how the timing of the change will impact on other work eg McCloud.

JF asked if realigning the revaluation date with the tax year will have an impact on employers' accounts - LB confirmed it will not.

Pensions dashboards

On 24 November 2022, the Pensions Regulator (TPR) launched a consultation setting out how TPR expects scheme managers to comply with the dashboard legislation and what the implications are if they don't. The secretariat has now responded to the consultation on behalf of the LGA and LGPC. The response highlights two risk areas not covered in the consultation:

- that compliance is reliant on employers supplying data in a timely fashion
- the ability to recruit staff to deal with the inevitable increase in queries when dashboards go live.

6. SAB UPDATE [E&W]

JD presented the key points from paper C.

Section 13 Report recommendations

The Government Actuary Department [GAD] undertake a statutory review of fund valuations every three years. In their report, GAD recommend SAB work with funds to establish a consistent approach to academy conversions. SAB has set up a working group to produce guidance.

Cost Management Committee

HM Treasury's response to the consultation on the discount rate methodology for public sector pension scheme (SCAPE rate) is still awaited. The consultation took place in summer 2021. No change to the methodology is expected; however, a change to the SCAPE rate is expected to be announced in March, alongside the spring budget.

DLUHC issued a consultation on reforming SAB's cost management process.

Gender Pensions Gap

SAB commissioned GAD to do an analysis of the gender pensions gap in the 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 gap appears to emerge at the point that women take career breaks (in their 30s and 40s). The LGPS is pioneering this work in public sector pension schemes which means the cost is significant. The cost management committee will recommend that the Board publish the initial findings and give approval for GAD to do further analysis to investigate what accounts for the differential outcomes.

Survey of opt-outs

SAB conducted a survey late last year to find out if the number of opt outs has increased due to the cost of living crisis. The data received was not consistent and no conclusions were able to be drawn. The SAB recognises it could improve how the data was requested and that software suppliers should be involved. Anecdotal evidence is that the number of opt outs has increased but this cannot be evidenced

by the data the SAB has received from funds. The survey will be rerun taking into the learnings from the first exercise.

Investment Committee

The investment committee has approved proposals to improve awareness of the investment cost disclosure system which has been in place for a few years. Software changes to the system are going live this week. Awareness and training sessions will take place later in year.

DMc offered his support in raising awareness with funds about the investment cost disclosure system and the code of transparency. He can do this in role as chairman of the Local Authority Pension Fund Forum (LAPFF).

The investment committee also agreed to look at the issue of Sharia compliance in the LGPS after the legal advice issued in 2021. More specific evidence/advice is needed. SAB will procure for an Islamic scholar to review the Scheme and provide a view about whether it is Sharia compliant.

Compliance and Reporting Committee

The Minister has now responded to SAB's letter on delays to the external audit of pension fund accounts. He is sympathetic to SAB's recommendation on separating pension fund accounts from the main authority accounts. He has asked his officials to explore this further. The change will require a change to primary legislation. This is only an issue for England.

There are continuing conversations with auditors and actuaries due to changes in auditing standards. In the past auditors were more able to accept valuations from the actuaries; however, changes in standards mean this is no longer possible in all cases. There are particular issues with employers that have different financial years eg academies.

Coming consultations on investment issues.

We expect a Government Bill on boycotts, divestments and sanctions (BDS) imminently.

We also expect a consultation on pooling shortly. Royal Borough of Kensington and Chelsea (RBKC) recently consulted on leaving the London CIV. If they decide to leave, it could potentially undermine the Government's policy on pooling and have a ripple effect.

GG expressed a concern that the funds that have complied with the Government's pooling policy could now be punished for those that have not, if DLUHC takes a harsh line.

Good Governance Action Plan

We expect a consultation on amendments to the 2013 regulations to happen later this year.

Survivor Benefits and Death Grant Entitlement

We are still waiting for a consultation on the changes to remove the upper age limit for death grants and for the Goodwin case to be implemented.

7. REGULATION UPDATE SCOTLAND

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

Changing the annual revaluation date

SPPA will follow England and Wales and hope to publish a consultation soon.

Section 13 report

There has been a slight delay in GAD publishing the report.

8. REGULATIONS UPDATE NORTHERN IRELAND

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

LGPS regulations

It is likely that the McCloud remedy will be implemented retrospectively in Northern Ireland as the Department for Communities is waiting for DLUHC to produce its regulations first.

Northern Ireland has its own Public Service Pensions Act. Trade unions negotiated a clause that requires the Department of Finance to undertake a review of the application of the Act every two years because of concerns around pensionable age. The latest review concluded there is not enough data to draw any conclusions.

The Department for Communities is also looking at moving the annual revaluation date from 1 to 6 April; however, unless the regulations can be made by negative resolution the change cannot be made as there is no assembly.

The Scheme Advisory Board is due to meet before the end of March.

9. TECHNICAL GROUP UPDATE

Kevin Gerard [KG] presented the key points from Paper F that had not already been covered in the meeting.

McCloud remedy

All funds are progressing well with data collection. Technical Group will work closely with the LGA to manage member expectations and avoid manual calculations.

DLUHC update

Some queries raised with DLUHC remain outstanding. Alan Wareham [DLUHC] will provide a full update at the next technical group meeting in March.

Change to the annual revaluation date

Technical group will seek assistance from LGA to produce central communications to explain the change to members.

Pensions dashboards

Each regional group gives an update on progress made by the funds in their region. Most funds in the London group do not provide an update which is disappointing.

Prudential performance

Some issues are still ongoing but this is being monitored by regular meetings with Prudential.

National LGPS Frameworks is setting up a framework for AVCs.

10. TRAINING AND CONFERENCE UPDATE

Elaine English [EE] presented the key points from Paper G.

Annual conference

JF attended the recent LGA Governance Conference in Cardiff and commented on how well attended it was, with more younger members attending.

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.

EE reiterated that LGPC elected members are offered a complimentary place.

Employer and administering training

The 2023 training programme was published in November. Aggregation and survivor benefit training sessions are being run online and face to face. Online training continues to be most popular. We cap bookings to a maximum of 5 delegates per authority. Employer training is running throughout the year to meet demand.

The LGA has agreed to investigate the feasibility of facilitating a pensions qualification.

Fundamentals 2023

Provisional dates for the 2023 training have been agreed. We will be delivering the training in London, Manchester and online. We are currently working on the programme and aim to open the courses for booking following the May elections.

11. ANY OTHER BUSINESS

JF noted that this will be the last meeting for Alan Waters [AW] as he will be standing down at the May elections. JF thanked AW for his service to the LGPC as well as his many years of service to Norfolk Pension Fund. The Committee wished him well and expressed their thanks for his valid contributions over the years.

AW commented that it has been a pleasure to be a part of the LGPC and the wider LGPS community.

The Committee also noted that Bob Holloway from the LGA's SAB will also be retiring at the end of February.

12. DATES OF NEXT MEETINGS

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