

## **Paper A: Minutes of meeting held on 22 May 2023**

### **PRESENT**

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

### **Secretariat**

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

### **1. INTRODUCTION FROM THE CHAIR**

The Committee noted that Cllr Richard Wenham [RW] would Chair the meeting as Cllr John Fuller [JF] was abroad on business and attending virtually.

### **2. APOLOGIES**

Apologies were received from Cllr Eddie Reeves, Cllr Doug McMurdo, and David Murphy. Cllr Alan Waters and Cllr Oliver Ryan both stood down at the May elections, which meant there was only one Labour representative available for the meeting. The Labour group was not able to provide any substitutes.

All political groups will review their nominations for the Committee with effect from September.

No declarations of interest were declared.

### **3. MINUTES**

The minutes of 20 February 2023 were agreed.

### **4. MATTERS ARISING**

Lorraine Bennett [LB] informed the Committee that five LGPC subscriptions for 2022/23 remain unpaid. There have been significant teething problems with the new finance system introduced by the LGA last September. This has meant the finance team has not been able to chase invoices or obtain an accurate report of non-payers until recently. The Committee agreed to review the position at the meeting.

Cllr Phil Murphy [PM] commented that it is clear from the minutes and meeting papers that there are multiple delays in delivering policy at DLUHC. He asked if there was a specific reason for this. LB informed the Committee that the Department has previously experienced staff shortages but is now fully staffed. It appears Government is reluctant to legislate for policy changes unless absolutely necessary – this has caused delays and will lead to inconsistencies of approach across administering authorities.

Rachel Abbey from the LGPC Secretariat has been unofficially seconded to DLUHC for five months to help deliver the McCloud remedy. The Committee is concerned that the LGA has received no compensation for the unofficial secondment. The LGA should not be funding civil service work. The Committee acknowledged the pressure to deliver the McCloud remedy. Alan Wareham [AW] agreed to take the matter back as a priority to the Department to discuss any recharge/compensation.

### **5. LGPC BUDGET**

LB presented the key points from confidential Paper B.

The Committee approved:

- an increase of five per cent to the LGPC subscription charge for 2023/24. The increase is to help meet the increase to staffing and expenditure costs.
- The recruitment of a new member of staff.

The funding for the new member of staff will be partly met by the reallocation of Joanne Donnelly's [JD] salary and the increased training income the post will generate. JD's salary has been reallocated to reflect the time she spends on SAB and firefighter's pension scheme work.

The new member of staff is needed to meet the high demand for administrator training and for succession planning. Karl White who delivers most of the administrator training is reducing his hours from April 2024 and retiring in April 2025.

LB confirmed that the reserves would still cover the termination costs if the £95k cap were introduced.

There is a projected deficit for the 2023/24 year due to spending on McCloud communications and a new administrator website to meet accessibility requirements. Funding for these projects will be partly met by reserves. The planned in-year deficit will not occur going forward – the budget will be balanced following the completion of these major projects.

## **6. REGULATIONS UPDATE ENGLAND AND WALES**

LB presented the key points from Paper B.

### **McCloud update**

LB informed the Committee that DLUHC has now published their response to the 2020 underpin consultation. The Government will proceed with extending the underpin protection to younger members to remove the unlawful age discrimination identified in the McCloud judgment.

There will be a further consultation in the Spring on areas where the policy has not been decided on. These include flexible retirement, aggregation, compensation, interest, and excess teacher service.

The consultation will run for six weeks. The final regulations will be laid in September and take effect from 1 October 2023. The Minister has pushed back on the aggregation policy proposed in the further consultation. This could cause delays.

### **McCloud – Judgment on cost cap mechanism handed down**

The High Court ruled on 10 March 2023 that HM Treasury's decision to include McCloud remedy costs in the cost cap mechanism was not unlawful. Unions are seeking permission to appeal. A summary of the judgment will be published on the SAB website in due course.

### **Data issues guidance**

On 3 March 2023, the Secretariat published guidance setting out the options administering authorities can consider if they are unable to collect data they need to

implement the McCloud remedy. The guidance should be read in conjunction with legal advice provided by Eversheds.

### **TPS McCloud remedy and the LGPS**

The Secretariat continues to contribute to a working group set up by DfE to define a process for teachers who become retrospectively eligible for the LGPS as part of the McCloud remedy in the Teachers' Pension Scheme (TPS).

DfE estimate there could potentially be 18,000 teachers in scope. This includes a mixture of active, deferred and pensioner members.

Progress on developing a process is slow. The Secretariat is waiting for DfE to verify the next steps.

Kevin Gerard [KG] asked whether LGPS records would need to be set up for teachers who elect to transfer the membership back to the TPS. LB confirmed this would be the case. This was raised with DfE and HM Treasury when the policy was being developed.

### **Commentary on tax rules for McCloud**

The Secretariat produced a commentary for administering authorities on this legislation. The regulations aim to ensure that people who are impacted by McCloud remedy are not adversely affected by the existing tax framework.

### **Annual revaluation date change**

DLUHC has introduced legislation to change the revaluation date in the LGPS from 1 to 6 April. The change was introduced to align the inflation used in annual allowance tax calculations with the increase that applies to active LGPS pension accounts.

Protections were put in place so that no pensioners would be made worse off by the change. The Secretariat produced a special bulletin on the change for administering authorities. It has received very few queries on the change.

### **Pension dashboard: delay to connection deadline**

On 2 March 2023, the Government issued a written ministerial statement announcing it will legislate to amend the timing of pension schemes' connection deadlines. The first connection was due on 31 August; however, the Government has stated it will need more time to deliver the project. The Pensions Regulator is urging schemes to still continue with preparations to be dashboard ready. It is not clear if the connection

deadline for public service pension scheme will change, given it was already put back due to McCloud.

### **Backdated pay award FAQs for employers**

The Secretariat has published FAQs for employers on backdated pay awards.

### **SCAPE discount rate and impact on actuarial factors**

On 30 March 2023, the SCAPE discount rate reduced. The SCAPE discount rate is used to set actuarial factors across all public service pension schemes and to set the employer contribution rate in the unfunded public sector pension schemes.

Some transfer calculations were suspended pending new factors. This creates a backlog of cases. DLUHC aim to issue revised factors in four batches over the coming months. The provision of factors is taking longer than it has done when the SCAPE rate changed previously.

## **7. SAB UPDATE [E&W]**

JD presented the key points from paper D.

JD informed the Committee that there are continued delays to:

- the consultation on pooling, levelling up and the CMA order
- the consultation response on climate risk reporting.

The earliest date the climate risk reporting regulations are now expected is 1 April 2024. This is two years after large private section pension schemes were obliged to report. DLUHC has appointed a new member of staff to look at the responses which will be both technical and of high volume.

The boycotts, divestment and sanctions bill remains imminent. This could potentially be controversial in the sector; the Secretariat will produce a detailed briefing for interested parliamentarians.

### **Good Governance**

The SAB's good governance action plan was sent to DLUHC in February 2021. It is now hoped that consultation will begin by the end of the year; however, there is little appetite for regulation changes at DLUHC. The SAB hope that a knowledge and understanding requirement for pension committee members is introduced as a minimum.

## **Transport for London (TfL)**

There is an exchange of letters in the public domain about the future of the TfL pension scheme. The Government's preferred option for its members to be transferred into the LGPS or for the whole scheme to be absorbed in some way into the LGPS.

This is a politically sensitive, high profile matter which will need to be managed appropriately.

## **Section 13 Report recommendations**

The 2019 review of fund valuations by GAD recommended that a consistent approach to schools converting to academies should be established. SAB set up a small working group to:

- produce guidance
- improve understanding and transparency in the conversion process
- standardise the language used.

The guidance will be published as a stand-alone document on the SAB website once the tripartite (DfE, DLUHC and SAB) advice document on academies has been refreshed.

## **Cost Management Committee – 24 April meeting**

Changes have now been made to the SAB cost control mechanism.

The Board has published an initial analysis from GAD on the gender pension gap in the LGPS. A further report investigating what accounts for differential outcomes will be published soon.

Changes to survivor benefits - a consultation implementing the Goodwin and Brewster cases is long overdue. The recommendation for the removal of the upper age limit of 75 for death grants was declined by the Minister, even though the policy is likely to be subject to a legal challenge. The Minister did not give a rationale for declining the recommendation.

## **Investment Committee – 15 May meeting**

The Board has issued a tender for a report from an Islamic finance and legal scholar to:

- review the Scheme according to Sharia principles, and

- consider whether the LGPS ‘pensions promise’ is of a contractual nature rather than being a financial investment by the member.

The report is expected later in the Summer.

The SAB is running a series of free, in person training sessions on investment cost transparency. The training is aimed at local pension board and committee members, as well as administering authority officers.

### **Compliance and Reporting Committee – 17 April meeting**

A meeting of auditors, actuaries, LGPS practitioners and regulators was held to discuss the challenges being faced on LGPS fund audit. There are delays in signing off accounts, particularly for education employers. The group will meet again in three months’ time.

The Committee continues to develop other workstreams on updating the funding strategy statement and annual report guidance as well refreshing the knowledge and skills framework.

## **8. REGULATION UPDATE SCOTLAND**

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

### **CPI revaluation regulations**

The Scottish LGPS SAB recommended that Scottish Minister move the date that revaluation is applied to CARE pensions from 1 to 6 April each year. A short consultation from 14 to 27 March was issued which had received positive results. It is expected that regulations will be laid in June.

### **McCloud Remedy update**

Scotland will be following DLUHC draft regulations but will look at the scheme differences. It is hoped that the regulations will be made in October.

### **Independent Review of Adult Social Care in Scotland**

The First Minister announced the Adult Social Care review on 1 Sept 2020. The review concluded at the end of January 2021. The Bill sets out a framework for strengthening the adult social care workforce. Deloitte were awarded the contract to look at options for pensions in this sector.

## **Guidance – Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022**

A SAB subgroup has been set up to look at the guidance on employer flexibility changes issued in England and Wales. The Scottish SAB aims to produce similar guidance for Scottish administrators. The working group will report back to SAB.

### **9. REGULATIONS UPDATE NORTHERN IRELAND**

The Committee noted the key points from paper F.

JD commented that it was positive that the SAB has met after a long gap.

### **10. TECHNICAL GROUP UPDATE**

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

#### **McCloud remedy**

All funds are progressing well with data collection and rectification. There are concerns about manual input and the readiness of pensions software when the legislation is effective from 1 October 2023. KG thanked the LGA for their work on McCloud.

#### **DLUHC update at the last technical group meeting**

DLUHC has not provided requested updates on certain policy matters eg a response is still awaited to the request made four years ago on the removal of the five-year time limit for the payment of a post 2014 refund.

#### **Prudential performance**

Some improvement has been seen in the level of service; however, communication is still not at the required standard. PM commented that Prudential's performance may improve if there were more AVC providers in the market. The National LGPS Frameworks is in the process of developing an AVC framework which should help with this.

### **11. TRAINING AND CONFERENCE UPDATE**

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

#### **Employer and administering training**



The administrator training announced in the 2023 training programme has sold out. Feedback is good.

The employer role courses are being run monthly until November and these are selling well. The waiting list has been cleared.

### **Fundamentals 2023**

Fundamentals is being held in Manchester, London and online in 2023. All courses are now open for booking. After analysing feedback from the last year's online course, we have decided to run the online version over two half days.

### **Annual Conference**

Next year's conference will offer online and in-person attendance again. It will be held at the Principal Hotel, York on 18-19 January 2024. The programme is currently being worked on and it is hoped that bookings will be open in July.

EE reiterated that LGPC elected members are offered a complimentary place on the fundamentals training and at the conference. If any members are interested they should contact Elaine directly.

### **Apprenticeships and qualifications**

The LGA surveyed administering authorities about the desirability of an LGPS specific apprenticeship and/or qualification. The LGA is currently discussing the viability of these options with potential providers.

## **12. ANY OTHER BUSINESS**

LB asked the Committee if they would be happy for an attendance list to be published online and fed back to the LGA's political groups. Cllr Bev Craig had assumed that attendance reports were already provided to the political groups and agreed it is good for transparency. The Committee agreed.

LB asked the Committee if they would be happy to move to three meetings a year instead of four. It is not possible to spread the current four meetings evenly over the year because of the summer break and subsequent conference season. Moving to three meetings a year would keep the LGPC meetings in line with SAB meetings as these are going to change also. Cllr Keith House agreed with the caveat that additional meetings should be held where necessary. The Committee agreed to this change.

## **13. DATES OF NEXT MEETINGS**

**TBC**