

# LGPC MEETING – 4 December 2023

## Meeting agenda

<b>Item</b>		<b>Timings</b>
1	Election of new chair and welcome to new members	11:00
2	Apologies for absence and declarations of interest	11:05
3	Minutes of meeting held on 22 May 2023 – Paper A	11:10
4	Matters arising	11:15
5	Regulations update for England and Wales – Paper B	11:20
6	SAB update for England and Wales – Paper C	11:35
7	Regulations update for Scotland – Paper D	11:50
8	Regulations update for Northern Ireland – Paper E	12:00
9	Technical Group update – Paper F	12:10
10	Training and conference update – Paper G	12:20
11	Any other business	12:25
12	Dates of future meetings 11 March, 22 July and 25 November	12:30

## **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 sector 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**

DRAFT

# Paper B – England and Wales update

## Key points to note

- McCloud remedy legislation took effect from 1 October 2023
- Connection deadline for pension dashboards expected to be September 2025
- Government has set out plans on abolishing the lifetime allowance from April 2024.

## Decisions

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

## LGPS statistics for 2022/23 published

On 25 October 2023, the Department for Levelling up, Housing and Communities (DLUHC) published the [LGPS statistics for England and Wales: 2022 to 2023](#).

Highlights include:

- total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
- total income was £17.3 billion, an increase of 8.5 per cent on 2021/22
- employers' contributions amounted to £8.4 billion, an increase of 7.8 per cent on 2021/22
- employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
- the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
- there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

## McCloud update

On 8 September 2023, DLUHC laid [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#), which took effect from 1 October 2023.

The regulations implement the McCloud remedy by removing the discrimination identified in the McCloud case. The Court of Appeal found that the protections

provided to older members, when public service pension schemes were reformed in 2014 and 2015, had unlawfully discriminated against younger members on grounds of age.

The amendment regulations extend underpin protection to younger members and change the existing underpin to make it work more effectively and consistently for all protected members.

LGPS administering authorities will need to provide underpin protection to qualifying members of all ages from 1 October 2023. They will also need to check past calculations for events that happened between 1 April 2014 and 30 September 2023.

### **Prioritisation policy**

To encourage a broadly consistent approach, DLUHC has issued guidance for administering authorities on how to prioritise McCloud work. The prioritisation policies are not final – they will be discussed with the McCloud guidance working group and consulted on early in 2024.

### **Statutory guidance**

DLUHC has set up a McCloud guidance working group to decide what other statutory guidance is needed. This group is made up of LGPS administrators, actuarial advisers, SPPA, the LGA and GAD.

We expect this guidance to cover areas like compensation, the complexities of past transfers out, identifying members in scope and governance of the McCloud project at the local level.

GAD is currently updating actuarial guidance to reflect the changes and DLUHC / SPPA will publish this as soon as it is available. We understand it is prioritising the guidance notes on early and late retirements and transfers. Some transfer calculations are currently on hold.

### **McCloud administrator guide**

We have published a [McCloud guide for administrators](#) which explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.

We are releasing the guide in instalments due to the breadth and complexity of the McCloud remedy project and because we are still waiting for guidance in some areas. We aim to publish the next instalments in early 2024.

We are running two McCloud webinars in December. The webinars will provide administrators with an opportunity to ask us any questions you have about the guide and the McCloud remedy more generally.

### **Communicating with members**

The changes made to the LGPS regulations for McCloud constitute a material change to the Scheme's rules. This means administering authorities will need to communicate the change to all members who may be affected by 31 December 2023.

The LGPC secretariat has provided template disclosure wording to help them meet this requirement. We have also provided:

- dedicated areas of the member website ([www.lgpsmember.org](http://www.lgpsmember.org)) including information about the McCloud remedy, a video, examples of how different members are affected, frequently asked questions and an interactive tool for members to find out if they are affected
- a member factsheet in Word format that authorities can edit and adapt for their own use
- template paragraphs to add to existing member letters outlining how the McCloud remedy affects the calculation
- templates of new letters that will be needed for members affected by the McCloud remedy who have already left the LGPS.

You can view the template wording and letters, and member factsheet on the administrator [guides and documents page](#) of [www.lgpsregs.org](http://www.lgpsregs.org). Filter on 'McCloud' as the subject.

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

The LGPC secretariat continues to work with a 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.

The group is currently working on the data collection and transfer process to enable LGPS administering authorities to create pension records for the affected teachers. DfE has estimated that approximately 18,000 teachers are in scope. These will be a mix of active, deferred and pensioner members.

## **Pensions dashboards**

### **Connection deadline**

In March 2023, the Government announced it would be amending the timing of pension schemes' connection deadlines. It confirmed that more time is needed to deliver the project and for the pensions industry to help facilitate the successful connection of a wide range of different IT systems to the dashboards digital architecture.

At a recent connection forum, DWP announced it will confirm the revised connection deadline for public service pensions schemes in early 2024. We expect it to be September 2025.

### **Connection guide**

The LGPC secretariat has published a [draft LGPS Pensions Dashboards connection guide](#). The guide will be finalised after the Money and Pensions Service (MaPS) has published guidance confirming schemes' connection deadlines and a final internal review.

The guide sets out the steps authorities should take to connect to the dashboard ecosystem – including statutory timings and our recommendations on timings that are not prescribed. These are summarised in a 'Preparing to connect checklist'.

At its meeting of 29 September 2023, the National LGPS Technical Group [agreed to establish a sub-group to look at AVCs and dashboards](#). The sub-group will work with all ten LGPS AVC providers to establish common approaches on matching and providing value data.

## **Abolishing the Lifetime Allowance**

On 12 September 2023, we responded, on behalf of the LGPC and the LGA, to the policy paper from HM Revenue and Customs (HMRC) on abolishing the lifetime allowance (LTA).

The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released [draft legislation and a policy paper](#) on 18 July 2023 to achieve this.

In [our response](#), we stated:

- the proposals do not simplify the pension tax regime for the local authority workforce and other LGPS employers
- the limit for tax free pension commencement lump sums should go up with inflation (instead of being frozen)
- it will be difficult to obtain information about lump sums paid previously because this information is not currently needed
- there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy
- it will be tough to explain the changes to members as the policy, in our view, is confused and unclear.

## **New resources for employers**

### **Ill health bite size training**

In August we published ill health retirement bite-size training for employers. The training is free and interactive. It covers the ill health retirement process, including the criteria, decision-making process and benefits payable. There are separate courses covering active and deferred members. Text only versions are also available.

You can find the training on the [employer bite-size training page](#) of [www.lgpsregs.org](http://www.lgpsregs.org).

### **Strike action FAQs**

In August we also published employer and member frequently asked questions about strike action. The FAQs cover the common questions asked when LGPS members take strike action. You can access the:

- employer FAQs on the [employer guides and documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org)
- member FAQs on the [frequently asked questions](#) page of [www.lgpsmember.org](http://www.lgpsmember.org).



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# Paper C – Scheme Advisory Board update

## Key points to note

The Board continues to engage actively with the government to represent the views of LGPS funds and wider stakeholders. We are preparing advice on issues arising from the current surplus situation in line with our statutory duty to promote the effective administration and management of the Scheme. The Board also continues to bring together different stakeholders on key issues of interest to identify best practice and encourage collaboration across the scheme, eg in relation to the proposed new climate risk reporting duties.

## Decisions

None – this paper is for information only.

## Summary

The Scheme Advisory Board (SAB) will be meeting later today. The papers for the Board will be available closer to the date of the meeting [here](#). This paper summarises some of the main issues that the Board is addressing.

## Cost Management Process

### HMT Cost Control Mechanism

GAD are finalising work on the quadrennial HM Treasury process for valuing the scheme. Centrally set assumptions were set out in Treasury Directions in late August, and scheme specific assumptions have been shared with the Board. Priority is being given to completing the valuations in the unfunded public schemes, as the valuations set employer contributions from 1 April 2024. It is expected that there would be draft results for LGPS E&W before the end of the calendar year.

GAD has reported that fund data quality has improved since the 2016 valuation, with only 1 fund's data missing, and 99.3% of the data received passing GAD's reasonability test.

### SAB Scheme Cost Assessment

Assumptions for the SAB process are set by the Board. The Cost Management, Benefit Design and Administration Committee considered draft advice on these from GAD at its meeting on 30 October. The key assumption is around the discount rate,

and whether this should be based on GDP growth (SCAPE) or the average discount rate used by funds (largely based on predicted investment returns). Final advice will be put to the SAB meeting on 4 December and the results should be available broadly alongside those of the HMT mechanism.

## **Administration and Governance Issues**

### **Gender Pensions Gap**

The GPG working group met for the first time on 9 October to discuss ways to address the disadvantage identified in the reports produced for the Board by the Government Actuary's Department. The group included actuaries, fund, employer and member representatives. The main issues discussed were how scheme rules potentially contributed to the gap, improvements to employer practice and some work the LGA workforce team are doing to improve access to flexible working opportunities for higher graded posts. A full note of the first meeting is available on the SAB website.

### **Annual Report Guidance**

A Working Group formed by the Board, under the auspices of the Compliance and Reporting Committee, have reviewed the 2019 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the production of Scheme Annual Reports. They have identified numerous changes required to improve the current guidance and bring it up to date. The Board are also liaising with DLUHC to standardise the asset classes used for reporting on investments and progress with pooling. It is hoped that the guidance will be finalised early in 2024 and apply on a voluntary basis from the reporting year 2023/24.

### **LGPS Fund Audit**

The Board has proposed to DLUHC the separation of pension fund accounts from host authority accounts, which would therefore separate the audits. That was accepted in principle but DLUHC legal advice suggested that this would require primary legislation. We had hoped that provision for that would be made in the proposed ARG Bill, but this wasn't included in the King's Speech and so is unlikely to happen this side of a General Election. In the meantime, the Board are working with the ICAEW to procure a short, factual guide that would describe the flow of information between LGPS stakeholders throughout the triennial valuation cycle and the annual IAS19 valuation cycles. This would enable the various parties (funds, employers, actuaries and auditors) to understand who held what information, how it

was being relied on, for what purpose and what assurance could be placed upon it. It is hoped that this will be available in time for the preparation of 2023/24 accounts.

## **Investment Issues**

### **Economic Activity of Public Bodies (Overseas Matters) Bill**

The Government introduced the Boycotts, Divestment and Sanctions Bill into Parliament in June. The Bill had its reporting stage in the House of Commons in October and all amendments defeated, including those that the Board were supporting. A “carry over motion” was passed that means while it wasn’t referred to explicitly in the Kings Speech it will continue through Parliament in the new session. A further Third Reading is being scheduled and it will then go to the House of Lords where we expect some of our suggested amendments to get more traction.

The Board has expressed technical concerns around the drafting of the clauses, particularly around how the exemptions work, how enforcement will be managed and the potential chilling effects on funds wider stewardship role. However, the Government does seem to have moved on the question of whether the Bill would prevent councillors from being able to have full discussions around these issues in Committee meetings – the Minister has said on the record that the Explanatory Notes will be amended to be clear that the restrictions on expressing opinions only apply to statements made on behalf of the administering authority, not personal views expressed at Committee meetings.

### **Climate Risk Reporting**

DLUHC have still to issue the response to the consultation that closed in November of last year. We are expecting a consultation on draft regulations as the next stage but it is still uncertain as to when this will happen or when the proposed changes will take effect from. The Board have impressed on officials the need for a proper lead in time for funds to ensure that they have access to the necessary specialist advice and contracts in place to ensure that they receive the data they need. We are working with a network of responsible investing experts to pull together some training materials and template documents to assist funds wanting to report voluntarily or get ready for the new duties.

### **Pooling Consultation**

The DLUHC consultation which closed on 2 October included proposals in a range of areas, including; setting a target date for the migration of all listed assets to pools, a proposed move to fewer pools (with a target size of £50bn), a requirement for funds

to have a plan to invest up to 5% of assets to support levelling up in the UK and a proposal for funds/pools to dedicate 10% of assets to private equity investments. The [SAB response](#) comprised detailed points as well emphasising our general view that we need to move forward from where we are, not look back or jump two steps ahead. We urged government to shift their focus more to getting the governance and dynamics right – both within funds and pools. That would be more productive than setting a deadline for the transfer of listed assets or threatening to issue directions for those funds failing to comply.

### **Sharia Compliance in the LGPS**

The Board has commissioned a report after receiving Counsel advice on whether the failure by employers to offer a sharia-compliant version or alternative to LGPS comprised unlawful discrimination. We were also concerned that some funds had reported anecdotal evidence of higher opt out rates amongst Muslim employees. In line with Counsel's advice, we have commissioned a detailed report by a respected Islamic scholar to consider whether there is any contradiction between the principles of sharia law and membership of the Local Government Pension Scheme for a Muslim local government employee in the UK. The report, which will be published shortly, will also consider the governance and investment practice of the Scheme.

### **Surpluses**

A working group met on 4 October to consider the impact that the scheme and so many funds being in surplus. The average funding level of LGPS funds has improved from 98% in 2019 to 107% at 2022 (on local funding bases), with all funds reporting an improvement in their position since 2019. The group considered the implications that this ought to have on employer contributions (including when it is appropriate to set negative secondary contributions), the impact on investment and funding strategies and how best to communicate the implications of being in a surplus position to employers and member representatives. A full note of the meeting is on the Board's website.

The Board will be agreeing a statement of its position on these questions at its meeting later today.

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LGPC Meeting – 4 December 2023

Agenda Item 6

Page - 4

# Paper D – Scotland update

### Key points to note

1. CPI Revaluation Regulations expected December and backdated to 31 March 2023.
2. The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. The regulations came into force on 1 October 2023.
3. SPPA has agreed to introduce legislative amendments and statutory guidance to bring the Scottish LGPS Regs in line with the position in E&W – expected Spring 2024
4. SPPA have joined the working group set up by DLUHC to discuss guidance may to support the McCloud remedy regulations.
5. Transfers for members protected by the McCloud remedy are suspended until further notice.

### Decisions

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

#### 1. CPI Revaluation Regulations

1.1 After consulting stakeholders earlier this year, Scottish Ministers agreed to move the date that revaluation is applied to CARE pensions from 1 April to 6 April each year to align the rate of CPI used in both calculations.

1.2 Also, in response to representation from fund authorities and their actuaries, Scottish Ministers undertook to make amendments to 60-61A to ensure they work as intended and to avoid unintended consequences. This resulted in a delay to the revaluation regulations.

1.3 The amended regulations will be made, as consulted on, and are currently with the Scottish Government's legal department for checking and styling before being laid. We expect these regulations to be laid in December 2023.

1.4 The regulations will apply retrospectively from 31 March 2023.

## **2. McCloud Remedy Regulations**

2.1 The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. The regulations came into force on 1 October 2023.

2.2 The regulations implement the McCloud remedy and amend the underpin rules to ensure that they work as intended.

2.3 Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 and makes relevant changes to the LGPS (Scotland) Regulations 2018.

## **3. Exit Credits**

3.1 Exit credit payments were introduced for the Scottish LGPS in 2018. Based on the wording of the legislation, the exiting employer has an automatic entitlement to be paid the exit credit by the administering authority (AA).

3.2 The provisional results from the 2023 triennial valuations show that the funding position of LGPS funds has improved significantly and we have been made aware of admission bodies who previously had significant deficits in June 2021, but exited an LGPS fund in the first half of 2023 with surpluses that required an exit credit to be paid.

3.3 In E&W provisions allowing for certain factors to be taken into account when assessing whether there is an exit credit and the amount of any exit credit were later included in amending regulations and statutory guidance.

3.4 SPPA has agreed to introduce legislative amendments and statutory guidance to bring the Scottish LGPS Regs in line with the position in E&W.

3.5 We expect that these amendments will be made in Spring 2024.

## **4. McCloud Guidance**

4.1 Colleagues from the Department for Levelling-up, Housing and Communities (DLUHC) have set up a working group to discuss areas where guidance may be needed to support the McCloud remedy regulations.

4.2 LGA circulated the [initial prioritisation policy](#) for remedy cases on 16 October. This policy will also be discussed further at the McCloud guidance working group and consulted on before a final version is issued early next year.

4.3 Following the working group's initial meeting, DLUHC intend to circulate a draft of statutory guidance for the LGPS in E&W for views and comment. Scottish Ministers intend that once this guidance is finalised, it will also apply in Scotland.

## **5. GAD Factor review**

5.1 In March 2023, HM Treasury reduced the SCAPE discount rate from CPI + 2.4% to CPI + 1.7% to take into account long term GDP growth figures.

5.2 The combined effect of these changes had a material impact on the majority of actuarial factors in force for the Scottish LGPS . GAD therefore recommended that all factors be reviewed. That review has now been completed and the last batch of new factors were shared with administering authorities on 3 October 2023. GAD are currently reviewing their guidance, as a result of these factor changes.

5.3 There will be changes needed to the calculation and information to be exchanged when a member, protected by the McCloud remedy, transfers between Club Schemes. The Club memorandum has been updated to reflect these changes and we anticipate further guidance from GAD. In the meantime, in line with other schemes, these transfers are suspended until further notice.

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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.

## Northern Ireland LGPS Regulations

The Department for Communities issued a consultation on the McCloud remedy on 27 July 2023 with a closing date for responses of 1 September 2023. The draft regulations mirrored those in England and Wales.

The regulations were made on 27 September 2023 and came into operation on 1 October 2023. The Department has yet to publish its response to this most recent consultation or the previous McCloud consultation in 2020/21.

## Economic Activity of Public Bodies (Overseas Matters Bill)

On 19 June 2023 DLUHC introduced [the Economic Activity of Public Bodies \(Overseas Matters\) Bill](#). The Bill sets out to, in the view of the Government, prohibit public bodies from imposing boycotts, divestments and sanctions against countries or territories where such measures would be inconsistent with UK foreign policy. The Government believes that public bodies should not be pursuing their own foreign policy, and there should be one coherent policy across the whole of government. The Bill is UK wide and will apply to public authorities in England, Wales, Scotland and Northern Ireland and specifically includes the Local Government Pension Scheme.

The fact that the Bill applies to the Northern Ireland LGPS was a surprise. Legislation on boycotts was expected as a clause was added to, what became, the Public Service Pensions and Judicial Offices Act 2022 giving the Minister power to issue

guidance or directions on investment decisions in light of UK foreign or defence policy. Whilst the Act applies to Northern Ireland that particular clause (the Jenrick amendment) did not apply because no legislative consent motion was received from the NI Assembly before its collapse. It would appear that the Government has decided that a separate Act is needed so as to include all public bodies (including Councils) as well as the LGPS.

The Bill is of concern to the Northern Ireland LGPS due to its requirement to take Environmental, Social and Governance (ESG) issues into account when making investment decisions. Therefore NILGOSC, the Scheme Manager, made a submission to the parliamentary scrutiny committee that was considering the bill setting out its concerns.

### **Governance**

The Scheme Advisory Board met on 23 October 2023 and discussed the Cost Cap Valuation 2020, the change to the Annual Revaluation date and the McCloud Remedy.

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# 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 meeting of 29 September 2023

### McCloud remedy

Each fund is asked 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)

## **DLUHC**

DLUHC confirmed they are still deciding whether to take forward the change request in respect of the treatment of inward transfers from the EEA along with the change to remove the age 75 limit for death grants.

A consultation in respect of forfeiture regulations will be included in the consultation for survivor benefit reforms. Alan stated that DLUHC do not have resources to look at the outstanding queries in respect of pre and post 2014 aggregation and concurrency as well as using AVCs to purchase additional pension for deferred members. These will be looked at when resources are available.

## **Scheme Advisory Board (SAB)**

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

## **Pension Dashboards**

Technical Group was updated by individual software suppliers on the progress they have made towards meeting statutory requirements. The next survey will be issued in October 2023 for discussion at the December Technical Group meeting. AVCs were again discussed and how a consistent method of providing data to members could be agreed. A subgroup was created to focus on this specific area. Each POG will collate the number of active and deferred members with each AVC provider they have.

A meeting with the Pru was scheduled for 18 October 2023 and feedback will be provided at the December meeting. Following feedback at the meeting, Technical Group will decide if there is a need for the meetings to continue.

## **Transfers**

The LGA updated the group on progress made on the non-club transfer out guide. Technical Group discussed the use of 'e-signatures' via online portals for interfunds. The group unanimously agreed that elections by 'on-line' portals with the generic statement should be accepted.

## **Annual report KPIs**

The LGA presented the proposed range of KPI comparators in the LGPS. A subgroup of Technical Group met and suggested the appropriated start and end

points for the KPIs listed in the CIPFA annual report guidance. Additional KPIs were also included for discussion and agreement. The suggested start and end points were again discussed by Technical Group and it was determined that this must be agreed at each POG prior to the December meeting. A session will also be held focusing on KPIs at the annual Pensions Manager Conference. The indicative live date for National KPIs is April 2024.

### **Qualifications**

The LGA provided an update to the group and confirmed that the LGA are talking to PMI about LGPS specific qualifications and that this will be discussed at the Pensions Managers conference. A working group will also be created to ensure the qualification meets the needs of all stakeholders.

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# Paper G – Training and conference update

## Decisions

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

## Fundamentals Training

Our 2023 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, Manchester and online.

We have approximately 116 delegates booked over each of the three days with over 60 bookings for each of the online sessions. The sessions have been generally well received so far.

## Annual conference

Our annual governance conference will be taking place in York on 18 and 19 January 2024. LGPC elected members were offered complimentary places. As at 21 November, we have 108 in person and 39 online delegates booked to attend. In person places are limited to 112.

## Employer and administrator training

Booking numbers have been very good, although online training continues to prove more popular than our face to face offering. Our [2024 training programme](#) will have been published by the time of this meeting.

The retirements course has been well received by delegates though we are considering adapting this into a two day course as feedback has been that more time on the topics included would be helpful.

## McCloud webinars

Two free McCloud webinars are being run on the 7 and 20 December and these are currently open for booking.

## **Apprenticeships and qualifications**

The LGPC secretariat has been asked to create an LGPS specific apprenticeship and a separate LGPS qualification.

Following a period of research with various training /qualification providers and then consultation with LGPS administering authorities, we propose to:

- signpost to information on how the current generic pension administration apprenticeship works
- provide access to a level two generic pension qualification – this is an entry level qualification that will be facilitated by Barnett Waddingham. We plan to run a pilot with 14 students in April 2024
- create a new level three LGPS specific qualification (the equivalent of an A level).

The qualifications will be provided under the Pension Management Institute (PMI) umbrella.

A working group has been set up with representatives from administering authorities to help us. Feedback for the proposal has been positive.

We will develop the LGPS specific qualification over the next year with an anticipated April 2025 launch.

## **New training team staff member**

Recruitment for an additional team member took place in October and Toni Durrant was the successful candidate from a number of appointable candidates. Toni will be joining the LGA from East Riding of Yorkshire on the 27 November and will be helping with the practitioner training programme as well as the LGPS specific qualification.

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