

# LGPC MEETING – 27 September 2021

## Meeting agenda

<b>Item</b>		<b>Timings</b>
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 10 May 2021 – Paper A	11:05
3	Matters arising	11:10
4	LGPC Budget – Paper B	11:15
5	Regulations update for England and Wales – Paper C	11:25
6	SAB update for England and Wales – Paper D	11:35
7	Regulations update for Scotland – Paper E	11:50
8	Regulations update for Northern Ireland – Paper F	12:00
9	Update from Technical Group – Paper G	12:10
10	Training and annual conference update – Paper H	12:20
11	Any other business	12:25
12	Dates of future meetings	12:30

## **Paper A: Minutes of meeting held on 10 May 2021**

### **Present**

Cllr John Fuller	Chair, LGA
Cllr Alan Waters	LGA
Cllr Richard Wenham	LGA
Cllr Phil Murphy	LGA
Cllr Goronwy Edwards	LGA
Cllr Joanne Laban	LGA
Mr Jeremy Hughes	MHCLG
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Ms Linda Welsh	SPPA
Mr Kevin Gerard	Technical Group representative
Ms Rachel Brothwood	SAB representative
Ms Joanne Donnelly	SAB – Deputy Board Secretary

### **Secretariat**

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Ms Elaine English	LGPC
Mr Jeff Houston	LGPC

### **Non-attendees**

Cllr Adam Paynter	LGA
Cllr Oliver Ryan	LGA

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

The Chair, Cllr John Fuller [JF] welcomed members to the fourth virtual meeting and outlined the importance of the meeting to represent the interests of LGPS Scheme employers. Issues raised by the Committee are fed through to the Scheme Advisory Board that meets directly after this meeting.

## **2. APOLOGIES**

No apologies were received.

No declarations of interest were declared. JF also confirmed that there had been no change to the membership as a result of local elections held on 6 May 2021.

## **3. MINUTES**

The minutes of the previous meeting held on 8 February 2021 were agreed.

## **4. MATTERS ARISING**

No matters arose that are not covered elsewhere on the agenda.

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

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

### **Consolidation of academies**

There are over 9,000 academies in England, many of them operating as part of multi academy trusts (MAT). Some MATs are looking to consolidate all their schools into one LGPS fund by applying to MHCLG for a Direction order.

The SAB considered this issue as part of the academies project. Their conclusion was that it would be too problematic to move all academies to a single administering authority now, with so many already established.

Consolidating academies in a single administering authority could have a significant impact on the cash flow and investment strategy of the former administering authority. The Secretariat has raised these concerns with both MHCLG and DfE.

Cllr Richard Wenham [RW] asked whether DfE would meet any financial shortfall of an academy that fails. Jeremy Hughes [JHu] confirmed that the liabilities of an academy that fails are backed by an HM Treasury guarantee. This has been tested and proven as a small number of academies have failed.

## Exit payment data

Since the last meeting, the Restriction of Public Sector Exit Payments Regulations 2020 have been revoked. The Government remains committed to ending excessively high exit payments in the public sector. In order to develop this policy, the Government will request data from local authority employers about the exit payments they have made since April 2014.

The Secretariat has provided feedback to MHCLG on the draft request for this data. We have requested further clarification on whether employers must provide data relating to the exits of teachers in maintained and other schools under local authority control. MHCLG intends to revise the specification in response to the feedback that they have received. Jeff Houston [JH] stated that MHCLG recognises the difficulties employers will face in obtaining historical records.

JF indicated that the LGPS would be hit disproportionately among public sector pension schemes because we expect the exit payment reforms to limit the amount of strain cost that can be paid when an employee exits. JH confirmed that strain costs in other public service pension schemes exist, but these are less direct and obvious than they are in the LGPS.

## Normal minimum pension age

With the agreement of the Chair, the LGPC has responded to a consultation on increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028. The consultation sought views on the implementation of the increase, not on the policy itself.

The impact of the increase in NMPA on the LGPS will depend on policy decisions made by MHCLG. The response states that the LGPC would not want to see a blanket policy on providing protections to existing members across all public sector pension schemes. The unique nature of the LGPS should be taken into account.

You can read the LGPC response on the [Non-scheme consultations](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

## TPR consultation on new code of practice

The Pensions Regulator (TPR) has launched a consultation on a new code of practice which closes on 26 May 2021. The Committee agreed that the Secretariat should prepare a response on behalf of the LGPC which the Chair approves on the parts of the consultation that cover:

- Administration
- Communication and disclosure
- Reporting to TPR.

JH stated that the SAB Government and Investment Committee will be responding to the remaining questions in the extensive consultation. It is not obvious in the draft code which parts apply to the LGPS. This lack of clarity and the number of questions asked in the consultation are the main reasons why progress on preparing a response has been slow.

### **McCloud age discrimination**

The Secretariat and SAB continue to work with MHCLG, administering authorities and scheme employers on changes to the LGPS regulations to remove discrimination. The Secretariat will also attend meetings with software suppliers to ensure any system changes are appropriate.

We expect a ministerial statement setting out the high-level changes to the LGPS in response to the McCloud judgment later in May. Draft regulations should follow in the Autumn. JHu noted that timings will be affected by the Public Service Pensions Bill, which is expected to be included in the Queen's Speech.

### **New video on transferring out**

The Secretariat has produced a new video in the 'Pensions made simple' series called Transferring your pension. All videos can be viewed on the [Videos page](#) of the LGPS member website [www.lgpsmember.org](http://www.lgpsmember.org).

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

Jeff Houston [JH] presented the key points from paper C.

### **Good governance project**

The Good governance project is now in its fourth year. The time it has taken reflects the unique position of the LGPS and the fact that it is unlike other public service pension schemes. This project considers how the scheme is governed and how those responsible for governance could be supported to achieve the best results.

The SAB has passed its recommendations from the project to MHCLG for consideration. Most of the recommendations require amendments to the LGPS regulations or changes to statutory guidance. The SAB is waiting for a formal response to the recommendations from MHCLG before taking any further action.

JH confirmed that conflicts of interest are very rare in the LGPS; however, there may be additional strain as councils develop their climate change policies. Administering authorities will need support to deliver on their obligations.

Cllr Phil Murphy [PM] reported receiving queries concerning investment in companies based in Palestinian territories and asked whether others had received anything similar. JH is aware of many similar queries being received. The SAB will re-issue the earlier advice that they published on this subject.

JHu reminded the Committee of the Government's manifesto commitment on boycotts 'We will ban public bodies from imposing their own direct or indirect boycotts, disinvestments or sanctions campaigns against foreign countries'.

### **Responsible Investment (RI) project**

The Responsible Investment Advisory Group (RIAG) is made up of representatives from the LGPS and wider pension industry. RIAG has launched the Responsible Investment A to Z to provide information on acronyms, organisations, measures and investment approaches. You can find the latest information on the [Responsible Investment](#) page of the Board's website.

### **Climate risk and reporting**

DWP responded to the January 2021 consultation on 'Taking action on climate risk'. The Government intends to introduce regulations that will require pension schemes to assess and report on the financial risk of climate change in their portfolios.

MHCLG intends to consult on similar regulations for the LGPS later in the year. The obligations could be in force in 2023. There will be differences. Responsibilities will be introduced to private sector schemes on a staggered basis, depending on the size of the scheme. In the LGPS, the rules will apply to all administering authorities when they are introduced. The responsibility for knowledge and understanding is more likely to be collective in the LGPS as opposed to being an individual responsibility as it will be for trustees in the private sector. The Board via RIAG will assist MHCLG to ensure regulations adequately cover the differences in the LGPS.

### **Cost cap and McCloud**

HM Treasury (HMT) has resumed the cost control mechanism associated with the 2016 valuations. HMT will take into account the cost of implementing the McCloud remedy in that process. The McCloud costs will generally be spread over four years, but they may be spread over three years for LGPS Scotland because of the difference in valuation dates. The provisional cost control results indicated that all

schemes breached the cost floor in 2016. The cost increase related to implementing the McCloud remedy may mean that results fall back within the 2% corridor. If the costs do fall within the corridor, there would be no scheme improvements.

The SAB is responsible for a separate cost control process. The Board is due to make a decision on how McCloud costs will be taken into account in their calculations as at 31 March 2016. JF asked why McCloud costs are concentrated into a short period rather than the true longer period over which the costs will arise. JH confirmed that the SAB could choose to spread the cost over a longer period in their cost control process. The Board could also choose to use different assumptions about future pay rises which could mean different results from those returned by the HMT mechanism.

Unions have launched a judicial review, arguing that McCloud costs should not be taken into account in the cost control mechanism.

Preliminary work on the 2020 valuations has started. It is likely that the 2020 valuation will be based on an amended cost control mechanism

## **7. REGULATION UPDATE SCOTLAND**

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

### **Employer flexibilities**

SPPA are looking to introduce further options for employers exiting the scheme similar to those introduced to LGPS England and Wales by the LGPS (Amendment) (No. 2) Regulations 2020. Responses to the consultation have been positive and SPPA intends to proceed with the changes. The SAB will publish guidance to support administering authorities managing exiting employers.

### **Draft Amendment of the LGPS Regulations 2018**

Regulations to introduce the McCloud remedy to the LGPS regulations are expected in 2022. SPPA intends to amend the regulations in advance of those changes to make it clear that actuarial adjustments should be taken into account when operating the current underpin.

### **Cost Cap valuation**

GAD has recommenced work on the 2016 cost cap valuation. HMT has made it clear that the cost of remedy will be included as a member cost and that the costs for remedy period will be factored into the single implementation period of 2017-2020.

## 8. REGULATIONS UPDATE NORTHERN IRELAND

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

### LGPS Regulations

The Department's consultation on the McCloud remedy closed on 31 January 2021. The Department has not yet confirmed when it will publish its response.

The Department is currently drafting changes to the regulations to remedy the Goodwin case, remove the existing rule that the 10-year death grant is capped at age 75 and amend the forfeiture provisions.

### Governance

The SAB met virtually in December and discussed the provisional result of the 2016 cost cap valuation. The provisional results breached the cost floor and would have resulted in benefit improvements. The revised result, taking McCloud costs into account was within the 2% corridor.

## 9. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from paper F, which was presented by Kevin Gerard [KG]

Most of the issues discussed by the Technical Group have already been covered in other Papers.

McCloud continues to be a major concern for administering authorities. They reiterated the need for central guidance on certain issues, such as the approach to take when it is not possible for employers to supply the data the administering authority requires. This will be the case for employers that no longer exist, but could also be an issue for employers who no longer have access to legacy payroll systems.

Technical Group welcomed the data templates produced by the LGA. They are concerned about software development and the ability of administering authorities to upload that data to their systems.

Technical Group is awaiting further guidance on how the final Lloyds judgment and GMP equalisation will impact the LGPS.



## 10. TRAINING AND CONFERENCE UPDATE

The Committee noted the key points from paper G, which was presented by Elaine English [EE]

The Fundamentals programme which is aimed at elected members and others who attend pension Committees and pension boards is being finalised. The venues have been secured. The programme will run over three days at three different venues face-to-face. Delegates will also be able to attend the London events virtually. You can read more about the course in the [Fundamentals Training programme](#).

The dates and venues are shown below. A complimentary place will be offered to members of the LGPC. If you wish to take up this offer please email [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk) with your preferred date and she will book your place.

Postscript: Since the meeting, Fundamentals has been advertised and is live for booking on the [LGA events page](#).

<a href="#">12 October: Day 1 London</a>	Etc Venues – also Hybrid (use code HYB)
<a href="#">21 October: Day 1 Leeds</a>	Park Plaza Hotel
<a href="#">26 October: Day 1 Cardiff</a>	Marriott Hotel
<a href="#">9 November: Day 2 London</a>	Etc Venues – also Hybrid (use code HYB)
<a href="#">18 November: Day 2 Leeds</a>	Park Plaza Hotel
<a href="#">23 November: Day 2 Cardiff</a>	Marriott Hotel
<a href="#">2 December: Day 3 London</a>	Etc Venues – also Hybrid (use code HYB)
<a href="#">8 December: Day 3 Leeds</a>	Park Plaza Hotel
<a href="#">15 December: Day 3 Cardiff</a>	Marriott Hotel.

The 2022 conference will be held at Bournemouth on 20 -21 January. The programme and speakers will be confirmed by the end of June. Again, LGPC members will receive a complimentary place. Please email [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk) if you would like to attend.

Practitioner and employer training for the rest of the year has been agreed and advertised which is proving as ever, very popular with demand outweighing our current resources.

## 11. ANY OTHER BUSINESS

None reported.

## 12. DATE OF NEXT MEETING

To be confirmed.

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# Paper C – Regulation update England and Wales

### Key points to note

- 2020 LGPS Scheme annual report launched
- High Court judgement on exit credits finds in favour of MHCLG
- Responses submitted to consultations on pension scams, TPR's single code, the Pensions Dashboard and Stronger nudge to guidance.

### Decisions

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

### Summary

#### 2020 LGPS Scheme Annual Report

On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the [2020 LGPS England and Wales Scheme Annual Report](#). Highlights from the report include:

- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:
  - 68% pooled investment vehicles
  - 14% public equities
  - 6% bonds
  - 3% direct property
  - 9% other asset classes.
- The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners paid in the year.
- LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

## High Court judgment on exit credits

On 27 May 2021, the High Court handed down its judgment in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit.

The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive', and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'.

### Background

From 14 May 2018, the LGPS (Amendment) Regulations 2018 introduced a requirement on administering authorities to pay any surplus (exit credit) to exiting employers.

EMS exited the Scheme in June 2018. The surplus at leaving was £6.5 million. However, the administering authority had concerns about paying this amount to EMS because a 'pass-through arrangement' had been in place.

MHCLG made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The regulations amended the exit credit rules, requiring administering authorities to decide the amount of an exit credit after taking into account relevant factors. The regulations do not apply to credits paid before 20 March 2020. Therefore, as the administering authority in this case had yet to pay EMS the exit credit, the new rules applied to it.

The claimants brought a judicial review against the 2020 Regulations applying retrospectively.

### Response to TPR single code of practice consultation

On 26 May 2021, we responded to the Pension Regulator's (TPR) consultation on the single code of practice on behalf of the LGPC. [The LGPC response](#) covers the following sections of the new code:

- administration
- communications and disclosure
- reporting to TPR.

TPR has recently published an [interim response to the new code of practice consultation](#). Responses to the consultation included around 10,000 individual answers. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 in the new code.

TPR does not have a firm publication date for the new code, but it is unlikely to become effective before summer 2022.

### **Response to consultation on pension scams**

On 4 June 2021, we published a response to the DWP [consultation on pension scams: empowering trustees and protecting members](#) on behalf of the LGA and the LGPC.

The consultation proposes introducing new safeguards to ensure that certain conditions are met before a pension transfer request is actioned. [Our response](#) sets out where we think the regulations do not deliver the policy intent.

### **Response to dashboard staging Call for Input**

On 5 July 2021, we published a response, on behalf of the LGA and the LGPC to the [Pensions Dashboards Programme Staging Call for Input](#).

[Our response](#) was largely technical; however, we did express concern that LGPS resources are already over-stretched with the McCloud remedy and GMP equalisation, so the requirement to stage early will only add to this. Recruitment and retention of staff remains an issue across the sector.

### **Response to 'stronger nudge to guidance' consultation**

On 2 September 2021, we responded to the [DWP's consultation 'Stronger nudge to pensions guidance'](#) on behalf of the LGA and the LGPC.

The consultation proposes introducing a new requirement for occupational pension schemes to 'nudge' members in certain situations towards obtaining guidance from Pensions Wise. [Our response](#) raises concerns about –

- the practicality of requiring schemes to book Pension Wise appointments on behalf of members

- the regulations, as currently drafted, will require LGPS administering authorities to nudge members to guidance inappropriately in certain circumstances.

### Contact officer

Name: Lorraine Bennett

Job title: Senior Pensions Adviser

Phone no: 07766 252847

E-mail: [lorraine.bennett@local.gov.uk](mailto:lorraine.bennett@local.gov.uk)

# Paper D - Scheme Advisory Board Update

## Key points to note

Particular attention is drawn to the sections on [CIPFA Pensions Panel](#), [Cost management](#), and [Task force on climate related financial disclosures \(TCFD\) regulations](#).

## Decisions

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

## Summary

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

## Code of Transparency Consultation

1. The Board issued a consultation on changes to the Code of Transparency on 10<sup>th</sup> August which ran until the 10<sup>th</sup> September. The revisions were mainly updates to reflect the time passed since it was launched but also to provide for the possibility of using the compliance system to provide some form of benchmarking in future; as well as formalising the process for removal of a Code signatory.

## Dissolution of CIPFA Pensions Panel

2. The final meeting of CIPFA's Pensions Panel was held on Monday 16 August 2021 due to a reorganisation of CIPFA's structure. The Pensions Panel was constituted as one of CIPFA's Technical Panels and Boards and focused on public service pensions. It provided guidance and codes of practice on public sector pension scheme management and governance issues.
3. It also advised other CIPFA panels regarding these areas. It was a functional, cross-sectoral panel that reported to CIPFA's Public Finance and Management Board (PFMB).
4. The dissolution of the Pensions Panel will remove a valuable forum for the development of accounting and reporting standards for the LGPS as well as a source of statutory guidance. For example, CIPFA currently produces guidance on the following matters:

- Accounting for Local Government Pension Scheme Management Expenses
- Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019 Edition)\*
- LGPS Fund Accounts 2020/21: Example Accounts And Disclosure Checklist
- Investment Pooling Governance Principles for LGPS Administering Authorities
- Managing Risk in the Local Government Pension Scheme
- Preparing and Maintaining a Funding Strategy Statement in the LGPS (2016 Edition)\*
- Code Of Practice On Public Sector Pensions: Finance Knowledge And Skills

\*statutory guidance commissioned by MHCLG under regulations 57 and 58 of the LGPS Regulations 2013.

5. It was also the intention of MHCLG to request that CIPFA provided statutory guidance for new TCFD reporting requirements from April 2022.
6. In order to continue the work of the panel, reinforce the link between the Board and CIPFA and in particular provide a continued source of guidance a proposal will go to the Board on 27<sup>th</sup> September to create a new Compliance and Reporting Committee. This committee would report jointly to the Board and CIPFA's PFMB, and would have a CIPFA-nominated chair who would also sit as non-voting member of the Board.
7. The Board would need to provide sufficient resource to support the new committee which would mean an increase in the levy; however, any guidance produced by this committee would not be behind a paywall as currently but free to access for all LGPS stakeholders.

### Board membership

8. Board members are appointed by the Secretary of State for a five-year term with the potential to be extended for a second term. The current membership position is detailed on the next page:



### Chair and Vice Chair

Name	Nominated by	Date joined	1st term ends	2nd term ends
Cllr Roger Phillips (Chair)	Appointed by SoS	Apr 2015	Apr 2020	Apr 2025
Jon Richards (Vice Chair)	UNISON	Apr 2015	Apr 2020	Apr 2025

### Employers

Name	Nominated by	Date joined	1st term ends	2nd term ends
Cllr Yvonne Johnson	LGA	Oct 2018	Oct 2023	N/A
Cllr John Beesley	LGA	Oct 2019	Oct 2024	N/A
Cllr Andrew Thornton	LGA	July 2020	July 2024	N/A
Cllr Clive Lloyd	WLGA	Dec 2017	Dec 2022	N/A
Cllr John Fuller	LGA	June 2016	June 2021*	N/A
Emelda Nicholroy	UCEA	Apr 2015	Apr 2020	Apr 2025

### Members

Name	Nominated by	Date joined	1st term ends	2nd term ends
George Georgiou	GMB	Dec 2017	Dec 2022	N/A
John Neal	Unite	Oct 2019	Oct 2023	N/A
Garry Warwick	GMB	Apr 2015	Apr 2020	Apr 2025
Chris Tansley	UNISON	Apr 2015	Apr 2020	Apr 2025
Bridie McCreech	Unite	May 2021 (TBC)	May 2026	N/A

### Non-Voting

Name	Nominated by	Date joined	1st term ends	2nd term ends
Rachel Brothwood	LGPS Practitioner	May 2020	May 2025	N/A
Nick Kirby	TUC	May 2018	May 2023	N/A
Duncan Whitfield	ALATS	Aug 2016	Aug 2021*	N/A

\*second term or replacement to be agreed at Board on 27<sup>th</sup> September

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## Cost management committee report (13 September 2021)

### Exit Cap and McCloud

9. Special Severance Payments consultation response and guidance is expected in October. There will be a few changes to definitions but it's expected to remain substantially as published.
10. Department by department exit payment (£95K cap) proposals to replace withdrawn HMT legislation expected to be put to ministers mid – September albeit this may be delayed by a few weeks due to the recent Cabinet reshuffle. Still expecting to see some movement on this matter before Christmas.
11. The [Public Service Pensions and Judicial Offices Bill](#) is now going through Parliament. The second reading is complete, and the committee stage is expected mid-October. Committee stage will see a raft of government amendments bringing more clarity for the LGPS which is currently very high level in the Bill.
12. Pensions team officers continue to maintain a dialogue with MHCLG officials on all these matters.

### SAB Cost management process

13. At a special meeting on 1<sup>st</sup> July the Board considered the inclusion of McCloud costs in the paused 2016 cost management process. The Board agreed the following recommendations:
  - To use a spread period of 10 years for McCloud costs, this being the point at which 60% of qualifying members are expected to have left the scheme.
  - Subject to final figures from GAD indicating a small shortfall in costs against the 19.5% target, not to recommend a change to benefits. This would be in part a recognition that having to backdate any changes to April 2019 would be an additional burden on already overstretched administration teams.
  - To inform government that the Board intends to revisit third tier ill health and contributions of the lowest paid via a separate process, with the objective of bringing forward recommendations in these areas for future scheme changes.
  - That in its communication with Government the Board should clarify that exercising its duty to complete this process does not diminish the concerns it has with regard to the manner by which McCloud costs have been included within the cost control mechanism.

14. A letter confirming the above was sent to the Luke Hall MP the local government minister on 18<sup>th</sup> August 2021.

### **HMT Cost control consultation response**

15. The Board submitted [a response to the consultation](#) which in essence asked for the HMT mechanism to be more aligned with employer costs in the LGPS rather than those in the unfunded schemes.

### **Pensions Dashboard**

16. Members of the Board Secretariat are involved in regular meetings with software providers and the PDP team are actively engaging with each scheme including the LGPS.

17. It is understood that there will be a consultation on the draft dashboard regulations this winter with regulations laid in time for summer recess to take effect in October 2022. Staging will start from April 2023 over approximately 2 years. The Staging Call for input recommended public service pension schemes commence staging in October 2023 and to be staging ready by April 2025. There will be nothing to stop schemes onboarding earlier if they're ready.

### **Investment committee report (20 September 2021)**

#### **RIAG Update**

18. The Board's Responsible Investment Advisory Group (RIAG) met on the 1<sup>st</sup> July and 1<sup>st</sup> September. The group's agenda included:

- TCFD for the LGPS (dealt with at paragraph 22 below)
- The formation of the [Occupational Pensions Stewardship Council](#) – the group received a presentation from the Secretary to the Group
- The Stewardship Regulator's Group which the Board's Deputy Secretary attends. The group is convened by the FRC, and attended by officials from DWP, BEIS, HMT and other regulatory bodies
- A [response to the DWP Call for Evidence on Social Investment Risk and opportunity](#)
- [The Board's online Responsible Investment A-Z](#)

#### **CIPFA Pensions Panel**

19. This item is dealt with in the dissolution of the [CIPFA pensions panel section](#) above.

## **Code of Transparency consultation update**

20. This item is dealt with in [Code of Transparency Consultation section](#) above

## **Code of Transparency compliance update**

21. A confidential report on compliance with the Code was presented to the committee.

## **Climate Risk and Reporting regulations for the LGPS ('the TCFD regulations')**

22. It is the intention of MHCLG to bring forward a consultation in October of this year for regulations. These regulations will place obligations on LGPS authorities to have in place and report on the following:

- Strategies to deal with climate risk
- Scenarios assessing the impact of climate change on portfolios
- Measures to determine the exposure of assets to climate change
- Targets to minimise the risks associated with climate change.

23. With some exceptions, these obligations mirror those placed on private sector pension schemes by [DWP's Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021](#).

24. The regulations are also designed to follow the recommendations of the [Task Force on Climate-related Financial Disclosures](#) (TCFD).

25. MHCLG has confirmed that the public consultation is due to be published in October 2021 and will run for 12 weeks. The aim is for the regulations to be in place in April 2022 with the first report to be published at the end of 2023 for the 2022/23 reporting period.

26. Via the RIAG the Board has engaged positively with MHCLG but has also raised a number of issues including:

- Duplication of effort at fund and pool level
- Continued ability to match the requirements of ever evolving TCFD requirements
- Consistency of measures . This matter is particularly relevant to the proposal by MHCLG for the SAB to produce a 'scheme TCFD' report which would be significantly more challenging if the reported measures vary across funds.
- The avoidance of 'league tables' of LGPS Funds

## Contact officer

Name: Jeff Houston

Job title: Board Secretary/Head of Pensions

Phone no: 07786 681936

E-mail: [jeff.houston@local.gov.uk](mailto:jeff.houston@local.gov.uk)

# Paper E – Regulation update Scotland

## Decisions

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

## Report

### **Regulations - Draft Amendments to The Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141)**

As a result of the McCloud judgment, Scottish Ministers intend to make regulations to introduce the 'underpin' changes for the Scottish Local Government Pension Scheme, after the primary legislation is in force, in England & Wales. We understand that this is likely to be in January 2022. The resulting SPPA regulations are expected to be laid in July/August.

In the meantime, as a result of an appeal to Scottish Ministers, we are making an amending instrument to clarify the calculation of the underpin, which currently does not take the actuarial increase/reduction into consideration, when comparing the two benefit options for the member on retirement.

Some members who have left the scheme are not receiving the correct level of pension benefits and administrators will be able to recalculate affected pensions, once the regulatory powers are put in place.

The regulations will also provide further flexibilities for funds dealing with exiting employers. These changes are as a result of the consultation, earlier this year, on deferred debt arrangements and recommendations from the Scottish Scheme Advisory Board.

The amending regulations are currently with our legal team for review and we anticipate consulting on them later this month.

### **Government Actuary's Department (GAD) - Cost Cap update**

The 2014 valuation of the new scheme set an employer cost cap of 15.5% of pensionable payroll for the LGPS in Scotland. After publishing the report, GAD identified an error, relating to the allowance for mortality improvements within their calculations. Correcting this error will set the cost cap at 15.2%.

In order for GAD to finalise the result of the 2017 valuation, the cost cap figure will need to be amended accordingly in the scheme regulations, with retrospective effect to 1 April 2015. This change is included in the draft amendments as detailed in (1) above. We will provide supporting explanatory notes in the consultation on the draft amendments.

HM Treasury provided Draft amending directions in March 2021, to determine the cost of scheme benefits prior to the outcome of the McCloud judgement as at 31 March 2017. Taking into account the above correction, the employer contribution cost in 2017 valuation remains at 2.9% lower than the employer cost cap. Full cost cap results will follow in the autumn.

### **Governance and reporting of climate change risk**

The DWP published statutory guidance on Governance and reporting of climate change risk: guidance for trustees of occupational schemes in June this year.

The recent DWP consultation sought views on policy proposals to require trustees of larger occupational pension schemes, authorised master trusts and authorised schemes providing collective money purchase benefits, to have effective governance, strategy, risk management and targets for the assessment / management of climate risks and opportunities. DWP also invited responses on proposals to disclose these in line with the recommendations of the international industry-led Task Force on Climate-related Financial Disclosures (TCFD).

From 1 October 2021 the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 introduce new requirements relating to reporting in line with the TCFD recommendations, to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

We are aware that MHCLG intends to consult on broadly similar reporting requirements next month.

We expect the MHCLG consultation on LGPS TCFD requirements will be broadly in line with the DWP regulations coming into effect 1 Oct 2021 for the private sector, however there will be some differences. It is intended that all LGPS Funds will be expected to comply, rather than a phasing-in by size, as in the DWP requirements and there will be no fines levied on local government fund authorities for non-compliance

The first year it will apply will be 2022-23 and the first report will be due by end of 2023. Funds will be required to report on data quality in line with the greenhouse gas protocol and the E&W Scheme Advisory Board will have a duty to report on the Funds' compliance and data quality.

Scottish Ministers are also keen to consider climate risk reporting and ESG standards for local authority pension funds, broadly in line with the TCFD requirements and we have asked the Scottish Scheme Advisory Board's for their recommendations in this respect.

### **Contact officer**

Name: Kimberly Linge and Victoria Antcliff

E-mail: [kimberly.linge@gov.scot](mailto:kimberly.linge@gov.scot) [Victoria.antcliff@gov.scot](mailto:Victoria.antcliff@gov.scot)



# Paper F – Northern Ireland regulation 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.

The Department is about to issue a consultation on changes to the regulations to remedy the Goodwin case and amend the remedy for the Walker Innospec judgment. It will propose making amendments that are retrospective to 2005.

The consultation will propose introducing a power to allow the Department to issue statutory guidance on the operation of the schemes regulations, removing the existing rule that the 10-year pension grant is capped at age 75, and amending the forfeiture provisions. It will also propose amending the time period for decisions to be made under the Internal Dispute Resolution procedure extending it from 2 months to 4 months.

We are still awaiting regulations to introduce the requirements of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and the pertinent elements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations (Northern Ireland) 2021. These will follow once MHCLG issue the equivalent regulations for LGPS (E&W).

## Governance

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

The members of the Board received a GAD presentation on the provisional result of the 2016 Cost Cap valuation which was revised to take account of the McCloud remedy. GAD also presented on HMT's review of the Cost Cap. The Board also discussed the Government's intention to increase the minimum pension age.

NILGOSC has [responded](#) to HM Treasury's consultation on Proposals to Reform the Cost Control Mechanism in Public Service Pension Schemes. It has reminded HM Treasury of the funded nature of the LGPS and the need to use an alternative economic check other than the SCAPE discount rate.

## Contact officer

Name: David Murphy

Job Title: CEO, NILGOSC

Phone no: 0345 319 7320

E-mail: [david.murphy@nilgosc.org.uk](mailto:david.murphy@nilgosc.org.uk)

Twitter: @DMurphy\_NILGOSC

# Paper G – 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 contents of this report.

## Meeting of 18 June 2021

### McCloud remedy

Technical Group agreed that at each future meeting an update from regional pensioner officer groups (POGs) should be provided. Each POG will provide feedback about the preparations each administering authorities in their area is making for McCloud. This will help to highlight any issues that occur nationally.

Each POG chair will collate responses and provide updates on the following questions:

- At what stage is each administering authority at with regards to collecting the hours/ service break data?
- Where administering authorities already have the hours/ service break data, are you checking the existing data, or are you assuming that it is correct?
- Have any of your employers refused to or told you they are unable to provide the missing hours/ service break data?
- 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?

## **MHCLG update**

An update was provided on the planned increase to the normal minimum pension age, exit payments and academies.

## **Time limit for refunds**

All POGs expressed concern regarding the administrative burden of the automatic payment of a refund after 5 years and reiterated the need for MHCLG to include a regulation change in their workplan for the next year.

## **Prudential**

All funds have continued to experience poor customer service from Prudential. Scheme members are forced to wait extended periods for payment of pension and AVC benefits.

## **Pensions Dashboards**

The Technical Group discussed options for meeting the requirements of the pensions dashboard and the possibility of expanding the functionality of the NI database.

## **Contact officer**

Name: Kevin Gerard

Job title: Chair of Technical Group / Pensions manager at Dyfed

Phone no: 01267 224157

E-mail: [KGerard@carmarthenshire.gov.uk](mailto:KGerard@carmarthenshire.gov.uk)

# Paper H – Training and conference update

### Key points to note

Members of the Committee are offered complimentary places at the annual conference and our Fundamentals training programme.

### Decisions

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

### Annual conference

Our annual conference retains its popular lunchtime to lunchtime format. It will start on Thursday 20 January and end on Friday 21 January 2022. It will take place at the Marriott Highcliffe Hotel in Bournemouth. The [conference flyer](#) provides more information and programme details.

### Fundamentals training

Fundamentals is a bespoke three-day LGPS training course for elected members who attend pension committees and local pension boards. It provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.

The course runs from October to December each year, in Cardiff, Leeds and London. We are running the London course as a hybrid event for the first time this year – this offers you the opportunity to attend either in person or online.

#### [Day 1- course programme](#)

London: 12 October 2021 (hybrid)  
Leeds: 21 October 2021  
Cardiff: 26 October 2021

#### [Day 2 - course programme](#)

London: 9 November 2021 (hybrid)  
Leeds: 18 November 2021  
Cardiff: 23 November 2021

### [Day 3 - course programme](#)

London: 2 December 2021 (hybrid)  
Leeds: 8 December 2021  
Cardiff: 15 December 2021

If you would like to book on any of the above courses, please email [Elaine English](#)

### **Practitioner Training**

We now resumed face-to-face training alongside online training. We will publish next year's programme of courses in January.

We have launched [online bite-size interactive training](#) for employers. We have published six modules covering all aspects of Assumed Pensionable Pay and plan to deliver further bite-size training on various topics in the coming months.

### **Contact officer**

Name: Karl White  
Job title: Pensions Adviser (Training)  
Phone no: 07464 652886  
E-mail: [karl.white@local.gov.uk](mailto:karl.white@local.gov.uk)