LGPC MEETING – 13 December 2021

Meeting agenda

Item		Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 27 September 2021 – Paper A	11:05
3	Matters arising	11:10
4	Regulations update for England and Wales – Paper B	11:15
5	SAB update for England and Wales – Paper C	11:30
6	Regulations update for Scotland – Paper D	11:45
7	Regulations update for Northern Ireland – Paper E	11:55
8	Update from Technical Group – Paper F	12:05
9	Training and annual conference update – Paper G	12:15
10	Any other business	12:25
11	Dates of future meetings	12:30

Paper A: Minutes of meeting held on 27 September 2021

PRESENT

Cllr John Fuller	Chair, LGA (Virtual)
Cllr Alan Waters	LGA (Virtual)
Cllr Richard Wenham	LGA (Virtual)
Cllr Phil Murphy	LGA (Virtual)
Cllr Goronwy Edwards	LGA (Virtual)
Cllr Bev Craig	LGA (Virtual)
Cllr Keith House	LGA (Virtual)
Mr Jeremy Hughes	MHCLG
Mr David Murphy	NILGOSC (Virtual)
Mr Alan Wilkinson	SPPA (Virtual, substitute)
Mr Kevin Gerard	Technical Group representative (Virtual)
Ms Rachel Brothwood	SAB representative

Secretariat

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

Non-attendees

Cllr Eddie Reeves	LGA
Cllr Oliver Ryan	LGA

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr John Fuller [JF] welcomed members to the first hybrid meeting and noted that a quorum had been achieved.

2. APOLOGIES

Apologies were received from Cllr Eddie Reeves, Ms Kimberly Linge and Ms Linda Welsh. The committee noted that Mr Alan Wilkinson [AW] from SPPA attended the meeting as a substitute for Ms Linge.

No declarations of interest were declared. JF welcomed three new members to the LGPC: Cllr Eddie Reeves, Cllr Bev Craig and Cllr Keith House.

Post meeting note: Lorraine Bennett [LB] wrote to the exiting members on behalf of the Committee thanking them for their valid contributions. Exiting members: Cllr Adam Paynter and Cllr Joanne Laban.

3. MINUTES

The minutes of the previous meeting held on 10 May 2021 were agreed.

4. MATTERS ARISING

Matters arising from the minutes of the previous meeting will be covered in later agenda items.

5. LGPS BUDGET

LB presented the main points from the confidential Paper B.

Subscriptions 2021/22

LB asked the committee to agree to a 2% increase in subscriptions paid by administering authorities in England and Wales, Scotland, and Northern Ireland. The LGA team is funded by training income and voluntary subscriptions paid by all administering authorities. The cost is based on fund size. In England and Wales there are 6 small, 57 medium and 23 large funds. There is a single administering authority in Northern Ireland that pays half the rate of a large fund.

Following a period of static subscription costs in the years up to 2018/19, the Committee had previously decided on incremental increases.

Based on the increased subscriptions, LB estimates a small in-year surplus. Planned expenditure in the near future will include updates to the member and administrator websites to ensure that they are up to date, fit for purpose and fully accessible. We also expect administering authorities to face significant challenges in the near future, including McCloud remedy implementation, GMP equalisation and retrospective changes to survivor benefits. The LGA team needs resources to provide training and support for these major projects.

Reserves are in place that are sufficient to cover the pension liabilities and wind-up costs that would arise if the committee was disbanded. Those costs have been estimated assuming that the £95,000 exit payment cap is in force.

The number of administering authorities in Scotland is small. As the LGPS in Scotland has diverged from the LGPS in England and Wales in recent years, more resources are now needed to offer a full support service to Scotland. Administering authorities in Scotland pay higher subscriptions to contribute to the cost of a dedicated member of staff.

Cllr Phil Murphy [PM] asked whether any costs were passed on to local authorities. LB confirmed that subscriptions were paid by administering authorities only.

Cllr Richard Wenham [RW] requested more information about the definition of small, medium and large administering authorities.

Action: LB to share with the Committee information about the categorisation of administering authorities by size.

The Committee agreed to the 2% increase in subscriptions.

Additional post

LB asked the Committee to agree to appoint another member of staff to the LGA's pension team.

Currently, one member of staff delivers our practitioner and employer training. Demand for our training is increasing year on year. Administering authorities may be finding it harder to deliver training in-house with staff working from home. Our practitioner training is often fully booked on the day that it is announced, which leads to complaints. It is not possible for the one trainer to increase the number of training events we offer.

There are more than 16,000 LGPS employers in England and Wales, some of whom will experience high staff turnover. This means that demand for employer training is consistently high. There are currently 150 people on the waiting list for employer role training.

The new team member would focus on LGPS employers. They would deliver employer training events, develop online bitesize training and update and create employer guides. They would also deliver practitioner training to increase the resilience of the team.

The additional post would be funded by the income generated by the additional training courses that we could offer.

Cllr Keith House [KH] agreed that the case for an additional member of staff had been made. JF supported the proposals to increase the budget and create an additional post as they were justifiable and evidence-based, particular in light of the changes and challenges ahead.

The Committee agreed to the recruitment of an additional member of staff to increase employer training and support.

6. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper C.

2020 LGPS Scheme Annual Report

The 2020 LGPS Scheme Annual Report may be of particular interest to the new members of the Committee. The report is the aggregate of information contained in fund annual reports produced administering authorities in England and Wales and shows the position at 31 March 2020.

The report shows that membership is still increasing and a drop in investment returns. The overall funding level was 98%, but assets are likely to have recovered in value since March 2020.

Exit credits

The LGPS regulations require an administering authority to arrange a valuation of liabilities in the fund when an employer exits the Scheme. The employer must pay the exit payment if they are in deficit. The rules were changed in 2018 to allow an exit credit to be paid to the exiting employer if they are in surplus.

Problems have arisen where pass-through arrangements are in place. When an authority outsources a service, they sometimes enter into a legal agreement meaning that the contractor does not take on any pension risk. The LGPS rules were changed in 2020 so that an administering authority could take into account the pension risk borne by the exiting employer when deciding the level of an exit credit.

EMS & Amey launched a legal challenge concerning the non-payment of a large exit credit. The High Court found in favour of MHCLG and upheld the retrospective effect of the regulations change.

Response to TPR single code of practice consultation

The Chair approved the LGPC response to the Pension Regulator (TPR) single code of practice consultation. Our response covered administration, communication and disclosure, and reporting to TPR.

TPR received over 10,000 individual answers to the consultation questions. TPR has issued an interim response and will issue a full response when it has had time to consider the many responses. TPR expects the single code to be in force in summer 2022 at the earliest.

LB pointed out that there were multiple consultations in recent months. It was not always possible to refer our responses to the Committee due to short deadlines.

DWP consultation on pension scams

LB informed the Committee that the Secretariat on behalf of the LGPC and LGA submitted a technical response to the DWP consultation on pension scams. The response highlighted those areas where the draft regulations do not deliver the stated policy intent.

Response to dashboard staging Call for Input

The Secretariat, on behalf of the LGPC and LGA, responded to the Call for Input on pensions dashboards staging dates. The Committee was able to comment on the technical response before it was submitted.

We raised the significant challenges faced by administering authorities such as implementing the McCloud remedy and GMP equalisation in our response. An early staging date would add to these pressures. We also highlighted the need to ensure that information provided on a dashboard was the same as that provided in an annual benefit statement. Any perceived difference may lead to loss of member confidence.

RW asked for a general update on pensions dashboards. LB informed the Committee that public service pension schemes were expected to onboard in the first phase – a two-year period starting from April 2023. The Pensions Dashboards Programme has appointed Capgemini to supply the digital architecture for the dashboards. We do not yet know exactly what information must be provided to the dashboards, in particular for those members protected by the McCloud remedy. Jeff Houston [JH] made the point that making data available to the dashboards will be a regulatory requirement.

7. SAB UPDATE [E&W]

JH presented the key points from paper D, concentrating on three significant issues.

Dissolution of CIPFA pensions panel

JH informed the Committee that CIPFA's Pensions Panel has been dissolved. The Pensions Panel focused on audit, accounting and reporting requirements for public service pensions. It was also responsible for producing statutory guidance that administering authorities were required by Scheme regulations to follow.

The Scheme Advisory Board (SAB) is proposing to set up a Compliance and Reporting Committee to take on these responsibilities. The committee would have a dual role – reporting to the SAB and to the top level forum within CIPFA. Any guidance it produced would be 'double-badged' as produced by both organisations.

CIPFA has agreed in principle and the proposal will be considered by the SAB at the afternoon meeting. If the SAB agrees, the next stage will be to consider the terms of reference of the committee.

The SAB would need additional resources to support the new committee which may mean an increased levy. JH proposed a different model to that adopted by CIPFA. Administering authorities have to pay for CIPFA guidance, even though they are required to use and follow it. JH intends for the committee to be suitably resourced to produce the guidance and for the guidance to be free.

JF highlighted the importance of governance and the need for someone to fill the void left by the dissolution of the CIPFA pensions panel.

Cost management

HM Treasury introduced a cost management mechanism through the Public Service Pensions Act 2013. The mechanism operates every four years and looks at employer and employee costs and how they have changed since the last time they were measured.

The 2016 valuations revealed that every public service pension scheme was cheaper than expected, even though employer costs were increasing. The outcome of this unexpected result could have been an improvement to member benefits, leading in turn to further employer contribution increases.

The SAB operates its own cost management mechanism. This would have led to a small increase in benefits following the 2016 valuation, preventing the significant benefit improvements that would have been the result of the HMT process.

The cost management process was on hold due to the McCloud legal challenge, but has now resumed. The costs of delivering the McCloud remedy will be taken into account when the 2016 valuations are completed. The cost of remedy in the LGPS is estimated to be £4 billion.

A special meeting was held on 1 July for the SAB to consider the inclusion of McCloud costs in the 2016 cost management process. The SAB agreed to spread the cost of McCloud over 10 years. However, backdating benefit improvements to 2019 would pace a significant burden on administering authorities. SAB proposes no benefit changes as a result of the 2016 valuation.

JF noted that this was a good outcome as it was not necessary to re-coup costs that will arise over the next twenty plus years in a four-year period.

The SAB has responded to the HMT consultation on the cost control mechanism. The response recommends greater integration of the SAB and HMT cost control processes.

Climate risk and reporting regulations for the LGPS

JH informed the Committee that MHCLG plans to consult on introducing risk measurement and setting targets in relation to climate risk to the LGPS. The 12-week consultation is expected in October 2021. This follows the recent DWP consultation on introducing similar requirements to other pension schemes.

The SAB via the Investment subcommittee intends to work closely with MHCLG to make sure the consultation yields results are achievable and avoid the introduction of administering authority 'league tables'. Thought should also be given to 'future-proofing'. The LGPS requirements should be aligned with the TCFD regulations so that administering authorities only have to report once.

JF noted the difficulty in balancing fiduciary duties with the wider responsibilities of the administering authority. RW asked whether there will be mandates to force administering authorities to invest in a certain way. JH confirmed that the new rules will relate to setting measures and targets, they will not set out how administering authorities should invest their funds.

PM asked whether there were any sources of information on the climate change agenda other than the responsible investment A to Z delivered by the SAB. JH confirmed that the SAB will be asking funds and pools about their progress in this area and using their responses to add to and develop the A to Z website.

PM asked whether there were any plans to allow salary sacrifice schemes for the provision of electric vehicles. JH was not aware of any such plans. The LGPS regulations prevent 'any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision' from being pensionable.

Kevin Gerard [KG] asked for an update on the exit payment cap. JH expects each department with responsibility for a public service pension scheme to consult on regulations that introduce the exit payment cap, instead of HM Treasury making regulations covering all schemes. Jeremy Hughes [JHu] pointed out that MHCLG has recently consulted on best value guidance on special severance payments. A new Minister will be responsible for the LGPS following the recent re-shuffle. We do not yet know whether the new minister will want to pursue statutory guidance. But the pressure to introduce an exit payment cap has not gone away.

8. REGULATION UPDATE SCOTLAND

The Committee noted the key points from paper E, which was presented by Alan Wilkinson [AW].

Regulations – Draft Amendments to LGPS (Scotland) Regulations 2018 (SSI 2018/141)

SPPA plans to follow the England and Wales lead in introducing changes to the underpin to remove age discrimination from the scheme. It expects to make draft regulations in January 2022. In response to an appeal, SPPA plans to amend the regulations to make it clear that actuarial adjustments must be taken into account when operating the current underpin.

The next set of amending regulations will also provide further flexibilities for funds dealing with exiting employers. The amendments are currently with the legal team and it is anticipated that consultation will start later in October.

Cost cap valuation

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%.

The LGPS regulations will be changed to include the correct percentage.

9. REGULATIONS UPDATE NORTHERN IRELAND

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

LGPS regulations

The Department's consultation on the McCloud remedy closed on 31 January 2021. There are currently no further developments to report.

The Department will shortly issue a consultation on amendments to:

- remove the discrimination identified in the Goodwin and Walker v Innospec cases
- remove the age 75 cap on the 10-year death grant
- change the time limit for making decisions on internal disputes from two months to four months.

. NI SAB meet last met in September and received a presentation from GAD on the provisional results of the 2016 cost cap valuation, the SAB also discussed the Government's intention to increase the minimum pension age.

NILGOSC responded to HM Treasury's consultation on proposals to Reform the Cost Control Mechanism and reminded them of the funded nature of the LGPS and the need to use alternative economic checks

10. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from paper G, which was presented by KG. Most of the issues discussed by the Technical Group have already been covered in other agenda items.

The Technical Group recognises the enormous amount of work that the McCloud remedy will generate. Many thousands of members' benefits will need to be re-calculated and much of this will be done manually, it will not be automated.

Technical Group plans to identify common issues faced by administering authorities implementing the McCloud remedy and encourage them all to adopt the same solution. It is grateful for the work the LGA has done so far to support administering authorities and employers.

KG stated that the requirement to pay a refund within five years was placing an additional and unnecessary burden on administering authorities. He reiterated the importance of MHCLG changing the LGPS regulations to remove this requirement.

KG asked for help from the LGA concerning continued poor customer service from Prudential. Reports of errors, extended delays in being able to pay pensions and payments being made to the wrong place continue to emerge. There may also be issues for the fund annual report if Prudential is not able to supply the necessary information on time.

JH confirmed that the LGA had been in contact with both TPR and the FCA concerning Prudential's performance and errors. Their failures could also impact the pensions dashboards as they will be responsible for supplying AVC information to the dashboards.

The Committee discussed what action they could take to help.

Action: The Chair on behalf of the Committee will contact Prudential to invite a senior representative to attend the next meeting of LGPC and SAB.

11. TRAINING AND CONFERENCE UPDATE

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

Bookings are going well for the Fundamentals programme. EE confirmed that members of the LGPC could attend these events for free. Any member of the

Committee that would like to attend should email elaine.english@local.gov.uk with their preferred date(s).

The bookings for our 2022 governance conference taking place in Bournemouth on 20 -21 January are also going well. Delegates can attend in person or online. LGPC members receive a complimentary place and should email elaine.english@local.gov.uk if they would like to attend. The conference flyer provides more information and programme details.

We have now resumed face-to-face practitioner and employer training. We delivered a successful Insight residential course in Bournemouth in September. We will publish next year's programme of courses in January 2022.

12. ANY OTHER BUSINESS

None reported.

13. DATE OF NEXT MEETING

The next meeting will be held on 13 December 2021. Next year's meetings will be held on the same day as SAB meetings. 2022 meeting dates will be confirmed at the afternoon SAB meeting. We plan to run these as hybrid meetings in future.

***

Paper B – Regulation update England and Wales

Key points to note

- New minister responsible for the LGPS announced
- Government responds to pension tax relief call for input
- New procedure for transfers out to help prevent pension scams

Decisions

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

Summary

New Minister

Kemi Badenoch was appointed the Minister of state for the Department for Levelling, Up, Housing and Communities (DLUHC) on 16 September. Kemi is the minister responsible for the LGPS and is also the Minister for Equalities.

Pensions tax relief

On 27 October 2021, as part of the Autumn 2021 budget, the Chancellor announced that in 2025/26 the Government will introduce a system to make top-up payments directly to low-earning individuals saving in a pension scheme using a Net Pay Arrangement. He also announced the Government response to the Call for Evidence on pensions tax relief administration which provides more detail on the proposal.

The measure has been announced in an attempt to address an anomaly in which individuals in similar situations receive different levels of tax relief and consequently have differing levels of take-home pay depending on how their pension scheme administers pensions tax relief.

To encourage people to save for later life the Government provide tax relief on pension savings. There are two ways pension schemes operate tax relief – these are ‘relief at source’ and ‘net pay’. The LGPS operates on a net pay basis.

Relief at source - a pension scheme claims tax relief at the relevant basic rate from HM Revenue & Customs (HMRC) because individuals make pension contributions out of their earnings after tax has been calculated. Individuals who pay tax at rates higher than the basic rate can claim any extra relief directly from HMRC. Individuals who don't earn enough to pay tax still get tax relief on their pension contributions.

Net pay arrangement - tax is calculated on earnings after pension contributions have been deducted. This means individuals benefit from tax relief at their marginal rate of tax. If an individual does not earn enough to pay tax their marginal rate is 0%, so they do not get any tax relief on their pension contributions.

The Government response to the call for input, confirms that HMRC will notify individuals that they are eligible for a top-up payment and individuals will be invited to provide the necessary details to allow HMRC to make the payments. Councils may wish to consider how they can support these individuals to do this nearer the time once further detail is provided.

Government responds to pension scam consultation

On 8 November 2021, the Government published its response to 'Pension scams: empowering trustees and protecting members' consultation.

It also laid regulations which introduce further legal restrictions to the member's statutory right to transfer. The regulations take effect from 30 November 2021 and give administering authorities tools to act where suspicions about the circumstances that have prompted the transfer request are identified. It will no longer be a case that the member can insist on statutory transfer taking place in such circumstances.

The LGPC secretariat is currently reviewing the regulations. We will update our transfer out guidance and template letters accordingly.

The Pensions Regulator has published guidance to help administering authorities understand their new powers to halt suspicious transfers.

Contact officer

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

Paper C - Scheme Advisory Board Update

Key points to note

Particular attention is drawn to the sections on the Prudential, the letter from Mr Michael Lynk to all LGPS committee chairs and the annual report survey.

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)

The Prudential

1. As previously reported to this committee there are a number of concerning issues regarding the administration of LGPS Additional Voluntary Contributions by the Prudential.

2. The matter was raised with the Prudential and Tracy Harris (Customer Service Director) and Alastair Hogg (Head of Corporate Pensions) will today attend the Board meeting to update on the latest position.

Letter from Mr Michael Lynk

3. On 22 November a letter was sent to all LGPS pension committee chairs, copied to LAPFF and the Board. The letter is from Mr. Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories and asks a number of questions of LGPS funds regarding their investments.

4. In particular the letter requests that LGPS funds divest their holdings in any of the companies that are listed in a database of “business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestinian Territory” if the company cannot give clear assurance that it itself has removed itself entirely from the settlement economy.

5. The Board will discuss the letter at its meeting of the 13 December but in the meantime the Board Chair together with the Chair of LAPFF have offered to meet with Mr Lynk and seek clarification on a number of points in the letter.

6. This letter follows on from the April 2020 judgement in the case of Palestine Solidarity Campaign and another v Secretary of State for Housing Communities and Local Government on LGPS administering authorities. A summary of that judgment can be found on the Board website.

Annual Report Survey

7. In anticipation of at least some repeat of last year's audit issues with annual accounts the secretariat circulated, during November, a survey to LGPS authorities requesting information on the publication dates for audited annual accounts for pension funds. Of the 86 Funds surveyed 70 responded and four funds have already published an audited annual report.

8. Twenty-five of the funds who responded did not anticipate meeting the 1 December deadline for publication of the annual report. All 25 state the reason is due to audit problems and 18 of those clarified that the audit problems related to the main accounts rather than the LGPS accounts. Four also had problems related to the LGPS accounts and audit resource/experience. No authority stated the problems related to internal issues delaying the audit process with the LGPS accounts

9. Four funds stated they were unsure if they would meet the deadline with the reason being audit problems. One fund was unsure about the source of the audit problems. Two stated the problems related to the main council accounts, one of which also stated the problems related to the LGPS accounts and audit resource/experience.

10. Thirty-seven funds anticipated meeting the December 1st deadline. Six out of the 37 stated if they did not meet the deadline it would be due to audit problems, of which four stated that there were audit problems relating to the main council accounts. A further three funds stated there were also problems related to the LGPS accounts and audit resource/experience.

Board membership

11. A report will go to the Board seeking agreement to a number of changes to membership of the Board. Firstly, to add the chair of the new Compliance and

Reporting Committee as a non-voting member and secondly to change the nominating body for academy schools.

12. At the request of DfE the report will also consider options for including academy representation at the Board and/or committee level.

Cost management committee report (15 November 2021)

Exit Cap and McCloud

13. The committee was advised that DLUHC's proposals on new 95K cap provisions are still awaited, advice has gone to Ministers but there was no confirmation of when this would be published other than "this side of Christmas".

14. On McCloud the committee was advised that the amendments to the Bill to provide the LGPS with the necessary remedy powers will be brought forward when the Bill reaches the House of Commons, possibly in mid-January. LGPS regulations can be expected during the first half 2022.

15. The committee was informed that the judicial review against the government's decision to classify McCloud costs as member costs in the cost control mechanism commenced last week when the pre-action protocol was submitted. A hearing is expected in February or March 2022.

16. The committee also discussed the potential implication of cases on 'immediate detriment' similar to those in the Firefighters scheme.

17. On the scope of McCloud, the committee's attention was drawn to the potential for legal action on the grounds of unequal treatment with remedy in the unfunded schemes applying to those in membership on or before the 31 March 2012 and in the LGPS on the 31 March 2012.

Cost Control 2016 and 2020

18. The committee was reminded of what had been agreed under the Board's 2016 cost management arrangement and the potential impact of the McCloud judicial review being successful.

19. On HMT's cost control consultation, the published response was largely silent on representations made by the Board. However, in subsequent bilateral discussions HMT officials confirmed that they would welcome further

discussion on the points raised following which a more substantive report will be brought to the committee.

2022 Triennial Valuations

20. The committee was presented with a comprehensive and informative review of the forthcoming 2022 valuations by the four actuarial firms. A full report of the presentation can be found in the committee's report to the Board

DLUHC Regulatory Update

21. The committee discussed the outstanding proposals on the proposal to move to a four-year valuation cycle and changes for the Higher and Further Education sectors. Decisions are still to be made in these areas by ministers.

Investment committee report (22 November 2021)

New Compliance and Reporting Committee

22. The committee was reminded of the special meeting held on the 29 October to discuss the potential overlap between the work of the committee and the new Compliance and Reporting Committee. This will be followed up shortly with a meeting seeking views on behalf of the former CIPFA Pensions Panel. Draft terms of reference of the new committee will be available on the Board's website.

23. A paper setting out the membership, scope and terms of reference of the new committee will be considered by the Board when it meets on the 13 December.

COP 26 Update

24. Bob Holloway (BH) set out the main outcomes of COP 26 held in Glasgow between the 31 October to the 13 November including :-

- An agreement for countries to meet next year to pledge further cuts to greenhouse gas emissions to keep temperature rises to 1.5 degrees;
- An agreement to "phase down" the use of coal. This replaced the proposed target of "phase out";
- Additional monies to assist developing countries in coping with the effects of climate change; and

- An agreement to phase out subsidies that artificially lower the price of coal, oil or natural gas.

25. The committee discussed the difficulties funds and asset pools are having to cope with on issues around divestment and engagement and the LGPS All Party Parliamentary Group's recent report on Just Transition.

Code of Transparency Compliance Update

26. The committee was reminded of the consultation in the summer of proposed changes to the Code of Transparency guidance. The changes were agreed and can now be found on the Board's website. Members were asked to consider proposals for a new process to remove code signatories without the need for a full meeting. There would be a three stage process including signing off by the Chair and Vice-Chair and the decision being published in standing orders.

27. Since the committee last met in September the Secretariat has continued to resolve the five signatories on the "watch list". Apart from some data sharing issues raised by Aviva where discussions are ongoing no further action elsewhere needs to be taken.

28. The Secretariat met recently with a number of benchmarking entities to discuss the proposal in more detail and a paper will now go to the Board for consideration.

Roadmap to Sustainable Investing

29. The committee was presented with a paper which set out the main elements of the paper "Greening Finance – Roadmap to Sustainable Investing" published by HM Treasury on the 19 October. These include:

- Sustainability disclosure requirements to help businesses prepare for TCFD reporting;

- More details on the UK Green Taxonomy;

- Emphasis on the importance of stewardship, and

- The importance of the UK's commitment to international leadership on green finance.

30. Members were also advised that the paper stressed the importance of schemes signing up the UK Stewardship Code 2020.

Consultations Update

31. The committee was advised that DWP has launched a new consultation proposing the introduction of a new Paris Alignment metric in addition to those already in force for private sector schemes since October.

32. HM Treasury has published its response to the consultation on the cost control arrangement but that the response on the SCAPE discount rate consultation has yet to be published.

33. The secretariat had met the FCA recently to discuss issues surrounding the CMA Order, in particular, the position of asset pools and whether or not they should be classed as fiduciary managers under the Order. Members were also advised that the FCA's intention is to bring the CMA Order forward into legislation.

DLUHC Update

34. The committee was advised that DLUHC are still not in a position to say when the consultation on Climate Risk and Reporting would be published. It was confirmed that it was still the intention for reporting to be in effect for the year 2022/23 and that inclusion of the new Paris Alignment metric proposed by DWP would be desirable but that a decision has yet to be taken.

35. Members were also informed that new Ministers are taking a keen interest in the LGPS and working through a number of questions with the Department's pension team.

36. Finally work on exit payments.is going forward but details have yet to be finalised.

Contact officer

Name: Jeff Houston
Job title: Board Secretary/Head of Pensions
Phone no: 07786 681936
E-mail: jeff.houston@local.gov.uk

Paper D – Scotland regulation update

Decisions

The Committee is asked to note the contents of this report

Summary

Draft amendments to Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141)

The consultation on the draft amendments to The Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) was published on 1 November 2021.

Anyone who wishes to respond to this consultation can do so by completing the consultation Response Form which should be submitted to: SPPAPolicy@gov.scot or by post to the following address:

Local Government Pensions Consultation, SPPA Policy, 7 Tweedside Park, Tweedbank, Galashiels, TD1 3TE.

The consultation will close on 7 January 2022 and we ask that anyone wishing to respond does so by then.

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

When this amendment comes into force, the cost control element of the 2017 actuarial valuation will be completed, based on the cost cap of 15.2% and on the amending directions published by HM Treasury on 7 October 2021, which take into account the McCloud remedy.

Accordingly, following this amendment to the scheme regulations, GAD will prepare the following reports in respect of the actuarial valuation of the scheme as at 31 March 2017, after liaison with SPPA and the SAB:

- a report on the data used;
- a report on the actuarial assumptions adopted; and

- a report assessing the 2017 cost cap position relative to the (adjusted) original cost cap of 15.2%. This report is expected to confirm that there has been no breach of the current cost cap mechanism (CCM).

Finalisation and publication of these reports will complete the 2017 actuarial valuation cycle for the scheme.

Governance and reporting of climate change risk

From 1 October 2021 the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 introduced new requirements relating to reporting, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These regulations are designed to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

We understand that the Department for Levelling up Housing and Communities, (DLUHC) intends to consult on similar reporting requirements for local government funds, which will be broadly in line with the DWP regulations that came into effect on the 1 Oct 2021 for the private sector.

At the last meeting of the Scottish Scheme Advisory Board on the 24 November 2021, Scottish Ministers asked the SAB for recommendations on the introduction of climate risk reporting and ESG standards for local authority pension funds in Scotland.

The Scottish SAB agreed to set up a short-life working group to bring recommendations on effective governance, strategy, risk management and targets for the assessment and management of climate risks and opportunities, to the next meeting in February.

Contact officer

Name: Kimberley Linge
Job title: Policy manager
Phone no: 07554 227888
E-mail: kimberly.linge@gov.scot
Victoria.antcliff@gov.scot

Paper E – 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 content of this report

Summary

LGPS Regulations

The Department's consultation on the McCloud remedy closed on 31 January 2021. Its response is awaited.

On 8 October 2021 the Department issued a new consultation on changes to the regulations to remedy the Goodwin case and amend the remedy for the Walker Innospec judgment. It proposes making amendments that are retrospective to 2005. NILGOSC has highlighted to the Department that there remains a small cohort of survivors who do not receive equal benefits despite the proposed changes.

The consultation also proposes introducing a power to allow the Department to issue statutory guidance on the operation of the scheme's regulations, removing the existing rule that the 10-year pension grant is capped at age 75, and amending the forfeiture provisions. It also proposes 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 of the Department's website.

Contact officer

Name: David Murphy
Job title: CEO NILGOSC
Phone no: 0345 319 7320
E-mail: david.murphy@nilgosc.org.uk
Twitter: @DMurphy_NILGOSC

Paper F – Technical group update

Decisions

The Committee is asked to note the contents of this report

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.

Update from meeting on 1 October 2021

McCloud remedy

Each POG collated responses and provided updates on the following questions:

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

Other items

- MHCLG provided updates on exit payment reform, McCloud, Section 13 review and Academies.

- All POGs were requested to confirm if they would like a historic timeline of pension scam information that had to be provided to scheme members due to the increase in queries from Claims Management Companies.
- Poor customer service from Prudential continues to be the norm. Scheme members are forced to wait extended periods for payment of pension and AVC benefits.
- Pension Dashboards – Technical Group was made aware that Heywood will be creating a single ISP which could be used by all authorities.
- Discussions also took place regarding the calculation and impact of salary sacrifice for electric and zero emission motor vehicles.

Contact officer

Name: Kevin Gerard
Job title: Pensions Manager - Dyfed Pension Fund
Phone no: 01267 224157
E-mail: KGerard@carmarthenshire.gov.uk

Paper G: Training and conference update

Decisions

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

Update

The Fundamentals events have been run at their usual locations, London, Cardiff and Leeds as face to face training but also, for the first time, with the option to attend the London event virtually via MS teams. The feedback so far has been positive and take up of the virtual offer has been excellent.

The conference is also being run as a hybrid event with both face to face and virtual attendance being offered.

Face to face training events for practitioners have restarted with Insight being the first event run in September in Bournemouth. This was followed by a number of bespoke events run at the offices of pension funds.

Online events have remained popular and take up has been excellent. This has also enabled a more agile service as additional events can be set up and run at shorter notice than face to face.

The February 2022 Insight course in Blackpool quickly sold out. We offered an additional May event in Blackpool for those on the waitlist, with the remaining places advertised. This has also quickly sold out.

Representatives from English, Welsh and Scottish officer groups will shortly be invited to a twice yearly meeting to assist the LGA training service's understanding of their needs. This will also feed into our programme for the next two years and the development of new courses and ways of training.

Pending the appointment of the new employer focused training post employer training has been put on hold temporarily.

Contact officer

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