

LGPC MEETING – 10 October 2022

Meeting agenda

	Item	Timings
1	Welcome, apologies for absence and declarations of interest	11:00
2	Minutes of meeting held on 6 June 2022 – 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 conference update – verbal update	12:15
	Any other business	
10	<ul style="list-style-type: none">• Annual allowance calculations 2023• Pensions Increase 2023 – CPI uplift?	12:20
11	Dates of future meetings 5 December 2022 and proposed dates for 2023	12:30

Paper A: Minutes of meeting held on 6 June 2022 - Hybrid

PRESENT

Cllr John Fuller	Chair, LGA
Cllr Richard Wenham	LGA
Cllr Goronwy Edwards	LGA
Cllr Oliver Ryan	LGA
Cllr Alan Waters	LGA
Cllr Phil Murphy	LGA
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Mr Alan Wilkinson	SPPA
Mr George Graham	SAB representative
Mr Kevin Gerard	Technical Group representative

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Mr Jeremy Hughes	LGPC
Ms Joanne Donnelly	LGPC
Ms Elaine English	LGPC

1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr John Fuller [JF], welcomed members to the hybrid meeting and thanked those who made it into Smith Square with a tube strike in progress.

2. APOLOGIES

Apologies were received from Cllr Eddie Reeves, Cllr Keith House and Ms Linda Welsh.

No declarations of interest were declared.

3. MINUTES

The minutes of the previous meeting held on 7 March 2022 were agreed.

4. MATTERS ARISING

JF reminded the Committee that Jeff Houston retired from the LGA on 31 March 2022.

Cllr Richard Wenham [RW] informed the Committee that his fund continues to receive enquiries about investments in companies linked to Russia. The Committee noted that the Government had recently issued guidance on ending contracts with Russian companies. JF reminded Cllr Alan Waters [AW] that he had agreed to share the 'carbon footprint' report that Hymans Robertson produced for Norfolk Pension Fund. AW agreed to share the report with the Committee.

5. LGPC BUDGET

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

LB asked the Committee to approve a three per cent increase to the subscription charge for 2022/23 across all three schemes. Cllr Phil Murphy [PM] noted that the increase was significantly lower than the current level of inflation and asked whether pension managers had yet been informed about the increase. LB confirmed that pension managers would only be informed about the increase if it was approved by the Committee. There have been no negative responses to the two per cent increases to the subscription charge that have applied in the last two years. LB plans to send a list of the services provided by the Secretariat when informing pension managers about the subscription charge.

JF noted the expense of the new website and costs associated with supporting administering authorities in response to scheme developments that we expect in the future. He supported the proposed subscriptions increase and asked for the

Committee's approval. The Committee approved the proposal to increase subscriptions by three per cent.

6. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper C.

New member website

The new brand and member website for the LGPS in England and Wales was launched in March. We have updated the website to meet accessibility requirements and improve the user experience for all members. The new website has various features that aim to enhance usability and member understanding of the Scheme such as:

- simple navigation
- animations
- easy to use tools and calculators
- a faster and better search facility
- improved readability.

We have received a small amount of negative feedback, mainly from administrators who were familiar with the layout of the old member website. Feedback is improving as people become accustomed to navigating the new site and using the search facility.

We are in the process of creating a version of the site for members of the LGPS in Scotland. The Scottish site will have a different colour scheme and will require content changes to reflect the differences between the schemes. We hope to launch the Scottish site in July 2022

Recruitment and retention survey

The Secretariat ran a recruitment and retention survey in response to a request from an administering authority. The move to home working has meant that experienced pension administrators no longer have to relocate to move to a job in a different geographical location. Some administering authorities have reported staff leaving to do the same job for higher pay elsewhere. The aim of the survey was to understand home working policies, gather information about salary levels for pension administration roles across the country and understand how these may both affect recruitment and retention.

We received 42 responses to the survey. The respondents represent 57 administering authorities in England and Wales. We estimate that the respondents are responsible for administering the pensions of around four million LGPS members. Although the response level was lower than we had hoped, it was higher than the number of responses to a similar survey run by one of the actuarial firms some years ago.

We have shared the results of the survey with pension managers. We do not intend to share the results publicly because of the sensitive nature of the salary information the results contain.

The survey results show:

- no administering authority is requiring administrators to be in the office all of the time
- unsurprisingly, pay is higher in London and the southeast
- it is common for staff in London to work from home 100 per cent of the time
- many respondents have lost staff to other administering authorities, particularly to funds based in London
- 36 out of the 42 administering authorities that responded to the survey pay their staff based on the local authority pay scales.

The respondents believe that local authority pay scales do not reflect the complex, technical nature of a job in LGPS administration.

RW asked whether paying an allowance for London weighting would continue if there is no requirement for the staff of London administering authorities to work in the office.

LB agreed that salaries paid by administering authorities in London were higher but noted that this may in part be due to their small size. In some London boroughs, pension administration staff cover all aspects of the scheme. Starting salaries are likely to be higher for staff who cover more complex cases from day one.

David Murphy [DM] asked whether the survey results could be shared with NILGOSC.

Action: LB to review the agreement with respondents to assess whether sharing with the LGPS in Scotland and Northern Ireland would be appropriate.

DLUHC statutory guidance on special severance payments

On 12 May 2022, DLUHC published statutory guidance on special severance payments. The guidance is for best value authorities in England only. It does not apply in Wales.

The guidance confirms that any strain cost that arises because of the early release of pension benefits when an LGPS member takes flexible retirement, is made redundant or retires due to efficiency of the service is not a special severance payment. An employer awarding extra pension when an LGPS member exits or waiving any early payment reductions when a member retires voluntarily is likely to be a special severance. This would be determined by the individual's contractual terms.

LB explained that special severance payments must only be made in certain circumstances and that employers must have regard to the guidance when deciding to make such a payment. The guidance also covers rules on recording and disclosing these payments.

JF asked about whether the guidance is a means by which the Government could introduce the £95k exit payment cap. Jeremy Hughes [JH] confirmed that the Government remained committed to ending excessive exit payments in the public sector. We still expect further legislation to limit flexibility in exit payments in local government.

JF noted that the recent survey undertaken shows that recruitment is a problem in pension teams. Many people have left local government early to make sure that they exit before the cap is introduced.

Kevin Gerard [KG] pointed out that the exit cap is unlikely to affect pension administrators. Recruitment and retention issues in the LGPS are to do with losing staff to other administering authorities, not generally staff exiting the sector altogether with an exit payment.

Technical guide – stronger nudge to pensions guidance

On 10 May 2022, the Secretariat published a technical guide on the stronger nudge to pensions guidance requirements. The new rules came into force on 1 June 2022. LGPS administering authorities must 'nudge' members towards pensions guidance when they take their AVC or, in limited circumstances, when they transfer an AVC. As part of the process, the administering authority will have to offer to book the appointment on the member's behalf.

The guidance available is not a good fit for the LGPS because the advisers will not be able to discuss the options open to a member taking an AVC within the LGPS. We are liaising with the DWP on how to navigate the new requirements and how the guidance could be made to work for the advantage of LGPS members.

We will make further changes to incorporate the new requirements into our other guides such as the AVC technical guide in the coming weeks.

Data subject access requests documents

On 11 May 2022, the Secretariat published a collection of documents to assist administering authorities in dealing with data subject access requests (DSARs). At the request of the National Technical Group, we commissioned Squire Patton Boggs to produce guidance and templates for administering authorities in Scotland, England and Wales to use.

Administering authorities are receiving an increasing number of requests of this type, commonly from past members who have transferred out of the LGPS and not got the result that they had hoped for.

The documents now available on the administrator websites are:

- guidance for handling DSARs
- procedure for handling DSARs
- template acknowledgement letter
- template response letter
- template acknowledgement letter requesting more information
- template acknowledgement and deadline extension letter.

Kevin Gerard [KG] thanks the LGA team on behalf of the Technical Group for the work they have done with Squire Patton Boggs to produce the documents.

Online pension surgery

We ran our first online pension surgery on 12 May 2022. The two-hour surgery covered pension transfers and was attended by over 120 practitioners.

We set up a training focus group earlier in 2022 made up of representatives from administering authorities across the country. Pension surgeries were recommended by this group. The surgeries give attendees an opportunity to ask questions on a particular topic and to hear the views and experiences of other practitioners.

Feedback from the first surgery was very positive. We are currently planning our second event, which will cover the stronger nudge to pensions guidance.

6. SAB UPDATE [E&W]

Joanne Donnelly [JD] presented the key points from paper D.

Queen's speech

A number of Bills were announced in the Queen's Speech that will have an impact on the LGPS. We expect these Bills to be introduced early in the Parliamentary session.

- **Boycotts, Divestment and Sanctions (BDS) Bill:** will prevent public bodies engaging in boycotts that are out of line with UK foreign and defence policy. There is an existing provision in the Public Service Pensions and Judicial Offices Act that allows DLUHC to make statutory guidance in this area. We do not expect DLUHC to use this power until the BDS Bill is finalised.
- **Levelling Up and Regeneration Bill:** does not include a requirement for administering authorities to publish plans concerning investments in local projects. We expect DLUHC to make the necessary regulations on levelling up.
- **Public Procurement Bill:** will be simplified to offer new opportunities for small businesses. It is unclear at this stage what impact it will have on LGPS administering authorities and the way they procure services and award contracts.

The Scheme Advisory Board will be discussing with DLUHC and other Government departments how these Bills may impact the LGPS.

JF encouraged the Board to consider the definitions of 'local' and 'infrastructure' in the context of the plan to invest five per cent of LGPS funds in local infrastructure. In his view, it is better to frame that discussion rather than have definitions imposed on us. AW agreed that we should be on the front foot in this area. Issues about sustainability are becoming increasingly important, but administering authorities must remain committed to securing the necessary returns for members and pensioners.

JD confirmed that 'local' in this context means UK-wide, although the levelling up policy applies only in England. We expect existing local investment to count towards the five per cent target. If it does not, this could be considered a disincentive to making investments of this type now, in advance of the policy being in place. JD

intends to continue to work closely with DLUHC to frame the conversation in this area.

SAB forward look review

The Board has been in existence for six years and felt the time was now right to review the scope and role of the Board. At their meeting on 21 April 2022, the Board reached a consensus to be more proactive and forward looking, improve communication with scheme stakeholder and to produce an annual report of activities and a workplan.

The Board proposes to form a new Steering Group made up of member representatives, employer representatives and external experts. The group would discuss potential agenda items for Board meetings and help to make sure the Board is aware of new issues that arise.

Section 13 Report

The Government Actuary was appointed by DLUHC to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of LGPS funds in England and Wales. GAD made a number of recommendations as part of the 2019 report.

GAD is keen to see more consistency across the LGPS, particularly in academy conversions and approach to the cost of the McCloud remedy.

The SAB is committed to reviewing the recommendations and has set up meetings with DLUHC, GAD and the four actuarial firms to do so. The SAB does not expect major changes as a result of the review.

SAB annual report

The 2021 annual report will be launched by the SAB Chair Cllr Roger Phillips at the PLSA's Local Government Conference on 14 June 2022. It will be uploaded to the SAB website very shortly after the launch.

Gareth Brown, the SAB's analyst has done an excellent job in pulling the annual report together. He has extracted the relevant data manually from each fund's annual report. This process has been even more difficult this year due to the delays in signing off local authority accounts including pension fund accounts.

JF asked whether the process could be streamlined. JD explained that the data was not displayed consistently by all administering authorities and so it had not been

possible to find a more efficient method to collate the data this year. They will be discussing this issue with DLUHC and looking for ways to improve the data collection process.

The new Compliance and Reporting Committee will explore the possibility of separating pension fund accounts from the main local authority accounts. This is already the case in Wales and Scotland.

It is likely that SAB will be collating a scheme-wide TCFD report. It would be very challenging to produce two reports of this type and scale manually. The Board is currently looking for alternative solutions.

Cost Management committee report

The SAB agreed at their meeting on 7 March to amend the Cost Management Process in line with changes made to HM Treasury's Cost Control Mechanism (HMT CCM). They propose:

- tighter integration with revised HMT CCM
- move to reformed scheme only basis
- move to a 3% corridor
- formally integrate impact of changes in discount rate
- transition away from automatic management of contribution ratio.

A paper including these proposals was sent to HMT for approval in March 2022.

JF noted that the three per cent corridor should prevent perverse results such as the 2016 provisional valuation results. JD agreed that both the widening of the corridor and the introduction of the economic check would make breaches less frequent.

Compliance and Reporting committee

The new committee met formally for the first time on 9 May 2022. The committee was formed in response to the disbanding of the CIPFA Pensions Panel. The committee will operate a different funding model from that adopted by CIPFA. The SAB levy will increase to meet the costs of the new committee, but any guidance the committee produces will be available for free to all administering authorities.

JF noted the concerns of administering authorities and the Committee about software suppliers and the cost of future system developments, such as the McCloud remedy and pensions dashboards. JD pointed out that certain issues such as the risks associated with software suppliers could be considered by any one of the

Board's subcommittees. She agreed that suppliers represent a significant risk to the sector that the government must be kept aware of. Further discussions are needed to decide which subcommittee is best placed to take this forward.

George Graham [GG] voiced concerns about the timing of software developments to implement the McCloud remedy. He anticipates a significant amount of manual corrections, particularly in the early stages. Without confirmation of the regulation changes, GG recognises that software suppliers are limited in what system developments they can progress.

JF emphasised the importance of this risk and decided to consider it further at the Committee's next meeting.

7. REGULATION UPDATE SCOTLAND

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

The Local Government Pension Scheme (Scotland) (Miscellaneous Amendment) Regulations 2022 (2022/153)

These regulations were laid before the Scottish Parliament on 3 May 2022 and are in force from 1 June 2022. Some provisions have retrospective effect.

Deferred members: who left before 1 April 2015 can access their pension from age 55 or later without requiring the administering authority's or their former employer's consent. This also applies to pension credit members. This provision has retrospective effect to 2018.

Survivor pensions: calculations are changed in response to Walker and Goodwin cases. Surviving civil partners and spouses will receive a dependant's pension equal to that which would be payable to the surviving wife of a male Scheme member. This provision has retrospective effect to 2005 when civil partnerships were introduced.

Flexibilities for exiting employers introduced: that mirror the changes made to the LGPS in England and Wales in September 2020. Administering authorities may now set up a deferred debt arrangement with exiting employers. An employer's contribution rate may be reviewed between valuations in response to a request from the administering authority or the employer.

Cost cap figure amended: to correct an error identified by GAD.

Merger of administering authorities

Lothian and Falkirk are in the final stages of exploring the possibility of merging their operations. The two administering authorities have been working together successfully for more than ten years. If the merger is approved, it could take place in 2023.

JF asked about the cost per member based on combined operations. This is generally expected to be lower for larger fund sizes at around £20 per member per year, but those at today's meeting did not have the figures for Lothian and Falkirk.

8. REGULATIONS UPDATE NORTHERN IRELAND

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

LGPS regulations

A consultation was issued on 8 October 2021 on regulations to introduce changes to survivor benefits in response to the Goodwin and Walker cases. These regulations have now been made and became operational on 18 April 2022. Some provisions have retrospective effect. The regulation amendments also remove the upper age limit of 75 for the payment of a death grant. DLUHC is also considering this change to the LGPS in England and Wales.

Public Service Pensions and Judicial Offices Bill (now Act)

On 1 November 2021, the NI Assembly agreed a legislative consent motion for the PSPJO Bill which means the Bill will be adopted by Northern Ireland once passed in England and Wales. The motion does not apply to the recent amendment concerning investment decisions referred to earlier in these minutes.

Trade union legal action

Members of NIPSA have taken pre-employment tribunal action against 370 public sector employers. The action is for injury to feelings arising from the illegal age discrimination identified in the McCloud judgment. Not much information is currently available. There is a possibility that members in other parts of the UK could launch similar legal challenges.

AW noted that police officers and judges had successfully claimed compensation for injury to feelings. JD noted that a claim of this type may carry less weight when brought by a member who has not made a discrimination claim.

9. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from paper G, which was presented by KG.

McCloud remedy

All administering authorities are progressing well with identifying members who may be in scope of the McCloud remedy, collecting data and updating the relevant records. It will not be possible to make any progress on re-calculations until the final regulations are in place. KG expects that a large number of calculations will have to be performed manually in the period before systems are updated. He has sympathy for suppliers who can make limited progress until the final regulations are laid.

DLUHC update

DLUHC issued an update on potentially removing contribution bands from regulations and moving them to statutory guidance. This would allow contribution bands to be changed more easily and quickly. DLUHC is also aware of the difficulties administering authorities are facing with recruitment and retention of staff.

Prudential

KG thanked the LGA and SAB for their work with Prudential concerning its poor performance. Administering authorities have not seen an improvement in service and this is having an impact on their ability to pay pensions on time. KG asked the SAB to keep Prudential's performance on its agenda.

Pension Dashboards

DWP and the Money and Pensions Service presented at the last Technical Group meeting and confirmed they plan to publish their response to the recent consultation this in June 2022 followed by regulations in the Autumn. The group expressed concerns about the schedule for connecting with pensions dashboards, particularly in light of the timescales associated with the McCloud remedy.

Transfers out

Technical group discussed their concerns about a pension company completing the 'member discharge form' to transfer out of the LGPS using the member's digital signature. GG confirmed that a 'wet' signature or properly sourced digital signature only should be acceptable. He is aware of the company in question and its selling point that a member can complete a pension transfer without filling in any forms.

LB will follow up on this issue and provide an update at the next meeting.

10. TRAINING AND CONFERENCE UPDATE

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

Fundamentals

Fundamentals training 2022 which is a bespoke 3-day training course aimed at elected members and other who attend pension committees and local pension boards is now open for booking. Each day has a different theme and includes sessions delivered by experts in their field. The training this year will be delivered in person in London and Birmingham and separately online.

Annual conference

The annual governance conference will take place in Cardiff on 19 and 20 January 2023. The programme is currently being finalised. We expect to open bookings from July.

EE reminded the Committee that LGPC elected members are offered complimentary places at Fundamentals and the Annual Governance Conference. Please email EE elaine.english@local.gov.uk if you would like to attend.

Annual training programme

In March, the 2022 training programme was published. We are currently running transfers and employer role courses in England and Wales. We completed aggregation and transfer training for Scotland in May.

We are planning an annual allowance tax course for the end of 2022.

We have run Insight, a residential introductory course for practitioners, twice in Blackpool in 2022. We will run this course online in July and in Eastbourne in September.

Feedback for the courses has been very positive. Practitioners are preferring to attend one day training courses online, but demand for Insight in person remains high.

Lisa Clarkson, who joined the team on 7 March, has successfully run online and face to face Employer role training. We are looking to increase our training offer to employers, including bitesize online training.

11. ANY OTHER BUSINESS

No other business was raised.

12. DATE OF NEXT MEETING

Meetings for the remainder of this year will be held on:

- 10 October 2022 – date change due to Conservative Conference on 3 October 2022
- 5 December 2022.

DRAFT

Paper B – England and Wales update

Key points to note

- Pensions dashboards – staging deadline confirmed
- Pensions dashboards – two further consultations published
- DLUHC update on the McCloud remedy
- HMT consult on public sector exit payments

Decisions

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

Pensions Dashboards

DWP response to consultation on the draft pensions dashboards regulations

On 14 July 2022, the Department for Work and Pensions (DWP) [responded to the consultation on the draft Pensions Dashboards Regulations](#). DWP also published [a summary of the key policies](#).

Staging deadline

The staging deadline for the LGPS and all other public service pension schemes will be deferred from 30 April 2024 to 30 September 2024.

Schemes will be expected to meet the required standards (connection, security and technical) by 30 September 2024. They must also, by that date, be able to respond to find requests, complete matching and provide administrative and signpost data on request.

Administering authorities will need to be able to provide value data (accrued and projected values) by 1 April 2025. Though they can provide this earlier if they wish.

Frozen refunds

DWP did not address frozen refunds in the official response but did confirm directly to the LGA that frozen refunds will be out of scope for initial dashboards because they are not considered to be member benefits. Joe Stacey from DWP went on to say:

“This does not mean they cannot be included at some point in the future but for now we’ve had to prioritise getting the regulations right for the benefits that are in scope.

We’ll keep this logged as an issue to look at again at the next suitable juncture. We want to legislate for schemes with fewer than 100 relevant members at some point, so there is bound to be further dashboards regulation in the not too distant future.”

We expressed our disappointment and informed DWP that we will keep them updated about any issues this creates for the LGPS when we first start receiving find requests.

Other consultations on dashboards

Further consultation

The DWP launched a [further consultation on pension dashboards](#) on 28 June 2022. The LGA responded to the consultation on 19 July 2022.

The further consultation set out two proposals. The first proposal provides clarity on the ‘Dashboard Available Point’ (DAP). The second proposal allows the Money and Pensions Service and the Pensions Regulator to share information about dashboards with each other.

The DAP is the point at which dashboards will be available to all members of the public. The consultation proposes that the DWP will decide on the DAP and then give pension schemes 90 days’ notice.

In our response, we call for the Government to:

- commission market research on how many people are likely to connect to dashboards when they go live
- consider phasing publicising the DAP, possibly by age or region
- consider providing easements during the initial period after the DAP.

PDP’s consultation and call for input on data standards and guidance

The Pensions Dashboards Programme (PDP) launched [the consultation](#) on 19 July 2022. We responded to this consultation on 31 August 2022.

In our response, we call on PDP to:

- include a flow chart and checklist to assist pension schemes understand their responsibilities when they use a third-party Integrated Service Provider (ISP) to connect to the dashboard ecosystem
- make it mandatory for users to input their national insurance number in the find data
- be mindful that the LGPS has a different McCloud remedy to the unfunded public service schemes. Any McCloud warnings or wording will need to cover the unfunded schemes and the LGPS
- make it clear to users that frozen refunds are not included on pensions dashboards
- provide more information on how the complaints procedure will work.

The consultations and our responses on the [non-scheme consultations](#) page of www.lgpsregs.org.

FAQs on the cost of living crisis added to member website

We have added frequently asked questions (FAQs) on the cost of living crisis to the member website.

The FAQs cover:

- Where can I find help with money troubles?
- Can I reduce or stop my pension contributions?
- Could pension scams increase?
- Is there any help for pensioners on lower incomes?

You can access these on the [Frequently asked questions](#) page of www.lgpsmember.org.

Government confirms academy guarantee will continue

After a reassessment, the Government confirmed on 21 July 2022 in [a written ministerial statement](#) that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

In 2013, the Government introduced the academy guarantee. The guarantee provides that, in the event of an academy closing, any outstanding liabilities will not revert to the LGPS fund. We covered this in [Bulletin 105](#).

Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.

McCloud update from DLUHC

On 27 July 2022, we sent the following update to administering authorities in England and Wales and software suppliers on behalf of the Department for Levelling Up, Housing and Communities (DLUHC).

Earlier this year, the Public Service Pensions and Judicial Offices Act 2022 (“the 2022 Act”) received Royal Assent. The 2022 Act provides powers for the Government to rectify the McCloud age discrimination across all affected public service pension schemes. In DLUHC, work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales. Later this year, we intend to publish the Government’s response to [our 2020 consultation](#), in which we’ll set out our decisions on the matters covered in that consultation. After the publication of the Government response, the Scheme Advisory Board will resume their McCloud implementation groups (including representatives of different LGPS stakeholders), and the Department will attend those meetings.

Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in [Chapter 3 of Part 1](#) the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original consultation (for example, compensation and rates of interest). The regulations will be made later in 2023 and will come into force on 1 October 2023. We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.

This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage LGPS administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response, and will shortly be holding a meeting with software

suppliers to discuss the implementation of the McCloud remedy to this timetable.

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a [consultation on public sector exit payments](#). The Government is proposing to introduce:

- an expanded approval process for employee exits and special severance payments
- additional reporting requirements.

The guidance is intended to apply to all bodies that are classified as 'Central Government'. This **does not** include local authorities or bodies under devolved administrations. The guidance will apply to academies.

The new approvals requirement would apply to decisions made by employers to agree to an exit where the total payment to be made would be more than £95,000. This includes relevant statutory, contractual or discretionary payments. This would include any strain cost where an LGPS member aged over 55 leaves due to redundancy or efficiency. A further approval will be needed if special severance payments – payments in excess of contractual obligations – are to be offered.

Employers will need to report any exit to HMT if the total payments made in relation to it exceed £95,000.

You can find more information about the proposals in the [draft HMT guidance on public sector exits](#).

The consultation closes on 17 October 2022.

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Paper C – Scheme Advisory Board update

Key points to note

Particular attention is drawn to the sections on the Good Governance action plan, Climate Change Reporting consultation and the Compliance and Reporting committee's workplan.

Decisions

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

Summary

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

Good Governance Action Plan

1. The Board's Good Governance action plan submitted to DLUHC in February 2021 has now been considered by the Local Government Minister, Paul Scully. He is proposing to accept almost all recommendations from the Board, with the exception of the request to provide further guidance on the nature of fiduciary duty. In some instances, the Minister may want to go further (e.g. in relation to KPIs and training requirements) and DLUHC is also proposing to include a requirement for administering authorities to have a workforce strategy alongside the administration strategy.
2. We also understand that changes will be proposed to the forfeiture arrangements. The changes will reflect the Board's recommendations on the timing of applications and the need for a more formally documented process to handle applications.
3. We understand that work is underway to consult on changes to both scheme regulations and statutory guidance. Consultation on the regulations is likely to be early in the new year, with further work being done to develop guidance for consultation at some point later in the year.

SAB forward look review

4. Following a “forward look” exercise, which took place in the months after the appointment of the new Board Secretary Joanne Donnelly, the Board has now established an Agenda Steering Group to help it be more proactive and strategic in its approach in the medium-term. Improvements in communication with scheme stakeholders has also been identified as a key aim for the future. Part of that will include an annual report of the Board’s activities, achievements and future workplan. Cllr Fuller is a member of that Group, together with the Board Chair, Vice-Chair, Secretary and practitioner representatives.

Section 13 Report recommendations

5. The Government Actuary made a number of recommendations as part of his report into the 2019 fund valuations. There was a recommendation that the Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience. The Cost Management Committee is still considering how to respond to this recommendation.
6. Another recommendation was that the SAB should establish a consistent approach to schools converting to academies. SAB is establishing a small working group which will have a tighter remit than the previous academies working group. It will just look at how a more transparent and consistent approach can be taken to establishing the starting position of academies. The group will not look for solutions to the broader issue of differing contribution rates that might still emerge from a common methodology.
7. In response to the recommendation that the Board review asset transfer arrangements from local authorities (as employers) to the administering authority (sometimes the same authority), it was agreed to deal with this via the existing good governance workstream.
8. The Secretariat has had meetings with DLUHC, GAD and the four actuarial firms to consider how these recommendations can be taken forward. A roundtable involving all parties is still in the process of being arranged by GAD.

SAB annual report

9. The Board’s 2021 annual report was launched by the Board’s Chair, Cllr Roger Phillips, at the PLSA’s Investment Conference on the 14 June 2022.

Coming consultation on pooling, Levelling Up and the CMA Order

10. DLUHC has committed to consulting, probably before the end of the calendar year, on a range of investment related issues. Likely to come as a single package, this is expected to cover the Minister's desire to accelerate the process of pooling of assets and for that process to be more transparent (via fund annual reports). We understand that the new Government shares the view of the previous PM that there is a role for LGPS funds in supporting local growth and this will also feature in the consultation (although there is little information about how this will be taken forward).
11. We understand that the Government is also continuing the work to deliver a Bill in this parliamentary session to place limits on LGPS funds' ability to carry out boycotts, divestment and sanctions (BDS). No further information about this has been made public since the Queen's Speech lobby briefing.

Cost Management Committee report - 12 September 2022 meeting

Cost Control 2016 and 2020

12. HM Treasury has proposed three main changes to the cost management mechanism:
 - to only include the costs of service in the reformed schemes
 - to widen the "corridor" from the existing 2% margin to 3%
 - to introduce an additional "economic check" which would operate when there is a breach of the 3% corridor to ensure that wider economic conditions are considered before any breach is implemented through changes to the scheme.
13. The Secretariat has discussed reform of the SAB's own cost management process with DLUHC officials, so that it better aligns with the revised HMT process. We are hopeful to see a consultation on this before the end of the year. The assessment of employee contribution yields by GAD is also expected this calendar year (alongside other scheme experience data needed for the 2020 scheme valuation).
14. We understand that the Judicial Review on the inclusion of McCloud costs in the 2016 Cost Control Mechanism will have a full hearing in late January 2023, planned for 5 days.

Survivor Benefits and Death Grant Entitlement

15. In response to the letter from the SAB Chair, DLUHC has confirmed its intention to amend LGPS regulations to:

- implement the Goodwin case (ie to equalise survivor pensions for male survivors of opposite sex marriages in line with that of widows)
- to remove the upper age limit on entitlement to death grants (which is currently 75).

Gender Pensions Gap

16. The Committee felt there was a clear and obvious link between pension and pay equality (which is already reported by local government employers). However, it also felt that this was unlikely to be a complete explanation of different pension incomes at retirement. For example, there are likely to be other factors, such as:

- The cumulative effect of lower than expected pay
- Career breaks and their effect on career progression
- Possible different approaches between men and women as to making up of lost contributions, or making extra payments (use of AVCs)
- Opt-out rates and 50/50 for men and women may be different due to the different impact of life events (e.g. maternity leave, career breaks, going part-time, divorce); and
- Extent to which pension credits are awarded on divorce.

17. The Committee therefore agreed to seek the Board's approval to:

- Commission GAD to provide a cost estimate to produce data and some initial analysis of these issues
- Begin to scope, as a secondary project not to start until 2023-24 collection, the need for an analysis by other protected characteristics
- Once this work has been done, explore whether it would be worth funds being asked to do their own equality gap analysis as a part of their annual or valuation reports
- Develop proposals on how to better monitor and analyse opt outs in the Scheme in a timely manner.

Investment Committee report - 26 September 2022 meeting

18. The Committee received a report outlining compliance with the Code of Transparency reporting tool developed and administered by Byhiras. This

showed steadily increasing use and compliance. The Committee also considered options to enhance the functionality of the tool, and after considering costs and benefits, it decided to establish a working group to make recommendations on this. They also asked the group to look at some longer-term ambitions, such as improving awareness of the tool and growing its scope, eg to include better quality data, benchmarking and maybe climate reporting data. Those nominated onto the group will cover funds that are major users, those which do not use the tool presently, and the pools.

Compliance and Reporting Committee report - 5 September 2022 meeting

19. The committee has now drawn up a delivery plan which recognises the need to take on workstreams previously delivered by CIPFA. Working groups have been established to examine in more detail how to deal with the following workstreams:

- Funding Strategy Statement guidance update;
- Review of Annual Report Guidance;
- Audit Issues;
- Refresh of Knowledge and Skills framework;
- Communication on pension fund accounting (IAS19 v LGPS method);
- Review guidance on administration, communications and governance strategies and statements

Responsible Investment Advisory Group report - 13 July and 14 September 2022 meetings

20. DLUHC have now launched a policy consultation that includes detailed provision of the requirements that will be placed on LGPS funds. The proposals require all LGPS administering authorities to put in place new governance and risk management arrangements, as well as setting and reporting against various metrics and targets on climate risk and opportunity. The Board will clear a response, but much of the thinking will be done at the RIAG, bringing in expertise from other committees and groups as necessary.

21. The consultation proposals put in place a reporting and monitoring framework similar to that established last year for private pension schemes and other institutional investors. Funds will also have to set targets for themselves, but these are not binding and do not of themselves necessarily condition the pension committee's fiduciary obligations in relation to investment. The Group felt that

they would welcome more guidance on the tension between such targets set, plans to deliver them and the fiduciary duty.

22. The group discussed whether the Board should try to impose greater consistency in how targets were set and data reported. However, on balance, the Group leaned more towards retaining some flexibility in target setting, use of metrics and scenario analysis. The Group noted that creating these reports would be very resource-intensive and would also require more training for committee members and staff. Investment consultants and advisers would need to have additional expertise. The Group considered the merits of jointly commissioning in some way the expert scientific input needed, eg on the transition scenarios it is reasonable to use. The Secretariat is exploring options for delivery of this, including through pools.
23. The Board will be asked to deliver a scheme level climate risk report. It was felt that it should focus more on a narrative and not attempt to over-analyse what was recognized as far from satisfactory data. The Group agrees to form a working group to develop a template for LGPS funds reporting of metrics to SAB.

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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.

LGPS Regulations

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

Trade Union Legal Action

NILGOSC, the sole administering authority for the LGPS in Northern Ireland, has started to receive Industrial Tribunal claims issued by local trade union NIPSA in the name of each of their members with any scheme membership. Some appear to have no scheme membership. The Employer is listed as First Respondent, the Department of Finance as Second, the Department for Communities as Third and NILGOSC as Fourth.

The claims purport to be connected to McCloud and seek damages for injury to feelings based on McCloud. To date NILGOSC have received claims in respect of 29 Employers and 4,219 Employees. It expects to receive claims in respect of the vast majority of the 175 Employers within the scheme and tens of thousands of Employees. The action is already affecting workloads in NILGOSC and, as more claims are received with a requirement to respond, has the potential to adversely affect service delivery in addition to the risk of significant financial losses to the pension fund.

Similar claims have been lodged against the other public service pension schemes and their employers in Northern Ireland.

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.

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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 contents of this report.

Update from 17 June and 2 September 2022 meetings

McCloud remedy

Each POG collated responses and provided updates on the questions below. It appears that whilst software systems may be able to extract information for employers to validate, 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. The LGA have facilitated a 'McCloud missing data Group' in order that cases are dealt with consistently across all administering authorities.

- 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.

DLUHC provided updates on McCloud and also discussed how Technical Group could assist in developing the outcomes of the Good Governance project. The group also welcomed Alan Wareham to the meeting who is the new DLUHC representative. A query was raised in the June meeting regarding the treatment of inward transfers from the EEA. DLUHC made Technical Group aware that this has been raised with MOCOP and HMT but no reply has been received.

Pension Dashboards

Technical Group received updates from the majority of administering authorities along with development progress made by each software supplier.

Despite assurances contained within the Prudential letter dated 29 April 2022, poor customer service continues with no improvement experienced. Scheme members are still forced to wait extended periods for payment of pension and AVC benefits. A meeting was arranged for early September to discuss these issues directly with Pru, but unfortunately, they withdrew from the meeting. A new date is being arranged in October.

Additional Voluntary Contributions

When administering authorities have undertaken AVC provider reviews, and sought alternative providers, a barrier to change has been the requirement to provide life assurance. DLUHC confirmed that 'our lawyer does not think that the provisions in regulation 17 would require life assurance benefits to be offered by administering authorities'. SAB may wish to consider if the regulations should be amended to clarify/update the position.

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