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 and 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.

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