

Paper A: Minutes of meeting held on 22 July 2024 - Hybrid

PRESENT

Cllr Nathan Yeowell	Chair, LGA
Cllr John Fuller	LGA
Cllr Richard Wenham	LGA
Cllr Doug McMurdo	LGA
Cllr Bev Craig	LGA
Cllr Vince Maple	LGA
Cllr Michael Headley	LGA
David Murphy	NILGOSC
Alan Wareham	MHCLG
George Graham	SAB representative
Kevin Gerard	Technical Group representative
Joanne Griffiths	Greater Gwent Pension Fund (observer)
Alan Wilkinson	SPPA
Eva Sobek	SPPA

Secretariat

Lorraine Bennett	LGPC
Joanne Donnelly	Scheme Advisory Board (SAB)
Rachel Abbey	LGPC
Toni Durrant	LGPC
Daniella Howell	LGPC

Non-attendees

Cllr Eddie Reeves	LGA
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1. INTRODUCTION FROM THE CHAIR

The Chair, Cllr Nathan Yeowell [NY], welcomed everybody to the hybrid meeting and asked those attending to introduce themselves.

On behalf of the Committee, NY congratulated Cllr Deirdre Costigan [DC] on her election as MP for Ealing Southall and to Cllr Bev Craig [BC] on her appointment to Leader of the LGA Labour Group and Deputy Chair of the Association.

2. APOLOGIES

Apologies for absence were received from Cllr Deidre Costigan [DC], Linda Welsh [LW] and Kimberly Linge [KL].

No declarations of interest were declared.

3. MINUTES

The minutes of the previous meeting held on 11 March 2024 were agreed as a true and correct record.

4. MATTERS ARISING

Restructure of the LGPC secretariat team

Following this committee's agreement to the restructure at the last meeting, the LGA HR team has re-evaluated the updated job descriptions. The restructure has now been approved by the LGA Senior Leadership team. This approval was delayed because of the ongoing agile futures project at the LGA – a wider structural review.

Lorraine Bennett [LB] explained that the team has been struggling to satisfy the demand for training and technical support, particularly since the Scheme changes due to the McCloud remedy were introduced. Recruitment of two new members of staff will start shortly - one each on the training and technical teams. The restructure will also create a new management post, which is needed due to the increased size of the team.

Kevin Gerard [KG] stressed the need to increase the size of the team, particularly to deliver more training. He asked if two additional team members would be enough to meet the increased demand for training and other services the team provides. LB explained that the cost and practicalities of increasing the team size must be carefully managed. She expects the additional training post to be self-financing through increased training revenue. The possibility of increased consolidation within the sector could mean changes in the level of demand for the team's services and what type of support larger administering authorities need.

David Murphy [DM] explained that many administering authorities rely on the LGA pensions team, particularly to interpret complex legislation.

NY agreed on the need to increase the size of the team, but highlighted that there are decisions to be made about how quickly the team should grow and to what size. As agreed at the last meeting, a subset of members of this committee will consider medium term plans for the team. LB to share proposals on which views are needed. These will be picked up in the last quarter of 2024 once new members of the Committee are appointed.

Government pensions review

On 22 July 2024, Joanne Donnelly [JD] attended a roundtable led by the newly appointed Chancellor of the Exchequer, Rachel Reeves MP, about the Government pensions review. The recently announced review will be led by Emma Reynolds MP, the new Minister for Pensions. It will focus on defined contribution schemes, but will also affect the LGPS. Other leaders from large institutions such as the Pensions and Lifetime Savings Association, WTW and the Association of British Insurers attended the event, as well as representatives from LGPS pools.

The nature of LGPS investments was discussed at the roundtable – whether they are UK focused, and whether the assets are listed or unlisted. There was also a discussion about how the UK Government could incentivise investment in UK companies, through tax breaks for example.

There is a clear commitment to increasing the level of pooled LGPS assets, with legislation likely if pooling targets are not met by March 2025. The LGPC and SAB view is that their role is to influence this process so that increased pooling happens in the best way for the Scheme, its employers and members.

The Committee raised the following points about investing in infrastructure:

- the need for a definition of infrastructure for this purpose – water companies build infrastructure, but holding water company stocks may not meet a strict definition
- social housing may be a vehicle for administering authorities to generate income for the Scheme as well as satisfying their ambition for place-based infrastructure investments
- the ultimate responsibility is generating income for the Scheme. An infrastructure project with no income stream is not a viable investment
- if the Government legislates to force schemes to invest in a certain way, will it take responsibility for the performance of those investments?

JD expects any legislation to be strong enough to influence investment decisions, but not to impinge upon fiduciary duty.

The LGPS pools represented at the meeting are similar in construction. JD's view is that this is the Government's preferred model to build expertise and make savings, but this was not discussed at the roundtable.

George Graham [GG] asked if fund consolidation was covered. The meeting was mainly focused on investments, but consolidation is on the Government's radar. When fees were quoted, these included costs of investment and administration/governance. The Government is looking for efficiencies in both areas. The LGPS representatives emphasised the need for care in changing the structure of the Scheme because of the level of complexity. The SAB will have an important role in shaping any changes.

NY plans to continue discussions with the SAB and other interested sector bodies on how the LGPS can participate in the growth agenda.

5. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper B.

McCloud

McCloud continues to be a priority at MHCLG and pension funds.

MHCLG consultation on annual benefit statements

MHCLG ran a limited consultation on McCloud and annual benefit statements during the pre-election period. As the legislation currently stands, administering authorities are required to reflect a member's underpin protection in the benefits quoted in their annual statement. The Ministry consulted on removing this requirement for 2024 and introducing a discretion for administering authorities not to reflect underpin protection in 2025 statements for certain members. MHCLG expects to lay the relevant legislation before the 31 August deadline for issuing 2024 statements.

TPR expects English and Welsh funds to report breaches if that legislation is not in place by 31 August 2024.

In LB's view, guidance for administering authorities on when the discretion should be exercised in respect of 2025 statements would be useful. This would help to avoid the discretion being used too widely.

DM asked whether there was an alternative to all funds reporting a breach, such as MHCLG issuing a letter of intent that administering authorities could rely on, or MHCLG reporting the breach on behalf of the Scheme.

Alan Wilkinson [AW] does not expect LGPS (Scotland) regulations to be changed before 31 August 2024. His expectation is that Scottish administering authorities that do not reflect McCloud protection in 2024 statements will report this as a breach of the law.

Statutory guidance

MHCLG has published statutory guidance on the implementation of the McCloud remedy. The Ministry's interpretation of the legislation means that a member's protection status can change, which makes the implementation of McCloud harder.

McCloud administrator guide and webinars

The team is currently working on an updated version of the McCloud guide for administrators which will include additional information on retrospective calculations. The guide will be published in September when the team will also host webinars for administrators. These will cover topics that administrators are struggling with, including transfers. The training team has also spent considerable time updating existing training materials to reflect the latest changes relating to McCloud.

GAD has recently published the actuarial guidance that administering authorities will need to process certain cases. Some calculations were on hold waiting for this guidance to be published.

The tax treatment of interest

Members will receive interest at 8 percent on retrospective payments related to McCloud. HMRC had previously said that part of this payment would be unauthorised and additional tax would be payable. LB welcomed HMRC's change of policy on this.

Teachers' excess service

The McCloud remedy will involve some teachers moving to the LGPS in respect of some of their service in the remedy period. The LGPC team continues to work with MHCLG, the Department for Education and Capita on this complex area. As the project has developed, there has been a welcome reduction in the number of individuals in scope.

Abolishing the lifetime allowance (LTA)

The LTA was abolished from 6 April 2024, but the legislation to achieve this was rushed. The team is still waiting for clarification on some areas of the policy. The team has produced a guide for administrators, which has been updated several times as legislation is updated and HMRC responds to queries. They are also working on other forms and templates to assist administering authorities communicate with members about the new rules.

Pensions dashboards

DWP has now released the guidance on the staged timetable for schemes to connect to the dashboard ecosystem. The connect-by date for all public service pension schemes is 31 October 2025.

TPR expects all LGPS pension funds to connect by this date. They will be contacting administering authorities from this month to remind them about the deadline and conduct surveys.

LGPS promotion project

The team is working with the LGPS Communications Working Group to create a toolkit for employers to use to promote the LGPS to employees. The SAB surveyed employers on what resources employers would like to have to promote the LGPS. Employers were positive about all the resources mentioned in the survey and so the team will work to produce an e-learning module, video, promotional leaflet, social media posts, posters and email footers.

GG mentioned the Pensions and Lifetime Savings Association (PLSA) project on communicating with LGPS members about the retirement living standards. LB is aware of the project and that some administering authorities are working directly with the PLSA. The retirement living standards are not commonly used in the LGPS because the 'moderate' income is unachievable for most members.

Cllr Doug McMurdo [DMc] noted the number of deadlines that administering authorities need to be aware of. He asked whether the team could publish a calendar of these deadlines, and the possibility of funds having to confirm their awareness of impending deadlines. The LGPC team could set up a calendar to assist administering authorities, but it was not their role to check whether funds were complying. It may be more appropriate for the SAB to consider this.

6. SAB UPDATE [E&W]

JD presented the key points from paper C.

Annual report guidance

SAB published its annual report guidance on 31 March 2024. This was an updated version of the guidance previously published by CIPFA. JD explained that the new guidance represents a step forward in improving transparency and consistency in fund reports. The guidance recommends shortening reports by using hyperlinks to administering authority policies, rather than including the full policy text.

Administering authorities are asked to use their 'best endeavours' to comply with the new requirements in the guidance in 2024. They will be required to comply fully from 2024/25 and MHCLG will be checking on compliance.

We do not yet have pooling guidance that was mentioned in the earlier consultation. There have been changes to how funds should report their asset allocations, with specific tables asking for information about UK-based investments.

Engagement

The SAB has increased its engagement with administering authorities over the election period. JD has facilitated meetings with fund officers and Cllr Roger Philips has held an online session with pension committee chairs. This was welcomed by administering authorities and SAB will continue with this increased engagement. SAB is well placed to facilitate open discussions with funds. Other bodies that organise such discussions may have an agenda to sell their products or services.

DMc welcomed the increased engagement with funds and noted that it had been lacking in the past.

Audits

Angela Rayner MP and Jim McMahon MP addressed the LGA Councillor Forum on 17 July. JD was pleased that local authority audit was given high priority by the Government. The King's Speech included a draft Audit Reform and Corporate Governance Bill. It is likely to take a year to 18 months for this to become law. JD hopes that a different vehicle can be used to deliver the separation of local authority and pension fund accounts sooner.

The SAB team has published an 'informer document' in partnership with the Institute of Chartered Accountants in England and Wales (ICAEW). The document aims to help resolve repetitive queries that funds receive from auditors.

Boycotts, divestment and sanctions (BDS) Bill

The BDS Bill did not receive Royal Assent in the last Parliament. The Bill does not appear to be on the current Government's radar. Although the Public Service Pensions and Judicial Offices Act 2022 includes a provision relating to BDS, this will only have effect if the Government issues guidance. JD has informed MHCLG that this provision is causing difficulties for fund officers and elected members in relation to lobbying.

7. REGULATION UPDATE SCOTLAND

The Committee noted the key points from paper D, which was presented by AW.

McCloud

LGPS Scotland is facing the same issues relating to McCloud as have already been discussed for England and Wales. SPPA plans to make changes to regulations relating to McCloud and annual benefit statements, but these will not be in place before the 31 August 2024 deadline for issuing statements.

SPPA published statutory guidance on implementing the McCloud remedy on 4 July 2024.

Revaluation date

SPPA has amended the revaluation date to align with the tax year. The amendment regulations came into force on 28 March 2024 but have backdated effect to March 2023.

Exit credit consultation

SPPA carried out a short technical consultation on introducing a discretion for paying exit credits when an employer leaves the Scheme. The proposals were similar to provisions which already exist in England and Wales. SPPA is currently considering the responses to the consultation and expects further movement at the end of 2024.

8. REGULATION UPDATE NORTHERN IRELAND

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

Update

There has been one meeting of the LGPS (Northern Ireland) SAB this year and they covered matters that have already been discussed at this meeting.

The TPR general code is in force in Northern Ireland from 5 July 2024. This is later than the rest of the UK as it was necessary to wait until the Government was in place.

NILGOSC has received the results of their cost cap valuation. The cost of the Scheme fell, but because of the operation of the economic check, there will be no changes to member benefits.

As mentioned at the last meeting, there is a departmental review underway. The review will consider whether NILGOSC could operate more efficiently. As part of the review a question over who owns the Scheme assets and liabilities was raised. This is particularly important as the Government looks to influence LGPS investment decisions. NILGOSC could take a different attitude towards risk if they had assurances of financial backing from the Government. The departmental review will be published later this year.

NY agreed the need to find out the Government's position on who has the ultimate responsibility for LGPS assets and liabilities.

9. TECHNICAL GROUP UPDATE

KG presented the key points from Paper F.

Technical Group

The purpose of the technical group has evolved in recent years. The group decided to review the terms of reference which have been unchanged since 2019. Regional pensions officer groups have been asked to provide their views on the future of the group. KG will provide an update at the next meeting.

Cllr Richard Wenham [RW] asked for an update on the performance of AVC providers. The performance of Prudential and Scottish Widows has been mentioned at previous meetings. KG replied that there has been an improvement in Prudential's performance in recent months. Technical group has set up a subgroup to engage with Scottish Widows. Administering authorities can report any feedback at regional groups and escalate major issues to technical group. KG is not aware that any performance issues relating to other providers have been reported.

10. TRAINING AND CONFERENCE UPDATE

Toni Durrant [TD] presented the key points from Paper G.

Fundamentals training

Fundamentals training is now open for booking. It is aimed at councillors, and members of pension committees and local pension boards. It provides an overview of the LGPS in general, as well as looking into current issues affecting LGPS administration.

The dates, locations and programmes have been confirmed for the 2024 event, and the training team is in the process of confirming speakers. Bookings are going well for both in-person and online events.

Conference

The annual governance conference will take place on 30 and 31 January 2025 in Bournemouth. The programme and speakers are currently being finalised.

TD reminded the group that members of this committee get free places at the conference and Fundamentals training events. Please email training.lgps@local.gov.uk to book your place.

NY recommended the conference to the committee and welcomed the changes to the agenda.

Employer and administrator training

The demand for practitioner training remains high. The training team will deliver courses on aggregation, transfers and retirements in 2024. The team is also trying to meet the demand for training commissioned by individual funds or groups of funds.

The training focus group, made up of representatives from administering authorities, has fed back on what training they would like to be provided in 2025.

Insight training

The residential Insight training course provides an overview of the LGPS for new administrators. The team has added a further course in November 2024. The price for 2025 has been increased slightly to reflect the increased cost of delivering the training.

Apprenticeships and qualifications

The Level 2 award in Pensions Essentials pilot started in April 2024 and is facilitated by Barnet Waddingham. This is the equivalent of a GCSE qualification, and it is not LGPS-specific. The pass rate of the current cohort of 18 students is 83 percent. The team is starting to work on recruiting the next cohort for this course.

The training team is progressing with the development of an LGPS-specific Level 3 qualification. The course is being designed in-house and the team is currently writing training materials and exam questions. There will be two intakes of students each year. Advertising for the first intake in April 2025 intake is planned for November 2024, to coincide with the Pension Managers' Conference in Torquay.

11. ANY OTHER BUSINESS

NY noted that this is the last meeting of the current committee and thanked members for their service. NY hopes to 'head hunt' people with knowledge of the LGPS to join the committee to replace labour members who have left or are likely to leave in 2024.

12. DATES OF NEXT MEETINGS

The next meeting will be held on 25 November 2024.