

Cost Management, Benefit Design and Administration Committee

MEETING OF 19th FEBRUARY 2024

Item 3 Paper A

Hybrid meeting – 30th October 2023

Actions and agreements

Present

George Georgiou	Employee representative (GMB), Chair
Sean Collins	Practitioner – Oxfordshire Pension Fund
Simon Taylor	Practitioner – West Midlands Pension Fund
Emma Mayall	Practitioner – Greater Manchester Pension Fund
Glyn Jenkins	Employee representative (UNISON)
John Neal	Employee representative (Unite)
Charity Main	Academies representative (Anglian Learning)
Becky Durran	Actuaries – Aon
Steven Scott	Actuaries – Hymans Robertson
Graeme Muir	Actuaries – Barnett Waddingham
Clive Lewis	Actuaries – Mercer
Alan Wareham	Department for Levelling Up, Housing and Communities (DLUHC)
Mike Scanlon	Government Actuary's Department (GAD)
Martin Smith	GAD
Matt Gurden	GAD
Lorraine Bennett	Local Government Association (LGA) – Senior Pensions Adviser
Jo Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Senior Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer

Items 1 and 2 – Welcome, introductions and declarations of interest

1. The chair welcomed all in attendance to the meeting. Becky Durran deputised for Jonathan Teasdale (Aon); Steven Scott deputised for Catherine McFadyen (Hymans Robertson). There were also apologies from Kevin Gerard (Carmarthenshire Pension Fund) and Gareth Brown (LGA).
2. There were no conflicts of interest declared.

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Item 3 – Actions and agreements from 26 June 2023 meeting

3. The minutes of the meeting on 26 June 2023 were agreed as a fair and true record of the meeting.

Item 4 – McCloud update

4. Lorraine Bennett (LB) gave a verbal update to the Committee. Regulations were laid on 8 September 2023 and were effective from 1 October 2023. DLUHC issued an initial policy document which set out how cases should be prioritised. The final version was expected to be published in 2024 following a review by the McCloud guidance working group and a consultation.
5. The LGA has produced and circulated member communications in September 2023 and has a dedicated page on McCloud on the [LGPS member website](#). The page includes a video setting out key information on McCloud and an interactive tool for members to find out if they are affected. Content which funds can use for a newsletter to scheme members on the issue would also be published shortly. The team are also planning a workshop at the Pensions Managers' Conference in Torquay along with webinars on 7th and 20th December 2023.
6. Glyn Jenkins (GJ) asked whether it would be possible for scheme members who were part of another public sector scheme to potentially receive a double remedy as each scheme was reviewing casework. LB explained that it would be up to officers at each scheme to check the relevant service to be used. There would need to be an exchange of information between the two pension schemes to confirm information and it would take some time as it is a complex process.
7. George Georgiou (GG) asked how well prepared funds were to implement the remedy. LB confirmed that there was a mixed picture and that it was expected to take some time to deliver due to the complexity in the casework. In addition, funds did not yet have all the tools necessary as GAD had not provided all relevant factors yet and the administration software was still to be updated.

Item 5 – Update on Gender Pensions Gap (GPG) working group

8. Becky Clough (BC) introduced Paper B to the committee. The GPG working group met for the first time on 9 October 2023. At the meeting, there were 12 reps from funds, actuaries, employers, the LGA and a law firm.

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9. The group had been convened to discuss the following issues:
 - a. Any in-scheme changes that may help address the levels of inequality (e.g. around the ability to buy back service, issue of multiple small pension pots)
 - b. Directing employers to best practice in managing the career paths of those who take time off for caring responsibilities and other life events (child related leave, divorce, bereavement, and career breaks)
 - c. Communicating with members to ensure they are informed about the potential pension implications of the career choices they make
 - d. 'Mainstreaming' analysis so to allow for proper evaluation of "what works" and how much is left to do.
10. The group discussed various reasons and policy issues affecting the GPG. The key areas for investigation were an extension to the current time period of an election for a Shared Cost Additional Pension Contribution (SCAPC) to allow more time for scheme members to make an election to buy back lost pension contributions following a period of authorised absence. There would need to be further investigation to determine whether this would be feasible.
11. The group also suggested that communications could be developed to outline the options that members have available to them at various life stages, which would assist employers in ensuring members are well informed.
12. The LGA workforce team also shared work they had planned to address the gender pay gap and how the group could get on board with that. The potentially negative impact of outsourcing on the GPG was also raised. The group agreed that the SAB Secretariat would collate the issues discussed and at the next meeting agree some specific actions to take forward.
13. The four next steps for the group are outlined as follows:
 - a. Investigate feasibility of changes to regulations to extend the deadline for scheme members to elect for SCAPCs
 - b. Plan specific communications needed for employers on the GPG to raise awareness of the specific issues which impact the GPG within the LGPS regulations, particularly during scheme member life events

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- c. Work with LGA workforce team on increasing awareness of GPG and identify the policy solutions which could have a positive impact
- d. Continue the discussions with DLUHC on the progress of New Fair Deal and impact of outsourcing on the GPG.

14. The Committee approved the next steps outlined and thanked the working group members for their input.

AGREED – that the GPG working group explore the next steps detailed above.

Item 6 – Update from the surpluses working group

15. Jeremy Hughes (JH) introduced Paper C to the Committee. The working group was convened to discuss the issues that could arise from improved funding levels at the 2022 valuation, with many more funds being in surplus. The working group received a Terms of Reference to consider before the meeting and this was approved.
16. The Committee heard that the working group would focus on three main areas; the impact of surplus on employer contributions, on investment and funding strategies, and any SAB communication needed for employers and members (and their representatives) in response to this position. It was hoped that the Board could agree a statement of its position on this issue at the December meeting and then put this on the SAB website.
17. GJ stated that it would be important to ensure that employer contributions did not drop below employee contributions. JH added that the long-term stability of contributions was a matter of priority and the working group agreed early in their meeting that a key objective of the LGPS is to maintain stable contribution rates.
18. The next steps for the working group were proposed as:
- a. To produce a statement from the Board on the surplus issue
 - b. To liaise with DLUHC to investigate whether any further guidance on employer flexibilities in the LGPS Regulations is needed
 - c. To discuss the surplus issue at the SAB LGPS Live webinar in December 2023.
19. The committee agreed the next steps detailed in the paper. The Committee thanked the working group members for their input.

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AGREED – that the Surpluses working group explore the next steps detailed in Paper C.

Item 7 – GAD update on LGPS data for the scheme cost control mechanism (CCM) valuation

20. Mike Scanlon (MS) and Martin Smith (MSm) from GAD introduced Paper D to the committee. Centrally set assumptions were set out in Treasury Directions in late August, and scheme specific assumptions have been shared with the Board. Priority is being given to completing the valuations in the unfunded public schemes, as the valuations set employer contributions from 1 April 2024. It is expected that there would be draft results for LGPS E&W before the end of the calendar year.
21. GAD was pleased to report that fund data quality had improved since the 2016 valuation, with only 1 fund's data being missing and 99.3% of the data received passing GAD's reasonability test.
22. The committee were given high level information on the scheme experience results that would be contributing to the valuation and were invited to comment.
23. GJ asked whether there was data on change in average length of service since 2016. MSm explained that this was not discussed in the report but could be linked to the growth in the number of deferred members.

Item 8 – GAD advice on the SAB's scheme cost assessment assumptions

24. Matt Gurden (MG) introduced Paper E to the committee. Paper E covered the advice commissioned from GAD on the different approaches and assumptions which could be set for the 2020 SAB scheme cost assessment process. MG explained that the advice considered different options for setting the discount rate. There was advice on other assumptions as well, and while these had varying effects on the outcome the final cost would largely depend on the setting of the discount rate assumption. MG explained that there were arguments to support each of the options set out in his paper.
25. Concerning the ratio of employer to employee contributions, MG said that this would alter depending on the discount rate chosen, as the employee contribution was known and fixed, while the notional employer contribution was calculated as total scheme cost minus employee cost.

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26. The committee were content with the advice in Paper E and to adopt a similar set of assumptions to those used for the HMT cost management process. It was also agreed that the preferred discount rate to use was the 2016 SCAPE rate. Final advice will be put to the SAB meeting on 4 December and the results of the cost calculations should be available broadly alongside those of the HMT mechanism.

ACTION – that the Secretariat prepare a paper for the Board to approve the assumptions, including the choice of discount rate.

Item 9 – Opt Outs data and survey

27. BC introduced Paper F to the Committee. The SAB issued a survey to funds in late 2022 to collect opt out and 50/50 data. The data received proved difficult to analyse and therefore the Secretariat have been exploring other options. A Freedom of Information (Fol) request has been submitted to the Pensions Regulator (TPR) to request the opt out information held by TPR which is submitted by LGPS employers in their annual auto enrolment compliance returns.
28. If data is not available, or TPR are not able to disclose it, then a further option would be to issue a survey of all local authority employers, using the contacts held by the LGA Workforce team. This survey would cover a large majority of LGPS employers (approximately 80% of membership) but not all. The Secretariat could also use a survey of employers to obtain views, not just opt out data, on the importance of the LGPS in retention and recruitment.
29. The Committee noted the paper and agreed a survey of employers if the TPR data isn't available.

Item 10 – Committee workplan

30. Ona Ehimuan (OE) introduced Paper G to the committee which detailed the main workstreams expected in 2024 and the Committee were invited to comment. Sean Collins (SC) asked whether there were any administrative topics that should be in this Committee's remit, given its title. It was acknowledged that there was some overlap between this Committee and the Compliance and Reporting Committee (CRC) when it came to administrative issues, and the Secretariat were planning to review and if needed propose that the Board considers revising the various committee remits and names.

ACTION – that the Secretariat revisit the SAB committee structure and remit with the Board

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31. It was suggested and agreed to add Pensions Dashboards, the work to quantify opt outs and implementation of the New Fair Deal policy to this Committee's workplan before submission to the Board.

ACTION – that the Secretariat add Pensions Dashboards, Opt Outs and Fair Deal to the committee workplan before submission to the Board

Item 11 – Updated Terms of Reference (ToR)

32. BC introduced Paper H to the committee. It had been agreed at the last Board meeting on 17 July 2023 to update the ToR to reduce the number of meetings per year from four to three. The ToR for the committees had been updated to reflect this. The committee agreed the change in the frequency of meetings. As stated above, the Secretariat would be conducting a broader review of the current ToR and a paper outlining any changes would be brought to the next meeting.

ACTION – that the Secretariat bring a paper on the wider changes to the ToR to the next meeting

Item 12 – DLUHC Update

33. Alan Wareham (AW) gave a verbal update to the committee. The team were in the process of analysing the responses to the investments consultation and a response would be issued as soon as possible.
34. On Good Governance, the CRC working groups had been working to revise various guidance documents. The priority at this stage was the revision of the Annual Report guidance which was hoped to be in place for March 2024. The Funding Strategy Statement guidance was also being revised and it was hoped that the guidance would be in place by December 2024, ahead of the 2025 valuation cycle. BC confirmed that the Secretariat would be working with DLUHC to determine work needed for this update. The Good Governance and Administration working group would be revising the Department's 2008 Governance Compliance Statement guidance document, however the timing for this was not yet confirmed.
35. On the separation of pension fund accounts from those of the host authority, it was unclear whether the Audit, Reporting and Governance Authority (ARGA) Bill, which had been proposed as a potential legislative vehicle for the change, would be included in the King's Speech on 7 November 2023. If it were not included, it seemed unlikely that there would be any change ahead of the next General Election. **[POST MEETING NOTE – the ARGA Bill was not included in the King's Speech]**

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36. On both New Fair Deal and Exit Pay reforms, there had been no further progress to report. In the case of New Fair Deal, JH highlighted that the SAB Chair, Councillor Roger Phillips has recently written to the Minister requesting that DLUHC issue a response to the New Fair Deal consultation which closed in 2019. AW said that the letter had been received and would be responded to.
37. On both survivor benefits and forfeiture, consultations were being planned, however timescales could not yet be confirmed.

Item 13 – AOB and date of next meeting

38. There were no items raised under any other business. The date of the next meeting was confirmed as 19th February 2024.
