

Cost Management, Benefit Design and Administration Committee (CMBDA)

MEETING OF 19TH FEBRUARY 2024

ITEM 7 – PAPER B

SURPLUSES WORKING GROUP UPDATE

Current position:

1. The Surpluses Working Group was set up to explore the issues that may arise with more funds being in surplus.
2. The Group met on three occasions and comprised: Euan Miller (West Yorkshire Pension Fund), Peter Wallach (Merseyside Pension Fund), Elizabeth Vollans (South Tyneside Pension Fund), Sara Maxey (Essex Pension Fund), Jonathan Teasdale (Aon), Robert Bilton (Hymans Robertson), Michelle Doman (Mercer), Clive Lewis (Mercer), David Goldsmith (Osborne Clarke), Roisin McGuire (ICAEW), John Neal (Unite), Charity Main (Anglian Learning), Jennie Mulrooney (DfE), Emelda Nicholroy (UCEA), Aidan Smith (GAD), Teresa Clay (DLUHC), Joanne Donnelly (LGA) Jeremy Hughes (LGA), Becky Clough (LGA) and Ona Ehimuan (LGA).
3. The Committee previously approved some actions recommended from the Group's first meeting, namely:
 - To produce a statement from the Board offering our view of the main issues exposed in the Group's discussion.
 - Liaise with DLUHC to see if there is an appetite to provide further guidance on employer flexibilities in the LGPS Regulations.
 - Consider addressing these issues in one of our LGPS Live events.
4. The actions have all now been discharged and the Board's [statement](#) was published on 20 December.

Future Work

5. The group met again on 15 January to review the responses to the statement and decide what further actions might be needed. The response to the statement was generally thought to be positive and that its production was helpful.
6. The LGPS Live webinar in December had also been well received and there were so many questions coming in that it was agreed to run a further LGPS Live to continue and broaden the discussion for the February edition.

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7. The Group felt that there was more to be said on some issues, such as what should be done about employers targeting an exit from the fund, the calculation of exit credits and the notion of “partial termination” which had been created by some advisers to allow scheme employers to “lock in” present market valuations for some classes of member (similar to a buy-in for private sector schemes).
8. However, it was agreed that rather than trying to issue a further statement on these issues it would be better to attempt to address them through the workstream that was revising statutory guidance on Funding Strategy Statements (FSS). That group had already included these items in its long-list of subjects to include in revised guidance.
9. That workstream had been paused for short time to allow the Secretariat to focus on producing the revised Annual Report guidance. As that project was now coming to a conclusion (see item 4 on the CRC agenda for its 12 February meeting), it was agreed that this should be the next highest priority. Several members of the group volunteered to join that working group to input more directly to that work.
10. With those issues being taken forward via the FSS guidance working group, it was agreed that the group did not need to meet together again. Jo Donnelly thanked everyone for their input and help with drafting the statement.

Next steps

11. The Committee is therefore asked to approve that:
 1. The issues of employers targeting an exit from the fund, the calculation of exit credits and the notion of “partial termination” be remitted to the FSS working group for consideration
 2. Priority be given to the production of revised Funding Strategy Statement guidance
 3. The Surpluses Working Group now be closed.
