

Scheme Advisory Board

HYBRID MEETING – 12TH September 2022

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE

ACTIONS AND AGREEMENTS FROM MEETING OF 12TH SEPTEMBER 2022

PRESENT

George Georgiou	Members (GMB)	Chair
Sean Collins	Practitioners	
Simon Taylor	Practitioners	
Kevin Gerard	Practitioners	
John Neal	UNITE	
Glyn Jenkins	UNISON	
Charity Main	Academy Representative	
Michelle Doman	Actuaries: Mercer	
Jonathan Teasdale	Actuaries: Aon	
Catherine McFadyen	Actuaries: Hymans Robertson	
Louise Lau	Actuaries: Barnett Waddingham	
Con Hargrave	DLUHC	
Mike Scanlon	GAD	
Joanne Donnelly	LGA – Board Secretary	
Jeremy Hughes	LGA – Deputy Board Secretary	
Bob Holloway	LGA – Pensions Secretary	
Gareth Brown	LGA – Pensions Analyst	

Welcome, introductions and declarations of interest

1. The Chair welcomed all in attendance to the meeting, noted the passing of Her Majesty The Queen and introduced Charity Main (Academy Representative) to the committee. There were apologies from Emma Mayall (Practitioner) and Paul Duggins (DLUHC) and no declarations of interest.

Matters arising

2. The minutes of the meeting on the 16th May 2022 were agreed as a fair and true record of the meeting.

Item 4 – DLUHC update

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Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

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3. DLUHC representatives were not present at the meeting due to the mourning period following the death of HM The Queen. Paul Duggins (PD) sent a report to be delivered in his absence. Jeremy Hughes (JH) introduced the report to the committee. The report was circulated to the committee confidentially via email.
4. Glyn Jenkins (GJ) asked whether DLUHC would be undertaking any work relating to the Fair Deal policy. Bob Holloway (BH) mentioned that the government web page had been updated on September 8th to say that it was reconsidering its approach to Fair Deal in light of the earlier consultation. However, when this was queried with DLUHC officials, they did not indicate that this was under active consideration. It was agreed that the SAB secretariat would draft a letter from the SAB Chair to Minister Paul Scully MP asking for an update on this workstream.

Agreed – that the SAB secretariat will draft a letter from the SAB Chair to Paul Scully MP for an update on the Fair Deal consultation. The Committee noted the situation as described above.

Item 5 – McCloud and Exit Pay Update

5. **On McCloud**, PD's report confirmed that a government response to the consultation on McCloud remedy in LGPS would be published in the Autumn. There would need to be a further consultation next year, but the Department was confident that the necessary regulatory amendments would be in place by the Spring. JH added that Lorraine Bennett (LB) and the technical team have been working on determining a policy on dealing with missing data. There had been a meeting on scoping on September 8th 2022 to discuss this further. It was hoped that the forthcoming government response to the consultation on McCloud would clarify some of these issues. The Chair mentioned that a date had been set for the judicial review of the McCloud cost control mechanism cases, which challenge HM Treasury's decision to place the costs of McCloud remedy onto scheme members. The hearing will take place over five days from January 30th 2023.
6. **On exit pay**, the government had issued a consultation on new guidance and an approval mechanism on exit payments. Although this consultation applied to central government and not local government bodies, it was understood to apply to academies. JH highlighted that PD's report included reference to the publication of the latest data on local government exit payments. He noted that last year, 90% of exit payments in local government were worth less than £20,000, and that there were only 13 cases over £100,000 (the Government's now

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withdrawn exit pay cap was set at £95k). GJ asked about access to the statistics and the number of lower to average paid individuals with large strain cost payments in the data set. It was agreed that JH would send GJ the data source via email after the meeting.

Agreed – that JH would send GJ the data after the meeting.

Item 6 – 2020 Cost Management Mechanism

7. Joanne Donnelly (JD) introduced Paper B to the committee. In 2021, the Treasury consulted on changes to the Last year, HMT consulted on changes to the mechanism and proposed three changes. These were to change the mechanism to only include the costs of service in the reformed schemes, to widen the “corridor” from the existing 2% margin to 3% and 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.
8. GJ expressed concern that the Government might use the current very high levels of inflation as justification to propose reductions in members’ benefits, whatever the outcome of the cost management mechanism.

Agreed – that the Committee noted the situation as described above.

Item 7 – 2019 Section 13 Report

9. BH introduced Paper C to the committee. Section 13 of the Public Service Pensions Act 2013 requires the Government Actuary to report on whether the following aims in LGPS triennial fund valuations are achieved namely compliance, consistency, compliance and long-term cost efficiency. The 2019 report makes similar recommendations to the 2016 report, namely a need for consistency on academy conversions, a need for continuity in deficit recovery plans and proper management of conflicts of interest around asset transfers between employers and administering authorities.
10. The committee noted that there had been significant improvements in consistency largely down to the work of the SAB on standardised reporting. It was also noted that some elements of consistency may take longer to achieve than others. CM (Charity Main) argued that consistency around establishing the starting position of academy schools at conversion was still an issue. She said that further work to develop a consistent approach would be very welcome to academy

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trusts. The Committee recognised that this consistency would not on its own lead to similar contribution rates, and that policy changes by the Government would be needed to achieve consistency in that area. However, it was recognised that there were benefits in greater transparency and understanding around the methodology used. It was agreed to form a working group to explore this issue further.

Agreed – that the committee agrees the recommendations set out in Paper C, including the formation of a working group.

Item 8 – Gender Pensions Gap

11. JH introduced Paper D to the committee. The report highlighted the potential underlying causes of the gender pensions gap such as the gender pay gap, as well as the cumulative impacts of lower pay and the impact of career breaks. Other details including the impact of pension sharing orders on divorce, and gender differences in making up lost contributions and making additional voluntary contributions (AVCs). The report also highlighted the potential pensions gap within other protected characteristics and recommended that work be undertaken to ascertain the validity of these predictions.
12. JH noted that John Neale (JN) and the Chair had both flagged that they wanted to discuss whether the current cost of living crisis had led to LGPS members opting out from the scheme. Anecdotal evidence on this was mixed and it would be good to get some objective data. JH said that the pattern of opting-out might be gendered and it was a good example of how this kind of monitoring could add value. The paper included a recommendation to explore how opt-out data could best be captured from funds or employers.
13. There was a suggestion of collaborating with PPI on the collection and analysis of data on other protected characteristics. Gareth Brown (GB) added that regression analysis may be useful in this case to determine the impact of any identified pensions gap. There would have to be a discussion of what should be done with the data after it has been collected, as solutions to the issues identified might be more to do with employment practices than LGPS rules. It was noted that there was very limited scope to change anything in the LGPS alone, without broader government policy or regulatory change, that could make a substantive impact.
14. GJ mentioned that greater visibility of basic facts about the scheme could be useful in helping members make better informed decisions about their pensions, especially in the case of lower paid workers and

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women who have already been identified as groups disadvantaged by the pensions gap.

Agreed – that the committee agrees the recommendations set out in Paper D. These are to:

- **Commission GAD to provide a cost estimate to produce the relevant data set based on the most recent valuation for further analysis**
- **Commission GAD to provide a cost estimate to undertake regression analysis on the LGPS data which would indicate the degree to which pension income and total pension pot size is impacted by gender**
- **Decide whether there are other factors that ought to be included in the scope of the GAD data and analysis commission**
- **Begin to scope, as a secondary project not to start until 2023-24 the possibility of collection and analysis of data on other protected characteristics by scheme employers**
- **If, once this work has been done, the Committee feels that it has proved valuable, explore whether it is feasible for funds to do their own equality gap analysis as a part of their annual or valuation reports**
- **That the Secretariat bring a paper to the next Committee meeting on how to better monitor and analyse opt outs in the Scheme in a timely manner.**

Item 9 - AOB and date of next meeting

JN raised the question of survivor pensions benefits and in particular the position of co-habiting partners where the member left before 2008 (and so their partner would not be eligible for survivor benefits). JH confirmed that this was the issue contested in the Harvey case, which he noted was only a High Court decision and had not been appealed (so was not a binding precedent). JN said that it was possible that Unite would support a further test case on the same grounds. JD observed that HM Treasury had taken a very firm position, alongside DWP, on the issue of retrospective equalisation of survivor benefits because of the precedent it would set across the public sector (and potentially wider). She felt HMT were unlikely to allow DLUHC to change LGPS benefits unless ordered to by the court. JH reminded the committee that Cllr Roger Phillips, SAB Chair, had recently written to the Minister outlining the agreed SAB position on this, which was

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that LGPS survivor benefits should be equalised and simplified going forward.

15. The date of the next meeting is 21st November 2022.