

Cost Management, Benefit Design and Administration Committee

MEETING OF THE 30th JANUARY 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS – Meeting of 21st November 2022

PRESENT

George Georgiou	Members (GMB), Chair
Sean Collins	Practitioners
Simon Taylor	Practitioners
Emma Mayall	Practitioners
Glyn Jenkins	UNISON
Charity Main	Academy Representative
Jonathan Teasdale	Actuaries: Aon
Catherine McFadyen	Actuaries: Hymans Robertson
Louise Lau	Actuaries: Barnett Waddingham
Alan Wareham	DLUHC
Mike Scanlon	GAD
Brian Allan	GAD
Joanna Fowler	GAD
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Bob Holloway	LGA – Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Gareth Brown	LGA – Pensions Analyst

Welcome, introductions and declarations of interest

1. The Chair welcomed all in attendance to the meeting. There were apologies from John Neal, Matt Gurden, Con Hargrave, Michelle Doman, and Kevin Gerard. There were no declarations of interest.

Matters arising

2. The minutes of the meeting on September 12th 2022 were agreed as a fair and true record of the meeting.

Item 4 – McCloud update

3. Lorraine Bennett (LB) gave a verbal update to the committee. The Department's response to the McCloud consultation had been delayed due to the change in Minister. Draft regulations would not be published with this response but with the further McCloud consultation in the new year. That consultation would cover further technical issues such as tax and teachers' excess service. Final regulations were expected by summer recess 2023 and will come into effect from October 1st 2023.

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4. The LGA working group had met on two occasions and draft guidance was being produced on the issue of missing data. The team were obtaining a legal opinion on the guidance and had also met with some of the software suppliers. DLUHC's McCloud working group would be resumed once their consultation response had been published. It was also confirmed that there would be input from the LGA and SAB to the Department's working group.
5. LB confirmed that McCloud remedies would be paid after October 1st 2023 and the Department was expected to provide guidance on which cases should be prioritised for rectification.

Item 5 – Scheme Level Assumptions for Cost Control Mechanism

6. Mike Scanlon (MS) and Joanna Fowler (JF) from the Government Actuary's Department (GAD) introduced GAD Papers 1 & 2 to the committee, detailing the scheme-set assumptions for the SAB's Cost Control Mechanism process. It was explained that the cost control mechanism is shaped by a mix of scheme mandated and HMT set assumptions. The assumptions GAD proposed for the 2020 cost control assessment were based on a 50/50 balance between the assumptions made for the previous cost control assessment and the actual trends observed in scheme experience. GAD's analysis showed that the changes in assumptions driven by scheme experience would lead to a slight downward pressure on scheme costs. The committee members asked a number of questions about the information presented by GAD and were content with the responses received.

Item 6 – Section 13 and Academies Working Group

7. Joanne Donnelly (JD) gave a verbal update on the Section 13 and Academies working group to the committee. The group had been formed and met for the first time on November 8th. The group agreed four key actions along with an agreement to schedule another meeting in early-mid January (before the next CMBDA committee meeting). The aim was to further bolster the treatment of academy conversions in the tripartite (DfE (Department for Education), DLUHC (Department for Levelling Up, Housing and Communities) and SAB (Scheme Advisory Board)) advice document on academies to cover: a common nomenclature for conversion methodologies, factors that might determine which approach a fund adopted and possible consequences of the choice of methodology over time. It was agreed that the Secretariat would contact John Bayliss (GAD) to chase this action and Jonathan Teasdale (Aon) noted that he had not yet been contacted to contribute to this work.

Agreed – that the Secretariat would contact John Bayliss to chase the action detailed at paragraph 7.

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Item 7 – Gender Pensions Gap

8. Jeremy Hughes (JH) introduced Paper B to the committee. GAD have provided an estimate of the associated costs and informed the committee of the time needed to complete this work. The costs were reduced by GAD to reflect the fact that this was a ground-breaking approach which may well be replicated in the other public sector schemes.
9. The committee's role going forward will be to make recommendations to the Board on how far this piece of work should go, as well as appropriate timing. JH informed the committee that it could be possible to do some of the work this financial year (2022/23), but with the costs accounted for in the SAB levy for the next financial year (2023/24).
10. Brian Allan (BA) explained that GAD would seek to analyse areas relevant to the LGPS and use a number of categories to build up a regression analysis along with the weight that each driver had towards influencing any identified pensions gap.
11. Glyn Jenkins (GJ) expressed support for the aspects to be covered in GAD's report but emphasised an opinion for a need to provide basic information on the Scheme to members including the impact of opting out.
12. Practitioners queried whether this further analysis was consistent with GDPR (General Data Protection Regulation) requirements. JH gave his view that the data which had been collected by GAD for s13 and cost control purposes could lawfully be processed for gender pensions gap analysis, as the purpose was to fulfil the functions of a public body which includes the public sector equality duty (PSED) to reduce inequalities.
13. The Committee considered potential uses of the report, and JH suggested that all or some of the content of the report could be used in EIAs (Equality Impact Assessments) for proposed changes to scheme rules. It was not satisfactory that underlying drivers on inequality are not currently considered when changes are being made due to a lack of clear data. Also, while the report might not lead to specific changes in the LGPS rules, it could have an impact at the employer level when shaping working practices which could have an impact on closing the gap over time (e.g. around facilitating return to work after pregnancy).
14. On the wider use of survey data collected by SAB from funds, it was agreed to hold a further conversation with practitioners on this and to reflect on whether data protection agreements needed to be put in place.

Agreed – that the committee recommends to the Scheme Advisory Board that GAD be commissioned to start work on collation of a gender pension gap report.

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Item 8 – SAB assumptions for standardised valuation report

15. MS introduced GAD Paper 3 to the committee. It was explained that there were normally variations in assumptions made by actuaries when undertaking local fund valuations, so the SAB basis provides a standardised actuarial valuation basis using a set of assumptions. This enables easy comparison of funding levels between different LGPS funds, but is not intended to provide a funding target or to set contribution levels.
16. After some discussion, and in the absence of updated central assumptions from HMT, the Committee agreed with GAD's recommendation which was essentially to retain the previous set of assumptions, aside from the updating of the assumptions on mortality.

Item 9 – DLUHC update

17. DLUHC's representative informed the committee that the recent appointment of new ministers meant that policy work and work at HMT on the Cost Control Mechanism had been delayed, but was expected to pick up pace soon. On the letters that the Secretariat had sent to the previous minister (e.g. on external audit and Fair Deal), it was said that efforts were being made to get a response sent to the SAB. The Department's consultation on climate risk reporting would be closing on November 24th 2022; it was expected that there would be an influx of responses shortly before the deadline and work would commence to consider them, and to issue the Department's response. On the updating of survivor benefit rules to reflect the Goodwin and Walker cases, there was no update to be reported to the committee at this stage.

Item 10 – AOB and date of next meeting

18. Simon Taylor (ST) highlighted the overlap in the External Audit workstream in the Compliance and Reporting Committee and the Section 13 and Academies working group and asked for the Secretariat to keep the CMBDA committee informed on this workstream. It was agreed that the Secretariat would explore the best way to keep the committee informed.

The date of the next meeting is January 30th 2023.

Agreed – that the Secretariat would explore the best way to keep the committee informed on the C&R committee's external audit workstream.