

# Cost Management, Benefit Design and Administration Committee

## MEETING OF 15<sup>TH</sup> NOVEMBER 2021

### ITEM 3 PAPER A : ACTIONS AND AGREEMENTS

#### PART A : VIRTUAL MEETING HELD ON 13th SEPTEMBER 2021 – 1.30pm

#### PRESENT

John Neal	Members (UNITE)	Chair
Sean Collins	Practitioners	
Kevin Gerard	Practitioners	
Simon Taylor	CIPFA	
Emma Mayall	Practitioners	
Glyn Jenkins	UNISON	
Graeme Muir	Actuaries: Barnett Waddingham	
Louise Lau	Actuaries: Barnett Waddingham	
Michelle Dorman	Actuaries: Mercer	
Becky Durrant	Actuaries: Aon	
Catherine McFadyen	Actuaries: Hymans Robertson	
Con Hargrave	MHCLG	
Michael Scanlon	GAD	
John Bayliss	GAD	
Brian Allen	GAD	
Jeff Houston	LGA - Board Secretariat	
Joanne Donnelly	LGA – Board Secretariat	
Robert Holloway	LGA - Board Secretariat	
Gareth Brown	LGA – Board Secretariat	

#### 1. Welcome, introductions and declarations of interest

Substituting as Chair in George Georgiou's absence John Neal (JN) welcomed all in attendance to the meeting. There were apologies for absence from Rachel Brothwood (Simon Taylor substituting), Alison Murray (Becky Durrant substituting) and Melanie Durrant (Louise Lau substituting). There were no declarations of interest.

#### 2. The Chair set out handling arrangements for the virtual meeting.

#### 3. Matters arising

Glyn Jenkins (GJ) referred to his earlier request for a meeting with MHCLG to discuss new Fair Deal and to the more recent email from MHCLG offering a range of dates. The Chair also mentioned that

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dates for a meeting between MHCLG and the trade unions on the special severance payments consultation have been offered.

Under the AOB item GJ explained that in the ill-health case the scheme member in question has accepted the deal but that concerns around the employer's actions remain. Jeff Houston (JH) responded by saying that an ill health retirement is an ill health retirement for the purposes of the regulations with no room for employers to make entitlement subject to a deal.

The Committee agreed the minutes for the previous meeting held on the 12<sup>th</sup> July 2021.

## **4. 95K Cap and McCloud Update**

Jeff Houston (JH) advised members that guidance on special severance payments is expected in October which in the light of consultation responses will include clarification on some of the key provisions.

On exit payments JH explained that the government is adopting a new approach by asking each individual responsible authority to come forward with their own proposals to the Chief Secretary within the next few weeks. MHCLG will be making proposals for the LGPS.

The Chair expressed concerns about the different and inconsistent arrangements that may arise under a department by department approach. JH agreed that consistency may be an issue but that there may be benefits in the different arrangements better reflecting the characteristics of individual schemes. HM Treasury also needed to recognise that some elements of the local government workforce belong to schemes other than the LGPS.

On McCloud JH advised members that the Public Service Pensions Bill has reached Second Reading in the House of Lords. The section of the Bill dealing with how the McCloud remedy is to be taken forward for the LGPS will be dealt with by government amendments in October. Con Hargrave (CH) confirmed that the House of Lords returns on the 11<sup>th</sup> October.

**Agreement – that the committee notes the position as set out above**

## **5. 2016 cost control mechanism and SAB cost management update**

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Joanne Donnelly (JD) referred members to the Board's special meeting on the 1<sup>st</sup> July where agreement had been reached on the recommendation to be made to MHCLG Ministers. A letter has been sent to the Minister confirming the Board's agreement that no recommendations are being made to bring the scheme's cost of 19.4% to the scheme's target cost of 19.5%. JD confirmed that the letter also included representations about the inclusion of McCloud remedy costs in the Board's cost management arrangement and that reference was also made to the Board's intention to seek several scheme changes outside of the cost management arrangement on third tier ill-health retirement and the contribution rate for scheme members on low pay who do not benefit from tax relief on their contributions.

CH confirmed that the letter is currently with Ministers and that there was no objection to the Board's letter being published.

In response to a question from JH, CH confirmed that no date has been fixed for the publication of HM Treasury's Valuation Directions. JH advised members that the Board's letter to Ministers was agreed on the assumption that the final Directions will not differ in key areas from the draft version. JH also reminded members of the potential Judicial Review case and confirmed that the process for taking forward recommendations outside of the Board's cost management arrangement will commence when Ministers have responded to the Board's letter.

**Action – that the Secretariat publishes the Board's letter to the Minister**

## **6. HM Treasury cost control mechanism consultation response**

JH advised members that with the assistance of committee members the Board submitted its response to HM Treasury's cost control mechanism consultation on the 19<sup>th</sup> August. The response centred on a call for the cost control arrangement to be more scheme specific, in particular, with regard to the funded LGPS. JH further advised in the context of the 2020 scheme valuation setting of assumptions and exploring options under the process will shortly be the subject of discussions with GAD.

GJ highlighted the importance of the assumptions around the discount rate and asked if this had been the subject of any discussions with HM Treasury. In response, JH explained that such discussions have taken place. Although HM Treasury was keen to remind everyone that

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it is their process, they do appear willing to look at options. CH confirmed that MHCLG has also met with HM Treasury who remarked on how helpful the meeting with the Board's Secretariat had been.

**Agreed – that the committee notes the position as set out above**

## 7. Pensions Dashboard Update

Bob Holloway (BH) referred members to Paper D that set out a brief summary of the background to the pensions dashboard project and details of the staging process for implementation.

JD advised members that in response to a Slido question at the recent LGC Investment Summit there was a zero response to whether the pensions dashboard was the main concern (versus 6 other options) for those in attendance. In response, the Chair commented that the timeline set out in the paper was very challenging and that early communication and education about the future stages of the project will be key to successful implementation.

JH confirmed that discussions with the dashboard's project team will continue on issues like the scope of data that will be required and the extent to which McCloud remedy projections need to be factored into annual benefit statements. Discussions with scheme software providers are also continuing.

## 8. 2022 triennial fund valuation

JH made reference to the forthcoming round of triennial fund valuations in 2022 and that with preparations already underway it might be timely for the four actuarial firms represented on the committee to give their views on what lies ahead at the next committee meeting.

In response the four firms agreed to meet outside of the committee to discuss handling and to report back to the Secretariat on what they have agreed.

**Agreed – that the four actuarial firms will meet to discuss arrangements for reporting/presenting to the next committee meeting**

## 9. MHCLG regulatory update

CH confirmed that most updates have already been covered in the meeting apart from a proposal to come forward with a set of

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miscellaneous scheme amendments. For example, whether MHCLG Directions agreeing to a transfer of functions should include agreements on bulk transfer terms. The general view from the actuarial firms was that bulk transfers tend to be straightforward and adequately dealt with within scheme regulations. Simon Taylor (ST) advised members that the regulations already include provisions for a third, external actuary to resolve any bulk transfer issues.

## 10. AOB and date of next meeting

JH asked members if they have had any experience of the new employer flexibilities being used. In response ST mentioned that he is aware of several cases but only at a very early stage where next steps are being considered. Louise Lau (LL) was also aware of a case that might occur before the next valuation in 2022.

JH also asked if any administering authorities were considering virtual or hybrid meetings with employers as part of their preparation for the 2022 valuation. In response, ST said that there may be a mixture of face to face and virtual meetings recognising that the more difficult meetings may be better suited to face to face meetings.

Members were advised that the dates of all SAB, Committee and RIAG meetings for the rest of this year and next year are being considered with details being circulated shortly for comment.

## PART B : VIRTUAL MEETING of 29<sup>th</sup> October 2021

### Meeting to discuss new Compliance & Reporting Committee

#### PRESENT

George Georgiou	Chair - (UNITE)
Sean Collins	Practitioners
Kevin Gerard	Practitioners
Emma Mayall	Practitioners
Rachel Brothwood	CIPFA
Alison Murray	Actuaries: Aon
Catherine McFadyen	Actuaries: Hymans Robertson
Jeremy Hughes	DLUHC
John Bayliss	GAD
Joanne Donnelly	LGA – Board Secretariat

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Robert Holloway

LGA - Board Secretariat

## Apologies

Apologies for absence were received from John Neal, Glyn Jenkins, Michelle Dorman and Louise Lau

### 1. Welcome, introductions and declarations of interest

The Chair welcomed all in attendance to the meeting and explained that the purpose of the meeting was to invite members' views on the extent of any overlap between the work of the committee and the proposed new Compliance and Reporting Committee

2. The Chair informed members that in an email Glyn Jenkins wished to advise members of the need for scheme members to be represented in the new committee to ensure that any guidance, practice notes, etc, undertaken by the new committee can be understood by scheme members.

### 3. Comments and Discussion

Joanne Donnelly (JD) opened the discussion by explaining that the Board had agreed a paper (Item 5 Paper C) setting out proposals for the new Compliance and Reporting committee when it met on the 27<sup>th</sup> September and invited members' views on any overlap between the committee's workplan and that of the new committee together with any general comments on the proposed new arrangement.

Kevin Gerard (KG) highlighted the importance of the new committee having sufficient capacity to undertake both the work of the former pensions panel and any work transferred to it from the existing committees. In response JD agreed that the new committee will have a very full agenda including work on the scheme's TCFD reporting framework.

Sean Collins (SC) suggested that there was very little overlap between the work of the investment and new C&R committee but expressed some concern that the lack of fund actuaries on the new committee could potentially hinder any work on, for example, Funding Strategy Statements. Catherine McFadyen (CM) agreed.

Rachel Brothwood (RB) advised members that the former pensions panel was a technical group which could give rise to certain conflicts of interest on the new committee. RB also stressed the need for the

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new committee to address concerns around both internal and audit of LGPS pension funds. Jeremy Hughes (JH) confirmed that colleagues in DLUHC are keeping a watching brief on audit issues, in particular, concerns around value for money.

JH asked about the status of the new committee. JD explained that it would be a joint committee reporting to both the Board and CIPFA.

Alison Murray (AM) suggested that the time was right for a wider review of the remit of existing and the new C&R committee. AM also asked whether GAD would be represented on the new committee. John Bayliss (JB) advised that this needn't be the case. Bob Holloway (BH) suggested that GAD could attend as observers on any agenda item that would benefit from GAD's observations.

JD confirmed that CIPFA's Pensions Network will continue though a decision on where it sits in the new arrangement has yet to be decided.

RB advised members that communicating the new arrangement with scheme stakeholders will be vital in ensuring an effective handover.

GG concluded the discussion by confirming the committee's support for the Board's proposal and the consensus that there was no overlap between the committee's workplan and that proposed for the new committee.

**Agreed – that the committee fully supports the paper agreed by the Board on the 27<sup>th</sup> September and that at the present time there are no elements of the committee's workplan that should be transferred to the proposed Compliance and Reporting Committee.**