

Cost Management, Benefit Design and Administration Committee

MEETING OF 5TH OCTOBER 2020 ITEM 3 PAPER A

ACTIONS AND AGREEMENTS VIRTUAL MEETING HELD ON 8th June 2020 – 1.00pm

PRESENT

George Georgiou	Members (GMB)	Chair
Sean Collins	Practitioners	
Kevin Gerard	Practitioners	
Emma Mayall	Practitioners	
Simon Taylor	Practitioners	
Glyn Jenkins	Members (UNISON)	
John Neal	Members (UNITE)	
Graeme Muir	Actuaries: Barnett-Waddingham	
Melanie Durrant	Actuaries: Barnett-Waddingham	
Michelle Dorman	Actuaries: Mercer	
Alison Murray	Actuaries: Aon	
Catherine McFadyen	Actuaries : Hymans Robertson	
Con Hargrave	MHCLG	
Mike Scanlon	GAD	
John Bayliss	GAD	
Jeff Houston	LGA - Board Secretariat	
Robert Holloway	LGA - Board Secretariat	
Liam Robson	LGA - Board Secretariat	

1. Welcome, introductions and declarations of interest

The Chair welcomed all in attendance to the meeting. There were apologies from Rachel Brothwood (CIPFA) and Paul Middleman (Mercer) There were no declarations of interest.

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

3. Matters arising

Jeff Houston (JH) confirmed that the summary of the recent Supreme Court judgement on investment powers had been agreed by SAB and would be published on the SAB website on the 8th June. Although government is considering bringing forward new legislation to re-introduce a ban on foreign country and UK defence industry boycotts, JH explained that the central message of the SAB summary is that

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MHCLG's statutory guidance on Investment Strategy Statements published in July 2017 remains unchanged in application.

JH made reference to the NHS Life Assurance scheme and that further details about the scheme can be found at <https://www.nhsbsa.nhs.uk/nhs-and-social-care-coronavirus-life-assurance-scheme-2020-0>

Glyn Jenkins (GJ) asked what arrangements are in place in Scotland and Northern Ireland.

JH explained that in Scotland the NHS pension scheme would be extended to all of the workforce and that in Northern Ireland the NHS Life Assurance scheme will apply. George Georgiou (GG) confirmed that in Scotland payment under their scheme would be three times salary whereas in the NHS Life Assurance scheme a flat rate of £60k is payable.

On tax allowances GG explained that there was now more flexibility given to employers on the application of tax allowances but that concerns remained about the impact of the arrangements for lower paid longer serving members.

The Committee agreed the minutes for the previous meeting held on the 6th January 2020.

4. SAB work on covid-19

Jeff Houston (JH) provided an update on the work undertaken by SAB's Secretariat to support the scheme during the covid-19 pandemic.

JH explained that the Secretariat continues to press the Pension Regulator to tailor their guidance issued during the pandemic to suit the particular circumstances of the LGPS, a case in point being the guidance on transfer values that makes specific reference to the Pension Protection Fund which has no relevance to the LGPS.

JH referred to the various FAQs now published and advised members that furloughing remained the major concerns of employers and scheme members. JH mentioned that more draft guidance on furloughing in the public sector was expected from HM Treasury but Con Hargrave (CH) suggested that this may not be the case although MHCLG may come forward with specific advice for local government.

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Kevin Gerard (KG) repeated the need for further clarification and that the guidance, as it currently stands, is ambiguous.

JH made reference to surveys undertaken by the Secretariat on scheme resilience, cash flow and governance and thanked administering authorities for their excellent response. A fourth survey aimed specifically at asset managers is being planned.

However, covid-19 related issues and priorities are bound to change over time so follow up surveys are a real possibility. JH went on to explain that despite the very many positive stories to emerge from the surveys, the pensions media continue to rely on critical headlines to attract attention.

JH also described work to be undertaken on mortality data to establish trends over time that will help both to assess whether any decline in performance against benchmarks is due to increased casework or resource issues.

Reference was also made to the weekly calls with SPPA in Scotland and NILGOSC in Northern Ireland to share issues and resolutions to them.

CH thanked SAB and the LGA for all the help and support given during the emergency.

5. Covid-19 Practitioners Group

Bob Holloway (BH) explained that since early April the group has met fortnightly to assist the SAB and LGA in assessing the extent to which the covid-19 pandemic will impact on the delivery of the pensions function and to assist administering authorities in dealing with emerging issues on pensions administration. The group will also feedback issues raised by administering authorities to assist the LGA in compiling employer and scheme member FAQs.

KG advised members that care needs to be taken about the language used during the emergency and that terms like “business as usual” must be avoided. Although key functions are being delivered to scheme members much as before, the resources and effort to achieve this is far from normal.

BH invited members to support the work being undertaken by the group and to recommend to SAB that it should continue to meet on a fortnightly basis for the foreseeable future.

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Agreed – to recommend to SAB that the group should continue its work for the foreseeable future.

6. McCloud Update

JH explained that a consultation on remedy from MHCLG specific to the LGPS is expected before Summer recess in late July but warned that there may be timing issues given legal challenges led by the FBU on pausing the cost cap arrangement and increase in Employment Tribunal claims following the FBU's campaign for its members to seek damages for injury to feelings.

GG asked whether the cost of McCloud will be met by schemes or government? JH explained that ultimately this will be a matter for HM Treasury and that any adjustments would feed through the valuation process and cost cap arrangement. GG pointed out that in other schemes earlier valuations are to be re-visited but JH explained that there are two different processes in the unfunded and funded schemes.

Mike Scanlon (MS) advised members that although the 2016 cost cap arrangement remains paused the government has undertaken to make a statement on cost cap as part of the statement on McCloud remedy.

JH explained that this year's annual benefit statements cannot quantify the impact of McCloud but a statement to be included, where possible, in this year's statements has been agreed with MHCLG and will be circulated to administering authorities.

Both JH and CH confirmed that the consultation would include important proposals on how annual tax allowances are to be processed under the McCloud remedy.

7. 2020 data collection – GAD update

MS explained that the 2020 scheme valuation will include a review of the cost cap arrangement and that the outcome of the valuation will have effect in April 2023 to allow sufficient time for both the HM Treasury and SAB cost cap arrangements to run their course.

The collection of data for the scheme valuation and discussions around the assumptions to be adopted will commence in September.

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MS explained that GAD had earlier written to administering authorities indicating that in some cases the quality of data is open to question. Following representations, GAD met with SAB and fund actuaries with the aim of improving future communications and ensuring greater clarity when shortcomings are identified by GAD. MS confirmed that further meetings with fund actuaries will be arranged and that a follow up letter to administering authorities setting out the improved process for communications is to be sent shortly.

KG agreed that the language of the initial letter from GAD was not helpful and that better engagement with administering authorities is essential.,

Emma Mayall (EM) agreed and said that where shortcomings are identified, GAD must be clear and set out in detail their concerns.

MS said that the follow up letter and future meetings with actuaries will help to allay these concerns as will GAD's attendance at National Technical Group meetings.

Alison Murray (AM) asked what will be announced on the cost cap arrangement review? Glyn Jenkins (GJ) also asked whether there is to be any input in the outcome of the review? MS explained that the remit of the review is under discussion and that the outcome will be taken forward by HM Treasury Direction that are normally subject to consultation.

Agreed – to note the undertakings given by GAD that further meetings with fund actuaries and a follow up letter to administering authorities will be arranged.

8. Section 13 Report – GAD Update

John Bayliss (JB) explained that all the data from the 2019 local valuations is now in and that publication of the 2019 Section 13 report is expected in the middle of 2021. As well as the four metrics set out in legislation, the 2019 report may feature a few specific issues, for example, the impact of the McCloud remedy.

Simon Taylor (ST) asked whether there is to be any engagement with administering authorities prior to publication? JB confirmed that engagement would be at the same level as for the 2016 report with funds given prior notice of any shortcomings against the four metrics.

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AM asked if there is to be any change in the metrics and highlighted the unfavourable position of met district funds when the core spending test was applied in the 2016 report? JB explained that the feedback on this issue will be considered but that no decisions had yet been taken.

9. Good Governance Project Update

BH explained that in April, SAB had agreed to put the work of the Phase III Implementation Group on hold to allow local government officers on the group to focus on covid-19 priorities but that the project team at Hymans Robertson would continue to work alone on the various papers to be presented to SAB in August.

BH confirmed that the Secretariat had met with the project team recently who confirmed that they were hopeful that engagement with certain members of the Implementation Group may be possible from late June onwards. A further meeting is planned for the end of June to check on progress.

10. Regulatory Update from MHCLG

CH explained that the government's response to last year's consultation on valuation cycles is expected but that there is no firm timetable other than the hope that if publication isn't possible before Summer recess in late July, then the aim will be to publish in late August or September. The consultation response will include flexibility on employer contributions; deferred employers, interim valuations and HE/FE status.

GJ asked if there were any surprises on the HE/FE proposal and where do things stand on New Fair Deal? CH confirmed that MHCLG were in discussions with DfE and suggested that direct talks with trade unions might be possible. On new fair deal CH confirmed that it remained on the to do list.

CH also confirmed that government is keen to see implementation of the 95K cap but that this has been put on hold during the covid-19 emergency.

- 11.** The Secretariat will circulate proposed dates for the next meeting shortly.

12. AOB

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JH asked members to report any cases where insurance or mortgage companies have refused policies or loans to employees engaged on covid-19 work. Reference was also made to a new equality case (Goodwin) where HM Treasury is considering whether, or to what extent it should concede the case.

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