

# Cost Management, Benefit Design and Administration Committee

## Meeting of 1 July 2024

### Item 3 – Paper A

### Hybrid meeting – 19 February 2024

### Actions and agreements

#### Present

George Georgiou	Employee representative (GMB), Chair
Sean Collins	Practitioner – Oxfordshire Pension Fund
Simon Taylor	Practitioner – West Midlands Pension Fund
Emma Mayall	Practitioner – Greater Manchester Pension Fund
Kevin Gerard	Practitioner – Carmarthenshire Pension Fund
Glyn Jenkins	Employee representative (UNISON)
John Neal	Employee representative (Unite)
Charity Main	Academies representative (Anglian Learning)
Jonathan Teasdale	Actuaries – Aon
Steven Scott	Actuaries – Hymans Robertson
Graeme Muir	Actuaries – Barnett Waddingham
Michelle Doman	Actuaries – Mercer
Alan Wareham	Department for Levelling Up, Housing and Communities (DLUHC)
Mike Scanlon	Government Actuary's Department (GAD)
Martin Smith	GAD
Matt Gurden	GAD
Lorraine Bennett	Local Government Association (LGA) – Senior Pensions Adviser
Jo Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Senior Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer

#### Items 1 and 2 – Welcome, introductions and declarations of interest

1. The chair welcomed all in attendance to the meeting. Steven Scott deputised for Catherine McFadyen (Hymans Robertson).
2. There were no conflicts of interest declared.

#### Item 3 – Actions and agreements from 30 October 2023 meeting

3. The minutes of the meeting on 30 October 2023 were agreed as a fair and true record of the meeting.

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## **Item 4 – Economic Activity of Public Bodies (Overseas Matters) Bill**

4. Jo Donnelly (JD) informed the Committee that the Bill was in the House of Lords and would be having its second reading on 20 February 2024. As with the Commons stages of the Bill, it was expected that there would be significant debate. The Bill would be moving to Committee Stage after the second reading.
5. The SAB Secretariat team have met with the Pensions Regulator (TPR) to discuss enforcement of the Bill. TPR are having ongoing discussions to ascertain the framework for enforcement but have indicated that they expect to be able to utilise existing resourcing and were not anticipating a significant number of enquiries on the matter.
6. The LGA would continue to issue briefings at each stage of the Bill and the next stages will be closely monitored to understand if the amendments the LGA proposed or supported would be accepted.

## **Item 5 – McCloud update**

7. Lorraine Bennett (LB) gave a verbal update to the Committee. The team had published Part 1 of the McCloud technical guide for administrators in November 2023. Part 1 of the guide addressed underpin protection and which pension accounts qualify for underpin protection. Parts 2 and 3 would follow once government guidance in the remaining areas is issued. The team hosted two free webinars on McCloud for administrators in December 2023 which were well received and attended by over 270 practitioners. Once Parts 2 and 3 of the technical guides had been published, more webinars would be delivered.
8. Consultation on the further statutory guidance from DLUHC (which aims to deal with topics not covered in the earlier guidance) was expected to start in the coming weeks. The consultation would be a closed, technical exercise but would include LGA/SAB.
9. McCloud remained a substantial administrative project that is substantially impacting the workloads of funds, compounded by the ongoing recruitment and retention issues in the sector. Another significant issue was that administration software suppliers had not yet been able to provide all the updates needed to perform the required calculations for all casework, such as transfers.

The issue of teachers with excess service was also discussed. Remedy in the Teachers' Pension Scheme (TPS) could mean that teachers will retrospectively become eligible for membership of the

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LGPS for the remedy period in respect of any excess service. This part of the remedy will involve exchanging a significant amount of information between TPS, employers and LGPS administering authorities. The team had held meetings with Capita (the current TPS administrator) to discuss the ongoing and emerging issues for the LGPS on teachers with excess service.

10. LB said that when the public sector pension schemes make extra payments to members because of the McCloud remedy, HM Treasury rules mean they must pay interest, where due, at 8%. However, HMRC has said that they would treat any interest paid above the 'commercial rate' as an unauthorised payment. That means following the HMT rules could trigger an unauthorised payment charge for the member of 40%, with a further 15% scheme sanction charge. LB was hopeful that the government would pass legislation to disapply unauthorised payment charges in these circumstances. The Committee expressed its hope that common sense would prevail and that the issue would be resolved.

## **Item 6 – Update on Gender Pensions Gap (GPG) working group**

11. Becky Clough (BC) gave an update to the Committee. Since the last meeting, the working group had met on 11 December 2023 and 13 February 2024. The group discussed actions needed to implement the next steps agreed by the Board and put an action plan in place.
12. One action underway was that the Secretariat has contacted the Policy team at the Department of Health and Social Care to gather information on their pension buyback policy and were awaiting their response. The NHS pension scheme currently allows members to buy back lost pension after a qualifying break within 'a reasonable amount of time'. The working group will consider any further information it receives and identify how this might work in the LGPS.
13. The working group are also aiming to produce improved member comms on the impact on pensions during unpaid leave and will be working with practitioners represented on the group.
14. The Secretariat are also working with the LGA Workforce team to hold a virtual event on the Gender Pensions Gap on 9 May 2024 at 2.00pm. This event is aimed at employers and funds and will seek to inform attendees about the GPG work and action plan in place. John Neal (JN) asked if member representatives will be included in this event or will alternatively have a similar separate event aimed at providing information to members. BC agreed to discuss this further after the meeting.

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15. A blog post will be added to the LGA's Workforce newsletter at the end of March 2024. The content would highlight the results of the Board's reports into the GPG along with the ways the working group are exploring the next steps and how the employer's role could help in narrowing the gap.
16. BC informed the Committee that the progress of New Fair Deal, was an agenda item at the first meeting between the Board Chair, Councillor Roger Phillips and new Minister Simon Hoare on 17 January 2024 (which Board Secretary, Joanne Donnelly, also attended). The topic was unfortunately not discussed due to a full agenda at that meeting; however, the Secretariat will continue to ask for progress updates from DLUHC on how best to take the issue forward.
17. The Secretariat have also met with the Pensions Policy Institute to discuss carrying out further research into the intersectional analysis of the GPG.

**ACTION – that BC and JN discuss the inclusion of member representatives in the planned virtual event on 9 May 2024**

## **Item 7 – Update from the surpluses working group**

18. Jeremy Hughes (JH) introduced Paper B to the Committee. The working group met on 12 January 2024 following the Board's publication of the [surpluses statement](#) in December 2023. The group considered further topics of discussion now that the statement had been published, feedback on the statement and following two Board LGPS Live webinars on the topic.
19. It was agreed by the Committee that the aim of the working group has been fulfilled and it would not need to meet again, however the members of the group would be retained as a contact list for the Board to engage with in the future if needed. The Compliance and Reporting Committee's Funding Strategy Statement (FSS) working group was proposed to further address, in the new guidance, some of the issues arising from fund surpluses and it was agreed to widen the scope of the FSS working group to ensure the issues raised would be discussed.

**AGREED – that the Surpluses working group be closed.**

## **Item 8 – GAD update on LGPS data for the scheme cost control mechanism (CCM) valuation**

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20. Mike Scanlon (MS) and Martin Smith (MSm) from GAD introduced Paper C to the Committee which covered provisional results for the HM Treasury-led CCM, results for the separate SAB-led Scheme Cost Assessment (SCA) and an analysis of the reasons for the differences between the two. The assumptions for the SCA had been agreed by the Board at its last meeting and GAD had used these assumptions to calculate the scheme cost. The results of this were at Annex A while provisional CCM results were at Annex B (both circulated as confidential papers)
21. The Committee noted that the final outcome of the 2020 SAB SCA was likely to be that no recommendation for changes to the scheme would be made to the Secretary of State at this time. The Committee accepted this and was content for that view to be reported to the Board at its March 2024 meeting.

## Item 9 – Opt Outs data and survey

22. Ona Ehimuan (OE) introduced Paper D to the Committee. The Secretariat had submitted a further Freedom of Information (Fol) request to the Pensions Regulator (TPR) to request the opt out information held by TPR which is submitted by LGPS employers in their declaration of compliance [with auto-enrolment legislation] returns. The TPR response, shared with the Committee at Annex A, did not provide the level of detail needed for substantive analysis.
23. To continue this work, the Secretariat would next develop an Opt Out survey once the new Data Analyst team member had started with the team in March. This survey would be issued to Local Authority employers via the LGA's contacts list. It was acknowledged that this would not capture all the participating LGPS employers but there was no practical way of extending it further.
24. It was also proposed that the scope of the survey include questions on whether opt out forms should ask members their reason for opting out, and whether any data on the characteristics of the individuals opting out – to show how opt out rates vary across certain groups – could be captured. The Committee also suggested that a pilot exercise be carried out with a small number of willing employers to do a “deep dive” into whether it would be possible to do some analysis of differences in the characteristics of those not joining the scheme.

**ACTION – That the Secretariat draft and issue a new Opt Out survey and explore expanding the data collected in the template opt out form.**

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## Item 10 – Suggested changes to the Committee Terms of Reference

25. BC introduced Paper E to the Committee. Following a review of the Committee's Term of Reference, the Committee agreed the changes proposed by the Secretariat.

## Item 11 – DLUHC Update

26. Alan Wareham (AW) gave a verbal update to the Committee. DLUHC were currently focusing on the publication of the statutory guidance to assist the preparation of fund annual reports and the consultation for the guidance of the implementation of the McCloud remedy. The next priority for the DLUHC team was the drafting and publication of guidance in response to the Board's Good Governance recommendations. It was expected that there would be a consultation on draft guidance in the Summer.
27. There were also plans for a consultation on changes to survivor benefits and the rules on forfeiture. Exact timings could not be confirmed however it was expected that the two areas could be addressed in a single consultation.
28. Glyn Jenkins (GJ) informed the Committee that Unison's General Secretary had written to the Chief Secretary to the Treasury to request an update on the change to survivor benefits to reflect the Goodwin judgment. The response received was to expect amending regulations, possibly in Spring 2024.
29. In response to a question from GJ, AW confirmed that implementation of the New Fair Deal policy was not under active consideration by DLUHC.
30. Simon Taylor (ST) welcomed the Annual Report guidance and noted that it included a suite of Key Performance Indicators (KPIs). He asked whether there were any plans for the KPIs to be reviewed by this Committee. BC explained that the updated KPIs had been consulted on with meetings with 15 individual fund officers, taken to the National Technical Group and Pension Officer Groups for feedback, and the Pensions Managers' Conference in Torquay in 2023. It was hoped that the renewed guidance would be reviewed on a more regular basis so the guidance could be adjusted to suit emerging requirements. It was agreed that once the guidance was published, the Secretariat would update the Committee on any emerging issues at the next meeting in July.

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## **Item 13 – AOB and date of next meeting**

31. There were no items raised under any other business. The date of the next meeting was confirmed as 1 July 2024.

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