

Cost Management, Benefit Design and Administration Committee (CMBDA)

DATE:	28 th October 2024
VENUE:	Hybrid meeting (MS Teams and 18 Smith Square)
TIME:	11:00am to 1:00pm

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 1 st July 2024 meeting	Paper A	11:10
4	Update on McCloud and Pensions Dashboards	Verbal	11:15
5	Update from Gender Pensions Gap working group	Paper B	11:25
6	Opt out survey update	Verbal	11:45
7	Update on Pensions Review	Paper C	12:05
8	New Fair Deal	Verbal	12:20
9	Normal Minimum Pension Age	Verbal	12:30
10	Ministry of Housing, Communities and Local Government (MHCLG) update	Verbal	12:40
11	AOB and date of next meeting		12:50

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Hybrid meeting – 1 July 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)
Becky Durran	Actuaries – Aon
Catherine McFadyen	Actuaries – Hymans Robertson
Melanie Durrant	Actuaries – Barnett Waddingham
Michelle Doman	Actuaries – Mercer
Martin Smith	Government Actuary's Department (GAD)
Lorraine Bennett	Local Government Association (LGA) – Senior Pensions Adviser
Jeremy Hughes	LGA – Senior Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Sarah Tingey	LGA – Research and Data Analyst

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

1. The chair welcomed all in attendance to the meeting. Melanie Durrant deputised for Graeme Muir (Barnett Waddingham) and Becky Durran deputised for Jonathan Teasdale (Aon). There were apologies from Joanne Donnelly (LGA) and DLUHC officials did not attend the meeting due to the upcoming general election.
2. There were no conflicts of interest declared.

Item 3 – Actions and agreements from 19 February 2024 meeting

3. The minutes of the meeting on 19 February 2024 were agreed as a fair and true record of the meeting.

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Item 4 – Update on McCloud and Pensions Dashboards

4. Lorraine Bennett (LB) gave a verbal update to the Committee confirming that the Department for Levelling Up, Housing and Communities (DLUHC) has issued statutory McCloud implementation guidance with the aim of achieving consistent application of the remedy across the LGPS.
5. **POST MEETING NOTE: Following on from the general election it has been confirmed that that DLUHC has been renamed as the Ministry for Housing, Communities and Local Government (MHCLG). The rest of this document will refer to DLUHC to reflect their name at the time of the meeting.**
6. The statutory guidance covers compensation, administration issues, eligibility and prioritisation of caseloads amongst other complex areas. The LGA will be publishing the next instalment of its McCloud administrator guidance and running webinars for administration staff in the coming months.
7. DLUHC were conducting a limited consultation on regulation changes to remove the requirement to reflect a member's underpin protection in the 2024 annual benefit statements (ABS). The consultation also proposes introducing a discretion not to reflect underpin protection in the 2025 statements for certain members. The Board and the LGPC were in the process of providing responses to the consultation.
8. John Neal (JN) asked whether annual benefit statements would contain general wording so that members would know if their ABS included McCloud remedy or not. LB confirmed that they would.
9. Since the last meeting, HMRC has confirmed that it has changed its position on the tax treatment of special interest paid as a result of McCloud remedy. This will not be treated as unauthorised under the Finance Act 2004.
10. On Pensions Dashboards, LB confirmed that the date for public sector pension schemes to connect to the dashboards ecosystem is 31st October 2025 at the latest. The LGPC team is planning to publish two guides to support administering authorities, one on connecting to the dashboard generally, and one specifically on AVCs. Additionally, the Pensions Regulator will now start to issue

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nudge communications to public sector pension schemes reminding them of the upcoming deadline.

11. LB informed the Committee that the National LGPS Frameworks recently launched a framework to assist authorities in procuring an integrated service provider (ISP) that will allow them to connect to the dashboard.
12. The Committee noted the key points from the update.

Item 5 – Update from Gender Pensions Gap (GPG) working group

13. Becky Clough (BC) introduced Paper B to the Committee and asked the Committee to note that significant progress had been made against the action plan agreed by the Board at its last meeting on 11 March 2024.
14. Going forward, the Secretariat and the GPG working group would be continuing the work contained in the action log at Annex A of Paper B. Glyn Jenkins (GJ) asked whether there were plans to look at previous valuation data to see the effect that moving to a CARE scheme had on the gap over time. JH explained that the current analysis showed that the GPG was much lower when looking at CARE benefits rather than final salary. Looking at historic data in detail would come at a cost to the Board and it was not expected that this would add much to what we knew from the current analysis.

ACTION – that the Secretariat write to GAD after the general election to request a review of the factors in place for buying back ‘lost pension’ through the use of Shared Cost Additional Pension Contributions (SCAPCs).

Item 6 – Opt out survey and forms

15. Sarah Tingey (ST) introduced Paper C to the Committee. The opt out survey was issued to Local Authority employers via the Local Government Association’s employer contacts list. It included questions on whether opt out forms should ask members to share the reason for opting out and questions around effort to promote the LGPS. Out of the 325 employers that were issued the survey, 53 responded (a response rate of 16.3%).

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16. Only 5% of respondents had noted an increase in employees opting out of the scheme. A further 5% indicated an interest in working with the Board to explore the issue of opt outs further.
17. Charity Main (CM) said that she would explore repeating this survey within the academies sector, as she had received some anecdotal information that the sector was experiencing some pressure in this area. It was agreed that ST and CM would liaise to arrange this.
18. Kevin Gerard (KG) asked where the reasons for opting out were to be recorded if collected as it would need to be a reportable field, for instance in the pension administration system. JH explained that there were record keeping issues and data protection barriers with any future collection of this data which would need to be addressed. Glyn Jenkins (GJ) expressed concern about the effect of opting out on scheme members in later life and asked whether there was any data to explore this issue. JH said that this information was not currently available, and the ultimate aim of this work was to start to collect and report it.
19. The Committee noted the results from the survey and agreed the next steps as laid out in Paper C.

ACTION – that CM explores with ST the possibility of repeating the opt out survey in the academies sector.

ACTION – that the Board continues the wider work programme on opt outs contained in Paper C.

Item 7 – Normal Minimum Pension Age (NMPA)

20. Jeremy Hughes (JH) introduced Paper D to the Committee. There had been no update from government to explain how the incoming rise in NMPA will affect public sector pension schemes. The Committee discussed whether the Board should take a view on how the change will impact the LGPS. GJ stated that the last time the NMPA was discussed, the LGPS in England and Wales did not have transitional protection proposals but Scotland and other public sector schemes did, raising a question around consistency. JN continued saying that it from a member representative's perspective, it would be ideal to see transitional protections applied to the LGPS England and Wales. He added that as life expectancy was not increasing as originally projected, the current NMPA should remain at 55. The Chair explained that GMB's position on this matter was similar to the other unions.

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21. The contents of the paper were noted, and it was agreed to discuss the issue again at the next meeting on 28 October 2024.

ACTION – That the Secretariat add National Minimum Pension Age as an agenda item at the next committee meeting in October 2024

Item 8 – Update on recent engagement activity

22. Jeremy Hughes introduced Paper E to the Committee. Following a letter sent by Minister Simon Hoare MP in May 2024 to most funds in England, the Board had held engagement events with Pension Committee Chairs and fund officers to discuss the issues raised in the letter. Both meetings led to productive discussion which the Board Chair, Councillor Roger Phillips is keen to continue with more regular engagement meetings. Around 60 -70 officers attended the officer session led by Jo Donnelly, LGA Head of Pensions and 20-25 Pension Committee Chairs attended the session led by Councillor Roger Phillips.

POST MEETING NOTE – the Local Government Minister after the general election on 4 July 2024 is now Jim McMahon MP.

Item 9 – Administration data collection discussion

23. At the last Committee meeting it was agreed to discuss any feedback the Secretariat has received on the revised Annual Report Guidance issued in March 2024. To date, a small number of funds have contacted the Secretariat to discuss the administration key performance indicators (KPIs). The queries were around the definition and application of the KPIs and it is not currently expected that the guidance would need to be extensively updated when reviewed later in the year. The feedback suggested that the guidance could be improved by inserting additional notes on certain KPIs to assist funds when reporting. The Secretariat noted this feedback but was mindful that the guidance cannot be prescriptive on how specific casework is processed.
24. As funds produce their annual reports ahead of the 1 December deadline, it was expected that the Secretariat may receive some additional feedback and would meet with funds as and when needed to discuss any specific questions.
25. Simon Taylor (ST) thanked the Secretariat for creating the opportunity for feedback on the new KPIs to be passed on. He explained that a priority for funds at this time is striking a balance between achieving

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the KPIs set out as part of the reporting guidance and those which local pensions committees and boards are expecting fund officers to focus on. This was noted by the Secretariat.

Item 10 – Post-election planning

26. JH introduced the item to the Committee and said that the Board would send a welcome letter to the new Local Government minister after the general election. The Committee was asked for comments on the areas which should be mentioned in that letter. The Committee suggested New Fair Deal, Good Governance, outstanding regulation issues (death grants, forfeiture), asset management costs, next steps on pooling and more information on suggestions of funds consolidating.
27. The areas raised by the Committee were noted by the Secretariat for consideration.

Item 11 – AOB and date of next meeting

28. The Board's Cost Management Process report had been finalised by GAD and had been circulated to the Committee as a confidential annex. There were no substantial changes from the draft report it had already seen and the Committee agreed that the final report be submitted to the Board for approval before publication.
29. GJ raised the matter of administration delays at some funds which was leading to inconvenience for scheme members who are not receiving their payments on time. GJ said that these issues needed to be resolved as soon as possible. He also said that the provision in the LGPS Regulations 2013 that interest was only payable on payments made more than one year late should be reviewed.
30. JH explained that where there were problems at specific funds then there were local accountability mechanisms, through local pension committees and boards, to deal with these. If they could not be resolved locally then matters could be escalated to the Pensions Regulator or the Pensions Ombudsman (depending on the case). Scheme members should engage with the fund first, as this is the usual way issues are resolved quicker.
31. The scheme was generally understood to be well administered and the new Annual Report guidance included additional KPIs so there are now more mechanisms in place to help raise scheme awareness of the issues raised by GJ.

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32. Before closing, the Chair thanked Sean Collins (SC) for his contributions to the Committee as he would be retiring in July 2024.

33. The date of the next meeting was confirmed as 28 October 2024.

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HYBRID MEETING – 28th October 2024

ITEM 5 – PAPER B

Update from Gender Pensions Gap (GPG) working group

Current position

1. Since the last Committee meeting, the working group met on 1st October to discuss progress. It was encouraging that the Secretariat was able to share that the new government had shown positive interest in the Gender Pensions Gap project and progress had also been made in several areas. An overview of the actions since the last Committee meeting is as follows:
 - The Board's work on GPG covered in Cllr Roger Phillips' [welcome letter](#) to new Local Government Minister Jim McMahon MP
 - Jo Donnelly wrote to [Ministry of Housing, Communities and Local Government \(MHCLG\)](#) to highlight the need for a review of the actuarial factors and regulations surrounding Shared Cost Additional Pension Contributions (SCAPCs)
 - The Pensions Minister, Emma Reynolds, has been reported as saying that phase 2 of the [Pensions Review](#) potentially will have GPG in scope as part of retirement adequacy work (see Pensions Review update in Item 7, Paper C)
 - The Secretariat secured representation on the [Pensions Equity Group \(PEG\)](#) and attended a meeting of the group on the 18th September and agreed to join sub-groups focusing on Auto-Enrolment Reform, employer best practise and mandatory disclosures
 - The Secretariat have had initial discussions with MHCLG on scoping advice to the Minister on GPG
 - The Secretariat has drafted a GPG survey to be issued to local government and academy school employers and due to links in themes, have included questions on what type of data is held by employers on employees who opt out. On the GPG issue, the survey asks for employer interest in understanding their own GPG. The results of the survey will be shared at the next Committee meeting.
2. As a result of this progress, the action plan is to be refreshed to reprioritise the below actions in the coming months:

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- A. Explore and propose a standard GPG definition and reporting approach (including methodology) for the Local Government Pension Scheme, including both for funds and employers, and prepare this draft for Committee approval at its next meeting
 - B. Explore with the PEG how to adapt the 'Mind the Gap' employer best practise guide found in **Annex A** for the Public Sector
 - C. Work with MHCLG (as required) to conduct a more detailed review of treatment of authorised unpaid leave and produce proposals for consultation on amendment to the LGPS regulations and SCAPC's
 - D. Analyse the responses from the GPG survey to local government employers
3. The Secretariat propose that actions A to D will be prioritised initially, with progress expected by the next Committee meeting. Actions E to G below are longer-term aims/follow-on steps from current actions:
- E. Investigate how pension member self-service portals can help to communicate the impact of breaks, life events and improve financial planning for women
 - F. Identify the communication needed to employers on the GPG to raise awareness of the specific issues which impact the GPG within the LGPS regulations, particularly during scheme member life events
 - G. Further research into the pensions gap for individuals with other protected characteristics, including the intersection of these with the already established gender pensions gap.

Recommendation – That the Committee notes the position as set out above and agrees the priorities and next actions for the working group.

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HYBRID MEETING – 28th October 2024

ITEM 7 – PAPER C

Update on Pensions Review

1. The Board Chair and Secretariat have been engaging with the [Pensions Review](#) which was launched in July. The review is led by Emma Reynolds MP, who is the first joint DWP/HMT Pensions Minister. Together with Jo Donnelly, Cllr Phillips has had introductory meetings with both Emma Reynolds and Jim McMahon, the Local Government Minister.
2. A [Terms of Reference](#) for Phase One of the Review was published on 16 August, stating that it would look at “*tackling fragmentation and inefficiency in the LGPS through consolidation and improved governance*” as well as DC consolidation and “*encouraging further pension investment into UK assets to boost growth across the country*”. Since then, a Call for Evidence has been published (with respondents given just three weeks to reply) and the Board provided a [response](#). Many other LGPS stakeholders (funds, pools and trade unions) also have put in submissions.
3. The Board’s response highlighted fund consolidation as being a distraction that could potentially lead to inertia around the Government’s aim to increase the level of pooling. It also urged that forced mergers or consolidation should be avoided at all costs. There is also significant service delivery risk to scheme members and employers which is compounded if there is no willingness to engage. Where voluntary mergers have happened, these have taken years of collaboration and cooperation both before and after the transfer of functions from one fund to another. The Board also highlighted in its response that the Scheme being based in local government is important to scheme members and employers. Particularly in terms of accountability, democracy and accessibility.
4. To ensure that decisions were evidence-based, and confident about LGPS funds’ strong record of delivering a good service, the Board proposed in its response the commissioning of a study of administrative effectiveness and efficiency. It suggested that it should include not just LGPS funds, but including other comparable schemes, e.g. other public sector schemes, Railpen or the Universities Superannuation Scheme (USS).

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5. Although not directly related to the Pensions Review, the Committee will also be aware that there is the Autumn Budget on 30 October. That will set the overall spending for local government in the coming year. Many administering authorities are facing severe financial pressures, and the Secretariat is aware that this is increasingly affecting the ability to manage pensions services, despite the cost being met from the ringfenced pension fund and not the General Fund used for other local authority services.
6. The Committee is asked to recommend to the Board to write to all LGPS funds in England and Wales to encourage them to implement the Good Governance recommendation to “ensure their [pension] committee is included in the business planning process. Both the committee and LGPS senior officer [which was another recommendation in the report] must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year” and “that the fund’s budget is set and managed separately from the expenditure of the host authority and therefore no direct impact on the fund’s activities following any decision relevant only to the host authority’s budget.”.
7. Although there is not yet a timetable for Phase Two of the Review, the Board believes that there are likely to be several issues that this Committee and the Board will want to engage in. For example, it is expected that Phase Two will be looking at the gender pensions gap, and potentially other pension gaps that other research has shown to exist (e.g. around ethnicity). There will also be chances to make representations about how the pensions system more generally works for scheme members who are typically low-paid and often part-time workers.
8. Given the close overlap between Phase Two and the work of this Committee, it is recommended that a small working group be set up to consider how best to engage with and respond to this part of the Pensions Review.

Recommendation – For this Committee to recommend that the Board writes to LGPS funds as set out in paragraph 6.

Recommendation 2 – For a small working group to be set up to consider how best to engage with Phase Two of the Pensions Review.
