

Cost Management, Benefit Design and Administration Committee

MEETING OF THE 24th APRIL 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS FROM MEETING OF 30TH JANUARY 2023

PRESENT

George Georgiou	GMB, Chair
Sean Collins	Practitioners
Simon Taylor	Practitioners
Emma Mayall	Practitioners
Kevin Gerard	Practitioners
Glyn Jenkins	UNISON
John Neal	Unite
Charity Main	Academies Representative
Jonathan Teasdale	Actuaries: Aon
Catherine McFadyen	Actuaries: Hymans Robertson
Graeme Muir	Actuaries: Barnett Waddingham
Michelle Doman	Actuaries: Mercer
Alan Wareham	DLUHC
Mike Scanlon	Government Actuary's Department
Brian Allan	Government Actuary's Department
Lorraine Bennett	LGA – Senior Pensions Adviser
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 Jenny Bullen (GAD) and Louise Lau (Barnett Waddingham). Graeme Muir attended the meeting in Louise Lau's place. There were no declarations of interest.

Matters arising

2. The minutes of the meeting on 21st November 2022 were agreed as a fair and true record of the meeting.

Item 4 – McCloud update

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3. Lorraine Bennett (LB) gave a verbal update to the committee. The Department's response to the McCloud consultation had been delayed and was expected in February 2023. The upcoming consultation would cover interest rates and teacher's pensions excess service amongst other issues. Final regulations were now expected before the summer recess however this could be pushed back further to September 2023.
4. The LGA Pensions Team has been working on guidance with input from actuaries, admin authorities and GAD. The guidance centres on what should be done in instances of missing data when calculating McCloud remedies. The guidance was due to be published in February 2023.
5. George Georgiou (GG) asked whether the McCloud judicial review was likely to have an impact on this workstream. LB explained that the judicial review was centred around the Treasury's cost management process so there would be no impact.
6. Glyn Jenkins (GJ) asked about the impact of McCloud on employer contribution rates, and whether it would be reported in valuation reports. Catherine McFadyen (CMc) explained that the increase that was expected to be passed on to employers was minimal. It was confirmed that further detail could be provided by the actuaries and it was agreed that the Secretariat would coordinate this response.

Action – that the Secretariat coordinate with the actuaries to produce information on the impact of McCloud in valuation reports.

Item 5 – Update on Cost Control Mechanism and SCAPE

7. Mike Scanlon (MS) from GAD gave an update to the committee. On HM Treasury's consultation on the SCAPE rate, MS said that there had been no response to date. He noted that changes to the rate are normally announced at a fiscal event and the next of those would be the spring Budget, which is scheduled for 15th March 2023. Once this and HMT Valuation Directions had been confirmed, GAD will be able to share initial results from the HMT Cost Management Process and resume discussion on the SAB Scheme Cost Assessment

Item 6 – Proposed amendment of SAB Scheme Cost Assessment process by DLUHC

8. It was confirmed that DLUHC's consultation on the amendment of regulations for the SAB's Cost Control Mechanism was launched on 30th January 2023 and would be closing on 24th March 2023. The Government response was expected to be in May.

Item 7 – Scheme Level Valuation Report

9. Joanne Donnelly (JD) gave an update to the committee. The Secretariat had held a meeting with Barnett Waddingham (BW) where

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it was agreed that BW would produce the triennial scheme level report. The report would be aggregated on a standardised basis using the fund level valuation reports. The Secretariat had published a statement to encourage funds to share their reports with Gareth Brown (GB) as soon as they were ready. The data would then be shared in confidence with BW.

Item 8 – Section 13 and Academies Working Group

10. Jeremy Hughes (JH) gave an update to the committee. At the working group's last meeting it was agreed that it would be helpful to improve the level of understanding academy trusts had of the different approaches actuaries take on conversion. Key to that would be demystifying the actuarial process and developing a common nomenclature. It was agreed that a new section containing common nomenclature and information on the actuarial process should be added to the tripartite information note that had been developed for academies by GAD, SAB and DfE. An initial draft had been written by GAD and further discussion on that was to be held at the next working group meeting.
11. Sean Collins (SC) asked about the status of this guidance and suggested that it would have more impact if it had the authority of statutory guidance. JH explained that there had been wider discussion on a more prescriptive approach to conversion methodology, but to date that was not the preferred approach. If that position changed, then it would require DfE or DLUHC to decide that.

Item 9 – Gender Pensions Gap

12. Brian Allan (BA) introduced Paper B to the committee. The initial analysis had been commissioned at the September meeting and revealed a pensions gap between males and females. The next stage would be a more in-depth investigation of the causes of the gap.
13. GJ said that the calculation of mean pension figures would be useful. It was also suggested that GAD explore whether there was a way to determine whether the gap was increasing or decreasing over time, as well as an analysis of how low pay increases and high CARE scheme revaluations have impacted the gender pensions gap.
14. BA informed the committee that the analysis was created using data from the 2020 scheme valuation and this revealed that the mean male pension amount was twice that of females. Further analysis could look at particular cohorts (such as employer groups) or particular aspects of the scheme, such as whether retirement age has an impact on the pension gaps.
15. JH said that the cost of the second stage analysis would need to be cleared with the Board but expressed support for breaking down the

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origins of the differential gap in pensions. BA explained that some of the gap could be explained by the presence of various schemes in certain sectors. For example, the education sector has different pension schemes for teachers and teaching assistants which could impact the data.

16. GJ also asked for data on average length of service as this could further explain the gap in pensions. In addition to this, he requested that GAD produce a combined pension in payment figure for males and females to assist with the accurate representation of the narrative around the gender pensions gap.
17. BA explained that the CARE scheme did not have a requirement to record length of service however there was more information in this area in the pre-2014 final salary scheme. There was also the expectation that the Scheme Cost Control Mechanism data report, which was due to be published in 1-2 months, would contain graphs that may be useful in this area, including distributions of pension amount per employment.
18. SC asked whether there was anything in the analysis that suggested that the gap was caused by the LGPS regulations themselves, as it may be unnecessary to carry out further analysis if the underlying issue cannot be resolved in the scheme. JH responded that while a previously published pay gap report showed a small average pay gap in local government, this analysis showed the cumulative effect of gendered differences in pay and career path. It may be the case that the rules of the Scheme are impacting on the pensions gap, and this should be examined, or it may be that it simply adds greater urgency to the development of other changes in the workplace. JD added that some drivers of the pensions gap are immutable, such as women having children and generally taking the lead role for caring responsibilities, however the report could still be of broader use for reforming working practices to be more inclusive.
19. Given the significant differences in scale between the gender pay gap reported in local government and the data shown in this report, JH asked how the committee would like to manage communication of this initial report. He noted that there were significant methodological differences in the two figures which would need to be explained. GG noted that though the report shows a wide gap between males and females, the report should be published, with appropriate caveats on the data. It was agreed that the Board should take a decision on the commissioning of the final report.

Action - that the Secretariat draft a paper for the next Board meeting on 20th February with an update on the Gender Pensions Gap analysis

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Item 10 – Opt Outs

20. GB introduced Paper C to the committee, which gave results of a survey of opt out and 50/50 take-up rates that had been done with English, Scottish and Welsh administering authorities to examine the impact of the Cost-of-Living crisis. There were sixty responses but the data did not provide evidence of the expected increase in opt outs or movement to the 50/50 section of the Scheme.
21. GB explained that despite the lack of evidence, it was not possible to draw the conclusion that there had not been an increase. This was because of serious issues with data consistency and quality. It was thought that this was partially due to difficulty in stripping out data on auto re-enrolled members opting out, but also due to differences in data collection. A meeting would be held with funds and software suppliers to try to resolve these data issues.
22. JH also noted that there could well be a lag in behaviour changes with members opting out and it was expected that the survey would be repeated in the future, with indicative results from the first survey used as a benchmark. Simon Taylor (ST) mentioned that it was possible that there was no discernible trend in the data not because of data inconsistencies but because there is no trend yet. His experience is that opt outs tended to come in blocks, e.g. where an employer was offering incentives for members to opt out.
23. GJ mentioned that there may be different responses by employers and pension administrators to requests from members to opt out. He asked to see what a typical process would look like. JD explained that there was a standard template for responses, which the LGA provides online for funds to use. LB added that most funds do use the LGA template which contains all legally required information as well as details on the 50/50 section of the Scheme. Many members may already have made a final decision on opting out before they receive the template response, though, which highlights the need for work to be done generally on raising awareness of the 50/50 section and the value of the scheme to members more generally.
24. JD confirmed that the survey was due to be repeated twice this year and there would be a need to devise the survey in a way to improve the quality of data submitted. BA also mentioned that GAD could carry out an analysis of opt-outs from the data that they collected for valuation purposes.
25. GJ expressed a desire to see how the trend changes over time. JD added that an increase in opt outs would contribute to cash flow problems for funds so it would be in their interest to keep consistent records of this information.

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Item 11 – DLUHC Update

26. Alan Wareham (AW) gave an update on DLUHC workstreams to the committee. He confirmed that the Department would consult on an amendment to the regulations to change the revaluation date from 1st April to 6th April, with effect from 1 April 2023. Work is continuing on the issues associated with delays in Local Government Audit and the impact on the preparation of pension fund annual reports, and he hoped that the Minister would send a reply to the SAB letter soon.
27. On Good Governance, the Department had been working with the various working groups set up by the Compliance and Reporting Committee ahead of the upcoming consultation. The Climate Risk Reporting consultation which closed 24th November 2022 had received a large number of responses; these were being worked through ahead of the Department's response to the consultation. On New Fair Deal and amendments to bring Survivor Benefits into line with earlier court judgments, there was no further update.

Item 12 - AOB and date of next meeting

28. JH mentioned that the date for the June meeting is expected to clash with the PLSA Local Authority Annual Conference and asked members to let the Secretariat know if this was likely to affect their attendance. If so, then the meeting could be rescheduled.
29. GG thanked Bob Holloway (BH) for his contributions to the committee ahead of his retirement in February 2023.
30. The date of the next meeting was confirmed as 24th April 2023.