

# Cost Management, Benefit Design and Administration Committee

**MEETING OF 30<sup>TH</sup> OCTOBER 2023**

## **Item 3 Paper A**

**ACTIONS AND AGREEMENTS FROM MEETING OF 26<sup>TH</sup> JUNE 2023**

### **PRESENT**

George Georgiou	Members (GMB), Chair
Sean Collins	Practitioners
Simon Taylor	Practitioners
Emma Mayall	Practitioners
Kevin Gerard	Practitioners
Glyn Jenkins	UNISON
John Neal	Unite
Charity Main	Academy Representative
Joel Duckham	Actuaries: Aon
Steven Law	Actuaries: Hymans Robertson
Graeme Muir	Actuaries: Barnett Waddingham
Michelle Doman	Actuaries: Mercer
Alan Wareham	DLUHC
Brian Allan	GAD
Mike Scanlon	GAD
Martin Smith	GAD
Greg Donaldson	GAD
Lorraine Bennett	LGA – Senior Pensions Adviser
Jo Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board 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. Michelle Doman deputised for Clive Lewis (Mercer); Joel Duckham deputised for Jonathan Teasdale (Aon); Stephen Law deputised for Catherine McFadyen (Hymans Robertson). There were also apologies from Jenny Bullen (GAD).
2. There were no conflicts of interest declared.

### **Matters arising**

3. The minutes of the meeting on 24th April 2023 were agreed as a fair and true record of the meeting.

#### **Scheme Advisory Board Secretariat**

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ  
E [SABSecretariat@local.gov.uk](mailto:SABSecretariat@local.gov.uk) W [www.local.gov.uk](http://www.local.gov.uk)

# Cost Management, Benefit Design and Administration Committee

## Item 4 – McCloud update

4. Lorraine Bennett (LB) gave a verbal update to the Committee. DLUHC had responded to the first McCloud consultation and the second consultation had also been issued, which would close on 30<sup>th</sup> June 2023. The LGPC team was working on their response to this further consultation.
5. DLUHC would also be restarting their implementation working groups. It was expected that final regulations would be in place by 10<sup>th</sup> September and would take effect from 1<sup>st</sup> October 2023. However, LB expressed concern that DLUHC's current plan was that work would not start on drafting the associated statutory guidance until September.
6. The LGPC team was procuring centralised communications which would be shared with practitioners and available from the LGPS members website.

## Item 5 – Factor Review

7. LB confirmed that actuarial factors were being reviewed following the change in the SCAPE rate. New factors would be delivered in four batches, the first had already been received, the second was due in the next few weeks and whole process was expected to be completed by the Autumn.

## Item 6 – TPR General Code

8. The TPR Code had not yet been published. This meant that it would not apply before Autumn 2023 at the earliest, since it needed to be laid in Parliament for 40 days (known as the “laying in period”) before coming into effect. TPR had not shared updated contents of the Code.

## Item 7 – HMT Cost Control Mechanism and draft directions

9. Martin Smith (MS) and Greg Donaldson (GD) from GAD introduced Papers B and C to the Committee. The HMT directions were draft at this stage and were shared in confidence with the Committee. There would not be a formal consultation, but Committee members were invited to give any comments on the directions.
10. GAD delivered a presentation to the Committee, outlining the reformed HMT Cost Control Mechanism and giving a broad timeline and overview of the process.
11. GAD outlined the new economic check, which incorporated the revised HMT SCAPE rate (based on long term GDP growth) which was now CPI plus 1.7% (down from CPI plus 2.4%). This contributed a significant upward pressure on costs, which was expected to more

# Cost Management, Benefit Design and Administration Committee

than offset the downward pressures arising from lower than expected increases in life expectancy and salary growth. It was expected that the final results of the valuation would be available in Autumn 2023.

12. George Georgiou (GG) said that the employee representatives had discussed the directions ahead of the meeting, and that their priorities out of this process were to improve the affordability of the scheme for members, to reduce the level of opt-outs and address gender pensions inequality. There were no other comments from the Committee.

## **Item 8 – SAB Scheme Cost Assessment Process**

13. JH gave a verbal update to the Committee. The SAB Scheme Cost Assessment (SCA) is a separate mechanism to the HMT process, but there are similarities across both. The key purposes of the SCA would be to ensure scheme costs are as set out in the Scheme Regulations (19.5%), that the 2:1 contribution ratio between employer and employee contributions was maintained, and to ensure that the yield from employee contributions was in line with the 6.5% set out in the Scheme Regulations.
14. DLUHC had consulted earlier in the year on changes to the SCA process and the corridor for the SAB process had also been widened to 3%. The SCA process was intended to run prior to the HMT process, with any changes arising from it being reflected in the HMT cost control calculations. Changes to scheme benefits or contributions under this process remained at the Minister's discretion. It was not expected that the minister would agree any changes at this time, but as this was only the second time the process had operated it was important to think carefully about how assumptions would be set.
15. One key assumption was the discount rate, which could justifiably vary from the SCAPE rate since the LGPS is a funded scheme. The Committee also noted the context, with many funds now being over 100% funded which led to a reduction in overall employer contributions (although primary contribution rates continue to rise). GAD would be commissioned to provide advice on suitable assumptions over the summer. It was explained that the Committee's agreement to assumptions would need to happen via correspondence as the Committee did not meet again until the end of October.

## **Item 9 – Scheme Level Annual Report and Valuation Report**

16. Jo Donnelly (JD) said that the tenth Scheme Annual Report would be published the following day, shortly after the Board Chair, Cllr Phillips, had presented it to the PLSA conference in the Cotswolds. A draft 2022 Scheme Valuation Report had been received from Barnett Waddingham and the Secretariat were reviewing. It was expected that

# Cost Management, Benefit Design and Administration Committee

the final report would be published on the Board's website in July/August 2023.

## Item 10 – Academies Guarantee and ESFA Forum

17. JH updated the Committee on a revised DfE guarantee which covered former academy employees who were transferred under TUPE to an outsourced supplier. The Committee also noted that DfE had through the ESFA set up a new working group for academies which had some overlap in membership with this Committee. JH said that while the Board welcomed the academy sector setting up groups that enabled it to speak with one voice and spread good practice, there was a need to ensure that there was a clear and shared understanding of the relative roles of the two bodies.
18. Glyn Jenkins (GJ) asked whether the average contributions from academies had changed. JH explained that they were hugely variable between different academies but that due to improved funding levels, it was likely that on average there would be a downwards pressure on overall contributions.

## Item 11 – Gender Pensions Gap Update

19. Michael Scanlon (MSc) introduced Paper D to the Committee. The initial Gender Pensions Gap report had been published, which confirmed that there was a significant Gender Pensions Gap between male and female members of the scheme. The report further examined some of the causes of this gap, looking in more depth at career patterns and occupational differences.
20. GG commented that the private sector had begun to look at addressing the gender pensions gap and it was incumbent on the LGPS sector to do the same. The Committee agreed that as well as including Gender Pensions Gap analysis into wider reporting, such as the publishing of the data in the valuation reports, it was important to consider giving advice to employers as to how it could be tackled.
21. The report would be published on the SAB website with a suitable narrative and the Secretariat would arrange a follow-up meeting on next steps.

**ACTION – That the Secretariat share draft communications with the Committee on publication and then arrange a meeting to discuss next steps.**

## Item 12 - Opt Out Rates Update

22. Following up on the earlier survey of funds, Gareth Brown (GB) informed the Committee that discussions had been held with software providers to identify the opt out data that they could provide. It was hoped to develop a standardised report that could be easily run by

# Cost Management, Benefit Design and Administration Committee

funds to provide the data. This would both meet the Committee's purpose of maximising participation in the scheme whilst also addressing concerns that many officers had about their existing high workloads.

## Item 13 – DLUHC Update

23. Alan Wareham (AW) gave a verbal update to the Committee. There was no further progress to report on the Board's proposal for the separation of pension fund accounts from the administering authority's accounts.
24. On Good Governance, progress had been made and there had been ongoing discussions within the Compliance and Reporting Committee workstreams that was helping to shape the Department's work going forward.
25. On Fair Deal, there was no further update to report.
26. On survivor benefits, the Minister would be maintaining the stance of declining to implement the recommendation from the Board to remove the upper age limit of 75 on award of death grants. GJ raised concerns about potential age discrimination on this issue. Also highlighted was a backlog in addressing underpayments of survivor benefits that arose because of retrospective changes in entitlement following the Brewster judgment. GJ also asked whether the draft regulations amending survivor benefits would be published by the end of the year; AW could not confirm that at this stage. GJ reluctantly indicated that it may be time for litigation to be brought to ensure that members' rights were respected given the ongoing delays to amending scheme regulations.

## Item 14 – AOB and date of next meeting

27. JD informed the Committee that the frequency of meetings would be an item for discussion at the next Board meeting on 17<sup>th</sup> July 2023. The current Terms of Reference for the Board and Committee mandated a minimum of four meetings a year, but the Board would be considering a reduction to three times a year to allow for smoother and more manageable workflow. If the Board agreed this change, the Committee agreed to also reduce the frequency of its meetings to three times a year.
28. The date of the next meeting was confirmed as 30<sup>th</sup> October 2023.

\*\*\*\*