

# Cost Management, Benefit Design and Administration Committee

**MEETING ON 8th JUNE 2020**

## **ITEM 3 – PAPER A**

### **ACTIONS AND AGREEMENTS**

**MEETING HELD ON 6<sup>th</sup> January 2020 – 1.00pm**

**AT LOCAL GOVERNMENT ASSOCIATION, 18 SMITH SQUARE,  
WESTMINSTER, LONDON, SW1P 3HZ**

### **PRESENT**

George Georgiou	Members (GMB)	Chair
Sean Collins	Practitioners	
Kevin Gerard	Practitioners (via conference call)	
Emma Mayall	Practitioners (via conference call)	
Rachel Brothwood	CIPFA	
Glyn Jenkins	Members (UNISON)	
John Neale	Members (UNITE)	
Graeme Muir	Actuaries: Barnett-Waddingham	
Melanie Durrant	Actuaries: Barnett-Waddingham	
John Livesey	Actuaries: Mercer	
Alison Murray	Actuaries: Aon	
Jeff Houston	LGA - Board Secretariat	
Robert Holloway	LGA - Board Secretariat	
Liam Robson	LGA - Board Secretariat	
Mike Scanlon	GAD	

#### **1. Welcome, introductions and declarations of interest**

The Chair welcomed all in attendance to the meeting. There were apologies from Catherine McFadyen. There were no declarations of interest.

#### **2. Matters arising**

The Committee agreed the minutes for the previous meeting. Bob Holloway (BH) provided a further update to agenda item 5 of the previous minutes, covering good governance. All other items were covered by the agenda.

#### **3. Post-election consequentials - Update**

Jeff Houston (JH) provided an update of expected changes following the General Election. There was no change to the Secretary of State

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for Housing, Communities and Local Government or Parliamentary Under Secretary of State (Minister for Local Government and Homelessness), Luke Hall MP.

The government was expected to be proceeding with restricting exit payments in the public sector (a cap of £95,000). It is possible that pension strain costs will be standardised across the sector.

In addition, there were plans to re-introduce public service clawback provisions to ensure redundancy payments could be clawed back when high-paid public servants move between jobs.

A ban on public bodies imposing their own direct or indirect boycotts, disinvestment or sanctions campaigns against foreign countries would be implemented.

Legislation that would protect pension funds from employers would be introduced together with pension dashboards which would help employee savers to be better informed.

A review of taper for the NHS and a review of pension tax relief for low earners was planned. It was understood that pension taxation issues causes many doctors to turn down extra shifts for fear of high tax bills. The application of Lifetime and Annual Allowances to defined benefit schemes similarly affect Local Government and other public sector workforces.

Eligible employees are enrolled in the LGPS regardless of earnings, receiving tax relief at their marginal rate. Elsewhere in the public sector, however, those earning between £10,000 and £12,500 may have missed out on pension benefits because of this loophole affecting net pay pension schemes. It was understood that this would be investigated to ensure fairness.

## **4. McCloud/Cost Management process - Update**

JH explained that central government discussions with all scheme advisory boards would take place within the next month.

Following the McCloud judgment, the judges and firefighter cases were referred back to Employment Tribunals for remedy. Both tribunals issued interim declarations providing that claimants who were active members on 31 March 2012 are entitled to be treated as having met the conditions for full transitional protection i.e. as if they had remained in their final salary scheme after 1 April 2015.

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Government have confirmed that non litigants in these schemes will be treated in the same way, as will members of all other public service pension schemes.

It was understood that the LGPS will be treated separately from the rest of the public sector in respect of the McCloud remedy.

It is likely that the remedy will involve the extension of some form of underpin to members in scope who are not currently offered protection.

There are however many issues and questions to be dealt with before any final decision on a remedy can be arrived at.

It was expected that decisions relating to members in scope, the extent of final salary service protection, the requirement for retrospection and the inclusion of ancillary benefits (transfers, survivors etc.) would be determined centrally – any agreed remedy would be expected to reduce the risk of challenge as much as possible. It is also likely that, in order to ensure reverse discrimination does not occur, all leavers since 2014 will need to be checked against a new underpin.

It was proposed that the secretariat should form two working groups:

- i) A policy working group. This group would be formed of employer and member representations, and represent the LGPS in central government remedy discussions at a high level. The work of the group may include looking at the issue of re-creating a final salary for calculations, for example.
- ii) An implementation working group. This group would include practitioner representatives, actuaries, administrators and software providers, and focus on the detail of remedy implementation.

It was highlighted that there will be a delay between a decision on remedy being made and having legislation on place to be able to implement it. This period was identified as one in which communication with members would be key, especially if consistency across pension funds is to be maintained.

Initial views from some committee members were that employers were engaging with administration authorities on McCloud, but scheme members were perhaps less aware of the potential impact.

**Action – SAB secretariat to form policy and implementation working groups as set out above.**

## 5. Academies and Data Quality - Update

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BH explained that improvements to data quality had been made and an explanatory paper would be presented the Board at its next meeting.

Options for further improvement were discussed and mandation versus tolerances for smaller employers (e.g. fewer than ten active members) were considered. The Pension Administration Strategy (PAS) document was cited as a possible avenue to explore in setting a minimum standard for employer status/member updates, together with possibly more penal measures or fines.

## **Action – Secretariat to include views of committee when presenting to the Board**

### **6. TPR scheme return/Conditional data - Update**

The Pension Regulators return response had indicated some level of success in improving on the previous year. The secretariat were awaiting more detail on the LGPS from the Regulator.

### **7. Regulatory Changes - Update**

It was noted that since the general election, regulatory changes were more likely to progress; these included an update on criminal convictions and forfeiture and returns of contributions where the member cannot be traced.

There was no update on the possible move from three year to four year valuations.

### **8. Section 13 Report – Draft GAD letter**

A draft response had been included in the meeting papers. Mike Scanlon (MS) invited comments from the committee members at the meeting or via email.

It was noted that most, if not all of the local LGPS valuations had been completed, therefore some of the wording in the letter would need to be amended accordingly.

## **Action – Draft GAD letter to be presented to the Investment, Governance and Engagement for comment on 13 January 2020**

### **9. AOB and date of next meeting**

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The next meeting date was confirmed as 6 April 2020

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