

# Scheme Advisory Board

## **HYBRID MEETING – 4 December 2023**

### **ITEM 15 – PAPER I**

#### **COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE**

#### **CHAIR'S REPORT FROM MEETING – 30 October 2023**

##### **Cost Control Mechanism (CCM)**

1. The Committee were informed that centrally set assumptions had been set out in Treasury Directions in late August, and scheme specific assumptions had been shared with the Board. It was expected that there would be draft results for LGPS E&W before the end of the calendar year. The Committee were given high level information on the scheme experience results that would be contributing to the valuation and were invited to comment.

##### **Scheme Cost Assessment process**

2. GAD introduced a paper that gave advice on the different approaches and assumptions which could be set for the 2020 SAB scheme cost assessment process. The Committee agreed to adopt a similar set of assumptions to those used for the HMT cost management process. It was also agreed that the preferred discount rate to use was the 2016 SCAPE rate. Matt Gurden from GAD has provided final advice, which the Board has considered as item 13 – Paper G in this meeting (December 4<sup>th</sup> 2023).

##### **Gender Pensions Gap working group**

3. A working group to determine the next steps for the Board following the publication of [GAD's Gender Pensions Gap report](#) had been established and met for the first time on 9 October 2023.
4. The group discussed various reasons and policy issues affecting the GPG. The next steps for the group were as follows:
  - a. Investigate feasibility of changes to regulations to extend the deadline for scheme members to elect for Shared Cost Additional Pension Contributions
  - b. Plan specific communications needed for 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

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- c. Work with LGA workforce team on increasing awareness of the GPG and identify the policy solutions which could have a positive impact
- d. Continue the discussions with DLUHC on the progress of New Fair Deal and impact of outsourcing on the GPG

## **Surpluses working group**

- 5. The working group was convened to discuss the issues that could arise from improved funding levels at the 2022 valuation, with many more funds being in surplus. The group met for the first time on 4 October 2023. The discussion focussed on the impact of surplus on employer contributions, on investment and funding strategies, and any SAB communication needed for employers and members (and their representatives) in response to this position.
- 6. The next steps were as follows:
  - a. To produce a statement from the Board on the surplus issue (see Item 7 on the agenda)
  - b. To liaise with DLUHC to investigate if any further guidance on employer flexibilities in the LGPS Regulations is needed.
  - c. To discuss the surplus issue at the SAB LGPS Live event on December 6<sup>th</sup> 2023.

## **Opt-out Monitoring**

- 7. Two Freedom of Information (Fol) requests have been submitted to the Pensions Regulator (TPR) to request the opt out information held by TPR which is submitted by all LGPS employers in their annual auto enrolment compliance returns. TPR have declined to offer that data – despite the request being clear that individual data was not required, just scheme-level data. The Secretariat will instead issue a survey to employers using the contacts held by the LGA Workforce team. This survey would cover a large majority of LGPS employers (approximately 80% of membership) but not all. The Secretariat could also use this survey of employers to obtain views, not just opt out data, but also on views around the importance of the LGPS in recruitment and retention.

## **McCloud**

- 8. Regulations were laid on 8 September 2023 and were effective from 1 October 2023. DLUHC issued an initial policy document which set out how cases should be prioritised, with the final version expected in 2024 after a review by the McCloud guidance working group and a consultation. The LGA had produced and circulated member communications in September 2023 and has a dedicated page on McCloud on the LGPS member website. Content which funds could use

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for a newsletter to scheme members on the issue was being worked on. The LGPS team delivered a workshop at the Pensions Managers' Conference in Torquay in November and would be holding webinars on the issue on 7<sup>th</sup> and 20<sup>th</sup> December 2023.

## **New Fair Deal**

9. The SAB Chair, Councillor Roger Phillips, had recently written to the [former] Minister requesting that DLUHC issue a response to the New Fair Deal consultation which closed in 2019. It was confirmed by the Department that the letter had been received and would be responded to in due course.

## **Committee Workplan**

10. The Committee was presented with a workplan detailing the key workstreams expected over the next calendar year. The Committee workplan will need approval from the Board and can be found at Annex B.

**Recommendation – that SAB notes the progress made by the Committee on the issues set out above, and approves the Committee workplan detailed at Annex A (separate confidential paper).**

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