

# Scheme Advisory Board

## **HYBRID MEETING – 5<sup>TH</sup> DECEMBER 2022**

### **ITEM 11 – PAPER F**

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

#### **CHAIR’S REPORT FROM MEETING OF 21<sup>ST</sup> NOVEMBER 2022**

##### **McCloud Update**

1. The Committee was advised that the government’s response to the consultation on McCloud remedy was expected in December. A further consultation will then follow in early 2023 with the necessary regulations being made in the Spring and coming into effect on 1<sup>st</sup> October 2023. LGA and SAB have set up a working group including representatives from administering authorities, actuarial firms, DLUHC, SPPA and the Department for Communities to produce guidance on the data needed to implement the McCloud remedy. The guidance will be published as SAB guidance once approved by DLUHC.

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

2. We are waiting for HM Treasury to issue a response to the consultation on the discount rate methodology for public sector pension schemes (the “SCAPE rate”). That is a key assumption for the 2020 CCM and needs to be settled before HMT issue their full set of directions for use in the CCM. Other critical assumptions will be around future public sector pay awards and changes in life expectancy
3. The Committee discussed a paper from GAD which looked at the scheme-mandated assumptions for the HMT CCM. The proposed assumptions were based on a 50/50 balance of the previous assumptions and the actual trends observed in the scheme over the past valuation period. Overall, the assumptions which are driven by scheme experience showed a slight downward pressure on scheme costs.
4. The Secretariat has discussed reform of the SAB’s own cost management process with DLUHC officials, so that it better aligns with the revised HMT process. We are still hopeful to see a consultation on this before the end of the calendar year. It is proposed that the Board consider what assumptions to make in that mechanism only once it has sight of the HMT directed assumptions.

##### **Section 13 and Academies Working Group**

5. The Committee received a report from the working group which had been formed to look at the need for greater consistency in the starting

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position of new academy employers. It met for the first time on November 8<sup>th</sup>. The group agreed that GAD would work with the fund actuaries to develop before Christmas a draft section for inclusion in the tripartite (DfE, DLUHC and SAB) [advice document on academies](#) which would cover: a common nomenclature for conversion methodologies, factors that might determine which approach a fund adopted and possible consequences of the choice of methodology over time.

## Gender Pensions Gap

6. The Committee has received further advice from GAD as to what would be needed to compile a Gender Pensions Gap report for the scheme. This is attached as Annex A. **The Board is asked to give approval** for GAD to provide some initial analysis by mid-January and more detailed analysis of factors which may be driving gender differences later in the year. The cost of this work will need to be recouped through next year's levy.
7. The Secretariat have also collected data from funds on opt outs in the Scheme and is in the process of analysing the returns.

## Scheme level assumptions for standardised valuation assessment

8. The Committee approved a report from GAD which set out a standardised actuarial valuation basis to allow comparison of funding levels between different Funds, based on their local fund valuation report. This also features in the dashboard that GAD have developed as part of their s13 review of fund valuations. The valuation assumptions are purely to allow comparison on a consistent basis and are intended to be used to provide a funding target or to set contribution levels. In the absence of updated HMT assumptions for CCM purposes, it was agreed to stick to broadly similar assumptions to previous years.