

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 16 – PAPER I

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE

CHAIR'S REPORT FROM MEETING – 19 February 2024

SAB Cost Management process

1. The Committee were informed that the scheme specific assumptions had been agreed by the Board at its last meeting. The Committee received a paper on the SAB cost management process and the methodology and assumptions used in the process. The Government Actuary's Department (GAD)'s calculations showed that scheme costs had increased by 1% and while the Board could make recommendations to bring the cost of the Scheme back in line with the overall target cost, there was no requirement to do so. The Committee heard that the Board was unlikely to make any recommendations to reduce scheme costs. The provisional outcome of the HMT Cost Control Mechanism was also shared confidentially with the Committee. Further details are in the paper for Item 7 – Paper C in this meeting (March 11th 2024).

Surpluses working group

2. Following the SAB's publication of the [surpluses statement](#), the Committee agreed that the working group be closed, and the members of the group be retained as a contact list for the SAB to engage with on future issues as needed. However, it was agreed to broaden the Compliance and Reporting Committee's Funding Strategy Statement Guidance working group to include actuaries and widen the scope of the FSS Guidance working group to include partial terminations, exit credits and methodology on academisation.

Opt-out Monitoring

3. Two Freedom of Information (FoI) requests were 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. The Secretariat received a reply with some data however it did not provide the level of detail needed. The Secretariat would now be going ahead with issuing a new survey on opt-outs as previously agreed by the Committee.
4. The Committee agreed to explore whether employers should attempt to collect the reasons for opting out and any data on the characteristics of those opting out, to determine how opt out rates vary across certain groups. This proposal had arisen due to discussions resulting from the receipt of the report on Sharia Law and the LGPS. The advice received

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from Counsel suggested that it would be useful to collect data on the reasons for opting out, not least so the Board had an approximate number of LGPS employees opting out of the LGPS on the basis of their faith.

5. It was also suggested that widening the scope of the survey should allow for information to be collected on how opt outs rates vary by gender and how this relates to the gender pensions gap identified by GAD.
6. The Committee suggested that a pilot exercise with selected employers, or analysing a sample of LGPS members, could also be ways to identify the characteristics of those in the scheme, though it was acknowledged the nature of the exercise excluded those who had already opted out of the Scheme and were therefore never recorded as members.

McCloud

7. The LGA Pensions team had published Part 1 of the McCloud Administrative guide in December 2023. Part 1 of the guide addressed how to implement the remedy for people leaving the Scheme from October 2023. Parts 2 and 3 would follow once guidance from GAD had been received. The Pensions team had hosted two webinars on McCloud in December which were attended by over 270 practitioners. Once Parts 2 and 3 of the LGA guidance had been published, more webinars would be held.
8. Further statutory guidance from DLUHC (which would deal with issues not covered in the earlier guidance such as on breaks in qualifying service and the effect of refunds) was expected to be consulted on in the coming weeks. McCloud remained a substantial administrative project that would impact funds especially given ongoing recruitment and retention issues in the sector, but the guidance and webinars had been well received.

Survivor benefits and Forfeiture

9. DLUHC informed the Committee that there were plans to consult on survivor benefits and forfeiture later this year. Exact timings could not be confirmed however it was said that it was expected that the two areas would be addressed in a single consultation. The Committee's Unison representative confirmed that the General Secretary had written to the Chief Secretary to the Treasury to request an update on the change to survivor benefits to reflect the Goodwin judgment. The response from the CST was to expect amending regulations in Spring 2024.

Terms of Reference

10. The Committee approved the updated Terms of Reference following a review by the SAB Secretariat.

Recommendation – that the Board notes the progress made by the Committee on the issues set out above
