

LGPC MINUTES

MEETING HELD ON 8 APRIL 2019

PRESENT

Cllr D Le Gal	Chair & Scheme Advisory Board
Cllr G Edwards	LGA
Cllr J Fuller	LGA
Cllr A Paynter	LGA – Dial in
Cllr D Renard	LGA
Cllr S Blackburn	LGA
Cllr S Taylor	LGA
Cllr C Lloyd	SAB member [observer]
Mr K Gerard	Technical Group rep – Dial in
Ms N Mark	Scheme Advisory Board adviser
Mr D Murphy	Northern Ireland
Ms K Linge	SPPA
Mr C Hargrave	MHCLG
Ms T Khatun	MHCLG [observer]
Secretariat	
Mr J Houston	LGPC
Ms L Bennett	LGPC
Ms R Abbey	LGPC
Ms E English	LGPC

1. APOLOGIES

Apologies were received from Cllr A Waters and Cllr D Jones – LGA; Ms L Welsh – Scotland and Mr J Hughes – MHCLG. The Committee noted that Mr C Hargrave substituted for Mr J Hughes.

The Chair informed the Committee that she is up for re-election at the May elections so this could be her last meeting. She wished all those up for re-election best wishes.

2. MINUTES

The minutes of the previous meeting held on 16 January 2019 were agreed.

3. MATTERS ARISING

At the last meeting a request was made for the Secretariat to produce a document that explain the roles of the LGA, LGPC, SAB and other groups like POGs [Pension Officer Groups] and Technical Group etc, how they work together and what functions they perform in the operation of the LGPS. One intended purpose of the document was to help local pension board members understand the structure of the Scheme. A

draft document was circulated at the meeting. The Committee found the draft very helpful but asked that more detail be added ie narrative, how elected members are nominated, the role of the Section 101 committee and local pension boards etc.

The Committee also stated that it would be helpful to include an update from the Technical Group meeting as an agenda item at future LGPC meetings. Kevin Gerard [KG] agreed to this proposal and will provide an update from the Technical Group at the next meeting.

4. REGULATION UPDATE [E&W]

Lorraine Bennett [LB] presented the key points from paper B, in particular highlighting:

LGPS (Miscellaneous Amendment) Regulations 2018

- The above regulations came into force on 10 January 2019 with some provisions having an earlier effective date.
- Survivor benefits – Walker v Innospec judgment. LGPS administering authorities must re-visit calculations of pensions paid to some surviving civil partners and same sex spouses. Numbers are small, but some problems have arisen in identifying survivor pensions affected by the changes.
- MHCLG plan to issue statutory guidance setting out the actions to be taken concerning past transfer and trivial commutation payments that could be affected by the changes in survivor benefits. The Secretariat's view is that re-visiting such payments may contravene primary legislation; they have questioned whether the payments should be reviewed, and if so, whether statutory guidance is the correct means of delivering the change which has an impact for all public sector pension schemes.
- Con Hargrave [CH] stated that MHCLG, in particular Jeremy Hughes [JH], will be holding meetings early next week to go through different options. [KG] stated that the Technical Group at their last meeting were concerned about re-visiting past transfer and trivial commutation payments.
- [LB] stated that the national Communications Working Group had prepared and published template newsletter text to assist administering authorities in communicating the changes brought about by the LGPS (Miscellaneous Amendment) Regulations 2018 to Scheme members. The deadline for administering authorities to communicate the changes is 9 April 2019.

Exit credits

- LB advised that the Secretariat is aware that the payment of exit credits is causing issues for administering authorities if a side contractual agreement is in place. Some service providers are no longer looking to extend contracts at the end of their term so that they can receive an exit credit (which can exceed the contributions paid by the employer).
- MHCLG intend to consult on changes to the regulations that would introduce a retrospective change to allow administering authorities to take side agreements into account when calculating any exit credit.
- In December 2018 the Secretariat asked administering authorities for information about exit credits paid or due to be paid since their introduction in

May 2018. Responses were received from 55 out of 88 administering authorities in England and Wales who reported exit payments made or due to be made which totalled £83 million.

Fair Deal

- LB informed the Committee that MHCLG issued a 12 week consultation on Fair Deal on 10 January 2019 which closed on 4 April 2019. The consultation's aim was to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposals would introduce the concept of 'deemed' employer as an alternative to the admitted body route for the service provider. The local authority would remain the Scheme employer for pension purposes when a service is outsourced.
- LB stated that the LGPC and the national LGPS Technical Group had submitted their responses. Both were generally in favour of the proposed changes and the LGPC response confirmed the Secretariat's view that the deemed employer route should be the default position.
- CH informed the Committee that MHCLG had thus far received 70 – 75 responses.

LGPS factor review

- LB informed the Committee that MHCLG in conjunction with GAD are undertaking a short consultation on late retirement factors. The aim of the proposed methodology change is to remove the 'cliff edge' which affects some members when factors change. The consultation closes on 17 April.
- Additional pension factors were published 16 March for implementation on 1 April 2019. The new factors apply to both new and existing contracts. The LGPC has fed back to MHCLG the view of administering authorities that a longer lead-in time is required for this type of factor change.

Exit payment reform

- LB informed the Committee that HM Treasury plan to issue a further consultation imminently on restricting the exit payment amount that can be paid to an individual leaving public sector employment. The proposed exit payment cap is £95k.
- LB confirmed that the draft regulations consulted on in 2015 granted the full council of a local authority the power to relax the cap (subject to Treasury Directions) but that new information suggests that Treasury approval would be required to relax the cap and that this change had led to delays in issuing the new consultation.
- LB noted that mid-range earners such as nurses and social workers could be affected by the cap and therefore the LGPC is likely to suggest a 'pay floor' in their response to the consultation.
- David Murphy [DM] stated that there are no powers to bring in the exit payment cap regulations into NI at the minute, having previously been rejected by the Northern Ireland Assembly, but he would not be surprised if a future Minister revisited the issue.

- Sharon Taylor [ST] voiced her concern over the equal pay issues and the impact this policy will have on the same women who have seen an increase in the age at which they can access their State Pension.
- The Chair stated that good communication would be needed to advise members, administering authorities and employers about these changes.

Pension Dashboards

- LB informed the Committee that the consultation closed on 28 January. The LGPC issued their response which included concerns about cyber security and what data items will be included on the dashboard.
- The government response to the consultation confirms that participation will be mandatory with defined contribution schemes onboarding first and the majority of schemes participating within 3 to 4 years.

5. SAB REPORT E&W

Jeff Houston [JH] presented the key points for the Committee to note from paper C, in particular highlighting:

Cost management

- JH explained that the SAB was at the point of recommending Scheme changes to government as a result of the cost 'floor' being breached when the Court of Appeal's decision in the McCloud / Sargeant case was announced. The Court of Appeal held that protection for older public pension scheme members introduced in 2015 were discriminatory.
- The government has applied to appeal the McCloud case in the Supreme Court. A pause in the cost management process has been announced until the outcome and implications of the McCloud case are known.

Good governance project

- JH informed the Committee that the Separation project has been renamed Good Governance in the LGPS.
- JH stated that Hymans Robertson had been awarded the contract to look into how LGPS functions can be accommodated within local authority structures. Hymans will be engaging with stakeholders in the coming weeks to find examples of best practice and consider what structures, support and guidance could be made available to support those making decision on behalf of LGPS members and employers.

Responsible investment guidance

- JH stated that the SAB has published guidance on their website which will be updated as and when new issues arise.

Pooling guidance

- JH stated that the SAB has produced a technical response on MHCLG draft guidance which will be discussed at the SAB meeting taking place later in the day.

Local Pension Boards survey

- JH stated that some pension boards were performing better than others. It was agreed that the Secretariat should prepare a survey to build on the original one undertaken in 2017. A draft version has been prepared with a view to the survey being issued in May 2019.

Academies and third tier employer projects

- JH stated that both projects have been on hold due to the SAB resources being taken up by the cost management process. Both projects will now be fully operational.
- JH informed that the SAB had set up a working group to consider the 85 options presented by Aon and to reduce them to 6 for the SAB to consider.

6. REGULATIONS UPDATE SCOTLAND

The Committee noted the key points from paper D which was presented by Ms K Linge (KL).

- Draft Regulations (Scotland) Miscellaneous Amendments Regulations 2018 - the technical consultation closed on 11 March 2019 which looked at amendments to extend flexibility to take an uncrystallised lump sum from the member's AVC fund. Issues raised in responses to the consultation will be discussed with the Scottish Government Legal Directorate. It is expected that the regulations will come into force in July 2019 at the earliest.
- The Local Government Pension Scheme (Scotland) Pension Amendment (Increased Pension Entitlement) Regulations 2019 are due to come into force later in 2019.
- The cost cap process is also paused in Scotland.
- Actuarial guidance - GAD has provided revised non-club transfer factors in response to the change in the discount rate announced in the October 2018 Budget. Additional Pension factors were also published in March 2019 which took effect from 1 April 2019. Scottish administering authorities raised concerns about the quick turnaround time.
- Structural Review - the consultation responses from employers and employee bodies are available on the website. It is hoped that the report will be made available by the end of April.

7. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper E which was presented by David Murphy (DM) highlighting the key points:

- The Northern Ireland Assembly made its own version of the Public Service Pension Act (Northern Ireland) 2014.
- The Department for Communities issued a consultation on changes to scheme benefits in order to rectify the Cost cap floor breach on 17 December 2018. This cost cap process has now been paused.
- GAD completed its Section 13 review of NILGOSC's 2016 actuarial valuation which was published in March 2019.

- In the absence of local Ministers the Department for Communities took steps to have legislation made at Westminster to allow for the appointment of Board members to NILGOSC.
- The NILGOSC conference that took place on 3 April 2019 for all public service pension schemes was very well received with speakers from GAD, TPR, TLT Solicitors and Deloitte.

8. TRAINING AND CONFERENCE UPDATE

The Committee noted the key points from paper F which was presented by Elaine English (EE) highlighting:

- The LGPS Governance conference that took place on 17 /18 January 2019 in Bristol received very positive feedback with 95% of delegates stating it met their needs. More people attended the Governance conference in 2019 than in any previous year.
- EE stated that as holding the conference in January proved to be popular with delegates, the dates for next year's Governance conference have been confirmed as 23 / 24 January 2020 at the Principal Hotel in York. Again thanks go to our main sponsor Investec.
- EE also reported that the LGPC's bespoke LGPS training programme for elected members [Fundamentals] has been organised for this year and will run from October to December.
- EE reminded members of the LGPC to let her know if they would like to attend any of the events on a complimentary basis.
- **Post meeting update – Circular 313 has now been issued. Fundamentals events are now live for booking on the events pages of the LGA website.**

10. ANY OTHER BUSINESS

None

11. DATE OF NEXT MEETING

The Committee agree they would like to continue to co-ordinate meetings with the SAB meetings. The next meeting date will be confirmed.

Post meeting update – next meeting will be held on 8 July 2019.

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