
**LGPC MINUTES
MEETING HELD ON 6 NOVEMBER 2019****PRESENT**

Cllr John Fuller	Substitute Chair, LGA
Cllr Goronwy Edwards	LGA
Cllr Phil Murphy	LGA
Cllr Richard Wenham	LGA
Cllr Adam Paynter	LGA – Dial in
Mr David Murphy	NILGOSC
Mr Kevin Gerard	Technical Group rep – Dial in
Ms Nicola Mark	Scheme Advisory Board adviser
Ms Kimberly Linge	SPPA

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Ms Elaine English	LGPC
Mr Bob Holloway	LGPC

1. INTRODUCTION FROM NEW CHAIR

The new Chair, Cllr Byron Rhodes [BR] was unfortunately unable to attend the meeting due to rail problems. Cllr John Fuller [JF] agreed to Chair the meeting.

JF introduced himself to the meeting and gave a brief outline of the remit of the LGPC and the Scheme Advisory Board [SAB].

JF welcomed the new members to the LGPC and introductions were made. No declarations of interest were reported. It was noted that due to restrictions in place during the pre-election period the Committee is not able make decisions.

2. APOLOGIES

Apologies were received from Cllr Byron Rhodes – LGA, Cllr Simon Blackburn – LGA, Cllr Sharon Taylor – LGA, Cllr Alan Waters – LGA, Cllr Clive Lloyd – SAB observer and Mr Jeremy Hughes – MHCLG.

3. MINUTES

The minutes of the previous meeting held on 8 July 2019 were agreed.

4. MATTERS ARISING

Tier 3 employers update. Bob Holloway [BH] gave an update stating that in 2017, the SAB was asked to look into the potential funding, legal and administrative issues relating to LGPS employers that do not benefit from taxpayer backing. There is a risk that when an employer of this type exits the LGPS they leave orphan liabilities that are passed on to the remaining Scheme employers, such as local authorities. The SAB appointed Aon to work on the project. Aon presented a report in 2018 which includes 85 possible options for change.

A SAB working group has been set up to consider and prioritise the options, with the aim of identifying 12 top options. The group has already met twice and will meet for a third time shortly to agree a final list of options for consideration by the Board in February 2020. The group will also consider the proposals published earlier in the year by MHCLG to change the status of HE/FE employers.

Budget Item 5. Nicola Mark [NM] informed the Committee that the LGA Pensions Team is under a lot of pressure to do more regulatory work due to the decreasing staff numbers at MHCLG. MHCLG want a more formal arrangement concerning the SAB's involvement for producing statutory guidance. This shift in responsibilities from central to local government has funding implications. BH agreed to take this up at the SAB meeting in the afternoon.

Action: To report the findings of the SAB to the next meeting.

5. REGULATION UPDATE [E&W]

Lorraine Bennett [LB] presented the key points from paper B.

LB stated that since the last meeting an SI had been laid to change the LGPS regulations in respect of the benefits paid to a surviving opposite sex civil partner. Legislation is being laid to permit opposite sex civil partnerships from 31 December 2019.

LB confirmed that there will be no further regulation changes until after the election.

£95K Cap

LB stated that HM Treasury (HMT) plan to introduce the cap no sooner than 1 April 2020. The cap was first consulted on in July 2015 and a further consultation was launched in April 2019. HMT received over 600 responses to the latest consultation. You can read the consultation documents and the LGA response on the [LGPS administrator website](#). JF noted that including pension strain cost in the cap meant that the proposed cap would affect lower paid staff with long service. BH noted this is not in line with the policy of encouraging pension savings.

Fair Deal

The consultation on Fair Deal and strengthening pension protection for Scheme members whose job is compulsorily transferred closed on 4 April 2019. This is currently on hold, but the LGA will work closely with MHCLG to produce guidance once pre-election restrictions are lifted.

Exit Credits

When exit credits were introduced in 2018, an administering authority was required to pay a credit to an exiting employer within three months of the date they stop being a Scheme employer. MHCLG consulted on amending this regulation in May 2019 to allow the administering authority to take side agreements and risk sharing into account when assessing the amount of exit credit is payable.

Amending regulations have now been delayed due to the pending election and will not be enacted until April 2020 at the earliest. Funds have significant exit credits outstanding and find themselves in a 'legal limbo'.

The Pensions Ombudsman (TPO)

TPO upheld a complaint against an administering authority regarding a transfer of LGPS benefits to an occupational scheme. TPO instructed the administering authority to reinstate the member's LGPS benefits. TPO were critical that the administering authority had not recognised that the member did not have a statutory right to transfer to an occupational scheme because she was not an 'earner'. It was agreed that the LGA Pensions advisers will:

- amend the relevant template transfer forms to include a question concerning the earning status of the deferred member
- include an article in the next LGPC Bulletin about this TPO determination and its implications for transfers from the LGPS to another occupational scheme, and
- discuss the case at regional meetings.

NM noted this causes concern for administrators as more onus appears to be placed on them to assess how 'financially savvy' a member making a transfer request is. JF suggested producing a case study on the impact of a pension scam to be provided to members considering transferring.

Action: LGPC secretariat to review current publications concerning transfers and update them as necessary.

Pensions Bill

A Pension Schemes Bill was announced in the Queen's Speech that would strengthen TPR's powers, set up a framework to support the provision of pensions dashboards and introduce regulations covering pension transfers. The Bill could be re-enacted by the new Government.

LGPS Statistics

MHCLG published [statistics](#) on the LGPS in England and Wales for 2018/19 on 16 October.

BH noted that the number of deferred members exceeded the number of active members for the first time in 2018/19. The funding position of the Scheme as a whole is good, but there are still issues at fund level.

DfE consult on phased withdrawal from Teachers' Pension Scheme (TPS) for independent schools

This consultation proposes that independent schools be allowed to continue to offer TPS membership to existing teachers, but to stop offering TPS membership to new teachers. The increase in TPS employer contribution rates from September 2019 may lead to more independent schools deciding to end participation in the TPS. The proposal aims to prevent a large number of establishments exiting the TPS at the same time. The LGA have responded to the consultation. The response raised concerns that the phased withdrawal proposal makes it easier for independent schools to exit the TPS. If more independent schools do exit the TPS, there is a risk that the cost of meeting the liabilities for deferred members will fall on remaining employers participating in the TPS such as local authorities and academies. The [LGA response](#) is on the LGPS administrator website.

Member Videos

LB stated that the member videos are due to be launched very soon. There will be English and Welsh language versions of seven videos. Kevin Gerard [KG] suggested that a video covering transfers or pension scams may be useful.

Action: LB to raise the issue at regional groups and see if there is demand for a member video covering 'what to consider if you are thinking about transferring your pension'.

6. SAB UPDATE [E&W]

BH presented the key points from paper C highlighting that no new regulations will be enacted during the pre-election period.

Good Governance

BH stated Hymans Robertson were awarded the contract to look into how LGPS functions are delivered within the local authority framework.

Hymans recommended the introduction of consistent standards for administration and governance based on outcomes. There should be an independent assessment of the administering authority's performance against those standards. The SAB has set up working groups to consider what those desired outcomes are and how the performance of administering authorities should be assessed. The third stage of the project will cover what is needed from statutory guidance for administering authorities. JF asked what the role of the internal auditor would be. BH confirmed that internal audit could perform the assessment, but they must work to the same standards as an external provider.

Investment Guidance

The SAB will be publishing two sets of guidance i) definitions and duties and, ii) options for and examples of best practice. The second phase of the project will start in 2020.

The Pension Regulator (TPR) cohort report

TPR have published a report setting out their findings following engagement with ten LGPS scheme managers. The report can be viewed on the TPR website. The SAB will be responding to TPR concerning areas of the report which the SAB feel need clarification.

McCloud judgment

The SAB formed a small working group to look at the potential impact of this judgment on the LGPS. It has been confirmed that the LGPS will be treated separately from the rest of the public sector in respect of the McCloud remedy. The [cost management page](#) of the SAB website has been updated to reflect the most recent developments.

Section 13

The Government Actuary Department [GAD] made three recommendations to improve consistency in valuation results that the SAB addressed as part of the 2016 fund valuation. The SAB set up a working group to establish a valuation 'dashboard' to be used in future valuation exercises, to explain the link between funding strategies and discount rates and develop proposals for academies.

7. REGULATIONS UPDATE SCOTLAND

The Committee noted the key points from paper D, which was presented by Kimberly Linge [KL].

LGPS Regulations (Scotland) Pension Amendment (Increased Pension Entitlement) Regulations 2019

Pension overpayments will be identified as part of the GMP reconciliation exercise. These regulations allow those overpayments to be converted to scheme awards, meaning that pensions in payment from Scottish public sector schemes will not be reduced when an overpayment is identified.

Section 13

Scottish Ministers have appointed GAD to report on the 2017 valuations of the 11 LGPS funds in Scotland. GAD will present their report at the next meeting of the LGPS (Scotland) Advisory Board (LGPSAB) on 30 October.

Statutory valuations

Scottish Ministers will shortly be seeking views from Scottish administering authorities on the proposal to move to quadrennial valuations to align with the scheme valuation.

Third sector cessations

The LGPSAB has set up a working group to consider options to increase flexibility when a third sector employer exits.

8. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper E, which was presented by David Murphy [DM].

LGPS Regulations

On 23 October, regulations were made to implement the outcome of the Brewster case by formally deleting the requirement to nominate a cohabiting partner. The amendment regulations also make minor amendments and corrections to the LGPS (Northern Ireland) regulations.

Governance

Trade unions are considering legal action related to the pausing of the cost cap process and the intention to apply the McCloud remedy before performing the cost cap calculations.

9. UPDATE FROM TECHNICAL GROUP

The Committee noted the key points from Paper F, which was presented by KG.

Administering authorities have been asked to agree to meet the cost of a procurement exercise for an online knowledge system for the LGPS in England and Wales. Not all administering authorities have agreed to this exercise. A final decision has been deferred until the next Technical Group meeting in December.

The GMP reconciliation exercise continues. There has been some progress on the actions that administering authorities should take in relation to stalemate cases. KG confirmed that HMRC correspondence concerning individuals who have never been a scheme member will be destroyed in order to comply with data protection legislation.

NM asked whether the Technical Group would be the appropriate body to look at Benchmarking. KG stated that he would raise this at the next meeting in December and ask for volunteers to set up a working group.

Action: To report back at the next meeting.

10. TRAINING AND CONFERENCE UPDATE

Elaine English [EE] reported that the Fundamentals Programme currently underway is proving very popular. EE confirmed that the Annual Governance Conference taking place in York on 23/24 January is also proving very popular, with lots of bookings already received. A copy of the programme was distributed at the meeting. An invitation for a complimentary place for each LGPC member was extended. Due to high demand, EE requested that any member of the Committee who wanted to accept this invitation contacts her by email as soon as possible.

Practitioner Training and the Insight programme will commence from February 2020.

11. ANY OTHER BUSINESS

Worcestershire Pension Fund – section 8.9 of the [SAB guidance](#) for local pension boards states that the terms of reference for local pension boards should include procedures to report concerns which are sufficiently serious to be reported directly at a higher level, or where the a concern has been raised with the pension committee and the local pension board consider the committee have not taken appropriate action to rectify the issue (or appropriate action within a reasonable time period).

8.11 of the guidance suggests escalation via the SAB or the Responsible Authority where internal channels are not appropriate or are considered to have failed.

Worcestershire Pension Fund are considering appointing SAB Chair Cllr R Phillips as Chair of their local pension board and have requested permission to substitute the SAB with the LGPC for this purpose in the terms of reference.

The consensus was that it would still be appropriate for SAB to look into any concern raised by Worcestershire as long as Cllr R Phillips declares a “conflict of interest” and does not vote.

12. NICOLA MARK

JF announced that this would be the last meeting that NM attends as she is retiring at the end of the year. JF thanked her on behalf of the Committee for her invaluable contributions, not only to the LGPC but to the pensions industry as a whole, and in particular for what she has achieved in Norfolk. He wished her well in her future ventures. LB thanked NM on behalf of the LGA for all her contributions over many years.

13. DATE OF NEXT MEETING

3 February 2020 and 4 May 2020.
