Local Government Pensions Committee

Virtual meeting Agenda
11am – Monday 2 November 2020

Item		Timings
1	Introduction from the Chair	11:00
2	Apologies for absence and declarations of interest	11:05
3	Minutes of meeting held on 7 September 2020 - **Paper A**	11:10
4	Matters arising	11:15
5	Exit payment reforms – **Paper B**	11:20
6	Regulations update for England and Wales – **Paper C**	11:35
7	SAB update for England and Wales – **Paper D**	11:45
8	Regulations update for Scotland - **Paper E**	11:55
9	Regulations update for Northern Ireland - **Paper F**	12:05
10	Update from Technical Group – **Paper G**	12:15
11	Training and annual conference update – verbal update	12:25
12	Any other business	12:30
13	Dates of future meetings: 8 Feb, 10 Apr, 2 August 2021	

LGPC minutes via Teams

Meeting held on 7 September 2020

PRESENT

Cllr John Fuller	Chair, LGA
Cllr Alan Waters	LGA
Cllr Richard Wenham	LGA
Cllr Phil Murphy	LGA
Cllr Adam Paynter	LGA
Cllr Iain Malcolm	LGA
Cllr Joanne Laban	LGA
Mr Jeremy Hughes	MHCLG
Mr David Murphy	NILGOSC
Ms Kimberly Linge	SPPA
Ms Linda Welsh	SPPA
Mr Kevin Gerard	Technical Group rep

Secretariat

Ms Lorraine Bennett	LGPC
Ms Rachel Abbey	LGPC
Ms Elaine English	LGPC
Mr Jeff Houston	LGPC

1. INTRODUCTION FROM NEW CHAIR

The new Chair, Cllr John Fuller [JF] welcomed the members to the first virtual meeting and outlined the protocol for the meeting.

JF asked the Secretariat to write to Cllr Byron Rhodes on behalf of the Committee extending their thanks to him for his contributions to the LGA.

JF welcomed three new members to the Committee:

Cllr Joanne Laban (Enfield – Conservative)
Cllr Iain Malcolm (South Tyneside – Labour) and
Cllr Oliver Ryan (Tameside – Labour).

2. APOLOGIES

Apologies were received from Cllr Goronwy Edwards – LGA, Cllr Oliver Ryan – LGA and Ms Rachel Brothwood – SAB representative.

No declarations of interest were declared.

3. MINUTES

The minutes of the previous meeting held on 3 February 2020 were agreed.

4. MATTERS ARISING

Lorraine Bennett [LB] informed the Committee that due to COVID-19, the video for members about transferring out has been delayed. It will be taken forward next month and will be discussed at the next Communications Working Group meeting in a couple of weeks. LB also pointed out the post meeting update highlighted in red on page 3 of the minutes. The estimates cost of equalising survivor benefits across the public sector is £3.5bn, the estimated cost to the LGPS is £1.1bn.

5. LGPC BUDGET

LB presented the confidential key points from Paper B.

The LGA pensions team provides an advisory and training service to LGPS administering authorities across the UK which is funded by subscription and training income. Due to COVID-19, training income for the 2020/21 year will be lower than predicted, but training costs have also reduced. Subscription charges are banded based the size of each fund.

The Secretariat has recruited a dedicated member of the team to work on LGPS Scotland. Scottish funds have agreed to a two-fold increase in subscription rate and the Scottish Public Pensions Agency [SPPA] have agreed to pay an annual fee to fund this additional service.

The Secretariat is asking for a 2% increase in subscriptions from administering authorities in England, Wales and Northern Ireland this year.

Sufficient reserves need to be maintained to cover redundancy costs of the Secretariat team of seven in accordance with the LGA severance policy.

JF thanked the Secretariat for the vital work they produce, especially during the pandemic and asked the Committee to agree the 2% increase in subscriptions.

The Committee approved the increase in subscriptions and the budget without dissent.

Agreed:

6. SAB UPDATE [E&W]

Jeff Houston [JH] presented the key points from paper C.

A virtual meeting of the SAB took place on 25 August at which the board discussed the following points.

Good Governance

Draft papers on how the recommendations set out in the Phase II report are to be implemented are due to be completed by the end of September 2020. The Board will consider the drafts and then look at process and timing of implementation.

Responsible Investment guidance

On 24 February, SAB published a statement in response to the consultation on Part 1 of the draft responsible investment guidance. The statement confirmed the Board's decision to defer the proposed Part 1 draft guidance until the position on fiduciary duty and the Supreme Court judgment in the Palestine Solidarity Campaign Ltd had been resolved. It was agreed that Part 2 of the guidance continue which is to produce an A to Z of responsible investment. Responsible investment is a complex area and there are multiple acronyms, standards, suppliers and methods of measurement. The online guide will explain those acronyms, include explanations and case studies from users of suppliers.

It was also proposed that that a Responsible Investment Advisory Group which would represent all scheme stakeholder be established.

JF asked whether the guidance would be a neutral glossary and not advice. JH confirmed it would provide facts only – what is this and who uses it?

Cllr Alan Waters [AW] welcomed this guidance noting that responsible investment and changes in investment strategy to accommodate it are common topics at Norfolk Pension Fund Committee meetings.

McCloud judgment

JH summarised the proposals in the ongoing consultations to remove age discrimination from the LGPS and other public service pension schemes.

System changes will be needed to enable LGPS administering authorities to calculate benefits correctly in the future. There will also be a significant exercise to review and recalculate benefits for leavers since 1 April 2014. Lower than expected pay rises since 2014 mean that most scheme members will not see an increase in their LGPS benefits as a result of the change.

Primary legislation is required to effect changes in the unfunded schemes. The legislation is not expected to be in place before April 2022. The Scheme advisory Board will push for earlier LGPS regulation changes in its response to the MHCLG consultation. It is estimated that it will take up to nine months for pension administration systems to be updated to reflect the changes. Early publication of the regulations will allow this system development work to begin earlier.

JH confirmed that the Government had announced that the cost cap process will now restart. The Board cost cap process will restart after HM Treasury publishes details of how the McCloud judgment will be accounted for. There will be no immediate changes to employer contribution rates in response to the change in regulations. Any increase in costs will be taken into account when employer contribution rates are set after the next valuation. David Murphy [DM] noted that the cost management process would present communication challenges. It may be simpler to communicate the changes associated with the 2016 and 2020 cost cap assessments at the same time. JH stated that this proposal had been submitted to Treasury however, Treasury still want to keep the two separate.

95K Cap

JH advised that regulations for capping public sector exit payment were published on 21 July and will come into force 21 days after they have been approved by the houses of parliament and the legislation is made. The cap is expected to be in force by the end of the calendar year. Higher earners and scheme members with long service may be affected by the cap if they are made redundant. The change will make restructures more difficult where voluntary redundancy with unreduced pension can no longer be offered.

MHCLG published a [consultation on reforming local government exit pay while the meeting was taking place]. The consultation seeks views on proposed changes to the LGPS and compensation regulations in England and Wales to introduce the exit payment cap and further reform of exit payments.

JF asked whether there is any evidence of exits being brought forwards in advance of the introduction of the cap. JH acknowledged that some exits planned for 2021 may be moved to 2020.

Kevin Gerard [KG] asked whether different rules applied in Wales, specifically whether strain costs may not be covered by the cap. JH confirmed that strain costs would be included. The waiver process for exits in Wales is much less complicated than in England.

Phil Murphy [PM] asked whether exit payments would be recovered from those who return to local government employment. JH confirmed that the Government plans to introduce the 'clawback' provisions at a future date.

Full details of the proposed change to strain cost calculation and how benefits will be reduced are not yet available. Administering authorities are likely to have to produce complex calculations manually until administration software systems have been updated to reflect the changes.

7. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from paper D.

COVID-19 and the LGPS

The Secretariat has produced various resources to support administering authorities during the COVID-19 pandemic. These include regularly updated news pages, FAQs for employers, administrators and members and employer webinars, all of which have been well received.

The Secretariat has surveyed administering authorities to assess how they are coping with the impact of the pandemic to assist and tailor support to them. Summaries of the survey results are available on the SAB website. The results show a high level of confidence in the administering authorities' ability to continue to pay pensions and calculate new pensions. Administering authorities have reported concerns about a small number of employers' ability to pay employer contributions. The survey responses confirm that administering authorities are very concerned about major scheme changes due to the McCloud judgment, the introduction of the exit payment cap and the pensions dashboard requirements.

The SAB is collecting death data from administering authorities on a monthly basis. They will use the data to help identify a pattern of deaths and to indicate a potential second wave. The SAB is working with two funds and their actuaries to identify the number of excess deaths.

McCloud Implementation group

The SAB McCloud implementation group aims to assist administering authorities with the challenges of implementing and communicating scheme changes. The group is facilitated and chaired by the Secretariat.

Administering authorities must gather service data from employers in order to run an underpin calculation for scheme members who will be in scope of the revised protection. The group has produced a suite of documents to assist administering authorities to gather that data. They have recommended a deadline of 31 March 2021 for collecting the data. Further guidance will be needed in respect of employers who no longer exist or are unable to provide the data that has been requested.

The Secretariat will be meeting with pension administration software suppliers and MHCLG in September to discuss the system changes that will be required to implement the remedy.

Exit Credits

A valuation is undertaken when an employer exits the scheme. They must make a payment to the pension fund if they are in deficit. From 2018, if they are in credit, the employer may receive an exit credit which must be paid within three months of the exit date.

The introduction of exit credits caused a problem in situations where there was some form of risk sharing in place. MHCLG has now introduced changes to the LGPS that allow an administering authority to take risk sharing into account when they assess whether an exit credit is due, and the level of that credit. The period for payment has been extended from three to six months after the exit date. Employers may use the IDRP process if they wish to contest a decision not to pay an exit credit, or to dispute the level of payment made.

Cllr Richard Wenham [WH] enquired whether this was an absolute administering authority discretion? LB stated that each administering authority must state its policy in the funding strategy statement and must give due consideration to the relevant factors in making individual decisions.

Jeremy Hughes [JHu] stated that two contractors who will not receive an exit credit will challenge the decision through judicial review. A preliminary hearing will be held in November 2020, with a judgment expected in Spring 2021.

Valuation Cycle – employer contributions and flexibility on exit payments enacted

On 26 August 2020, MHCLG published a second partial response to the Local valuation cycle and the management of employer risk consultation. The response confirms that the LGPS regulations will be amended to allow greater flexibility on exit payments and the ability to review employer contributions between valuations. Under a deferred debt arrangement an exiting employer will continue to pay secondary contributions. The changes were laid on 27 August 2020 and come into force on 23 September 2020.

Administering authorities will need to publish their policies on deferred debt arrangements, spreading exit payments and reviewing employer contributions in their funding strategy statement. The SAB will set up a working group to produce guidance for administering authorities.

Survivor benefits

A written statement on survivor benefits and public service pensions was published on 20 July by the Chief Secretary to the Treasury. This was in connection with a Teachers' Pension Scheme Employment Tribunal case concerning the difference in survivor benefits paid to a male or female survivor of a female scheme member. Guidance is awaited from MHCLG on what action should be taken in relation to past and future survivor benefits.

Pensions tax relief

HMT published Pensions tax relief administration: call for evidence on 21 July 2020. Membership of the LGPS costs more to individuals who earn less than the tax threshold because they do not benefit from tax relief in a relief at source scheme.

The LGA will respond to the consultation before the closing date of 13 October 2020 and post their response on the website.

Pensions Dashboards

On 8 April 2020, the Money and Pensions Service published a progress update report on the Pensions Dashboard Programme. They intend to issue updates every six months.

DM mentioned two other regulatory considerations. The [DWP consultation: Taking action on climate risk: improving governance and reporting by occupational pension schemes]() and the planned increase to the minimum pension age from 55 to 57 from 2028.

8. REGULATION UPDATE SCOTLAND

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

LGPS (Increased Pension Entitlement) (Miscellaneous Amendments) (Scotland) Regulations 2019

These regulations came into force on 1 March 2020 and are effective from 8 April 2019. They also apply to earlier schemes. These regulations allow overpayments identified in the GMP reconciliation exercise to be converted to scheme awards, meaning that pensions in payment will not be reduced. This is the same approach that was adopted in 2009. It offers the easiest and best solution to increase pensions that have been overpaid.

LGPS (Miscellaneous Amendments) (Scotland) Regulations 2020

These regulations were laid on 20 February and came into force on 31 March 2020 allowing Scottish ministers to substitute a different fund maintained by an administering authority for a scheme employer.

Cost cap GAD

HM Treasury announced that the pause on the cost control element of the 2016 valuations should be lifted. HM Treasury Directions are awaited.

SPPA consultation – statutory valuations

SPPA consulted on changes to the local valuation cycle and the option of suspending an employer's liability to pay an exit payment in 2019. The consultation concluded in March 2020. Not all respondents were in favour of changes to the valuation cycle. Changes to the exit payment arrangements would allow smaller organisations to pay a large exit payment over a longer period.

An interim report was provided to the Scottish Pensions Liaison Group and Investment Group for their comments. The report has also been shared with the LGPS SAB (Scotland) Secretariat for information.

Statutory underpin

SPPA published their consultation on changes to the statutory underpin on the SPPA website. The consultation will conclude on 23 October 2020.

9. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from paper F, which was presented by DM.

LGPS Regulations

On 5 May 2020 the LGPS (Amendment) Regulations (Northern Ireland) 2020 were made. They make minor technical corrections which do not change policy and have a minor impact on administrative practices.

Governance

NI LGPS Scheme Advisory Board met in March and McCloud was discussed. They considered a different approach from that proposed in England and Wales and Scotland. They decided against a more administratively simple solution. A formal consultation will be issued in September.

10. UPDATE FROM TECHNICAL GROUP

KG gave the Committee a verbal updated indicating that there was not much to add as most had already been covered in Papers C & D.

KG praised the Secretariat for doing a great job on the Dashboard and all the other work during COVID-19. JF agreed.

The Technical Group are working closely with CIPFA to ensure consistency in reporting standards. Planned meeting have been delayed due to COVID-19.

The Technical Group requested that the Chair of each regional Pension Officer Group collects the death data and forwards it to the Secretariat.

10. TRAINING AND CONFERENCE UPDATE

Elaine English [EE] reported that the Fundamentals Programme will not be delivered in person this year due to COVID-19. Instead, three, one-hour webinars will be held in October to cover the headline topics. The Secretariat has secured the usual sponsors for the Fundamentals programme to participate in the webinars: Gary Delderfield of Eversheds Sutherland, Steve Lee of 91 [formerly Investec] and Annemarie Allen of Barnett Waddingham.

EE stated that the annual Governance conference may also be virtual this year, but a final decision will be taken by the end of September.

All face to face practitioner training that was planned for this year has been cancelled and replaced with virtual training. Take-up for the virtual training has been exceptional. All training events will be delivered virtually for the foreseeable future. In person training will resume in the future, but this may run in tandem with online courses.

Interactive online bite-size training for employers has been launched on the employer section of the lgpsregs.org website. Six modules so far have been produced with more to follow.

11. ANY OTHER BUSINESS

12. DATE OF NEXT MEETING

2 November 2020

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Exit payment reforms

Key points to note

- the public sector exit payment cap comes into force on 4 November 2020
- MHCLG are currently consulting on changes to the LGPS to accommodate the exit payment cap. The consultation closes on 9 November and the changes are not expected to take effect before the end of the year
- there is uncertainty about what pension benefits will be payable to LGPS members in the interim period
- the Scheme Advisory Board is obtaining legal advice
- the MHCLG consultation also proposes further reform of exit payments for local government employers
- this is fast moving area – we will update the Committee with the latest position at the meeting.

Decisions

The Committee is asked to note the contents of this report.

Summary

The Government is in the process of introducing a series of reforms to the exit payments payable to an individual where they leave a public sector employment. The reforms are intended to achieve better value for the public purse and to increase consistency in treatment across the different parts of the public sector.

The Government first consulted on the reforms in 2015/2016; implementation timescales for the reforms have been significantly delayed but are now moving forward at pace.

There are two streams of exit reforms being taken forward at the present time are:

- The exit cap – impacts the whole public sector and will take effect from 4 November
- Reforming local government exit pay – impacts LGPS employers only. Currently being consulted on and not expected to come into force until early 2021

The exit cap – the £95k cap

1. The draft Restriction of Public Sector Exit Payment Regulations 2020 were laid before Parliament in July 2020 and were signed into law on 14 October. They come into force on 4 November.

2. They provide that where an employee leaves a public sector employment, the total exit payments their employer can make in respect of that exit will be capped at £95k. Where an employee leaves more than one employment within a 28-day period the cap applies to the total of the exit payments made.

3. The cap will apply to the public sector authorities listed in Part 1 of the Regulations or any office listed in Part 2 of the Regulations.

4. The current LGPS regulations provide that if a member is age 55 or over and is made redundant, or leaves on business efficiency, they must take payment of their pension benefits without a reduction for early payment. In most cases the employer will then make a payment to the LGPS administering authority to fund the early retirement – this is called the strain cost.

5. The exit payments that count towards the exit payment cap include the strain cost payable to the pension fund. Ill health retirements and death in service payments are excluded.

6. From 4 November, there will be a conflict in the two sets of regulations where the payment of an LGPS strain cost causes the £95k cap to be breached. The LGPS regulations will still require that the member must take payment of an unreduced pension, but the exit cap regulations will prevent the employer from paying the full strain cost.

7. The LGA has made both MHCLG and HM Treasury aware of the predicament this puts local government employers and LGPS administering authorities in.

8. We understand that MHCLG will issue a statement on this shortly.

9. The Scheme Advisory Board is obtaining legal advice on the risk of challenge to local government employers and LGPS authorities.

10. At the time of writing we still await the Guidance and Directions to accompany the exit cap regulations. These will confirm the process for waiving the exit cap and any transitional measures for exits agreed before 4 November where the date of leaving is after.

Reforming local government exit pay

11. In February 2016, the Government consulted on proposals to further reform exit payments across the public sector with the stated aim of making public sector exit compensation terms ‘fairer, more modern and more consistent’.

12. In September 2016, the Government responded to the consultation to announce that it planned to proceed with the reforms and asked individual departments to come forward with proposals for reforms that fit within certain public sector-wide guidelines. Specifically, individual departments were asked to ensure their proposals limit the amount of discretionary compensation that could be paid and take action to limit or end employer-funded early access to pension.

13. In September 2020, MHCLG published a consultation on reforming local government exit pay. The consultation covers the changes necessary to implement the £95k cap and proposes changes to implement the 2016 further reform proposals.

14. The draft regulations that accompany the consultation provide that, in most cases, where the LGPS employer is subject to the exit cap they will also be subject to the further reforms. This includes local authorities, fire and rescue authorities, police authorities and academies.

15. The proposals include:

    - a maximum tariff for calculating discretionary compensation payments (DCP) of three weeks’ pay per year of service or 15 months’ salary, whichever is lower.
    - a maximum salary of £80,000 on which a discretionary compensation payment can be based, to be reviewed on an annual basis.
    - preventing the payment of a discretionary compensation payment if the employee receives an immediate pension funded by the employer.
    - the amount available for any strain cost will be reduced by the statutory redundancy payment (SRP).
    - a standard strain cost methodology for employers subject to the exit cap.
    - allowing members age 55 or over who are made redundant or leave on business efficiency to choose whether to take payment of their pension benefits immediately and whether to fund any shortfall in strain cost from their own resources.

16. The draft regulations provide for transitional arrangements where the employer and employee have entered into an agreement before the regulations come into force and the exit date is within six months of that date.

17. The draft impact assessment for these reforms confirms that 86% of members ceasing employment on the grounds of redundancy will be affected by the proposed reforms.

    The LGA will respond to the consultation before the deadline of 9 November. The response will make the point that the policy will impact on all workers over 55 in the pension scheme, including those who are lower paid and with a small pension, a greater proportion of whom are likely to be women and/or part-time workers. The provisions around statutory redundancy pay being either deducted from the pension strain cost resulting in a lower pension for life, or paid to the employee and then paid into the pension fund in order to part-pay the strain on fund cost will hurt the poorest paid who most need a cushion when made redundant. This is evidenced in the examples below:

Table 1 - impact of further reform

	Member 1	Member 2	Member 3	Member 4
Age at exit	55	55	60	60
Hours worked	Full time	0.5 FTE	Full time	0.5 FTE
Years of service	20	20	20	20
Reduction to pension if SRP taken as cash	4.81%	6.87%	5.85%	8.36%
% reduction to value of overall package if a DCP plus strain paid before reforms	25.92%	25.92%	39.95%	39.95%
% Reduction to value of overall package if only SRP plus strain paid prior to reforms	14.03%	18.95%	23.68%	30.72%

The discretionary compensation payment (DCP) is assumed to be a multiplier of 1.5 based on the statutory accrual method and actual weekly pay. It is inclusive of SRP.

18. Examples of the impact of both the exit cap and further reform on the value of redundancy packages are provided on the following pages. The examples use the standard strain cost methodology and assume a last day of service of 31 March 2021.

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Examples where only strain cost and statutory redundancy pay (SRP) are currently paid:

The tables below show the impact of both the exit cap and the further reforms on the value of the redundancy package. The calculations use the standard strain cost methodology and assume that under the current rules only statutory redundancy pay is payable:

Table 2: Age 55 Strain plus SRP currently paid

Years of service	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package
10	£20,000	14.57%	£30,000	13.72%	£55,000	7.98%	£80,000	33.75%	£90,000	40.74%
20	£20,000	18.92%	£30,000	17.87%	£55,000	30.63%	£80,000	50.67%	£90,000	55.78%
30	£20,000	16.57%	£30,000	15.62%	£55,000	35.66%	£80,000	54.36%	£90,000	59.11%

Table 3: Age 60 Strain plus SRP currently paid

Years of service	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package
10	£20,000	22.65%	£30,000	21.45%	£55,000	12.97%	£80,000	9.29%	£90,000	8.35%
20	£20,000	30.72%	£30,000	29.26%	£55,000	18.41%	£80,000	19.63%	£90,000	27.48%
30	£20,000	33.57%	£30,000	32.03%	£55,000	20.45%	£80,000	15.02%	£90,000	18.74%

Examples where strain cost and a discretionary compensation payment (DCP) are paid under the current rules:

The tables below show the impact of both the exit cap and the further reforms on the value of the redundancy package. The calculations use the standard strain cost methodology and assume that under the current rules a discretionary compensation payment (DCP) of 1.5 weeks per year of service based on the statutory accrual method and actual weekly pay is made:

Table 4: Age 55 Strain plus DCP (inclusive of SRP) currently paid

Years of service	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package
10	£20,000	20.37%	£30,000	20.37%	£55,000	20.37%	£80,000	44.10%	£90,000	50.31%
20	£20,000	25.92%	£30,000	25.92%	£55,000	42.51%	£80,000	60.48%	£90,000	64.87%
30	£20,000	22.95%	£30,000	22.95%	£55,000	49.10%	£80,000	65.01%	£90,000	68.90%

Table 5: Age 60 Strain plus DCP (inclusive of SRP) currently paid

Years of service	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package	Salary	% reduction in package
10	£20,000	30.52%	£30,000	30.52%	£55,000	30.52%	£80,000	30.52%	£90,000	30.52%
20	£20,000	39.95%	£30,000	39.95%	£55,000	39.95%	£80,000	44.25%	£90,000	50.45%
30	£20,000	43.12%	£30,000	43.12%	£55,000	43.12%	£80,000	43.12%	£90,000	46.51%

LGPS England and Wales – regulation update

Key points to note

- McCloud consultation responses submitted
- LGA respond to call for input on pensions tax relief for the lower paid
- September 2020 rate of CPI announced

Decisions

The Committee is asked to note the contents of this report

McCloud

Further to the update provided at the last meeting on the McCloud age discrimination case, the Scheme Advisory Board (SAB) has now responded to the MHCLG consultation on changes to the statutory underpin for the LGPS in England and Wales. The response comments on both the policy and technical considerations of the proposals. The consultation closed on 8 October. We understand that MHCLG received 64 responses to the consultation and are currently analysing the responses.

SAB response to the consultation on changes to the statutory underpin in England and Wales [19 pages].

The LGPC responded to the equivalent Scottish Public Pensions Agency (SPPA) consultation for the LGPS in Scotland. Again, the response comments on both the policy and technical considerations of the proposals. The consultation closed on 23 October.

LGPC's response to the consultation on changes to the statutory underpin in Scotland [30 pages].

The LGA responded to HM Treasury's consultation for the unfunded public service pension schemes called changes to the transitional arrangements to the 2015 schemes. The response deals with the impact of the proposals on the Firefighters' Pension Schemes and the Teachers' Pension Scheme.

LGA's response to the consultation on changes to the transitional arrangements of the 2015 unfunded schemes [23 pages].

Call for input on tax relief for the lower paid

The LGA has responded to HM Treasury's call for evidence on pensions tax relief administration. The call for input asks for evidence on the operation of pension tax relief and what improvements can be made. Because the LGPS operates as a net pay arrangement for tax relief, members who don't earn enough to pay tax don't receive any tax relief on the contributions they pay.

There are 577,000 active members in the LGPS with earnings below the current personal allowance level of £12,500. Of these 507,000 are female and 385,000 are over the age of 40. This provides a potential source for challenge on the grounds of discrimination against protected groups.

September 2020 rate of CPI

On 21 October 2020, the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2020 was 0.5%.

Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year. Subject to confirmation from the Government, the revaluation of pension accounts and the pensions increase that will apply to deferred LGPS pensions and LGPS pensions in payment in April 2020 will be 0.5%.

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LGPS England and Wales - SAB update

Key points to note

The Scheme Advisory Board last met on 25 August 2020. An update from this meeting was provided at the LGPC meeting of 7 September.

This paper updates provides an update from the two committees of the Board:

- Cost management, benefit design and administration committee
- Investment, governance and engagement committee

Decisions

The Committee is asked to note the contents of the report.

Cost Management, benefit design and administration committee update

The Committee met on the 5 October. The decisions of the Committee are set out in the detail for each item below.

COVID-19 Practitioners Group

The COVID-19 Practitioners Group has met on a fortnightly basis since the end of March to assist SAB assess the impact of the COVID-19 emergency on administration of the scheme and the preparation of:

- FAQs for scheme employers and administrators
- Surveys on scheme resilience, cash flow, governance and mortality.

The group has contributed significantly to SAB's work on the COVID-19 emergency; however, the Committee was asked to consider whether the time is right to shift the group's focus to more strategic and specific issues where SAB needs expert practitioner help and guidance.

Decision: the Committee agreed to recommend to SAB that the Secretariat prepares fresh terms of reference and membership of a new practitioners' group.

Local Pension Board Indemnity Cover

The Committee was asked to consider extending the forthcoming follow up survey on local pension boards to include a question on whether any local pension board has submitted any claim under their indemnity cover.

Decision: The Committee agreed to recommend to SAB that the survey should be extended to include this question.

Investment, governance and engagement committee update

The Committee met on12 October. The decisions agreed by the Committee are set out in the detail for each item below.

Responsible Investment Guidance

At the August SAB meeting, the Board agreed that a Responsible Investment Advisory Group (RIAG) should established to act as an adviser to SAB on responsible investment and related matters. The Committee were asked to consider the terms of reference and composition of the membership of the RIAG.

Decision: The Committee agreed with the terms of reference and membership proposed by the Secretariat subject to:

- the membership being extended to include scheme member representation, and
- confirmation that the two nominations proposed from the Cross Pool Responsible Investment Group should not exclude officers from the pool companies.

TCFD Reporting

The committee was advised that MHCLG will be bringing forward a consultation shortly to invite comment on regulatory changes and accompanying guidance to mirror the regulations to be introduced next year by DWP for private sector schemes on the assessment of risks associated with climate change and their reporting.

DWP's consultation called 'Taking action on climate risk: improving governance and reporting by occupational pension schemes' closed on 7 October 2020.

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Regulation Update Scotland 2020

Decisions

The committee is asked to note the contents of this report.

Consultation – Addressing discrimination in the LGPS & amendments to the statutory underpin

1.1 SPPA published our consultation; "Addressing discrimination in the LGPS & amendments to the statutory underpin" on the 4 August 2020. The consultation ended on the 23 October 2020.

1.2 The consultation sought views on changes to the Local Government Pension Scheme (LGPS) in Scotland and mirrors the proposed provisions in E&W, except for where there are technical differences in the current regulations.

1.3 Scottish Ministers have had a number of detailed responses. We intend to fully consider these responses and to take stakeholders views into consideration before providing the final regulations in 2021.

Government Actuary's Department (GAD) - Cost Cap

2.1 On 16 July HM Treasury announced that the pause on the cost control element of the 2016 valuations should be lifted. This announcement coincided with the publication of the consultation on the changes to the transitional arrangements to the 2015 schemes in E&W (McCloud/Sargeant remedy).

2.2 GAD will recommence work on the 2016 cost cap valuation on receipt of draft directions from HMT, which are expected in 2021.

SPPA Consultation - Statutory valuations & Suspension notices

3.1 In January 2020, SPPA published a consultation seeking the views of stakeholders on whether scheme and local valuations should be aligned in Scotland.

This consultation also included questions on the impact of changes introduced in 2018 to the provisions in Regulation 61 for use when an employer exits the scheme.

3.2 The consultation concluded in March 2020. A report on the results of the consultation will be published shortly.

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Regulation Update Northern Ireland 2020

Background

1.1 Public Service pension regulations are a devolved matter for the Northern Ireland Assembly. Regulations for the Local Government Pension Scheme (LGPS) in Northern Ireland are made by the Department for Communities (the Department).

1.2 The Northern Ireland Assembly made its own version of the Public Service Pensions Act (Northern Ireland) 2014.

Decisions

The Committee is asked to note the contents of this report

LGPS Regulations

2.1 At the time of writing (12 October 2020) the Department has not issued its consultation on the McCloud Remedy however if it is based on the draft we have had sight of it does not differ from that proposed for England & Wales or Scotland. The consultation is expected imminently.

2.2 The Department is also considering how to remedy the discrimination highlighted by the Goodwin case. This has taken on a further level of complexity as compared to the rest of the UK. The Department is focusing on the cause of the discrimination being the introduction of the remedy for Walker Innospec. Unlike the rest of the UK the legislation was introduced in Northern Ireland in January 2020 with no retrospection. Therefore, the Department is minded to remedy Goodwin from a similar date although no official announcement has been made.

Governance

3.1 The NI LGPS Scheme Advisory Board last met in March 2020.

3.2 NILGOSC has responded to HMT's consultation on *Pensions Tax Relief Administration* and is compiling its response to its consultation on *Public Service Pensions: GMP Indexation* which will see the LGPS pick up the cost for part of the indexation of pensions previously paid by DWP.

3.3 NILGOSC continues to work closely with DfC, SPPA and MHCLG as well as GAD and LGA through a series of regular conference calls in order to identify key issues for LGPS administrators across the UK and to provide specific policy or administrative responses and guidance during the COVID-19 crisis.

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Technical Group update

Background

The National Technical Group is made up of representatives from LGPS administering authorities in England, Wales, Scotland and Northern Ireland. Its purpose is to represent the views of LGPS administering authorities in relation to the direction of pension and other areas of government policy.

Decisions

The Committee is asked to note the contents of this report

Update from meeting held on 1 October 2020

McCloud consultation

Technical Group went through each of the questions posed in the consultation. MHCLG have also attended regional Pensions Officer Groups to received further feedback. Technical Group highlighted the need for regulations to be in place so that work can commence in earnest but more importantly, with certainty. Clarity was sought in respect of employers that are unable to provide data or the employer no longer exists. Technical Group requested that statutory guidance is issued alongside the regulations so that all administering authorities implement the remedy using the same process and timescales.

Exit payments

Technical Group expressed concern regarding the conflicting requirement between implementing the £95k cap without the LGPS regulations being amended. Clarity was sought on what should be paid to scheme members who terminate following the implementation of the cap and prior to the LGPS regulations being amended. MHCLG stated that an ‘opinion’ would be provided but it would not be legal advice. LGA have sought legal advice to assist administering authorities.

National Insurance Database

The Database is a facility which administering authorities use to check if a member has membership with any other LGPS administering authority before taking certain actions eg paying a death grant, a transfer or refund of contributions. They do this to ensure that that they are complying with the necessary legislation, as entitlement to certain benefits is restricted if a member has other records in the Scheme.

For this to work effectively each administering authority is required to sign a data sharing agreement and regularly upload a file of their scheme member data. Technical Group asked the LGA to contact the Section 151 Officers, Chair of Pensions Committee and Chair of Local Pension Board of administering authorities that do not to inform them of the non-compliance. LGA contacted each fund in July and up to the date of Technical Group meeting no uploads had taken place. This will be discussed at the December 2020 meeting in order to identify a way to progress matters.

MHCLG update

MHCLG provided an update on statutory guidance for the calculation of survivor benefits, the cost control mechanism and exit credits.

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