

Cost Management, Benefit Design and Administration Committee

DATE:	26 th June 2023
VENUE:	Hybrid meeting (MS Teams and 18 Smith Square)
TIME:	11:00am to 1:00pm

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 24 th April meeting	Paper A	11:10
4	McCloud Update		11:15
5	Update on Factor review		11:20
6	TPR General Code		11:25
7	HMT Cost Control Mechanism and draft directions	Papers B and C (CONFIDENTIAL)	11:30
8	SAB Scheme Cost Assessment process		12:00
9	Scheme Level Annual Report and Valuation Report		12:10
10	Academies Guarantee and ESFA Forum		12:20
11	Gender Pensions Gap	Paper D	12:30
12	Opt Out Rates Update		12:40
13	DLUHC Update		12:45
14	AOB and date of next meeting -Meeting frequency		12:50

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MEETING OF THE 26TH JUNE 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS FROM MEETING OF 24TH APRIL 2023

PRESENT

George Georgiou	Members (GMB), Chair
Sean Collins	Practitioners
Simon Taylor	Practitioners
Emma Mayall	Practitioners
Kevin Gerard	Practitioners
Glyn Jenkins	UNISON
John Neal	Unite
Charity Main	Academy Representative
Jonathan Teasdale	Actuaries: Aon
Catherine McFadyen	Actuaries: Hymans Robertson
Graeme Muir	Actuaries: Barnett Waddingham
Michelle Doman	Actuaries: Mercer
Alan Wareham	DLUHC
Mike Scanlon	GAD
Martin Smith	GAD
Lorraine Bennett	LGA – Senior Pensions Adviser
Jo Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Ona Ehimuan	LGA – Pensions Secretary
Gareth Brown	LGA – Pensions Analyst

Welcome, introductions and declarations of interest

1. The Chair welcomed all in attendance to the meeting. There were apologies from Clive Lewis (Mercer) however Michelle Doman (Mercer) was in attendance.

Matters arising

2. The minutes of the meeting on January 30th 2023 were agreed as a fair and true record of the meeting.

Item 4 – McCloud update

3. Lorraine Bennett (LB) gave a verbal update to the Committee. The Government response to the 2021 McCloud consultation was issued on 6th April 2023. A member factsheet has been published, with significant input from SAB, to inform members on changes to be made. A Welsh language version is also in production.

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4. There will be a second government consultation covering draft regulations and policy issues that are yet to be addressed, such as the teachers' excess service issue. It was hoped that the upcoming consultation would be published in May and would run for 6 weeks. The final regulations would then be published in September 2023 and come into effect from 1st October 2023.
5. LGPC had also issued guidance, in February 2023, on what should be done in instances where there are data issues (e.g. if hours and service break data is missing).
6. LB informed the Committee that on the teachers' excess service issue, DfE, DLUHC and Capita are working together to identify their respective roles in the application of the remedy. John Neal (JN) asked about who would make the final decision in relation to an individual's particular circumstances and what appeal rights they would have if they disputed this. LB explained that the situation with regard to remedy would be as set out in the Public Service Pensions and Judicial Offices Act 2022 and the process of identifying those that qualify for the remedy was ongoing. George Georgiou (GG) and JN both felt that there needed to be more communication with members on this issue.
7. LB said that the plan was for communications to only go to those affected. It was agreed to discuss with the unions the approach to communicating with scheme members once the detail of the approach and the final regulations were clearer.

ACTION – LB to share communications on teacher's excess service issue with member representatives once available.

Item 5 – Pensions Dashboard

8. LB gave a verbal update to the Committee on this item. DWP were experiencing some delays which will affect the connection deadlines for the private sector schemes that are the first to connect. LB advised it was unlikely that there would be any change to the deadline for LGPS and other public sector schemes as the deadlines for these schemes had already been extended due to McCloud remedy. The Pensions Regulator had advised that schemes should continue with data cleansing work and there will be further consultation on connection deadlines. LGPC guidance for administering authorities was being worked on and would be ready in the next few months.

Item 6 – Update on Cost Control Mechanism (CCM) and SCAPE/Factor review

Scheme Advisory Board Secretariat

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9. The Committee noted the [judgment](#) in the judicial review case that challenged the treatment of McCloud remedy costs in the 2016 HMT Cost Control Mechanism (CCM), brought by the FBU, BMA and others. The judgment found in favour of the Government on all points. GG said that it was the intention of several of the unions involved to appeal the decision, with an initial hearing expected in late 2023 or early 2024.
10. JH had shared with the Committee a summary note that Gary Delderfield (Eversheds Sutherland) had written on the case. The Committee agreed that the Secretariat should ask Gary whether he was happy for this note to be published on the website, and if not provide a version which could be shared.

Action – That the Secretariat request a version of the McCloud note for publication from Eversheds Sutherland.

11. Mike Scanlon (MS) gave an update to the Committee on the 2020 CCM. He drew the Committee's attention to the [written ministerial statement](#) which confirmed that the SCAPE rate had decreased from 2.4% above CPI to 1.7% above CPI, which would have a significant impact on actuarial factors used to calculate various benefits (such as transfers and retirement factors).
12. As we were still awaiting HMT directions on how the CCM would work, and in particular how the new “economic check” would operate, it was too early to say what the precise implications were for that. However, in response to a question from GJ, it was clarified that there could be no changes to benefits solely due to the downturn in economic forecasts. There would need to be a breach on both standard CCM basis as well as considering the economic check before rectification under the Public Service Pensions Act 2013 kicked in.
13. MS confirmed that the change in SCAPE rate would trigger a full factor review and the CETV guidance note had already been withdrawn. GAD's intention was to reissue this as soon as possible (May/June) and then follow up with the rest of the reviewed factors. Jeremy Hughes (JH) said that SAB had already flagged the need to consider transitional arrangements with DLUHC on the implementation of factors. GJ again urged the need for communication from funds to members on this issue.

Item 7 – Proposed amendment of SAB Scheme Cost Assessment process by DLUHC

14. MS said that DLUHC's response to the consultation on proposed amendments to the SAB Scheme Cost Assessment would be issued shortly but he could give no further information to the meeting about that.

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[Post meeting note: the Government response has now been published and the amending regulations placed before Parliament.]

Item 8 – Production of Scheme Level Annual Report and Valuation Report

15. Gareth Brown (GB) informed the Committee that work was nearly completed with the Scheme level annual report for 2021/22. The headlines from this Annual Report would be announced at the next LGPS Live on 3 May 2023. The full report was expected in June 2023.
16. The scheme-level valuation report summary was also being produced with the support of Barnett Waddingham and was expected in July 2023.

Item 9 – Section 13 Update

17. Martin Smith (MSm) gave an update to the Committee. GAD had started the process of gathering data for their statutory review of local fund actuarial valuations for 2022. Publication of GAD's findings was expected in early 2024. There would be further updates on this issue at future meetings.

Item 10 – Academies Working Group Update

18. JH gave an update to the Committee. As agreed at previous Committee meetings, the academies working group had drafted guidance on methodologies used on conversion to improve transparency and understanding. JH thanked Jenny Bullen (JB) from GAD for her oversight and input during this process.
19. It was originally thought that this document would be added to the [tripartite document](#) owned by GAD, SAB and DfE, however this document is currently under review, so it was proposed that for now the new section be published as a stand-alone document on the SAB website. The new section would then be integrated into the tripartite document at a later date. This approach was agreed, although the new section should first be circulated to the Committee and all actuarial firms for final comment.

Action – That the Secretariat circulate the note to the Committee and actuaries for final comment, before publishing on the Board's website

Item 11 – Gender Pensions Gap Update

20. JH gave a verbal update on progress to the Committee. The interim Gender Pensions Gap report had been published on the SAB website and it was expected that the detailed report would be completed by

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GAD by the end of June 2023. MSm confirmed that GAD had already made progress on the scope set in February 2023.

21. Glyn Jenkins (GJ) asked whether the report will show whether the gap has increased or narrowed over time. MSc confirmed that the scope of the report will focus mainly on the effect of status such as part-time vs full-time work on the pensions gap. The report will make use of data from 2020 with the expectation that there will be opportunity for trend mapping in the future.

Item 12 - Opt Out Rates Update

22. GB gave a verbal update to the Committee. Contact had been made with the different software providers regarding the possibility of automating the routine provision of consistent opt out data from funds. This data would ideally account for auto-enrolment peaks and troughs, so that didn't distort the data. Engagement would continue with the software providers on this and it was hoped to have proposals from the main firms in due course.

Item 13 - DLUHC Update

23. Alan Wareham (AW) gave a verbal update to the Committee. Separation of pension fund audits had been agreed in principle by the Minister but giving effect to this would be delayed until an appropriate legislative vehicle (a draft Bill) could be found.

24. On forfeiture, the proposals made to the Department by SAB had been given the go ahead. The changes would make it easier to pursue forfeiture in relation to historic cases of abuse and other circumstances where the relevant offence only came to light after the scheme member had left employment.

25. AW said that the recommendation to remove the upper age limit for death grants will not be implemented. Jo Donnelly (JD) asked whether there was a rationale for not implementing the removal of the upper age limit for death grants given the fact that other pension schemes had done so. AW explained that there had been no rationale provided to date.

26. The Minister had given agreement to change survivor benefits regulations to implement the Brewster and Goodwin cases. GJ stated that there was growing pressure from members to implement *Goodwin* and expressed that resolving the issue promptly was imperative but welcomed the Department's decision to take this work forward. He also flagged the issue of refunds for scheme members who had in the past made voluntary contributions to increase survivor benefits that they would now be entitled to under the new regulations as of right. AW agreed to take the refund issue away for further consideration.

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27. There was no further information on New Fair Deal. GJ expressed disappointment on the lack of progress on this issue. With the recent reclassification of further education colleges as public sector by the ONS, GJ asked how New Fair Deal would be applied to them (they are not covered by the Best Value Direction that implements New Fair Deal for local government employers). AW explained that DfE and HM Treasury were working to address this, but he could not provide any further information at this stage.

Item 14 - AOB and date of next meeting

28. There was no other business and the date of the next meeting was confirmed as 26th June 2023.
