

Summary note of the Scheme Advisory Board meeting held on 8th February 2021
Appendix 1.

Summary note of (virtual) meeting held on 8 February 2021

Full details of the meeting and agenda papers can be found on [board meetings page](#).

The minutes of the meeting on the 2nd November were approved.

The main points arising from the meeting are shown below :-

McCloud – The Board was advised that on February 4th HM Treasury published a Written Ministerial Statement (WMS) outlining the government’s response to the consultation on the McCloud remedy for the unfunded public service schemes. Given the proposed options of offering affected scheme members either immediate or deferred choice the government has decided that deferred choice will apply. The LGPS will require its own remedy process. MHCLG advised that a Written Ministerial Statement is expected in mid-March which will include details on timing of the necessary amending regulations.

The government’s WMS also covered the impact of the McCloud remedy on HM Treasury’s cost cap arrangement. Board members were advised that separate discussions on the Board’s own cost management arrangement for the LGPS will remain paused until HM Treasury Directions, detailing how remedy costs are to be calculated and taken into account, have been published. In the meantime, the Board agreed that discussions with the Government Actuary’s Department to assess the extent of McCloud costs should commence when HM Treasury has shared its draft Directions. These provisional costings will help the Board to consider how McCloud remedy costs should be taken into account in their own cost management arrangement.

The Board also agreed the need for further communications aimed at managing scheme member expectations around potential benefit increases resulting from McCloud.

95K Cap – The Board was advised that the legal uncertainty caused by the inconsistency between HM Treasury’s exit cap regulations and the scheme’s 2013 Regulations will continue for the foreseeable future until the current judicial review cases, and any subsequent appeals, have been determined. The judicial review hearing is scheduled for the 24th, 25th and possibly 26th March when 16 separate grounds of appeal will be heard. The key question for the Board will be how HM Treasury’s exit payment regulations impact on scheme members’ entitlement to unreduced pensions, and the calculation of such benefits under current LGPS regulations.

Discussions with the Pensions Ombudsman’s legal team continue to assess the scope for fast-tracking complaints from scheme members relating to the cap. Although the Ombudsman is likely to be prevented from accepting any complaint based on decisions made under the regulations while the judicial review cases are ongoing there may be other instances when cases could be accepted, for example, where the complaint involves maladministration.

The Board agreed that more work should be undertaken to assess the scope for converting cash equivalents under Regulation 8 of the exit payment regulations into

pension benefits. At present, the 2013 regulations allow such cash payments to be made into the scheme but there remains uncertainty about how this can then be converted into scheme members' pension benefits.

SAB 2021/22 Workplan and Budget

The Board considered and agreed a draft 2021/22 workplan and budget which will now be discussed with MHCLG before being formally considered when the Board next meets on the 10th May. In summary the workplan proposed no new items but rather a continued focus on the existing workplan projects, scheme developments and continuing to support stakeholders on COVID issues.

Responsible Investment – The Board was advised that work on preparing the responsible investment A to Z website continues. The first milestone, a working version of the website, has been reached and work will now commence on populating the underlying database with relevant items. The aim remains for the website to go live towards the end of March.

The Board also agreed membership of the new Responsible Investment Advisory Group (RIAG) as recommended by the investment, governance and engagement committee. The first meeting of the RIAG is scheduled for early March.

Details of both the website and RIAG can be found at https://lgpsboard.org/images/PDF/BoardFeb2021/Item_6_Paper_D-Responsible_Investment.pdf

Work is also underway to review the recent consultation from DWP on reporting against TCFD recommendations by trust based occupational pension schemes to identify any issues that might have a specific and particular relevance to the LGPS. The intention is for the board to submit a response to MHCLG to assist in the preparation of their consultation on how broadly similar provisions should be introduced for the LGPS.

The Board was also advised that a follow up event to the responsible investment workshop held in January 2020, organised in conjunction with DG Publishing, is now planned for the 28th and 29th April. This will be a virtual event with a two-hour session on the afternoon of each date. Further details will be circulated when available.

Good Governance project - The Board considered and agreed an action plan based on the final report prepared by the project team at Hymans Robertson. The Board's Chair will now write to the Local Government Minister, Luke Hall, inviting him to consider the Board's action plan. (Copies of the final report and action plan can be found on the Board's website at www.lgpsboard.org).

The Board also agreed that the Chair should write to the project team at Hymans Robertson thanking them for all their work and support during the project.

AOB – The Chair expressed thanks to the Board's Secretariat for all their help and support in particularly difficult times during the COVID emergency, and highlighted the help and support given to scheme stakeholders on 95k cap and McCloud.

Date of next meeting – 10th May 2021