



Going local

▶ **Jack Gray chats to Local Government Pension Scheme (LGPS) Scheme Advisory Board head of pensions, Jeff Houston, about the possible reintroduction of the public sector exit payment cap, the implications of McCloud, and upcoming Taskforce for Climate-related Financial Disclosure (TCFD) requirements for the LGPS**

▶ The government revoked the £95,000 public sector exit payment cap early this year; are we likely to see further changes in this area?

Is it coming back? Yes, it is very much something the government is committed to doing. It's a manifesto pledge and something that is obviously very high up on the agenda. There will be conversations going on within government and across departments as to how it comes back, both in terms of is it going to be all public services pension schemes go to the same rules, or whether it will be more scheme specific.

There are two things here. One is

about the implementation of it. How well is the legislation going to be written? How well is the guidance going to be written? Is it going to be understandable by the members that are going to be affected by it and those members that aren't? What kind of behaviours is or isn't it going to encourage? And how easy is it going to be for people to do the necessary

calculations?

The second thing is what is the actual objective of this piece of policy? Is it to identify those individuals that the government thinks, for whatever reason, shouldn't be getting a payout of that size, or is it about reducing the overall level of payouts and redundancy across the public sector? If it's the former, is this

about avoiding headlines? That is very different thing to just saying 'lets just cut everybody's'. This is where the problem was last time because there seemed to be a stated objective to reduce unjustified payouts, but then we ended up in a situation where there was a lack of understanding that the cap would catch long-service, middle-paid people.

➤ What are you expecting from the government and when?

I think we will see something before Christmas and that something could well be another consultation from the Treasury. It could be that the Treasury do regulations on the overall cap with other departments coming along with further changes to payments that are made in that situation. It could be that this time the Treasury will incorporate the cap into what each department does. So, we may well see, instead of one thing from the Treasury, multiple consultations across the departments.

I want to see effective targeting. The government needs to make up its mind about what it is trying to achieve through this policy and avoid what they call unintended consequences.

There is a request going out to councils saying: 'Can you give us data going back to 2014/15 of the levels of cash that has been paid out?', whether that's for pensions or for other things in the situation where people get made redundant.

➤ Is the LGPS ready to supply this data?

No. It will be interesting to see what timescale people get. Part of the feedback we gave back to the government on this was asking it to think about what it wants. Does it want seven years? Because if you ask for seven years and people give you nothing because they can't get it all, would it be better to say at least give us the past two or three years? For me, it would be good if councils could get this data back, because it would prove the point again that an across the board

£95,000 cap hits an awful lot of people that perhaps you don't want to hit.

➤ The Public Service Pension Bill is expected this summer to remedy the McCloud judgment. What should LGPS funds be doing to prepare?

What they all can be doing, and a lot are doing this, is to go and get the data that they are going to need on this. Since 2014, the LGPS has been a career average scheme, so you don't need things like changes of hours or breaks in service because you are not using the service to calculate the pension. In a final salary scheme you need all that, and we haven't been collecting it because we haven't needed it.

From the employers, we are going to need changes of hours and breaks in service for tens of thousands of people. That is an enormous job that people can be getting on with. You will have some employers saying they don't have it or they have changed their payroll system and it's all been archived. It's not going to be an easy task going to the 17,000 employers in the LGPS and ask for all the data.

The other piece of work to do is to speak to the software providers that hold the data and do the calculations, and start taking them through the process. We are going to need to hold this data for a very long time, some of these calculations will not be done for 20-30 years. I would be very surprised if we don't end up with somebody challenging the calculation on McCloud at some point. The other piece of work with software providers is to give them an idea of which calculations they can start work on.

We need to be making sure that there is a continuous message out to members: 'This is being done. If you are a member affected by this, you will get what is due to you. It is going to take a long time but don't worry.'

➤ TCFD requirements are on the horizon for the LGPS. What are the likely differences between TCFD

requirements for the LGPS and private-sector schemes?

The expectation on LGPS funds will be the same level as in the private sector. Where the differences will be will be things like timing and scope. In the private sector the timing is different depending what size the scheme is. In the LGPS, all funds will go at the same time. The proposals at the moment are they will be required to report in respect to the year 2022/23, so those reports will be expected towards the end of 2023.

In the vast majority of cases, LGPS funds are run within a council. Those people are local, elected members and are already accountable to their electorate via the ballot box. There is already a process of accountability. So I would imagine what will be coming in the LGPS will be more about transparency and accountability rather than The Pensions Regulator looking over its shoulder.

Within the LGPS they might do the measures and targets a little differently. What happens in the LGPS, whenever we publish something, somebody likes to put in a league table.

If you set your targets locally you have massive amounts of flexibility for each fund to decide what is important to it within climate change.

But if everybody does that in a different way, when you come to put everyone in a league table you are not just comparing apples and pears, you're comparing apples and fire engines. Obviously that would be helped if it was defined centrally but who is going to do that? Is it MHCLG? How will they do it? Will it be in tandem with what others are doing?

➤ How prepared is the LGPS for TCFD?

I have total confidence that the vast majority of people in the LGPS will be saying 'let's do this, let's get this done'. Where they will struggle will be things like resources and getting the information they need.

➤ Written by Jack Gray