

# Scheme Advisory Board

This note summarises the meeting of the Scheme Advisory Board on the 6th November 2019. Full details of the meeting and agenda papers can be found at [www.lgpsboard.org](http://www.lgpsboard.org).

The Chair opened the meeting by introducing a new member, Councillor John Beesley, Chair of the Dorest Pension Fund. The Chair also thanked the practitioners representative, Nicola Marks (Norfolk Pension Fund), for her help and support over many years in what will be her last Board meeting before her retirement in December.

The Chair reminded members that we were now in a pre-election period which was why MHCLG were not present at the meeting. Members were also advised that certain aspects of the Board's work and that of MHCLG may be affected in the run up to the election on the 12th December.

## **Actions and Agreements**

1. Jon Richards, Vice-Chair, asked the minutes of the July meeting to be amended to record that UNISON were disappointed with the outcomes of the Good Governance report published on the 31st July 2019. He also said that it was unfortunate that the working group meeting dates set to discuss the report meant that no member representatives were able to attend either meeting. He asked that in future any SAB working group meetings should be set to ensure that member and employer representatives are able to attend.
2. Jeff Houston, Board Secretary, updated members on the McCloud legal case. He explained that the Employment Tribunal has started to meet on the Judges and Firefighters' schemes but that government had yet to comment on how remedies will be applied to the other public service pension schemes. Discussions with GAD on potential costs will continue. Any resolution this financial year is unlikely.
3. Bob Holloway, Pensions Secretary, explained that the Local Pension Board is currently being prepared by an external provider and that online publication is expected before Christmas. The survey will run for two months.

## **Good Governance**

4. Bob Holloway explained that as agreed by the Board in July, two working groups had been established to develop proposals for new standards of governance and administration and how these can be measured and assessed independently. Catherine McFadyen (Hymans Robertson) thanked members of the working groups for their valuable input enabling the draft Phase II report to be published in time for it to be considered by the Board.
5. The Board considered the draft report into the findings of both working groups and agreed that it should be published on the 15th November with comments invited from scheme stakeholders. The Board also considered and approved the recommendation that the Secretariat should proceed with Phase III of the project including working up a set of key performance indicators and drafting instructions for Scheme Advisory Board Secretariat

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revised statutory guidance on governance compliance statements. Proposals will be considered by the Board when it next meets on the 3rd February 2020.

## **Cost Management Committee Report**

6. George Georgiou (GMB), Committee Chair, updated Board members on the committee meeting held on the 7th October 2019.

7. **95k Cap** – The Board was advised that HMT still intend to bring forward regulations on the 95k Cap but there has been no confirmation when this will be. April 2020 is a possibility if the government publishes its response to the earlier consultation in the New Year.

8. **Cost Management** - Following Jeff Houston's update under "Actions and Agreements", the Board agreed the committee's recommendation that a small working group should be established to work with MHCLG, GAD and other scheme stakeholders to develop proposals and costing for the scheme's remedy arrangement.

9. **CMI Data Request** – The Board was advised that the committee had endorsed the request from Continuous Mortality Investigation (CMI) for GAD to release local mortality data in exchange for a benchmarking facility to administering authorities. In response to a question from Nicola Mark about the motive behind the request, Colin Wilson (GAD) confirmed that CMI is a chartered professional body, part of the Faculty of Actuaries, and is not a commercial company.

## **Investment, Governance & Engagement Committee report**

10. Councillor Yvonne Johnson, (Chair of Ealing Pension Fund), Committee Chair, updated Board members on the committee meeting held on the 14th October 2019.

11. **Responsible Investment Guidance** – The Board was advised that the committee had considered and approved the draft of Part I of the responsible investment guidance that aims to set out the parameters within which investment decision makers in the LGPS can operate under scheme regulations, statutory guidance, the general public law and their fiduciary duty. The Board approved the committee's recommendation and agreed that the draft guidance should be published for consultation until the end of the year.

12. The Board also approved the committee's recommendation that the Secretariat should commence work on Part II of the guidance the aim of which is to offer practical help to investment decision makers who want to increase the integration of ESG policies in their investment strategies.

13. **UK Stewardship Code** – The Board was advised that the Financial Reporting Council has published the new stewardship code that will come into effect in the New Year. Bob Holloway explained that the FRC will be taking a more proactive approach in checking activity under the new code. Existing signatories to the Code will need to re-apply under the new code.

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14. **CMA Order** – The Board was advised that new advice has been posted on the Board’s web site at [www.lgpsboard.org](http://www.lgpsboard.org). In summary , the scheme would not be affected by remedy 1 of the Order (procurement of fiduciary managers) but will need to comply with remedy 7, setting strategic objectives for external consultants. This will need to be in place by the 10th December 2019 but the Board was advised that MHCLG will not be in a position to make necessary amendments to scheme provisions until after that date. Administering authorities are therefore being advised to anticipate the new requirement and have their strategic objectives in place before the deadline of the 10th December.

15. **Committee membership** – The Board accepted the committee’s recommendation that Councillor Robert Chapman (Chair of Hackney Pension Fund) should become a member of the committee.

16. **Cost Transparency** – The Board was advised that Byhiras had been successful in the exercise to procure an entity to ensure compliance with the Code by asset managers. The system being developed would enable asset owners to compare their own data against the average at asset class and cost type level.

17. A programme of meetings with stakeholders in conjunction with initial testing has begun, with further engagement planned over the coming months.

## **AOB**

18. **Asset Pool Governance** – The Chair reported that a meeting had been held with the Chairs of the pool companies and that a further meeting with the Chairs of the various joint committees were planned. Board members discussed engagement with LGPS pools and agreed that this was an important area of work considering the differing roles, relationships and transition oversight. The Board also agreed that the Chair should write to the three asset pools asking for their reasons why membership of their governance arrangement has not been extended to include scheme member representatives.

19. **Pension Regulator’s Codes of Practice** – Joe Dabrowski (PLSA) informed the Board that TPR was planning a single, modular Code as an online tool for pension schemes. The Board agreed to invite TPR to the next Board meeting in February.

## **Date of next meeting**

20 . The Board was advised that the next meeting was scheduled for the 3rd February 2020.

**Bob Holloway**  
**Pensions Secretary**  
11<sup>th</sup> November 2019

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