

Scheme Advisory Board – summary note of recent meetings

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Summary note of (hybrid) meeting held on 5th December 2022

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

The minutes of the meeting on 10th October were approved.

The main points arising from the meeting are shown below:

SAB 2022/23 Workplan and Budget - The budget for 2022-23 was still awaiting approval from the Minister; the levy invoices could not be issued to funds until this had been done. There was expectation of significant upwards pressure on the levy for 2023-24 due to various active items on the workplan for the new year. The Secretariat would also need to recruit another staff member to maintain current capacity levels after Bob Holloway's retirement. The approval of additional expenditure for improvements to the Code of Transparency online reporting tool would also lead to upwards pressure on the levy. Jeremy Hughes (JH) explained that a definite figure will be brought to the next Board. Cllr Phillips confirmed that he would discuss the approval of the current year's SAB budget at his meeting with Lee Rowley MP.

Agenda Steering Group Update - Members were informed that the steering group had met and discussed reporting standards and consistency, MIFID II and climate risk reporting. On reporting standards and consistency, it was agreed that the SAB Secretariat would provide an update to the Board of which annual reports had been published and which included audited data.

McCloud/Exit Pay Update – On McCloud, LGPC and SAB had met with its working group and drawn up guidance which was being reviewed by lawyers. Timings for DLUHC's work on this issue had been pushed back; a response to the last McCloud consultation was not now expected before the new year. There was still an expectation that there will be a further consultation on issues not addressed by the initial consultation in the new year. It was expected that the new regulations would be in place before the summer recess. The Department will reconvene its working group on McCloud remedy implementation in the new year and will seek LGPC/SAB input. On exit pay, SAB had responded to Treasury's consultation, but Government had not yet indicated a timeline for its response or next steps in local government.

SAB/Committee Membership – The Board was informed that Councillor Christopher Weaver's Board membership was awaiting approval from DLUHC. John Cornett (Audit Scotland) was no longer a member of the Compliance and Reporting Committee and had been replaced by John Boyd (Audit Scotland). The Board also approved Oliver Simms (Institute of Chartered Accountants in England & Wales) joining the CRC as an observer.

Risk Register – The first iteration of this register was presented to the Board and included the Scoring Matrix, Risk Heat Map and the Risk and Mitigation Register. The document remains a "work in progress" and would be developed further in line with any comments from the Board in relation to the format, the kinds of risks that it should cover and the suggested mitigations. Board members commented on the risk register and it was agreed that the comments made by Board members would be considered in the next iteration of the risk register.

Good Governance Review -The Department had held meetings of its working group; most recently on 29th November 2022. The Department's plans included the streamlining of the annual report document, with funds reporting their performance against their various strategies (rather than just reproducing their strategy statements). There were also plans for more formal training requirements for pension committee members and a standard set of administrative KPIs to allow comparisons of relative performance between funds. The Department's consultation on this is expected to happen in 2023. JH reminded the group that the Department's proposals were likely to include the need for funds to have a workforce strategy. He felt that it would be beneficial for the Board, LGPC and LGA to work out what opportunities that presented. The Chair welcomed the update and the work being done by the Department.

Compliance and Reporting Committee Report - The Chair of the committee reported to the Board details of the meeting held on 14th November. All of the workstreams were now underway and had either already had or were soon to have their first meeting. There were a host of volunteers on these

workstreams who had already made invaluable contributions. The Chair's priority now was to ensure that these working groups had clear delivery plans and that, where relevant, links were made between them.

Cost Management, Benefit Design and Administration Committee Report -The Chair of the committee reported to the Board details of the meeting held on 21st November. The Chair gave an overview of the proposals from GAD on scheme level assumptions for the cost control mechanism and the standardised valuation assessment. These were accepted by the Board. On the Gender Pensions Gap, the Board gave approval for GAD to provide some initial analysis by mid-January. The Cost Management Committee would then agree the scope of the more detailed analysis of factors which may be driving gender differences next year. The cost of the work was approved and would be recouped through the levy next year. The Secretariat reported that it had collected data from funds on members opting out from the Scheme and was in the process of analysing the returns. These would be reported to the Committee at its next meeting.

Investment, Governance and Engagement Committee Report -The Chair of the committee reported to the Board details of the meeting held on 28th November. The committee was given an update on compliance with the Code of Transparency and discussed the next steps to be taken with the Code of Transparency online reporting tool. The development of quarterly reporting of data and integrating email reminders to complete templates, with the associated expenditure, had been approved by the Board Chair. It was now necessary to ensure that funds and pools are aware of and are deriving maximum value from the tool's current functionality and the Investment Committee would be developing proposals to improve awareness of the tool.

AOB -On Sharia Compliance in the LGPS, it was agreed that the Secretariat would explore procurement of a report into LGPS assets with a view to determining what proportion were acceptable from a Sharia point of view. The Board was informed that the ONS review had concluded, and the Further Education sector had been reclassified from private to public sector. The Department for Education had confirmed that there were no immediate consequences for their participation as employers in the LGPS, but that the wider implications were under consideration. On collection of the 2021-22 levy, the Board was informed that to date, there were two funds that had not yet paid.

The Board was also informed that the response to DLUHC's climate risk reporting consultation had been submitted and published. On the Autumn Statement, JD informed the Board that there were no announcements in the statement that would have direct impact on the LGPS or the SAB, aside from the confirmation that state pensions would be uprated by the September measure of CPI (the "triple lock") and that therefore LGPS pensions in payment would also be uprated by the same amount for 2023-24.

The Board was notified of a letter that had been sent to the Chair from the Royal Borough of Kensington and Chelsea (RBKC) Pension Fund regarding a proposed change in its approach to the pooling of investments. The Board had been invited to reply to the consultation on changes to RBKC's investment strategy statement by 31 December. The Board discussed the issue at length. The need for greater clarity and transparency in the pooling agenda was emphasised, and the Board Chair said that he would discuss the issue at his meeting with the Local Government Minister later in the week. It was not felt that a response to the RBKC consultation from the Board was necessary.

Date of Next Meeting – 20th February 2023

Summary note of (hybrid) meeting held on 10th October 2022

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

The minutes of the meeting on 6th June were approved.

The main points arising from the meeting are shown below:

SAB 2022/23 Workplan and Budget - The SAB budget and workplan had been sent to DLUHC for Ministerial approval. The workplan included continued work on the Code of Transparency and work on the Good Governance review. There was a need for additional resource in the team to complete the workplan. The additional resource would potentially include a Data Analyst to assist with the completion of scheme wide reports and a replacement for Bob Holloway, once he had retired. The

expansion of the team would lead to upward pressure on the levy. The Chair agreed that the successful delivery of the workplan would require additional resource to deal with the increased workflow. It was agreed that more detailed plans would be brought to SAB in December.

Agenda Steering Group Update - Members were informed that the steering group met for the first time and discussed current fund valuations, Good Governance proposals and pensions fund administration capacity and capability. On fund valuations, it was agreed the Board publish a statement drawing attention to the need for long term stability in employer contributions.

McCloud/Exit Pay Update – On McCloud, it was expected that the Department would publish their response to the consultation on McCloud remedy and draft regulations by the end of the calendar year. As there was now less than a year before the implementation deadline (1st October 2023), it was imperative for the regulations to be agreed before then. On exit pay, the HMT consultation was issued in mid-August and would be closing on 17th October 2022. The process for handling exit pay only affected central government staff; they did not apply to local authority staff. The proposals will apply to some LGPS members (primarily members working at academy schools) so the Secretariat are developing a response and the Board delegated authority for the Chair and Vice-Chair to clear the Board's response.

SAB/Committee Membership – The Board approved a number of appointments to the Board and both committees that do not require formal approval from the Secretary of State. These included the nomination of Andrew Dobbie (UNISON) replacing Colin Meech (UNISON) as a scheme member representative on the Investment, Governance and Engagement Committee, Richard Lane (Academies Representative) joining the IGE Committee and Charity Main (Academies Representative) joining the Cost Management, Benefit Design and Administration Committee. Alan Wilkinson (SPPA) had stepped down as an observer to the Board; Kimberly Linge (SPPA) attended the meeting for the SPPA. Jon Richards (UNISON) stepped down as a Scheme Employer Representative from the Compliance and Reporting Committee; his post had yet to be filled. Councillor Christopher Weaver's Board membership was awaiting approval from DLUHC.

Risk Register – It was agreed to develop a formal document outlining identified risks to the Board. The Secretariat agreed to bring a first draft to the Board at the next meeting.

Climate Risk Reporting Consultation - The Board was informed that the Responsible Investment Advisory Group (RIAG) had discussed and advised on SAB's response to DLUHC's climate risk reporting consultation. The discussion included the type of methodology the LGPS should use in data collection, scenario analyses, the approach to target setting and the impact that climate risk reporting could have on fiduciary duty. It was agreed that the Climate Risk Reporting consultation response would be written, circulated to the Board and signed off by the Chair and Vice-Chair.

Good Governance Review - The Department had taken on the recommendations the Board had made regarding Good Governance and a working group would be meeting soon to discuss the implementation of these recommendations. The Chair welcomed the update and the work being done by the Department.

Compliance and Reporting Committee Report - The Chair of the committee reported to the Board details of the meeting held on the 5th September. The Committee had discussed the development of FSS guidance, and the resulting product will be free to users and will be a joint product of the SAB and CIPFA. The committee workplan was starting to mature; workstreams had been agreed, each had volunteers who would lead progress with them. The Board was informed that CRC Chair, Mark Wynn had been speaking with senior CIPFA colleagues to establish reporting routes into the organisation.

Cost Management, Benefit Design and Administration Committee Report - The Chair of the committee reported to the Board details of the meeting held on the 12th September. The committee was informed that work to collect data on opt outs was being scoped by the Secretariat. On survivor benefits, it had been confirmed by the Department that they would propose to amend the LGPS Regulations to implement the Elmes and Goodwin judgments (i.e. remove the disappplied provisions in the Transitional Regulations which had required nomination of cohabitants and equalise survivor pension calculation for male and female survivors of members in line with that of widows) and also to remove the upper age limit on entitlement to death grants (which is currently 75). On the Gender Pensions Gap, GAD had informed the Secretariat that much of the data requested on the gap will be part of the 2020 valuation report. GAD were still preparing an estimate for the additional reporting and

analysis needed. On Fair Deal, the Board agreed to write to the Minister to request an update on the New Fair Deal consultation.

Investment, Governance and Engagement Committee Report - The committee was given an update on compliance with the Code of Transparency and had a discussion about the next steps to be taken with the Code of Transparency online reporting tool. Recommended changes included allowing for quarterly reporting of data and integrating email reminders to complete templates into the system. Members were also informed about the suggestion of producing a manual for the system. It was agreed that a working group of fund representatives be established to discuss improvements and that the Secretariat would consider conducting a survey at fund level to gather wider opinions about improvements to the system. The deadline to agree changes for implementation in 2023 would be 1st December 2022, before the next meeting Board meeting on 5th December 2022. The Board agreed on the delegated approval for the expenditure incurred to implement email reminders and quarterly reporting of data.

AOB -- The Chair informed the Board that a request had been made by Martin George of the LGC to attend SAB meetings. The Board were of the opinion that this would not be necessary as public attendance at other public sector scheme advisory board meetings was not common practice. The papers and minutes for the Board's meetings, however, are public record and available to access. DLUHC representatives confirmed that CMA will be updating their website to include the Department's position on the CMA Order. On the UKLFI, the Board agreed that the secondary revised published statement was accurate.

Date of Next Meeting – 5th December 2022