

Scheme Advisory Board

ACTIONS AND AGREEMENTS

HYBRID MEETING HELD ON 10th OCTOBER 2022 – 1.00pm

PRESENT

| | |
|-------------------------|---------------------------------------|
| Cllr Roger Phillips | Chair |
| Jon Richards | Vice-Chair (UNISON) |
| Cllr Yvonne Johnson | Scheme Employer Representative (LGA) |
| Cllr John Beesley | Scheme Employer Representative (LGA) |
| Cllr John Fuller | Scheme Employer Representative (LGA) |
| Cllr Christopher Weaver | Scheme Employer Representative (LGA) |
| Emelda Nicholroy | Scheme Employer Representative (UCEA) |
| John Neal | Scheme Member Representative (UNITE) |
| Chris Tansley | Scheme Member Representative (UNISON) |
| George Georgiou | Scheme Member Representative (GMB) |
| Garry Warwick | Scheme Member Representative (GMB) |
| George Graham | Practitioner Representative (SYPA) |
| Nick Kirby | TUC |
| Joe Dabrowski | PLSA |
| Matt Gurden | GAD |
| Duncan Whitfield | ALATS |
| Teresa Clay | DLUHC |
| David Murphy | NILGOSC |
| Kimberley Linge | SPPA |
| Joanne Donnelly | LGA – Board Secretary |
| Jeremy Hughes | LGA – Deputy Board Secretary |
| Lorraine Bennett | LGA – Senior Pensions Adviser |
| Bob Holloway | LGA – Pensions Secretary |
| Ona Ehimuan | LGA – Pensions Secretary |
| Gareth Brown | LGA – Pensions Analyst |

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Item 1. Welcome, apologies and introduction

1. The Chair welcomed Councillor Christopher Weaver to the meeting. Cllr Weaver has joined the Board as a replacement for Cllr Clive Lloyd.
2. Apologies for absence were received from Cllr Andrew Thornton (Scheme Employer Representative) (LGA), Bridie McCreesh (Scheme Member Representative) (UNITE) and Alan Wilkinson (SPPA); Kimberly Linge attended the meeting in Alan Wilkinson's place.
3. The Chair informed members that Simon Clarke MP had been appointed Secretary of State for Levelling Up, Housing and Communities on September 6th. It was hoped that a meeting would be held with the Local Government Minister, Paul Scully MP (who had remained in place) before the end of the year.

Item 2. Meeting Protocol and Declarations of conflicts of interest

4. None were raised.

Item 3. Actions & Agreements from the 7th March 2022 meeting (Paper A)

5. At Item 9 (Actions and Agreements from meeting of 6th June 2022) George Georgiou informed the Board that the McCloud Judicial Review would be taking place from 30th January – 3rd February 2023.
6. At Item 11 (AOB - Prudential) Jeremy Hughes (JH) informed members that a meeting had been held on 5th October with Prudential and various scheme representatives. The tone was constructive and more work had been done by Prudential to improve service levels. They also highlighted ongoing and anticipated initiatives designed to assist with this. It was agreed that there was still a need to have ongoing discussions on these issues and further discussion via the National Technical Group about engagement with funds.

Agreed – the minutes of the 7th March meeting were agreed.

Item 4. SAB Workplan and Budget

7. Jeremy Hughes (JH) delivered a verbal update to the Board. The SAB budget and workplan had been sent to the Minister for 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 the scheme wide valuation report and a replacement for Bob Holloway (BH), once he had retired. JH explained that the expansion of team would lead to upward pressure on the levy.

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8. The Chair agreed that the successful delivery of the workplan would require additional resource to deal with the increased workflow. JH informed the Board that more detailed plans would be brought to SAB in December.

Agreed – that JH will bring more detailed plans on the workplan to SAB in December.

Item 5. Agenda Steering Group Update

9. JD introduced Paper B to the Board. The ASG has met a couple of times to discuss matters of interest which should be brought to the Board. Meetings will continue between Board meetings to ensure a strategic approach.
10. On current fund valuations, it was explained that there were concerns about the pressures of economic and geopolitical factors that had arisen since the closing date of the triennial valuations on 31 March 2022. A number of LGPS funds might show a degree of surplus as at 31 March 2022, but this now needed to be considered in light of the current market conditions, with growing future uncertainty. There were also concerns that apparently high funding levels could persuade administering authorities to reduce employers' contributions. This could have a detrimental impact on funds especially given recent market conditions and unpredictable performance ahead of the next triennial valuation in 2025.
11. Employer representatives expressed concern about the increasing financial strain on councils due to inflationary pressures, potential cuts and increasing salaries. Scheme member representatives expressed caution over reducing employer contributions as this could lead to issues with underfunding. It was agreed the Board publish a statement drawing attention to the need for long term stability in employer contributions.
12. On Good Governance proposals, it was stated that there had been good progress on this workstream from the Department. Some items in the action plan had been progressed and Teresa Clay (TC) said the Department would seek to work closely with the Secretariat going forward and were hoping for the consultation to start early next year.
13. On pension fund administration capacity and capability, there was a discussion around resourcing and retention challenges and how they could be addressed. The challenge of recruitment within the sector was acknowledged by members and the Chair expressed support for potential LGPS qualifications or apprenticeships. Other members supported the idea of LGPS qualifications or apprenticeships but noted that this could take a long time to implement.

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14. JH suggested that another option could be to reassess the current grading of pensions role to ensure that they accurately reflected the increased complexity and higher level of expertise now needed within the sector. It was agreed that further consideration of the issues was needed.

Agreed - That the Board publishes a statement drawing attention to the need for long term stability in pension contributions

Item 6. McCloud and Exit Pay

15. On McCloud, it was expected that the Department would publish the government's response to the consultation on McCloud remedy and draft regulations by the end of the calendar year. As there was now less than year before the implementation deadline (1st October 2023), it was imperative for the regulations to be agreed before then.

16. On exit pay, the 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 asked for the Board to delegate authority for the Chair and Vice-Chair to clear the Board's response.

Agreed – the Board approved delegated authority for the Secretariat to submit the response mentioned at paragraph 12 once cleared.

Item 7 – SAB Committee Membership

17. BH advised that Councillor Christopher Weaver's Board membership was awaiting approval from DLUHC. Alan Wilkinson was no longer a Board member and Kimberley Linge was attending today's meeting in his place.

18. In relation to the sub-committees, BH asked the Board to note that Colin Meech (UNISON) was no longer an IGE committee member and would be replaced by Andrew Dobbie (UNISON). Richard Lane (Academies Representative) had also joined the IGE committee and Charity Main (also Academies Representative) had joined the CMBDA committee.

19. Jon Richards (UNISON) had stepped down from the Compliance and Reporting Committee with the membership post yet to be filled.

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Item 8. Risk Register

20. JD gave a verbal update to the Board on the proposal to develop a risk register for the scheme as a whole and the Board itself. She invited members to express any opinions for the style of the document.
21. The Chair stated that a visual representation would be useful for easier identification of topics and agreed that there is a need to have a formalised document.

Agreed- that the Secretariat would prepare a risk register for the next meeting

Item 9. Climate Risk Reporting Consultation (Paper C)

22. Jeremy Hughes (JH) introduced Paper C to the Board. DLUHC had launched a policy consultation on 6th June including details of the requirements that will be placed on LGPS funds. The proposals require all LGPS administering authorities to put in place new governance and risk management arrangements, as well as setting and reporting against various metrics and targets on climate risk and opportunity.
23. There was an expectation that local government will be under greater scrutiny regarding climate risk reporting than those in the private sector. It is important that attention is paid to the wording and framing of reports as data can be easily misinterpreted. Some felt that climate related factors should not play a part in investment choice; the SAB felt that climate risk reporting is worthwhile but will be a long-term piece of work.
24. The next RIAG meeting will be on 9th November 2022; the Secretariat would prepare a draft response for the Group to review then. Submission to the Department would be required before the next Board meeting, therefore the Secretariat asked for the Board to delegate clearance of the final responses to the Chair and Vice-Chair. The Board was also informed that there was an ongoing working group which was looking at drawing up a reporting template that funds could use to submit data to the Secretariat to compile the scheme-level report that the Department proposed. Jon Richards (JR) queried how many sub-groups were now being created, as RIAG is itself a subgroup of the IGE committee. JH explained that the working group was time limited and narrowly focussed on the creation of a reporting template – something it was difficult to do by committee.
25. Board members felt that the Department had not given sufficient steer as to what funds should do in response to the climate data collected. JH said that this had been an issue raised by RIAG, which had also

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discussed whether transition plans ought to be produced alongside the targets..

26. The Board noted that a high level of expertise was needed to complete climate risk reports, but to as yet there is only limited expertise in the markets, which may pose a challenge when demand for these service increases in the future. The Chair emphasised the role of pools in delivering consistency of reporting, saying that this was a way for pools to add value to funds.
27. The Chair commented that there will be a need to manage expectations surrounding climate risk reporting, as the data will have to be collected for a number of years, and to improve in quality to allow for accurate identification of trends.
28. Some members expressed the view that it should be emphasised that funds' primary obligation under their fiduciary duty was to pay pensions and that should not be undermined or distracted from. Duncan Whitfield (DW) informed members about the Risk Profile Strategy in place in his council. There they were working towards a 2030 Net Zero target with a strategy whereby investment in green products are made unless there are risks that exceed those which can be contained within the organisation's existing portfolio. This approach allowed for good progress towards their climate target without economic compromise.
29. The Chair agreed that he and the Vice Chair would clear the consultation response after it had been discussed by the Responsible Investment Advisory Group.

Agreed – the Climate Risk Reporting consultation response be written, circulated to the Board and signed off by the Chair and Vice-Chair.

Item 10 – Good Governance Review

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

Item 11 – Compliance and Reporting Committee Report (Paper D)

32. Mark Wynn (MW) introduced Paper D to the Board. The most recent CRC meeting was held on 5th September 2022. 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.

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33. The committee workplan was starting to mature; workstreams had been agreed, each had volunteers who would lead progress with them.
34. MW also informed the Board that he had been speaking with senior CIPFA colleagues to establish reporting routes into the organisation.

Item 12 – Cost Management Committee Report (Paper E)

35. George Georgiou (GG) introduced Paper E to the Board. The most recent CMBDA meeting was held on 12th September 2022. On opt outs in the LGPS, the committee was informed that work to collect data on this was being scoped by the Secretariat. The Chair noted that opt outs were brought up at his local pension board meeting and there was work being done to communicate with members regarding alternatives to opt outs such as the 50/50 section of the scheme.
36. John Neal (JN) discussed the issue of 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 disapplied provisions in the Transitional Regulations which had required nomination of cohabitantes 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).
37. On Fair Deal, the Board agreed to write to the Minister to request an update on the New Fair Deal consultation.
38. 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.

Agreed – that the Board agreed that the Secretariat should send a letter on the New Fair Deal consultation to Minister Paul Scully MP.

Item 13 – Investment Committee Report (Paper F)

39. Councillor Yvonne Johnson (YJ) introduced Paper F to the Board. The most recent IGE meeting was held on 26th September 2022. The committee was given an update on compliance with the Code of Transparency which had improved again since the previous meeting. The committee also 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

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representatives be established to discuss improvements. The group would include funds which used the tool regularly and those that didn't. The Secretariat would consider conducting a survey at fund level to gather wider opinions about improvements to the system.

40. JH informed the Board that Byhiras had now confirmed the cost for implementing email reminders and enabling quarterly reporting of data. The working group would be meeting on 17th October 2022 to discuss and advise on the changes, however the deadline to agree these changes for implementation in 2023 would be 1st December 2022, before the next meeting Board meeting on 5th December 2022. JH requested that the Board give the Secretariat delegated approval for the necessary expenditure to allow for implementation of the improvements in 2023.
41. The Chair welcomed the suggested improvements to the system. Members also asked about whether benchmarking data is being considered as part of the improvements. JH said that benchmarking was being considered as a longer-term improvement and would be discussed further in due course. The Board agreed on the delegated approval for the expenditure incurred to implement email reminders and quarterly reporting of data.

Agreed – that the Board agreed to delegate to the Chair and Vice-Chair approval of necessary expenditure.

Item 14 – AOB and date of next meeting

42. 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.
43. BH invited Teresa Clay to clarify the position on the CMA order. TC informed the Board that CMA will be updating their website to include the Department's position on this.
44. On the UKLFI, the Board agreed that the secondary revised published statement was accurate.
45. The Chair advised members that the next scheduled meeting will be on the 5th December.
