

Scheme Advisory Board

HYBRID MEETING HELD ON 25 NOVEMBER 2024 – 1.00PM

ITEM 3 – PAPER A – ACTIONS AND AGREEMENTS

Actions and agreements – 22 July 2024 – 1.00pm

Present

| | |
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| Councillor Roger Phillips | Chair |
| Jon Richards | Vice-Chair (UNISON) |
| Councillor Peter Mason | Scheme Employer Representative |
| Councillor John Beesley | Scheme Employer Representative |
| Councillor John Fuller | Scheme Employer Representative |
| Councillor Christopher Weaver | Scheme Employer Representative |
| Councillor Andrew Thornton | Scheme Employer Representative |
| Emelda Nicholroy | Scheme Employer Representative (Universities and Colleges Employers Association) |
| George Georgiou | Scheme Member Representative (GMB) |
| John Neal | Scheme Member Representative (UNITE) |
| Tommy Bowler | Scheme Member Representative (UNITE) |
| Chris Tansley | Scheme Member Representative (UNISON) |
| George Graham | Practitioner Representative (South Yorkshire Pensions Authority) |
| Kelvin Menon | Association of Local Authority Treasurers representative – ALATS |
| Nick Kirby | Trades Union Congress (TUC) |
| Teresa Clay | Department for Levelling Up, Housing and Communities (DLUHC) |
| Matt Gurden | Government Actuary's Department (GAD) |
| Gary Delderfield | Eversheds Sutherland |
| Eva Sobek | Scottish Public Pensions Agency (SPPA) |
| David Murphy | Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) |
| Jo Donnelly | Local Government Association (LGA) – Board Secretary |
| Jeremy Hughes | LGA – Deputy Board Secretary |
| Lorraine Bennett | LGA – Senior Pensions Adviser |
| Becky Clough | LGA – Board Support and Policy Officer |
| Ona Ehimuan | LGA – Pensions Secretary |

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Sarah Tingey

LGA – Research and Data Analyst

Item 1. Welcome, apologies and introductions

1. The Chair welcomed attendees to the meeting and informed the Board that a letter had been sent to the new minister, Jim McMahon MP to welcome him to his new role. In his letter, dated 18 July 2024, Cllr Phillips outlines the Board's view of the key priorities and also asks for clarity on the status of the 1 April 2025 deadline for pooling assets that was set under the previous government. The Board's Secretariat team have also met with officials from the Ministry of Housing, Communities and Local Government (MHCLG) to discuss initial priorities.
2. Apologies for absence were received from Mark Wynn, Compliance and Reporting Committee Chair, Kimberly Linge (SPPA) and Cllr Yvonne Johnson, outgoing Investment Committee Chair. Joe Dabrowski, Pensions and Lifetime Savings Association (PLSA) was absent without apologies.
3. The Chair welcomed Eva Sobek (SPPA) to her first Board meeting.

Item 2. Meeting protocol and declarations of conflicts of interest

4. The Chair reminded attendees of the hybrid meeting protocol. There were no declarations of interest.

Item 3. Actions and agreements from 11 March 2024 meeting (Paper A)

5. The minutes of the meeting of 11 March 2024 were confirmed as an accurate record of the meeting.
6. Under matters arising, the Board was informed that the legal opinion provided by Lydia Seymour was now published on the SAB website. Ona Ehimuan (OE) reminded the Board that feedback on the 2020 Cost Control process (either the HMT part or that undertaken by the SAB) was welcomed and requested that feedback be sent to the SAB Secretariat inbox.

Item 4. LGPC Update (Paper B)

7. Lorraine Bennett (LB) introduced the updates in Paper B to the Board. MHCLG has conducted a limited consultation on the requirement to include underpin information in 2023/24 annual benefit statements to which the Board and the LGPC had responded. It was confirmed that the legislative changes that needed to be made would be in place by 31 August 2024 to allow funds the discretion not to include estimated information for certain members. MHCLG had also published statutory guidance relating to the McCloud remedy and were considering whether to issue further guidance on the exercise of this discretion. It was commented that implementing and explaining the McCloud remedy remained extremely challenging for funds.

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8. Work was ongoing to deal with the issue of teachers who will become retrospectively eligible for the LGPS as part of the remedy in the Teachers' Pension Scheme (TPS). It was welcomed that the initial scope of potential teachers affected was lower than previously thought. LB confirmed that approximately 6000 teachers were now thought to be in scope across a range of employers.
9. On tax issues, HMRC have confirmed that interest on delayed payments at 8% would not now be treated as an unauthorised payment. On the Lifetime Allowance, which was abolished from 6 April 2024, HMRC still had not issued the necessary guidance, so LGPC had provided its own guidance to administrators.
10. On pensions dashboards, it was confirmed that the Department for Work and Pensions (DWP) had published the staging timetable for connecting to the dashboard. This timetable is in statutory guidance rather than regulations. The Pensions Regulator (TPR) expects the LGPS (along with other public service pension schemes) to be connected to the dashboard by 31 October 2025.
11. LGPC will also be developing a toolkit for employers to promote the LGPS to potential scheme members. The team are also undergoing a restructure and looking to recruit more members of the team to help meet the increased training demand. and to assist in the delivery of the LGPS apprenticeship programme.
12. The Board noted the LGPS update.

POST MEETING NOTE - the [LGPS \(Information\) Regulations 2024](#) were laid on 28 August 2024 and remove the requirement to include estimated underpin information for certain members in 2023/24 statements. The regulations come into force on 23 September 2024, with backdated effect to October 2023.

Item 5. King's Speech – verbal update

13. Jo Donnelly (JD) gave an update to the Board on the King's Speech at the State Opening of Parliament on 17 July 2024. The Speech did not contain direct references to the LGPS, however did confirm that the government would be launching a Pensions Review and a National Wealth Fund. The Audit Reform and Corporate Governance Bill was announced during the speech, which could be a potential vehicle for separation of pension fund from host authority audit in England.
14. There was a [further announcement](#) after the King's Speech when the Pensions Review was formally launched. The statement said that the government will consider legislating to mandate pooling if insufficient

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progress is made by March 2025. It also said that the government would tackle “fragmentation and waste” in the LGPS and consider “further consolidation” as a means of achieving that. The Terms of Reference for Phase One of the [Pensions Review](#) confirmed that it would be led by Emma Reynolds, the Pensions Minister working jointly across HM Treasury and the Department for Work and Pensions.

15. The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the BDS Bill, did not receive Royal Assent before the dissolution of Parliament ahead of the general election and so the Bill had now fallen away. There was no commitment to reviving the Bill, or a similar legal instrument, in Labour’s manifesto, nor in the King’s Speech, so it is thought highly unlikely that the Bill would return to Parliament.

Item 6. Post Election discussion

16. JD updated the Board on the engagement events held with fund officers and pension committee chairs following on from a letter that then Minister Simon Hoare MP sent to funds in England on 17 May 2024. The events were well attended, and the Secretariat will be exploring holding further engagement events in the Autumn. A key message from the sessions was that Pension Committee chairs welcomed the opportunity for engagement directly with the Board Chair.
17. The Board expressed concern about anything which cut across the fiduciary duty and considered whether an updated legal opinion on this was needed in the light of recent proposals. The Chair said that this is under consideration. Teresa Clay (TC) added that any proposals that government makes with regards to LGPS assets were not intended to infringe on the fiduciary duty.
18. JD informed the Board that she had attended a roundtable at 11 Downing Street on 22 July 2024 to discuss the proposed Pensions Review. The LGPS was also represented by Chris Rule (CEO of Local Pensions Partnership Investments) and Rachel Elwell (CEO of Border to Coast). The event was held by Rachel Reeves MP, with Emma Reynolds MP and Local Government Minister Jim McMahon MP also present, alongside pensions industry figures.
19. Jeremy Hughes (JH) asked TC whether a prioritised programme of the Ministry’s workstreams could be brought to the Board at the next meeting. TC agreed to explore this further.

ACTION – that TC share a prioritised programme of work with the Board.

Item 7. Consideration of non-financial factors in investment decisions – verbal update

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20. JH gave a verbal update to the Board. The Board had taken legal advice on the application of fiduciary duty in the LGPS in 2014 and there was a question whether this advice should be revised given evolving practice and understanding of the fiduciary duty, especially in relation to the effects of climate change. The Board agreed that legal counsel should be engaged to discuss this further.

21. The Secretariat has also received notifications that there had been an increase in lobbying at Pension Committee and other formal meetings within administering authorities. The Responsible Investment Advisory Group had also raised this at its meeting on 13 May 2024 and suggested that the Board draft a statement to give information to funds that addressed the current situation. It was agreed the statement should be drafted.

ACTION – that the Secretariat drafts a statement on behalf of the Board to share with funds that addressed dealing with lobbying and abuse at official meetings. POST MEETING NOTE – the Board issued this [statement](#) on its website on 17 September 2024

ACTION – that the Secretariat engages with legal counsel to revisit the application of fiduciary duty in the LGPS

Item 8. Risk Register

22. JH introduced Paper C to the Board. The assessment of risk in the register had not changed since it was last presented to the Board in December 2023, however an update on the work being undertaken in relation to two of the risks was provided to the Board. Risk 15 related to the knowledge and skills of Board members. This was not a material risk, but the Secretariat recommended that the Board consider developing and publishing training guidelines for its members as a matter of good practice. It was agreed that a draft summary of the appropriate knowledge and skills for Board members be brought to the next meeting on 25 November 2024.

23. OE informed the Board that work was continuing to update the LGPS Board website (Risk 14). Research was being undertaken to determine the changes that were required for the website and the associated resources and timelines for the project. A detailed update would be brought to the next meeting on 25 November 2024.

ACTION – that the Secretariat brings a draft of Knowledge & Skills training guidelines for Board members to the next meeting.

ACTION – that the Secretariat brings a detailed report on plans for the SAB website to the next meeting.

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Item 9. Code of Transparency Project Update

24. Ona Ehimuan (OE) introduced Paper D (Confidential) to the Board. Some stages of the project had been delayed due to unforeseen circumstances, however because the original plan had sufficient contingency time built in, the delay should not adversely affect the project. The early market engagement exercise was ongoing and included a meet the buyer event on 10 July 2024. Once the early market engagement exercise had closed on 6 August 2024 and the responses from suppliers reviewed by the Secretariat, a survey would be issued to funds to gather their feedback on the current set-up.
25. The Board noted the contents of the paper and approved the updated project plan.

ACTION – that the Secretariat continue the work contained in the Code of Transparency Project Plan.

Item 10. Scheme Annual Report

26. The Chair informed the Board that the eleventh Scheme Annual Report had been published. Key points from the report are that the scheme had 13,802 active employers along with a slight increase in total membership to 6.49m members. There had been a 2.6% decrease in assets to £354bn. The information for the report had been aggregated from 83 fund annual reports, for reporting year 2022/23.
27. The Board noted the update on the publication of the [Scheme Annual Report 2023](#).

Item 11. Board and Committee Membership

28. OE informed the Board that Councillor Peter Mason had been promoted to Deputy Labour Leader at the LGA and as a result would be stepping down from the Board. Councillor Nathan Yeowell (Chair of the LGPC) had been nominated as his replacement by the LGA Labour Group. The Chair thanked Cllr Peter Mason for his contributions.
29. Eva Sobek, Policy Manager at SPPA had replaced Kimberley Linge who stepped down from the Board due to a reduction in working hours.
30. The Board also discussed and approved the recommendations on Committee membership in Paper G.
31. On the Compliance and Reporting Committee, Robert Branagh had stepped down from the Committee and Christina Thompson (Section 151 Officer at London Pensions Fund Authority) had been nominated to replace him. Paul Guillioti (Director of Financial Services at Richmond and Wandsworth Pension Fund) had been nominated as London fund representative on the

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CMBDA Committee. There was a Treasurers' vacancy on the CMBDA Committee after Sean Collins stepped down from his post due to retirement. A nomination for his replacement will be brought to the next Board meeting.

32. Rachel Barrack (Hymans) would be replacing Debbie Fielder who had retired from Clwyd Pension Fund on the Responsible Investment Advisory Group. This nomination had been agreed by all of the administering authorities in the Wales Pension Partnership.

33. Cllr Andrew Thornton had been nominated to replace Cllr Yvonne Johnson as the Chair of the Investment Committee.

34. The Board approved the nominations set out above.

Item 12. Secretariat Team Recruitment

35. JH introduced Paper E (Confidential) to the Board. The Secretariat had set out a plan for a peer support offer and the Secretariat would be recruiting an extra person to support this work and other emerging policy and workstream priorities.

36. The Chair expressed support for the progress that been made in this area.

37. The Board noted the contents of the report.

Item 13. Compliance and Reporting Committee Report (Paper F)

38. Becky Clough (BC) introduced Paper F to the Board, as the Committee Chair Mark Wynn had sent his apologies. The revised fund [Annual Report guidance](#) had been published on 28 March 2024 and the Secretariat had held an LGPS Live webinar to discuss the changes made to the guidance. MHCLG had confirmed that the first year of reporting under the new guidance would be on a 'best endeavours' basis. There had been some feedback on the application of the new KPIs in guidance, but this had not been extensive so far.

39. An [audit informer document](#) jointly procured with the Institute of Chartered Accountants in England and Wales (ICAEW) had now been published. The document sets out the timeline and information flow throughout a triennial valuation period and the finalised document is on the Board's website.

40. The Good Governance and Administration workstream had made good progress and it had been expected a consultation on the proposed changes to governance guidance would be issued over the summer, but this was stopped due to the calling of the general election. However, it was hoped that progress would now resume following the forming of the new government.

41. The work of the Funding Strategy Statement guidance working group was currently high priority with the aim of publishing the new guidance by

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December 2024 and in good time before the next valuation cycle. The membership of the group had been increased to broaden representation.

42. George Graham (GGr) requested that the next Audit Roundtable meeting include discussions on the cost of responding to questions and objections raised on payments associated with climate modelling. This was noted for inclusion on the agenda for the next Audit Roundtable meeting.

43. The Board noted the contents of the report.

Item 15. Cost Management Committee Report (Paper G)

44. George Georgiou (GGe) introduced Paper G, which gave an overview of the key items discussed when the Committee met on 1 July 2024 and the Board noted the contents of the report.

Item 16. Investment Committee Report (Paper H)

45. Ona Ehimuan (OE) introduced Paper H to the Board, as the Committee chair Cllr Yvonne Johnson had sent her apologies, reviewing the items of discussion from the last Investment Committee meeting on 8 July 2024. The Board noted the contents of the report, including the recommendation to discontinue the Responsible Investing A-Z website.

Item 17. AOB and date of next meeting

46. OE raised an item on the possibility of recording future meetings of the Board to support accurate note taking by the Secretariat. The Board discussed the implications of recording meetings, and it was agreed that the Secretariat explore this further and present a proposal at the next meeting on 25 November 2024.

47. JD asked the Board to note the publication of the updated UK Stewardship Code signatory list, and that the list had reduced since last year although LGPS funds and pools were still very well represented amongst asset owner signatories.

48. The date of the next meeting is set for 25 November 2024 at 1pm.
