

Scheme Advisory Board (SAB)

Pension Committee Chairs discussion with SAB Chair Cllr Roger Phillips – Tuesday 26 November 2024 (via Teams)

This note is a summary of the key discussion topics which took place at this event, but this is not intended to be a formal record of the discussion.

SAB Chair Cllr Roger Phillips key points

1. An overview of the [consultation proposals](#) and confirmation there would be no mandatory mergers of administering authorities at this stage, although in recent years a couple of voluntary mergers have been undertaken successfully.

Minister Jim McMahon MP key points

2. Minister emphasised partnership, scale and impact as key drivers and pointed to lots of engagement recently taking place with the sector.
3. Government is aware it will need to develop pipeline of investment projects, not necessarily tied to locality but sectoral investments. E.g. the energy sector is a key area for development. Opportunities will need to be derisked as much as possible. Work with Combined Authorities and their knowledge of local opportunities and fund's investment capability for co-creation of transformation. Expect "development conversations", co-development of opportunities.
4. Devolution Bill is being expanded, for instance having to create local growth plans – co-production with local investments and conversations.
5. Fiduciary Duty is key and this wouldn't be compromised nor an excuse to not proceed, Government is clear from the outset of scope and has confidence that there will be checks and balances in place.
6. The Minister is aware that the timings in the consultation are testing but achievable, currently no plans to extend deadlines, but contact Department if there are circumstances to be considered. Emphasised there may be flexibility if there are genuine issues, but firm on expectations.
7. Funds have autonomy and are responsible for making sound investment decisions in conjunction with pools. Understand the concern that the liability for investment decisions remain with funds, with perceived conflict of interest around advice, but it would be monitored and if there are conflicts they will be responded to.
8. Each fund can probably point at some local projects, but Government wants there to be more – and believes that will benefit scheme members who are also local residents.

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9. As per the consultation, Government recognises that there is a unique position in Wales, but more could be done to align pension investment with government ambition. In Wales there is closer alignment with local and national Government.
10. Devolution in England is a patchwork, Government want to extend throughout, forthcoming White Paper will give further detail.
11. Consultation proposals demonstrate that Government have listened to what they heard during extensive engagement, no mandated fund mergers nor move to a single pool.
12. Consultation focus is co-development, it is clear that with Emma Reynolds' joint Ministerial role there will be no inter-department divisions – Government is united and clear on this.

Pension Committee Chairs summary of key points

13. Concern over how to deal with non-FCA regulated pools that can't meet deadline.
14. Comments on Conflict of Interest issues with pools providing principal investment advice.
15. There was concern amongst the sector before Mansion House speech, because of media speculation but this has changed after announcement with proposals reasonable and ambitious.
16. Discussions on use of Artificial Intelligence platforms and investment decisions – how could this be developed? Minister covered how this is being used in LG already across services.
17. Comment on how will performance be measured or determined by the pools?
18. Concern for local council tax payers, the LGPS has brought itself back from hard times in deficit, this cannot be compromised. LGPS was poorly funded in the past and success should be celebrated in the position now, employers have paid large contributions to cover deficits in the past. Don't want to invest in vanity projects that fail, or to undo the current funding position. The Minister agreed with this strongly and noted the proposed changes should strengthen such checks and balances.
19. LGPS funds (& pools) should invest in local housing to reduce reliance on expensive temporary accommodation, but only where due diligence shows it's an investable option.

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20. Comment on conflict around pools giving primary investment advice, question whether Scheme Advisory Board should take counsel advice on it.
21. Need to consider the impact on personnel at fund level from forthcoming changes.
22. The LGPS has many legacy assets which are part of a diverse mix, the Minister should know that the LGPS has been doing pooling and collaboration for many years – but there is concern about how to deal with legacy assets not easily pooled.
23. More of a steer would be useful on expectations, it is understood more guidance should be coming shortly from MHCLG.
24. Cllr Phillips thanked the Minister for his time and expressed the need for clarity on transferring legacy assets. He welcomed Government's inclusion of SAB's Good Governance recommendations in the consultation and emphasised the need for transparency in future arrangements.
25. Cllr Phillips thanked attendees, encouraged all to respond to the consultation, many will have similar responses to each other – and to SAB. SAB aims to publish its response early in the New Year.
26. Another similar meeting will be scheduled in the first quarter of 2025, with the aim of such discussions happening 3-4 times per year.
