

Scheme Advisory Board

HYBRID MEETING – 10TH OCTOBER 2022

ITEM 3 – PAPER A

ACTIONS AND AGREEMENTS

HYBRID MEETING HELD ON 6TH JUNE 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 Andrew Thornton	Scheme Employer Representative (LGA)
Emelda Nicholroy	Scheme Employer Representative (UCEA)
John Neal	Scheme Member Representative (UNITE)
Bridie McCreesh	Scheme Member Representative (UNITE)
George Georgiou	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
Alan Wilkinson	SPPA
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

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Gareth Brown

LGA – Pensions Analyst

Item 1. Welcome, apologies and introduction

1. The Chair welcomed Jeremy Hughes, Deputy Board Secretary, and Mark Wynn, Chair of the new Compliance and Reporting Committee, to the meeting.
2. Apologies for absence were received from Chris Tansley (UNISON) and Garry Warwick (GMB).
3. The Chair informed members that he and Joanne Donnelly had met the local government Minister, Kemi Badenoch MP, on the 9th April and had discussed a range of issues including the forthcoming consultation on TCFD reporting, levelling up and pooling guidance amongst other items.

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 3 (Actions and Agreements from meeting of 13th December 2021) Bob Holloway (BH) informed the Board that the communication agreed with the Prudential had been circulated to all pension managers in England and Wales on the 13th May.
6. At Item 4 (Levelling Up White Paper) BH informed members that the letter agreed by the Board on the 7th March to be sent to the Local Government Minister, Kemi Badenoch MP, was sent on the 27th April but that to date there has been no response.

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

Item 4. SAB Workplan and Budget (Paper B)

7. Joanne Donnelly (JD) invited the Board to approve the budget and workplan as set out in confidential Paper B. Members were advised that the workplan comprised the main ongoing workstreams and that there is flexibility to develop it in more detail and to include new workstreams that might develop during the year, for example, further work on fiduciary duty arising from DLUHC's consultation on levelling up, climate risk reporting, publication of the Boycotts, Divestment and Sanctions Bill, etc.
8. Cllr John Fuller (JF) advised that the Board needed to consider systemic risks, such as market risks with the limited range of software providers. He asked the Board to investigate what could be done to increase resilience in this area. The Board agreed with the Chair that

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this should be built into the workplan. Teresa Clay (TC) welcomed that decision. George Georgiou (GG) asked whether there were similar issues with other public service pension schemes. In response, George Graham (GGr) said that the fire and police schemes used the same software suppliers as the LGPS although the software products themselves were customised for their needs. JF advised members that delays in publishing and making scheme regulations made it difficult for software designers to develop new products in good time.

9. Emelda Nicholroy (EN) proposed that the workplan should be extended to include further details on priorities, resourcing and capacity. In response, BH explained that once approved the workplan will be developed to include this additional information.
10. JD informed members that a second Pensions Secretary will be joining the LGA on the 20th June to help provide the resources necessary to implement the agreed workplan.
11. The Chair also suggested that provision for a workstream on the participation of academy schools in the Scheme should also be included, reflecting the Government's ambition for full academisation by 2030.

Agreed – the paper will be amended to reflect comments at the meeting, to be approved by the Chair. The agreed budget and workplan will then be submitted to DLUHC for approval. The Secretariat is tasked to further develop the workplan to include details of priorities, resourcing and capacity.

Item 5. Forward Look Update

12. JD informed members that a small agenda steering group will be established to steer the Board's agenda and to put it on the front foot on key issues. Membership of the group will include Cllr Roger Phillips, Jon Richards, Cllr John Fuller and a treasurer and practitioner representative.
13. The group will meet for the first time shortly and will report to the next SAB meeting in October 2022.

Agreed –the Board noted the position as set out above.

Item 6. SAB/Committee Membership - (Paper D)

14. BH invited the Board to approve a number of appointments to the Board and both committees set out in Paper C that do not require formal approval from the Secretary of State. These included the nomination of George Graham (South Yorkshire Pensions Authority)

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as the Board's practitioner representative following Rachel Brothwood (West Midlands Pension Fund) standing down; Jeffrey Dong (Swansea Council) as the replacement for Mark Wynn (Cheshire West and Chester) as the treasurer's representative on the Investment, Governance and Engagement Committee and Glyn Jenkins (UNISON) replacing Colin Meech (UNISON) as a scheme member representative, also on the Investment, Governance and Engagement Committee.

Agreed –the Board approved the appointments set out in Paper C.

Item 7 – Queen's Speech Update

15. Jeremy Hughes (JH) informed members that the Queen's Speech in May had included a number of government Bills relevant to the LGPS.
16. The Boycotts, Divestment and Sanctions Bill has yet to be published and there is as yet no date for its introduction. It is expected to honour the government's manifesto commitment to ensure that procurement, purchasing and investment decisions are not inconsistent with UK foreign or defence policies. Members were reminded that the Public Service Pensions and Judicial Offices Act 2022 includes a similar provision, but which is LGPS specific and limited to investment decisions. However, it is understood that the government is unlikely to make use of this power ahead of the BDS Bill being enacted.
17. The Levelling Up and Regeneration Bill has been introduced but does not include any express provision relating to the LGPS. It is assumed therefore that the proposal in the White Paper for LGPS fund authorities to aspire to invest 5% of their portfolio in projects that supported local areas will be taken forward using DLUHC's existing legislative powers.
18. Other relevant Bills included Schools and Private Sector Audits.

Agreed –the Board noted the position as set out above.

Item 8. Compliance and Reporting Committee Report (Paper D)

19. Chair of the Committee Mark Wynn (MW) introduced Paper D and the draft workplan that had been circulated to members separately ahead of the meeting. Members were reminded that the new committee was established to take on the work of the former CIPFA Pensions Panel and on that basis would have a dual reporting role to both this Board

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and CIPFA. The committee will be meeting on the 27th June to discuss how that dual reporting role will work in practice.

20. MW referred members to the draft workplan and highlighted the need for the committee to work alongside the other committees and groups in taking it forward. MW explained that the draft workplan consisted of three sections: those workstreams that could be commenced immediately; those workstreams that couldn't commence immediately because they are contingent on actions being taken outside of the committee and those workstreams that are initiated solely by CIPFA. Items that fall within the first section of the draft workplan include reviews of the Funding Strategy and Annual Report guidance, external audit issues, knowledge and understanding review, communications and a general review of scheme administration and governance policy statements.
21. MW brought members' attention to one key area of the workplan, that is, external audit and the impact this is having on the completion of local authority and pension fund accounts. This had a consequential impact on the publication of pension fund annual reports and the Board's own annual scheme report. MW invited the Board to approve a recommendation from the committee that the SAB Chair should send a letter to the Minister expressing these concerns and proposing a potential remedy – the separation of pension fund accounts from main local authority accounts, as had already happened in Wales and Scotland.
22. The Chair agreed that sending this letter would be a significant step forward in resolving the significant delays in accounts being signed off.

Agreed –the draft workplan was approved and the Secretariat tasked to draft a letter for the Chair to send to the Local Government Minister on external audit concerns, including suggesting a potential solution.

Item 9 – Cost Management Committee Report (Paper E)

23. GG introduced Paper E and informed members that there is still no news from DLUHC about the anticipated revised proposals to meet the government's manifesto commitment to reform exit payments in local government. On McCloud, members were informed that the judicial review cases launched by various trade unions against the government's approach to accounting for the McCloud remedy in the cost cap methodology had been expected to be heard in June but that there may be further delays due to a shortage of judges.
24. Members were informed that the committee had discussed the issue of potential age discrimination in Regulation 46(1) of the 2013 regulations that imposes a restriction of age 75 on entitlement to a

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survivor's death grant. The committee heard that the LGPS is out of step with other public service pension schemes on this matter and the Board agreed to write to DLUHC recommending that this potential discrimination be removed from the scheme. At the same time, it would remind them of the ongoing need to amend survivor benefits in light of the Goodwin and Walker legal cases.

25. The Board was also invited to undertake work to assess the current position on the gender pensions gap in the scheme. The Board noted that this was likely to require evidence from employers as well as information held by funds, e.g. when looking at gender disparity in opt-out rates. It was felt that this work might support the impression that progress had been made in this area in recent years.

Agreed –the Secretariat would draft a letter for the Chair to send to the Local Government Minister recommending that changes to scheme regulations be made in relation to death and survivor benefits. The Board also agreed that the Secretariat should scope work to analyse the gender pensions gap in the scheme.

Item 10 – Investment Committee Report (Paper F)

26. Cllr Johnson (YJ) introduced Paper F and informed members that the additional information Michael Lynk, the then UN Special Rapporteur on Human Rights in the Occupied Palestinian Territories, undertook to provide at the meeting in January was received a few days before the meeting. YJ recommended that the Chair should now reply to the letter from the UK Lawyers for Israel group asking for amendments to be made to the Board's statement on its earlier meeting with Mr Lynk. The Chair agreed that a reply would be sent.
27. JH set out the main themes emerging from the discussions of the Responsible Investment Advisory Group including on the proposed requirement to produce a plan on investments that supported the levelling up missions set out in the Levelling Up White Paper. There have been discussions around fiduciary duty and its interpretation in relation to investment policies and decisions made in support of the government's levelling up aims. The committee was also advised that depending on how "local projects" were defined, there could be conflict of interest issues on which guidance to administering authorities may be helpful. The overlap with UK infrastructure projects, and barriers to funds' engagement with these, was discussed and it was agreed that greater clarity of definitions was needed.
28. TC repeated the likely request from DLUHC for the Board to aggregate each fund's plans and to prepare a scheme-wide report on levelling up projects. This might entail the preparation by the Board of a standard template to ensure consistency of reporting. DLUHC was planning to

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issue a consultation on the requirements of funds, including definitions and draft guidance in the Autumn.

29. On climate-related financial disclosures, the committee heard that the LGPS was falling behind the private sector on this issue, with TCFD reporting for private sector pension schemes already moving forward. A consultation on the climate risk reporting framework for the LGPS is expected, also in the Autumn, which will include a number of mandatory metrics potentially including carbon intensity, data quality and whether the associated global temperature increase aligned with the outcome of the Paris Agreement.
30. There was discussion about the difficulties in reliably assessing the impact of investments and the importance of having a compelling narrative to explain what is an inherently complex issue. The Scheme was likely to come under scrutiny for its performance against climate-change metrics and the Chair recommended that the Board should agree to develop proposals for how funds could be encouraged to report on a consistent basis so that a credible Scheme wide report could be produced.
31. Joe Dabrowski (JDa) offered to share the PLSA's experience of TCFD reporting given the work they have done to assist private sector schemes in meeting their statutory requirements for reporting. JDa also advised members that the cost of each report was likely to be well in excess of the £15k quoted in DWP's impact assessment which accompanied the TCFD Regulations.
32. The Board felt that it was important to get onto the front-foot and shape the content of DLUHC's consultations. The Chair asked the Secretariat to put a paper to the RIAG meeting on 13 July with some proposals for achieving this. TC also said that she would welcome regular update meetings as DLUHC's proposals firmed up and would discuss arrangements with the Secretariat.

Agreed – the Secretariat will draft a letter for the Chair to respond to UKLFI. The Secretariat will also take a paper to the next RIAG group on how the Board can adopt a proactive role in shaping proposals on climate-related financial disclosures.

Item 11 – AOB and date of next meeting

33. The Board was advised that there were 20 levy payments outstanding, including from funds represented on the Board.
34. Kevin Gerrard (KG) said that despite their apparently positive response in May to the earlier letter from the Chair, there remained significant issues with administration and payment of benefits by Prudential in relation to its AVC contracts. He invited the Board to

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consider what more could be done to pursue this matter. It was agreed that the Chair would consider next steps with the Secretariat.

Agreed – the Secretariat would discuss with the Chair next steps with regard to Prudential

35. The Chair advised members that the next scheduled meeting will be on the 10th October but that special meetings either side of that date may be necessary depending on DLUHC's consultation timetable.
