

# Scheme Advisory Board

## HYBRID MEETING – 22 July 2024

### AGENDA

1.00pm – 3.00pm, Monday 22 July 2024

Beecham Room, 7<sup>th</sup> Floor, 18 Smith Square and MS Teams

Item		Timings
1	Welcome, apologies and introductions	1.00
2	Meeting protocol and declarations of conflicts of interest	1.05
3	Actions and Agreements from meeting of 11 March 2024 – <b>Paper A</b>	1.10
4	LGPC update – <b>Paper B</b>	1.15
5	King's Speech - verbal update	1.25
6	Post Election discussion	1.35
7	Consideration of non-financial factors in investment decisions – verbal update	1:50
8	Risk Register – <b>Paper C</b>	1.55
9	Code of Transparency Project Update – <b>Paper D</b> <b>(CONFIDENTIAL)</b>	2:00
10	Scheme Annual Report – verbal update	2.10
11	Board and Committee Membership – verbal update	2.15
12	Secretariat Team Recruitment – <b>Paper E</b> <b>(CONFIDENTIAL)</b>	2.20
13	Compliance & Reporting Committee report – <b>Paper F</b>	2.25
14	Cost Management, Benefit Design and Administration Committee report – <b>Paper G</b>	2.35
15	Investment Committee report – <b>Paper H</b>	2.45
16	AOB and date of next meeting	2.55

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**Hybrid meeting held on 22 July 2024 – 1.00pm**

## **Item 3 – Paper A – Actions and Agreements**

**Actions and agreements – 11 March 2024 – 1.00pm**

### **Present**

Councillor Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Councillor Peter Mason	Scheme Employer Representative
Councillor John Beesley	Scheme Employer Representative
Cllr 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)
George Graham	Practitioner Representative (South Yorkshire Pensions Authority)
Kelvin Menon	Association of Local Authority Treasurers representative – ALATS
Nick Kirby	Trades Union Congress (TUC)
Mark Wynn	Compliance and Reporting Committee Chair
Joe Dabrowski	Pensions and Lifetime Savings Association (PLSA)
Teresa Clay	Department for Levelling Up, Housing and Communities (DLUHC)
Matt Gurden	Government Actuary's Department (GAD)
Gary Delderfield	Eversheds Sutherland
Alan Wilkinson	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

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Ona Ehimuan

LGA – Pensions Secretary

Jonathan Hunt

Consultant to the LGA

## **Item 1. Welcome, apologies and introductions**

1. Apologies for absence were received from Chris Tansley (UNISON). The Chair welcomed Cllr Peter Mason to his first Board meeting and informed the Board that Cllr Yvonne Johnson was in attendance as Chair of the Investment, Governance and Engagement Committee.

## **Item 2. Meeting protocol and declarations of conflicts of interest**

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

## **Item 3. Actions and agreements from 4 December 2023 meeting (Paper A)**

3. The minutes of the meeting of 4 December 2023 were confirmed as an accurate record of the meeting.
4. The Chair informed the Board that a meeting had taken place with the new Minister, Simon Hoare MP in January 2024. The meeting was productive and resulted in the approval of the revised SAB budget of £717,500 for 2024/25.
5. George Georgiou (GGe) reminded the Board about the McCloud Judicial Review which was heard from 20 to 22 February 2024. The judgment is expected at the end of April 2024.

## **Item 4. McCloud Update**

6. Lorraine Bennett (LB) gave a verbal update to the Board. The LGA would be issuing further technical guidance for administrators once the ongoing consultation on statutory guidance in the remaining areas was completed. Two free webinars on McCloud had been arranged for administrators in December 2023 which were well received and attended by over 270 practitioners. Further webinars would be delivered as the final details were resolved.
7. McCloud remained a significant administrative project that is substantially impacting the workloads of funds, compounded by the ongoing recruitment and retention issues in the sector. Another significant issue was that administration software suppliers had not yet been able to provide all the updates needed to perform the required calculations for all casework, such as transfers.
8. The issue of teachers with excess service was also discussed. Remedy in the Teachers' Pension Scheme (TPS) could mean that teachers will

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retrospectively become eligible for membership of the LGPS for the remedy period in respect of any excess service. This part of the remedy will involve exchanging a significant amount of information between TPS, employers and LGPS administering authorities. The team had held meetings with Capita to discuss the ongoing and emerging issues for the LGPS on teachers with excess service.

9. LB said that when the public service pension schemes make extra payments to members because of the McCloud remedy, HM Treasury rules mean they must pay interest at 8%. However, HMRC has also said that they would treat any interest paid above the 'commercial rate' as an unauthorised payment. That means that following HMT rules could trigger an unauthorised payment charge of 40% with a further 15% scheme sanction charge. LB was hopeful that the government would pass legislation to disapply unauthorised payment charges in these circumstances. The Board expressed its hope that common sense would prevail and that the issue would be resolved.

## **Item 5. Economic Activity of Public Bodies (Overseas Matters) Bill**

10. Jo Donnelly (JD) introduced Paper B to the Board and the Board noted its contents. The Board was informed that the Bill was now in the House of Lords and would be entering committee stage on 20 March 2024. The amendments that had been proposed by the LGA to date have not yet been incorporated.

## **Item 6. Investment policy update (including Spring Budget) – Department for Levelling Up, Housing and Communities (DLUHC)**

11. Teresa Clay (TC) gave a presentation to the Board on the Spring 2024 Budget and DLUHC's plans for investment policy reforms following on from the Next Steps on Investments consultation response.
12. The Spring Budget took place on 6 March 2024 and proposed that the LGPS consider investing in new children's homes. The Budget also confirmed the requirements for funds in England & Wales to publicly disclose the breakdown of their asset allocations, including UK equities, from April 2024. This should be reported in fund Annual Reports under the new Annual Report Guidance which was being finalised for publication. DLUHC are setting up roundtables with the Minister and various stakeholders to discuss these proposals.
13. There were a number of concerns raised about the proposals and how they aligned with the primary purpose of the pension fund which is to generate returns to pay pensions. Cllr Peter Mason suggested that there was an irony that the Government both wanted LGPS to invest more in private equity but also wanted funds to invest in social care since the involvement of private equity in that sector had pushed prices up.

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14. The Board expressed its concern that the Scheme seemed to be looked at as a source of funding for local government services by the Government. It was noted that this seemed to be the view of both main parties and Jon Richards (JR) said that similar concerns had already been expressed to the Labour front bench. Cllr John Fuller (JF) repeated his request for a definition of infrastructure to be produced by DLUHC, so everyone could understand what would be counted in that category.
15. The Chair said that it is current practice and important to properly investigate all investment opportunities and ensure they were financially viable and suitable for the pension fund. These proposals also emphasised the importance of getting the relationship right between funds and pools. GGe expressed his doubt that pools were meeting the objectives set for them. TC acknowledged the points raised by the Board, including the importance of the work that DLUHC was undertaking with the Board in implementing the Good Governance recommendations.
16. The proposed new guidance on pooling and the updated investment strategy statement guidance was a priority on DLUHC's workplan. Jon Richards (JR) asked whether DLUHC could draw up a prioritised work programme so that it was clearer which pieces of work were likely to be completed before the general election. This was noted.

**ACTION – that TC explore the possibility of a prioritised programme of work.**

## Item 7. Cost Management Results

17. Jeremy Hughes introduced Paper C to the Board. The SAB's Cost Management results had been received from GAD following the agreement on the assumptions to be used at the last Board meeting. The Board also received confidential information about the outcome of HM Treasury's Cost Control Mechanism (CCM), as part of the 2020 Scheme valuation.
18. Noting these reports, the Board agreed that no recommendation was to be made at this time for any changes to the Scheme. Although HM Treasury had not asked for views on how well the reformed CCM was operating, JH asked the Board members to submit feedback regarding either the CCM or the SAB's own Cost Management Process to the Secretariat.
19. JR said that the inclusion of the economic check in the CCM was not appropriate for the LGPS as it was a funded scheme, unlike the other public sector schemes.
20. It was confirmed, to round off the 2020 process, the Secretariat would send a formal letter to the Minister on the outcome once the final report was received.

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**ACTION – that Board members send any feedback from SAB Cost Management Process for the 2020 valuation to the SAB Secretariat.**

## **Item 8. Review of 2022 Fund Valuations (section 13) – verbal update**

21. JD gave a verbal update to the Board. The GAD report on the last round of local triennial fund valuations was underway. The Secretariat had held meetings with GAD to get initial feedback on its findings and to advise on possible conclusions and actions. The initial analysis had been done and the final report was expected to be published in Summer 2024.

## **Item 9. The Pensions Regulator (TPR) General Code**

22. Becky Clough (BC) introduced Paper D to the Board. TPR's General Code of Practice was laid in Parliament on 10 January 2024 and was expected to come into force on 27 March 2024. The Board was reminded that the main challenge was to identify what best support is needed to help funds in implementing the requirements of the Code. To support this, a focus group had been held in early February with fund officers to discuss the Code. The March 2024 LGPS Live webinar was also dedicated to the Code, with the session focused on how the Code will impact the LGPS. Panellists included fund officers and representatives from Governance consultants at Mercer and AON. The Secretariat have been working with DLUHC to identify areas of overlap with the current work programme or existing guidance.

23. David Murphy (DM) highlighted that it seemed that TPR's public sector e-learning toolkit had not been updated and asked whether the Secretariat could find out when the toolkit will be updated or have first sight of the toolkit before it is published. BC explained that the Secretariat and TPR had regular meetings with each other, and this would be raised with them at the next meeting in April 2024.

**ACTION – that the Secretariat raise the updating of TPR's public sector toolkit with TPR in April 2024.**

## **Item 10. Code of Transparency Project Update**

24. Ona Ehimuan (OE) introduced Paper E (Confidential) to the Board. Following on from the approval of the project plan at the last meeting on 4 December 2023, and helpful input from the working group, an update on the project was delivered to the Board. An updated project plan was submitted to the Board for approval along with a risk register and two additional recommendations for approval.

25. The Board noted the contents of the paper and approved all recommendations.

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

## **Item 11. Gender Pensions Gap (GPG)**

26. BC introduced Paper F to the Board, including the action log. BC said that progress was being made with the actions, especially on employer communications.
27. The Secretariat have contacted the NHS pension scheme's policy team to gather information to inform the GPG work on their pension buyback policy following unpaid leave and were awaiting a response. The NHS pension scheme currently had a policy which allowed members to buy back pension after a qualifying break within 'a reasonable amount of time'.
28. The Secretariat also highlighted the work with the Pensions Policy Institute (PPI) to discuss possible intersectionality research into the gender pensions gap. GGe commented that this was an important piece of work and agreed to pass on his contacts in the private sector to the Secretariat which may be of use in exploring private sector work on this topic.

## **Item 12. Board budget and workplan 2024/25**

29. JD gave a verbal update to the Board. Sarah Tingey would be joining the SAB Secretariat as a full-time Research and Data Analyst from 18 March 2024.
30. The revised budget for 2024-25 had been approved by the Minister. The revised budget would allow for an additional team member and renewing the SAB website, and represented a 1 per cent increase to the budget from 2023/24.
31. It was suggested to the Board that the additional team member resource could explore many new areas of work, including developing a LGPS peer support offer, consistent with the Board's Good Governance recommendation on external governance reviews.
32. The Board expressed support for the Secretariat exploring the idea of establishing a pensions peer support service.

## **Item 13. Board and Committee Membership**

33. OE informed the Board that Councillor Peter Mason's nomination as a scheme employer representative by the LGA Labour Group and Tommy Bowler's nomination as a scheme member representative had now been approved by the Minister and the formal confirmation letter was expected soon.

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34. the Board also discussed and approved the recommendations on Committee membership in Paper G.

## **Item 14. Terms of Reference and Committee scope (Paper G)**

35. The Board agreed the recommendations made in Paper G.

## **Item 15. Compliance and Reporting Committee Report (Paper H)**

36. Mark Wynn (MW) introduced Paper H to the Board. The revised fund Annual Report guidance had now been signed off by the Compliance and Reporting Committee and CIPFA's Public Finance Management Board. The final draft of the guidance was to be circulated to the Board for final comment and approval by Wednesday 13 March 2024. It was expected that DLUHC will be obtaining Ministerial approval for the guidance shortly.

**POST MEETING NOTE – the guidance was approved by the Board without comment and [has now been published](#).**

37. MW also confirmed that an information note for practitioners, actuaries and auditors would be available in the coming weeks. This should help inform the various parties about each other's information needs and sort out some differences of opinion that occurred around year-end. This note would be discussed at the next Audit Roundtable, which the Secretariat was arranging for 17 April. It was also noted that the Board has [responded to a DLUHC consultation on measures to address the audit backlog](#), setting out how pension funds were affected by the measures proposed and again making the case for a separation of pension fund accounts from host authority accounts.

## **Item 16. Cost Management Committee Report (Paper I)**

38. GGe introduced Paper I, which gave an overview of the key items discussed when the Committee met on 19 February 2024. JH added that the Committee's long-standing desire for obtaining data on opt outs would be a priority for the new Research and Data Analyst, Sarah Tingey.

## **Item 17. Investment Committee Report (Paper J)**

39. Cllr Yvonne Johnson (YJ) introduced Paper J (Confidential) which gave an overview of the key items of discussion at the most recent committee meeting on 26 February 2024. OE gave an update on the Sharia Law project mentioned in the report. Since the last meeting, the report by the Islamic legal and financial scholar on this topic had been published on the SAB website with a supporting statement from the Board.

40. Lydia Seymour (Counsel) had also been asked to update her initial legal advice on the outstanding questions from her 2022 advice, following the

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publication of the scholar's report. Her updated advice states that the legal risk of a case being successfully brought against a scheme employer to an Employment Tribunal on the basis of indirect discrimination, or a judicial review being brought against an administering authority or DLUHC for breach of the public sector equality duty, remain extremely low. The Board approved the summary of her advice for publication to the Legal Opinions page on the SAB website.

41. Joe Dabrowski (JDa) asked TC whether Ministers had been following this issue and whether they had views on the options for scheme changes. TC responded that the Minister would consider any recommendations made by the Board but had not been separately briefed by officials on the issue.

**ACTION – that the Secretariat publish a summary of Lydia Seymour's (Counsel) legal advice to the Legal Opinion page on the SAB website.**

**POST MEETING NOTE – Counsel's legal advice has now been published.**

## **Item 18. AOB and date of next meeting**

42. JD raised an item on the administrative issues currently being faced by WMPF. It was agreed that this situation presented an opportunity to identify lessons to be learnt from the situation and on the wider scheme. It was noted that there was an identified risk of '*problems with administration software development, limited competition in market*' on the SAB's risk register. The Secretariat and DLUHC are in regular contact with WMPF and will continue to monitor the situation.
43. JD also informed the Board that Richard Law-Deeks had been appointed as the new Chief Executive Officer of the LGPS Central pool.
44. The date of the next meeting is set for 22 July 2024 at 1pm.

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### ITEM 4 – PAPER B

#### LGPC update

##### Background

1. The Local Government Pension Committee (LGPC) is a committee of councillors constituted by the LGA. It represents local authority interests in dealing with Government and others on local government pension issues. Its work is carried out by the LGPC secretariat at the LGA.
2. The LGPC secretariat also provides an advisory and training service to LGPS administering authorities across the UK. The service is funded by a subscription on LGPS authorities and training income.

##### Summary

#### McCloud update

##### McCloud ABS consultation

3. DLUHC launched a limited technical consultation on potential changes to the LGPS regulations concerning whether underpin information is included in annual benefit statements (ABSs) for years 2023/24 and 2024/25. DLUHC emailed details to relevant stakeholders on 4 June 2024.
4. The LGPC Secretariat submitted a response before the consultation closed on 9 July 2024.
5. The consultation did not indicate the approach any future government will take. Decisions will be taken by new ministers.

##### Annual benefit statement wording

6. The LGA, in conjunction with the Communications Working Group (CWG), has produced standard wording for administering authorities to use in the 2023/2024 annual benefit statements. Using the standard wording will help provide a consistent message to LGPS members.

##### Statutory guidance

7. DLUHC has now published the McCloud implementation statutory guidance. You can find it on the [Administrator guides and documents page](#) of [www.lgpsregs.org](http://www.lgpsregs.org). The guidance covers several issues related to the McCloud remedy, including:
  - data collection and verification
  - identifying members in scope
  - prioritisation
  - compensation.

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8. The guidance confirms the Department's view on how deferred refunds and transfers to private sector schemes are treated for the purposes of qualifying for underpin protection and working out if there is a disqualifying gap.
9. The Department's view means there will be circumstances where a member may initially qualify for underpin protection, but that protection is lost because they take a transfer from another public service pensions scheme to a private sector scheme.
10. Similarly, there will be situations where a member does not initially qualify for underpin protection, but a subsequent aggregation or transfer of a deferred refund to another public service pension scheme means they later do.
11. This interpretation of the legislation will make implementing and explaining the McCloud remedy extremely challenging.

## New GAD guidance

12. DLUHC has recently issued new LGPS actuarial guidance. The guidance provides information about how the McCloud remedy will affect certain calculations.
  - trivial commutations
  - individual incoming and outgoing transfers – this guidance has been updated to correct errors in the examples
  - pension debits – transfer date after 1 April 2014
  - CETVs on divorce
  - applying the McCloud remedy to retrospective cases.
13. Authorities are still waiting for guidance on flexible retirement, GADs special interest calculator and clarification of the policy in a few other areas.

## McCloud administrator guide and webinars

14. We continue to work on the [McCloud guide for administrators](#) which explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.
15. We plan to publish a final version of the guide in September 2024. We will run webinars for administration staff following publication.
16. We are also working with the national Communications Working Group (CWG) to produce some more template letters now that the guidance on applying the remedy to retrospective cases has been published.

## Tax treatment of interest

17. Interest of 8 per cent will be due on the late payment of certain benefits because of the McCloud remedy. HMRC has now confirmed that interest

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above the commercial rate (1 per cent above base rate) will not be treated as an unauthorised payment under the Finance Act 2004.

## TPS McCloud remedy and the LGPS

18. The LGPC secretariat continues to work with a group set up by DfE to agree a process for dealing with teachers who will become retrospectively eligible for the LGPS as part of the McCloud remedy in the Teachers' Pension Scheme (TPS). Other representatives on the group include DLUHC, Capita and LGPS administering authorities.

## Abolishing the Lifetime Allowance

19. The [Finance Act 2024](#) abolished the lifetime allowance from 6 April 2024 and replaced it with two new lump sum allowances. The new lump sum limits restrict the amount of tax-free cash an individual can take over their lifetime.
20. Although most LGPS members will not be affected by the new lump sum limits, authorities must check that every member has available lump sum allowances when they pay a relevant lump sum.
21. On 22 March, we published an administrator guide to help administering authorities in England, Wales and Scotland implement these changes. We also published a template previous pension benefit declaration form for authorities to use to gather information from members.
22. We have updated the guide several times since publication as the Government has corrected errors in the legislation and confirmed changes in policy in a few areas. We are still awaiting answers to queries we have raised with HMRC some months ago.

## Pensions Dashboards

23. The DWP released [guidance on the staged timetable](#) on 25 March 2024, accompanied by a [written ministerial statement](#).
24. The Pensions Dashboard Regulations provide for a single connection deadline of 31 October 2026 for relevant schemes to connect to the dashboard ecosystem.
25. The guidance published on 25 March 2024 sets out a staged timetable to smooth the process of connecting thousands of schemes by 31 October 2026. The guidance specifies 31 October 2025 for public service pension schemes. The staged timetable is not mandatory, but authorities must have regard to the guidance when making decisions about implementation.

## TPR nudge campaign

26. TPR is about to recommence their programme of nudge communications to schemes.

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27. Administering authorities can expect to receive a series of five emails in the run up to the 'connect by' date of 31 October 2025. For public service pension schemes the emails will commence in July 2024.
28. The nudge emails will contain key messages about where TPR expects authorities to be in the dashboard implementation process.
29. In November 2024, authorities can expect to receive their first dashboards readiness survey from TPR.

## **LGPS promotion project**

30. The LGPC secretariat in conjunction with the national Communications Working Group (CWG) will shortly start work on a toolkit for employers to help them promote the LGPS. The toolkit will include:
  - an e-learning module
  - a video
  - posters
  - promotional leaflet
  - social media toolkit.
31. The Secretariat is also working with the CWG on a toolkit for LGPS administering authorities to use during Pensions Awareness week in September.

## **Recommendation**

The Board is asked to note the contents of this report.

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## **ITEM 8 – PAPER C**

### **UPDATE OF THE BOARD RISK REGISTER**

#### **General**

1. The Scheme Advisory Board has a risk register which is reviewed periodically. The latest version is at **Annex A**. There are no significant changes in the risk profile from the last time this was reviewed by the Board in December 2023. However, the Secretariat have considered two of the risks and mitigations previously discussed.

#### **Risk 13 – Board Members’ Knowledge and Understanding**

2. The Board has previously discussed how we can assess the Board’s capacity to discharge its functions and demonstrate that it possesses the necessary knowledge and understanding. The Secretariat is confident that Board members do have the necessary knowledge and understanding but agreed to consider whether there was a need to create a policy on this, which would set out the expectations of individual members and the Board collectively.
3. Having such a policy would enable the Board to be fully transparent about its requirements and document the assessment/benchmarking against that policy. It might also be helpful to guide those bodies which can nominate Board members as to who would be an appropriate candidate.
4. While the functions of the Board are very different from those either of an administering authority’s pension committee or Local Pension Board, it is felt that existing guidance on knowledge and understanding requirements for pension committees or boards (as well as the Pension Regulator’s (TPR) General Code’s expectations of “governing bodies”) would be helpful as starting (or comparison) points for the Board’s own assessment.
5. At **Annex B** are some collated relevant extracts from TPR’s General Code, extracts from the Board’s own guidance to Local Pension Boards and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on the required knowledge and understanding for pension committee members.
6. Before adding this to the workplan, the Secretariat would like to check that the Board would welcome this and if the below broad headline requirements provide a helpful basis to expand upon:
  - Demonstration of understanding of requirements of LGPS regulations and over-riding legislation
  - Understanding and ability to represent the different roles of those involved in the administration, investment and governance of the scheme

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- Understanding of wider pensions administration and governance practice
- Understanding of government policy affecting pensions and, where different, the policy objectives of the sector or interests they represent.

7. The Board might also find it useful to adopt requirements for some other “soft skills”, such as:

- Adherence to the [Seven Principles of Public Life](#)
- Capacity to advocate for the sector or interests they represent
- Willingness to work collaboratively on the Board with those representing other sectors or interests.

## Risk 14 – Accessibility of SAB Website

8. This is currently the highest rated risk identified in the risk register. Budget was sought and approved by the previous Minister this year to adapt the Board’s website so it is compliant with accessibility requirements and more effectively showcases the Board’s work and projects. The website, which is also our primary means of communication with funds and other stakeholders, also requires development of the Board’s branding and a contents/structure review.
9. To date the work undertaken to maintain the Board’s website is managed as part of a maintenance contract, held across the wider pensions team, with Webdigi. The work being planned on the Board’s website cannot be done through the current contract (which expires in December 2024) and therefore it is likely a separate procurement exercise will be needed. By the time the Board meets, we expect to have had some informal discussions with potential providers and over the summer will set out a detailed specification for the work.
10. Over the summer, the Secretariat will also carry out some preliminary tasks, such as mapping the site’s contents and structure, reviewing the usage statistics and accessibility of the current content (with the LGA’s inhouse accessibility adviser). Completing this work in advance of procurement will help us develop the specification and reduce the likely cost of delivery.
11. The new role which the Secretariat intends to recruit for will also have as part of their functions the review and improvement of the Board’s digital communications, including usage of social media and all other relevant media channels.
12. A detailed project plan to address this risk will come to the November 2024 Board meeting.

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## Annex B – Extracts from existing guidance products

### Extracts from TPR General Code on Knowledge and Understanding of Governing Bodies

“All governing bodies should maintain a list of items the members of the governing body should be familiar with. The list should be available in an accessible format and reviewed regularly. The governing body should regularly carry out an audit of skills and experience and review its members’ experience to identify gaps and imbalances, which will help inform training and recruitment needs.” (p25, para 1)

“The governing body should:

- a) have a balance of skills and experience throughout the board and be able to demonstrate this
- b) be able to apply its knowledge to governing the scheme
- c) have enough skills to judge and question advice or services provided by a third party
- d) be able to identify and address skills gaps
- e) have enough understanding of industry good practice and standards to assess scheme performance and its service providers. See Managing advisers and service providers.
- f) keep records of the learning activities of individual members and the body as a whole
- g) be able to demonstrate steps it has taken to comply with the law
- h) have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date” (page 32, para 3).

“Those responsible for appointing members to the governing body should do so using the principles of proportionality, fairness, and transparency while also considering the mix of skills and experience needed by the governing body. As far as possible, the governing body should be well-balanced and diverse, with its members demonstrating varied skills, knowledge and experience” (p9, para 3).

### Extracts from SAB Guidance on Knowledge and Understanding for Local Pension Boards

6.1 In accordance with section 248A of the 2004 Act, every individual who is a member of a Local Pension Board must:

6.1.1 be conversant with:

6.1.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (including the Transitional

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Regulations, earlier regulations and the Investment Regulations); and

6.1.1.2 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and

6.1.2 have knowledge and understanding of:

6.1.2.1 the law relating to pensions; and

6.1.2.2 such other matters as may be prescribed.

6.2 A Local Pension Board member should be aware that their legal responsibilities begin from the date they take up their role on the Board and so should immediately start to familiarise themselves with the documents as referred to in paragraph 6.1.1 and the law relating to pensions.

6.3 In accordance with section 248A, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

6.4 Administering Authorities should make appropriate training available to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training.

6.5 Once created, a Local Pension Board should establish and maintain a policy and framework to address the knowledge and understanding

6.6 Members of a Local Pension Board should also be aware of the range and extent of overriding law which applies to the LGPS and have sufficient knowledge and understanding of the content and effect of that law to recognise when and how it impacts on their role, responsibilities and duties.

6.7 Members of a Local Pension Board should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Local Pension Board is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Local Pension Board's duty to assist the Administering Authority.

6.8 Members of the Local Pension Board should commit sufficient time in their learning and development alongside their other duties. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations to assist the Administering Authority.

6.9 There must be a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding (see paragraph 6.1). Consideration should also be given to permitting newly appointed Local Pension Board members to

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overlap with the outgoing member to allow them to shadow that Board member for at least one Board meeting (where possible) as well as providing them with high quality induction training.

6.10 A Local Pension Board's knowledge and understanding policy and framework should require its members to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

6.11 Part 2 of Schedule B contains examples of areas of knowledge and understanding that a member of a Local Pension Board might be expected to have. These examples may assist a Board member in undertaking a personal training needs analysis.

## **Extracts from the 2021 CIPFA Code on Practice “Knowledge and skills framework for LGPS committee members and LGPS officers”**

“All members of a pension committee are expected to have appropriate knowledge and skills relating to their LGPS duties. However, it is considered appropriate to consider the knowledge and skills of a committee as a collective, i.e. ensuring that the collective degree of knowledge and understanding is appropriate for the purposes of enabling the committee as a whole to properly exercise their delegated responsibility on behalf of the administering authority. Accordingly, although desirable, it is not necessary for every member of the committee to be able to demonstrate individually that they meet all the expected knowledge and skills competencies.”

“Administering authorities must be able to demonstrate and explain that the combined knowledge and understanding of the pension committee (or sub-committee), together with the advice available to the committee, enable them to properly exercise their delegated functions.”

CIPFA has identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained, these are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products

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- pension services procurement, contract management and relationship management.

The Framework also suggests that wider skills and behaviours are needed to be a competent committee member and sets out the following:

- using informed judgement and common sense in decision making
- seeking clarification as required
- absorbing, analysing and processing large volumes of information
- participating in discussions and being willing to question negotiation skills, diplomacy and political sensitivity
- critiquing advice received.

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**HYBRID MEETING – 22 JULY 2024**

## **ITEM 13 – PAPER F**

### **COMPLIANCE AND REPORTING COMMITTEE (CRC) Update**

#### **Workplan update – summary of workstreams**

1. This paper summarises the agreements and the work undertaken by each of the five workstreams since the last Board meeting in March 2024. The Board Secretariat wants to thank all volunteers within each workstream for their input into each project. In particular, the volunteers from the Annual Report guidance workstream and audit issues workstreams for the work on the production of the new statutory guidance for Preparing Annual Reports and the publication of the audit informer document.

#### **Annual Report guidance**

2. Following approval by the Board, the [Annual Report guidance document](#) was published on the Guidance page of the Board's website at the end of March 2024. The guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance states that administering authorities should use 'best endeavours' to comply fully with the requirements for the 2023/24 reporting year.
3. The guidance will be kept under regular review. An awareness session was held in March 2024 and a dedicated LGPS Live webinar was held in April 2024 to discuss the guidance. The Secretariat has received some minor feedback on the guidance and plans to review the contents later in the year, but any changes are not expected to be extensive.

#### **Audit issues workstream**

4. A jointly produced document by the Institute of Chartered Accountants in England and Wales (ICAEW) and the Board has been finalised and published on the [Board's website](#). The document is called the 'Local Government Pension Scheme Informer' and sets out the timeline and information flow throughout a triennial valuation period. The purpose of this document is to make clearer to all parties involved in the audit and accounting of LGPS balances, how the LGPS works in practice, show key information flows between employing bodies, pension funds and actuaries, explain key accounting requirements for employing bodies and explain the role of external auditors.
5. The Secretariat wishes to thank the ICAEW for the additional work undertaken on the final design and formatting of the document. A short video created alongside the ICAEW has been produced to promote the

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informer. The Secretariat has used all the relevant LGPS communication networks to share the document and funds have been encouraged to share the document with scheme employers.

## Good Governance and Administration workstream

6. Significant progress had been made in shaping the Governance Statutory guidance to implement the Good Governance recommendations. Areas of discussion covered mandating monthly data collection for employers, the specific definition of the LGPS Senior Officer role, the knowledge and skills requirements for Committee/Board members and the need for pension fund-specific conflict of interest policies.
7. It was understood that Government had been aiming for the guidance to be ready for consultation before the Summer Recess, however the calling of the General Election meant this was not possible. The Secretariat will seek to ensure that the productive work to date is continued as soon as possible by the new Government.

## Funding Strategy Statement (FSS) guidance

8. Membership of this workstream was increased to include wider stakeholder representation from all four actuarial advisory firms, the Government Actuary's Department, scheme employers, legal advisors, scheme member representatives and the Scottish Scheme Advisory Board.
9. The Secretariat received comprehensive feedback from the group on a revised draft. One overarching theme of the feedback has been striking a balance between providing a succinct list of what is required in a FSS for fund officers, whilst also providing and explaining issues to be covered in the FSS for a wider audience. A timetable to ensure the guidance is ready for the end of this calendar year is being created and discussed with MHCLG with the aim that the guidance is brought to the November 2024 Board meeting for approval.

## Knowledge and Skills

10. When the group last met, it was agreed that a workplan would be created to set out and prioritise the scheme-wide guidance needed. The workplan will aim to cover the future guidance needed for implementing the Good Governance recommendations, The Pensions Regulator's General Code and updating existing guidance such as the [CIPFA knowledge and skills framework](#) and [Code of Practice](#).

**Recommendations – that the Board notes the progress and report made on each of the five workstreams set out above.**

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**HYBRID MEETING – 22 July 2024**

## **ITEM 15 – PAPER H**

### **INVESTMENT COMMITTEE CHAIR'S REPORT – 8<sup>th</sup> July 2024**

#### **Code of Transparency data system**

1. The Committee noted the work done by the Secretariat team to address non-compliance with the Code by signatories. While overall the compliance rate remained high, there were some investment managers whose standards had slipped. The Committee re-iterated the importance of ensuring that funds continue to get the information due under the Code.
2. The Committee also considered a confidential paper outlining progress with the ongoing project to determine the longer-term future of the Code of Transparency data system. An updated project plan was presented to the Committee along with an update on the work being undertaken in the current phase of the project. A separate confidential paper has been submitted to the Board on this (Item 9 on the agenda).

#### **Responsible Investment Advisory Group (RIAG) Report**

3. The Group heard from the Pensions Regulator (TPR) on their findings from reviewing the second year of TCFD private sector reports.
4. The Group discussed its Terms of Reference (ToR), scope and workplan. The Group felt that the RI A-Z guide, established in 2021, could be replaced with information signposting a selection of useful resources.
5. The Group also agreed to have at a future meeting a more in-depth discussion of the evolving concept of the fiduciary duty. Given the different expectations between those running the scheme and making investment decisions, and those lobbying it, the Group recommended that the Board should make a statement on how best to support officers and elected members who are facing increasing amounts of challenge about investment decisions – which sometimes borders on unacceptable verbal abuse.

**Recommendation – that the Board agrees to make a statement on how to deal with lobbying on RI issues and asks the RIAG to consider this matter further.**

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