

Scheme Advisory Board

HYBRID MEETING – 24 March 2025

2.00pm – 4.00pm

Beecham Room, 7th Floor, 18 Smith Square and MS Teams

AGENDA

Item		Paper	Timings
1	Welcome, apologies and introductions		2.00
2	Meeting protocol and declarations of conflicts of interest		2.05
3	Interim arrangements in absence of Pensions Secretary	Verbal	2.10
4	Actions and Agreements from meeting of 25 November 2024	Paper A	2.15
5	LGPC update	Paper B	2.20
6	Local Government Reorganisation and the LGPS	Paper C	2.35
7	Fit for the Future consultation: next steps post consultation	Verbal	2.45
8	Summary of legal advice on fiduciary duty	Paper D Annex A (Confidential)	3.05
9	Scheme Annual Report 2023-24 – initial findings	Paper E	3.15
10	Website upgrade project and communications strategy (CONFIDENTIAL)	Paper F Annex A Annex B	3.25
11	Board and Committee Membership	Paper G Annex A	3.35
12	Compliance & Reporting Committee report	Paper H	3.40
13	Cost Management, Benefit Design and Administration Committee report	Paper I	3.45
14	Investment Committee report	Paper J Annex A Annex B	3.50
15	AOB and date of next meeting		3.55

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Scheme Advisory Board

Hybrid meeting held on 24 March 2025

Item 4 – Paper A – Actions and Agreements

Actions and agreements – 25 November 2024 – 1.00pm

Present

Councillor Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Councillor Nathan Yeowell	Scheme Employer Representative/LGPC Chair
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)
Garry Warwick	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)
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)
Alan Wilkinson	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 – Principal Pensions Adviser
Becky Clough	LGA – Board Support and Policy Officer

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Scheme Advisory Board

Ona Ehimuan

LGA – Pensions Secretary

Sarah Tingey

LGA – Research and Data Analyst

Cllr George Jabbour

Border to Coast Joint Committee Chair (Observer)

Item 1. Welcome, apologies and introductions

1. The Chair welcomed attendees to the meeting including Cllr George Jabbour, Chair of Border to Coast's Joint Committee to the meeting as an observer. Cllr Jabbour was not present for the discussion for items 5,6,7 and 9 as these items included confidential information. Item 9 was taken before Item 8 at the meeting to facilitate this.
2. Apologies for absence were received from Mark Wynn, Compliance and Reporting Committee Chair. Chris Tansley, Scheme Member Representative (UNISON) was absent without apologies.

Item 2. Meeting protocol and declarations of conflicts of interest

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

Item 3. Actions and agreements from 22 July 2024 meeting (Paper A)

4. The minutes of the meeting of 22 July 2024 were confirmed as an accurate record of the meeting. Teresa Clay (TC) said that she was still working on providing a prioritised programme of work being undertaken at MHCLG.

Item 4. LGPC Update (Paper B)

5. Lorraine Bennett (LB) introduced Paper B to the Board. On inheritance tax, the Chancellor announced in the 2024 Budget that unused pension funds and death benefits will be included in a member's estate for inheritance tax purposes from April 2027. This change primarily affects defined contribution schemes but will also impact death grants paid by the LGPS. There are some complex administrative issues arising from this change and the LGPC team would be writing a response to the technical consultation on inheritance tax which would be closing on 22 January 2025. The response would be shared with the Board.
6. The McCloud remedy remains a challenge. The LGPC team issued a second guidance document in October 2024 which includes more information on re-visiting past cases and eligibility for protection. The team also have hosted two webinars on McCloud.
7. The Lifetime Allowance was abolished in April 2024 however due to the limited time for implementation of this change, there have been issues with the regulations and guidance. Changes were made to the regulations on 18 November 2024 and LGPC's guidance will be edited to reflect this.

Scheme Advisory Board

8. On the Pensions Dashboard, LB said that the Department for Work and Pensions (DWP) is upholding its commitment to pre-stated timetables. The connection date for the LGPS remains 31 October 2025. Two guides have been issued by the LGPC team, one on connecting to the Dashboard and one on AVC providers.
9. LB also drew the Board's attention to the increase in National Minimum Pension Age (NMPA) in over-riding legislation (from 55 to 57). The legislation allows for protection of the lower NMPA for pension scheme members with an unqualified right to that age as at 4 November 2021. That default position could be displaced by the Government making changes to the LGPS Regulations, and it had been expected that the last Government was planning to do that. LB was working on a technical paper for MHCLG on the implications of the change and any protections put in place.
10. This had also been discussed at the CMBDA Committee, where comparisons were drawn with the last time this happened. There had been no protection for LGPS members the last time NMPA was increased, which was out of line with the other public sector schemes, but this was because there was no unqualified right to the earlier NMPA in the old regulations. The Board agreed to pause taking an agreed position on the NMPA change until it had seen LB's paper. Emelda Nicholroy said that as well as potential changes in the scheme rules, employers would also need to consider whether some employment contracts included the lower minimum retirement age as well.
11. TC said that she expected the Government to consult early in the new year on its plans for the implementation of the NMPA change in public sector schemes.

Item 5. Pensions review and Mansion House – verbal update

The Chair thanked Jo Donnelly (JD) and the Secretariat team for the work they have been doing in this area. JD gave an update on the Pensions Review and the Mansion House speech made by Rachel Reeves on 14 November 2024. Following on from Phase One of the Pensions Review and the Mansion House Speech, MHCLG launched the [LGPS Fit for the Future](#) consultation on 14 November 2024. The consultation will remain open until 16 January 2025 and the Secretariat would aim to write a draft response for circulation to the Board prior to Christmas. JD confirmed that the references to eight 'megafunds' in the press release and reports around the consultation document were references to the eight existing LGPS pools.

12. The consultation set out some governance reforms (largely in line with the [Board's own recommendations](#)) as well as minimum requirements for pools which included Financial Conduct Authority (FCA) regulation. Not all of the existing pools met the requirements which necessitated varying degrees of changes to be made. Also included in the pooling arrangements section of the consultation is the requirement for funds to delegate the implementation

Scheme Advisory Board

of their investment strategy to the pools and to take principal investment advice from the pools.

13. TC confirmed that most of the recommendations in the consultation could be implemented through secondary legislation and guidance under the Public Service Pensions Act 2013, while other changes were likely to require further powers being taken. Where needed, additional clauses would be included in the forthcoming Pensions Bill but this is still to be decided.
14. Members expressed their differing views on the pooling, governance and local investment proposals contained within the consultation. It was said that additional clarity was needed from Government on proposed pooling arrangements and Teresa Clay (TC) confirmed that all pools would be receiving a letter within the next few days with a further explanation of Government's requirements. The Secretariat noted the discussion, and it was agreed that the Board's draft response would be circulated to the Board members for comment before Christmas.

ACTION – that the Secretariat write and circulate a draft response to the LGPS Fit for the Future consultation before Christmas.

Item 6. Board 2025/26 budget and medium-term financial strategy(Paper C – confidential)

15. Jeremy Hughes (JH) introduced Paper C to the Committee which detailed the proposed budget for 2025/26. The Board agreed to submit the budget to the Minister with a proposed budget of £719,000, which would be a small cash increase but decrease in real terms from 2024/25's budget of £717,500. The Board also welcomed the suggestion that the Board should develop its own Medium Term Financial Strategy (MTFS). The Secretariat would develop more detailed proposals to take this forward.

ACTION – that the Secretariat write to the Minister to seek approval for the proposed budget for 2025/26.

ACTION – that the Secretariat work up proposals to develop an MTFS for the Board.

Item 7. Code of Transparency Project Update (Paper D – confidential)

16. Ona Ehimuan (OE) introduced Paper D to the Board. The paper contained an overview of research that the Secretariat had undertaken to inform the recommendations being made to the Board ahead of the final decision on the long-term future of the Code of Transparency data system after the Board's contract with Byhiras expires in August 2026. Since the last Board meeting, the Early Market Engagement exercise had concluded and the responses had been used to inform a survey that was issued to funds in September 2024. Feedback had also been collected from Code signatories on their

Scheme Advisory Board

experience of using the Byhiras system. The Secretariat had also held scoping meetings with the National LGPS Frameworks team and fund officers who had expressed interest in supporting the Board's future work.

17. On review of all of the information presented including the recommendation of the executive panel established by the Board (comprised of Cllr Roger Phillips, Board Chair, Jon Richards, UNISON Assistant General Secretary and Board Vice-Chair, and Sandra Stewart, Director of Greater Manchester Pension Fund), it was agreed that the data system had been successful in supporting the embedding of cost data reporting in the LGPS but had now served its purpose.
18. The Board agreed not to replace the data system procured centrally but instead to work with the National LGPS Frameworks team to enable funds to procure services for the basic collecting and reporting of cost templates and additional procurement of associated data validation and benchmarking services via the framework. This would allow for an arrangement that better served the current needs of funds, and also reflected the changes at fund level as more investments are managed by the pools. The Board would continue to explore how oversight of compliance with the Code could be retained as well as the effective reporting of cost data. Potential means of delivering this could be via new Board guidance, CIPFA guidance or potentially amendments to the LGPS Investment Regulations 2016.

AGREED – that the Board works with the National LGPS Frameworks team to provide a framework for funds to procure investment cost data services.

ACTION – that the Secretariat brings a revised project plan to the Board's next meeting on 24 March 2025.

Item 8. Board Annual Report (Paper E)

19. BC introduced Paper E to the Board. Since the writing of the paper, it had been agreed to rename the Board Annual Report as the Board Annual Review in order to distinguish it from the Scheme Annual Report also written and published by the Board. The Board Annual Review would be a factual based overview of the work completed by the Board over the previous 12 months as well as a breakdown of how the budget for the previous year had been spent. The Chair said that this will be an important piece of work to reflect and highlight the various workstreams that the Board and the Secretariat team had led on. The inaugural Annual Review will be published on the Board website in the new year.

Item 9. SAB Website Upgrade Project (Paper F – confidential)

20. The highest risk in the Board's risk register relates to non-compliance with accessibility requirements for the SAB website, and so OE outlined Paper F which set out the proposed project plan to address this. The Board discussed

Scheme Advisory Board

the changes and agreed that the Secretariat continue the work to secure an updated, accessible website in 2025.

ACTION – that the Secretariat continue the work contained in the Website Upgrade project plan.

Item 10. Board and Committee Membership – Paper G

21. OE introduced Paper G to the Board. The Board discussed and approved the recommendations on Committee membership and agreed the renominations for Board membership for Cllr John Beesley, John Neal and the nomination of Cllr Nathan Yeowell.
22. The Board discussed the Secretariat's proposal to maintain a Conflicts of Interest Register for Board and Committee members. It was agreed that this should be done, with the Secretariat providing some guidance on the interests that would need to be declared. Once completed, the Register of Interests would be made available on the Board website.

ACTION – that the Secretariat establish and maintain a Conflicts of Interests register for all Board and Committee members, which will be published

Item 11. Compliance and Reporting Committee (CRC) Report (Paper H)

23. Becky Clough (BC) introduced Paper H to the Board, as the Committee Chair Mark Wynn had sent his apologies. The revised Funding Strategy Statement Guidance had been approved by the CRC on 21 October 2024 and at the Chartered Institute of Public Finance and Accountancy (CIPFA) Public Finance Management Board meeting on 7 November 2024. The Board were asked to approve the updated FSS guidance contained at Annex A. If approved, the document would be sent to MHCLG for Ministerial approval.
24. The Board also heard updates on the Knowledge and Skills workstream, Good Governance and Administration workstream, Audit workstream and the newly established Peer Support Offer workstream based on the report provided. The updates on these workstreams were noted by the Board.
25. The Board approved the revised FSS Guidance and agreed to submit the document to MHCLG officials for Ministerial approval. David Murphy (DM) said that the guidance would also be put to the Northern Irish Ministers and he hoped to have their approval to issue it by year end. The Board and the Secretariat team thanked all workstream volunteers involved in the revision of the guidance.

ACTION – that the Secretariat submits the revised FSS Guidance to MHCLG for Ministerial approval

Scheme Advisory Board

Item 15. Cost Management Committee Report (Paper I)

26. George Georgiou (GGe) introduced Paper I, which gave an overview of the key items discussed when the Committee met on 28 October 2024 and thanked the Secretariat for the ongoing work on the Gender Pensions Gap. The report was noted, and JH drew the Board's attention specifically to Annex A which contained a recommendation submitted by the Chair of the National Technical Group, Kev Gerard.
27. The issue was that payments before probate has been granted to a deceased beneficiary's personal representative are limited in regulations to £5,000. This limit is set out in the Administration of Estates (Small Payments) (increase of Limit) Order 1984, which has not been increased since it was made. This imposes a tight restriction on LGPS funds' ability to release payments to family without undue delays. It was noted that regulations covering Northern Ireland had increased the limit there to £20,000 (having previously increased from £5,000 to £10,000 in 2004). The Board agreed to write to HM Treasury requesting that the probate limit be raised to match Northern Ireland's and thereafter to rise in line with CPI.

ACTION – that the Secretariat writes to HM Treasury to request that the probate limit is raised.

Item 16. Investment Committee Report (Paper J)

28. Cllr Andrew Thornton (AT) introduced Paper J to the Board, reviewing the items of discussion from the last Investment Committee meeting on 11 November 2024. Included at Annex A was the revised Responsible Investment Advisory Group's (RIAG) Terms of Reference for the Board to approve. The Board noted the contents of the report and approved the amended Terms of Reference for RIAG.

Item 17. AOB and date of next meeting

29. JD informed the Board that the FRC had launched a consultation on the revised 2020 Stewardship Code which would be open until 19 February 2025. The secretariat would not have the capacity to write up a response on behalf of the Board but encouraged engagement with the consultation from individual Board members with capacity within their teams.
30. The date of the next meeting is set for 24 March 2025 at 1:30pm.

Scheme Advisory Board

HYBRID MEETING – 24 March 2025

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.

Consultation on inheritance tax and pensions

3. At the Autumn Budget 2024 the Chancellor announced that from 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for inheritance tax (IHT) purposes.
4. The Government launched a [technical consultation on Inheritance tax on pensions: liability, reporting and payment](#) on the same day.
5. Under the current rules, unused pension funds and death benefits are not liable for IHT where the trustees/scheme managers have a discretion in deciding who will receive them.
6. From 6 April 2027, the distinction between discretionary and non-discretionary payments will be removed. For the LGPS, this means LGPS death grants will be subject to IHT from 6 April 2027. If the death grant is paid to a spouse or civil partner no IHT will be payable.
7. The Government is proposing to make pension scheme administrators responsible for paying and reporting to HMRC any Inheritance Tax deducted from an LGPS death grant. Personal representatives will still be responsible for calculating whether any IHT is due and passing on the relevant information to the pension scheme administrator.

Scheme Advisory Board

8. The consultation closed on 22 January 2025. The response on behalf of the LGA and LGPC was shared with administering authorities in January. Our response concentrated on:

- the unfairness of active member death grants being scope of inheritance tax when insurance-based products will be out of scope
- concerns about delays in payment and the financial impact on vulnerable individuals and families, particularly single parent families who would be disproportionately affected
- how the potential tax implications should be taken into account by administering authorities when they are deciding how to distribute a death grant
- concerns about interest charges that are likely to apply in complex cases where the administering authority must gather a large amount of information before making their decision
- the challenge of communicating the changes to members
- recommending an increase in the limit set out in the Administration of Estates (Small Payments) Act 1965 from £5,000 to £20,000, a change that has already been made in Northern Ireland
- the increased complexity and the tax knowledge that will be required of pension administrators
- practical issues, particularly relating to deaths where no personal representatives have been appointed, those that have been appointed are not responsive or multiple representatives providing conflicting information.

McCloud update

9. LGPS administrators continue to implement the McCloud remedy. The McCloud implementation period set out in the statutory guidance runs to 31 August 2025; however, it is expected that work will continue beyond this date.

McCloud webinars

10. With the support of the Communications Working Group, we have worked with Affinity Connect to develop McCloud webinars for LGPS members. Affinity Connect deliver pre-retirement courses to employees of many LGPS employers, and McCloud webinars for members of other public service pension schemes.
11. The webinars are aimed at active and deferred LGPS members who are protected by the McCloud remedy and would like to learn more about how they might be affected. We are particularly keen for deferred members to be informed

Scheme Advisory Board

about the webinars, as they do not have access to pension events or resources offered by their former employer. The webinars will also provide an opportunity for members to gain a better understanding of how the LGPS works and the options open to them as Scheme members.

12. The webinars started in March and will continue on a rolling three-month programme while there is demand. They can be booked on the McCloud remedy page of the [national member website](#).

McCloud and Annual Benefit Statements

13. The LGPS regulations provide a discretion for administering authorities not to include estimated underpin information in the 2024/25 statements for a particular member or class of members. Authorities using this discretion will need to decide before 31 August 2025 and tell affected members.
14. MHCLG has confirmed that, in its view, no specific guidance on when it is appropriate to use the discretion is necessary. It stated that “the legislation makes it clear that administering authorities have the flexibility not to include estimates relating to the McCloud remedy in 2025 Annual Benefit Statements, if they consider it reasonable to do so. Since this change was about giving local flexibility to reflect local circumstances and progress with the remedy, it expects decisions to also be taken locally”.

Pensions Dashboards

15. In October 2024, the Department for Work and Pensions (DWP) issued a written ministerial statement confirming the Government’s commitment to pensions dashboards.
16. The Minister for Pensions also announced that the MoneyHelper dashboard will be made publicly available before commercial dashboards are launched. This is to obtain better insights into customer behaviour and ensure greater confidence in a range of areas, including operational delivery, security and consumer protection.
17. The Pensions Regulator (TPR) is responsible for ensuring workplace pension schemes comply with pensions dashboards duties. It has published a policy for compliance and enforcement of these duties. It continues to engage with the sector using surveys and regular updates.

Scheme Advisory Board

Qualifications

18. We are launching an LGPS specific qualification from April 2025. The Certificate in LGPS administration is a level 3 qualification that will be awarded by the Pensions Management Institute (PMI). The LGPS training team has developed the materials and will be responsible for delivering tutorials, as well as setting and invigilating the examinations.
19. We also facilitate a level 2 generic pensions qualification. The Award in Pensions Essentials (APE) is aimed at staff that are new to pensions. The APE is delivered by Barnett Waddingham and awarded by PMI. The third cohort of students has just started, and we have two more cohorts ready to go.

Changes to member benefits

20. MHCLG has confirmed it will shortly consult on a raft of changes to member benefits. These include changes to:
- equalise survivor benefits
 - remove the age 75 limit for death grants
 - update forfeiture rules
 - make buying pension to cover absences easier and fairer
 - introduce new Fair Deal into the LGPS regulations.

Increase to the normal minimum pension age

Background to normal minimum pension age increase

21. The Finance Act 2004 sets the normal minimum pension age (NMPA). Registered pension schemes, such as the LGPS, must not normally pay any benefits to members until they reach NMPA, except in ill health. Significant tax charges apply to the member and the scheme if benefits are paid before the NMPA on normal health grounds.
22. The Finance Act 2022 has legislated to increase the NMPA from 55 to 57, effective from 6 April 2028. It also provides transitional protection to certain members through a protected pension age (PPA).
23. Generally, members qualify for a PPA for their benefits in a pension scheme if they had an unqualified actual or prospective right to any benefit under the scheme before age 57 immediately before 4 November 2021. An unqualified right

Scheme Advisory Board

means the member does not require the consent of anyone, such as the employer or administrator, to receive their benefits.

24. Members who qualify for a PPA for their benefits in a scheme retain the PPA if they transfer the benefits to a different pension scheme. Other than for bulk transfers, the PPA will only apply to those transferred-in benefits in the new scheme.

25. LGPS members will generally fall into one of the following three groups:

- **Group 1:** does not qualify for a PPA on their LGPS benefits
- **Group 2:** qualifies for a PPA of age 55 on their LGPS benefits
- **Group 3:** qualifies for a PPA on certain transferred-in benefits only (the PPA could be 55 or any date between 55 and 57).

26. Qualifying for a PPA does not provide members with an overriding right to take benefits from their PPA; it simply determines whether benefits paid under the pension scheme rules before the NMPA will incur significant tax charges. For example, a group 2 member will only be allowed to receive their LGPS benefits before age 57 after 5 April 2028 if the LGPS regulations allow it (which they may not).

Decisions for MHCLG

27. MHCLG need to review and amend the LGPS regulations to align with the NMPA increase in April 2028.

28. This will involve amending the regulations so that the earliest age LGPS benefits can be received on normal health grounds increases to, at least 57 for members who do not qualify for a PPA on their LGPS benefits.

29. They will need to decide whether to also increase the earliest age to 57 for members that qualify for a PPA (ie group 2 members and for group 3 members for their transferred-in benefits), or whether they wish to allow for these benefits to be taken before age 57. For group 3 members, it should be noted that it is not currently possible for members to only take payment of transferred-in benefits.

30. A different approach could be taken for different types of retirement. For example, the earliest age could be 57 for normal health and flexible retirements, but age 55 for redundancy retirements.

Scheme Advisory Board

Considerations

31. When deciding whether, and in what circumstances, members with a PPA can receive benefits before age 57 after 5 April 2028, MHCLG may wish to consider:

- **Members' preference** – members who qualify for a PPA are likely to prefer retaining the right to receive their LGPS benefits earlier than age 57. The Government has introduced PPAs in overriding legislation to allow for this, so members may expect to have a right under the LGPS. If a member takes voluntary retirement, their pension benefits are actuarially reduced for early payment, so there is no cost to the employer.
- **Cost implications for the employer** – currently if a member age 55 or older is made redundant or terminated on efficiency grounds the LGPS rules provide for their pension benefits to be paid immediately without reduction for early payment. The employer must fund the early payment of benefits, which can be very costly. If the earliest age were to increase to 57 for all members, this would be a cost saving to employers and align with the general increase in retirement ages. While redundancy pay is generally more generous in other public sector workforce, the LGPS is an outlier in the public sector by providing immediate access to unreduced pension benefits.
- **Member communications** - the LGPS is already a complex scheme, and there are existing challenges in communication and member understanding. The simplest outcome to communicate and for members to understand would be to set the same earliest age for all groups.
- **Administration challenge** – the LGPS is already a very complex to administer. Introducing additional complexity by allowing different earliest retirement ages or members to take only transferred-in benefits will only add to the burden. Administering authorities struggle to recruit and retain staff, partly due to the complexity of the job, and this may exacerbate the issue.
- **Discrimination** – whether there is any risk of unlawful discrimination related to each potential change. For example, if the earliest age depends on PPAs, older members are more likely to have a PPA as they are more likely to have joined the LGPS before 4 November 2021.
- **Two-tier workforce** – where the earliest age depends on a PPA, whether there is a risk of creating a two-tier workforce. For example, an employer will have employees who joined before 4 November 2021 and others who joined on or after that date and do not have a PPA. Employees with a PPA will be able to take payment of their LGPS benefits from age 55, while other colleagues will have to wait to age 57.

Scheme Advisory Board

- **Workforce planning** – if members who qualify for a PPA are unable to receive their LGPS benefits before age 57 after 5 April 2028, there may be an impact on workforce planning. For example:
 - employees aged between 55 and 57 with a PPA may be less likely to take voluntary redundancy
 - employees aged between 55 and 57 with a PPA who would have taken flexible retirement may be less likely to take a phased approach to leaving.

Any impacts on workforce planning will naturally occur over time, as fewer employees will qualify for a PPA.
- **Data** – when considering the above, it will be important to understand how many members currently take payment of their benefits between age 55 and 57, and on what grounds. MHCLG may also wish to take account of the impact Local Government Reorganisation may have on those figures in the coming years.

Sufficient notice

32. Whatever is decided, members, employers and administrators need sufficient notice before the changes come into effect. For example:

- if an employer is planning a voluntary redundancy scheme for after 5 April 2028, they will need to know as part of the planning stage whether members aged between 55 and 57 with a PPA will be entitled to immediate payment of unreduced benefits
- if a member is considering retirement after 5 April 2028 and will be under age 57, they will need to know whether they will be able to do so; if not, they will need time to reconsider their plans, such as bring forward their retirement to before 6 April 2028.

33. The current uncertainty regarding how the LGPS regulations might change for the 2028 NMPA increase is already causing complaints from members who cannot make fully informed decisions when deciding to transfer previous pensions to the LGPS and those who feel unable to plan for retirement.

Recommendation

34. The Board is asked to note the contents of this report and provide recommendations on whether the LGPS should provide for protected pension ages.

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 6 – PAPER C

LOCAL GOVERNMENT REORGANISATION AND LGPS

1. The [Devolution White Paper](#) was published on 16 December 2024. Although it did not specifically mention LGPS administering authorities, it is likely to have some significant consequences for administering authorities and the scheme. The purpose of this paper is to take a steer from the Board about possible opportunities and issues it presents.
2. A summary of the key aspects of the White Paper relevant for the LGPS is below:
 - The White Paper proposes the introduction of a new and consistent (across England) layer of sub-regional local government (known as strategic authorities)
 - Strategic authorities will have a key objective of delivering local growth and are recommended to be mayor-lead and a greater devolution of powers will follow where this is the case
 - Beneath this new layer, any existing two-tier areas should be unitarised
 - The government has invited bids from areas rather than applying a “top-down” solution at this stage
 - The government’s preference is for unitarisation to happen within existing county boundaries and using a guide population size of 500k
 - Unitarisation is also intended to save money, but not at the expense of service standards (e.g. bin collection frequency)
 - Transitional costs need to be met from existing resources (presumably reserves) although LGA is campaigning for some up-front funding to support change.
3. Areas in scope received initial feedback on their bids on 6 February 2025 and have until the end of March 2025 to submit their detailed transitional proposals. The necessary legislative changes will be included in a Devolution Bill that is expected in early summer 2025.
4. Elections in relevant affected areas scheduled for May 2025 have been postponed and it is expected that elections to new shadow authorities and mayoral elections will be held next year. There are also some previously agreed reorganisations outside of this process (e.g. Lancashire) that have their own timetable.
5. There is no proposal for the new layer of “strategic authorities” to take over the administering authority function and it would not sit well with their other responsibilities.
6. With the triennial valuation coming up, the proposed reorganisations will give actuaries the added complexity of setting employer contribution rates

Scheme Advisory Board

for some councils that may not exist in a few years' time. New rates will need to be calculated for the shadow and replacement councils at some point in the cycle.

7. In terms of the functioning of pension committees, the postponement of some May 2025 elections will help with continuity in the short term but we are likely to see significant changes in membership over the longer term. The Local Government Boundary Commission will be responsible for reviewing the numbers of councillors for the new unitary councils, but the Government cites approvingly the example of Cumbria where the number of councillors in that county was reduced by two-thirds by unitarisation.
8. The reorganisation of functions does, however, provide an opportunity to review governance arrangements and service delivery arrangements for LGPS administering authorities, and give them opportunities to build in best practice, such as creating the role of a single senior LGPS officer and some greater separation and clarity of the service functions provided to the pension fund.
9. In terms of local growth, the [Fit for the Future](#) consultation also included the proposal that administering authorities and pools should have an obligation both to work with the new strategic authorities to identify local growth opportunities and also have regard to the authority's strategy in setting out its own approach to local investing.
10. In its [response](#) to the consultation, the Board has recognised that there may be a role for LGPS in the financing of projects, but that expectations need to be managed as the LGPS, like all other institutional investors, needs to achieve a commercial rate of return. Also, it will not be easy to replicate long-standing and mature networks of collaboration (such as Greater Manchester and the West Midlands) across England without investment in capacity building in those new authorities.

Recommendation: That the Board considers whether it needs to give any additional steer to the Secretariat on the contents of the White Paper or its understanding of LGPS' role in local growth, as set out in the consultation response.

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 8 – PAPER D

SUMMMARY OF LEGAL ADVICE ON FIDUCIARY DUTY

1. The Board has received Nigel Giffin KC's updated opinion on the fiduciary duty. The opinion is entitled "Local Government Pension Scheme (LGPS): Investments and Non-Financial Considerations'. This was intended as a review of and update to the [2014 advice](#).
2. The advice was requested before the launch of the Government's 'Fit For the Future' consultation on 14 November 2024, but it was able to address some of the issues raised in that consultation. The updated opinion can be found on the [Legal Opinions and Summaries page](#) of the Board's website.
3. The advice is a substantial document at 36 pages in length and expands on the previous advice in a number of areas, for example:
 - In clarifying how the fiduciary duty owed to employers differs from that owed to scheme members (paragraph 19)
 - How far administering authorities are required to consider environmental, social and governance (ESG) factors in decision making, and state this within the Investment Strategy Statement (ISS) (paragraph 37)
 - A reminder of the need for administering authorities to apply the policies set out in their ISS when making investment decisions, and the need to keep the ISS up to date (paragraphs 43-44)
 - Some discussion of how far administering authorities can devolve the implementation of their ESG policy to pools, while confirming that they could not delegate the strategy-setting duty itself to the pool company (paragraphs 46-51)
 - The requirements around consulting members and considering their views when deciding how and which ESG factors are applied (paragraphs 38-42 and 56-62).
4. Given the length of the advice received, the Secretariat have produced a summary of the key messages from the advice at **Annex A (confidential)**. That draft has been shared confidentially with the members of the Investment Committee, the Board's legal adviser, Gary Delderfield, and Nigel Giffin KC before this meeting.

Scheme Advisory Board

5. The Secretariat are also considering whether to procure further legal advice on some specific points around the practicalities of managing the inherent conflicts of interest that arise from the pooling proposals included in the Fit for the Future consultation. This further legal advice aims to provide supplemental, practical advice to administering authorities on how to set up governance and oversight arrangements consistent with the administering authority's fiduciary duty.

Recommendation: That the Committee notes the contents of the advice and agrees to publish the Summary Advice at Annex A (confidential).

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 9 – PAPER E

SCHEME ANNUAL REPORT 2023-2024 – INITIAL FINDINGS

Introduction

1. The Secretariat have completed the data analysis of available LGPS scheme annual report and fund account data. The Scheme Annual Report will be published shortly, once the accompanying text has been drafted and cleared with the Chair. The Scheme Annual Report will also include some further analysis of investment returns by PIRC and data on trends in life expectancy from Club Vita (this has been commissioned but not yet received).

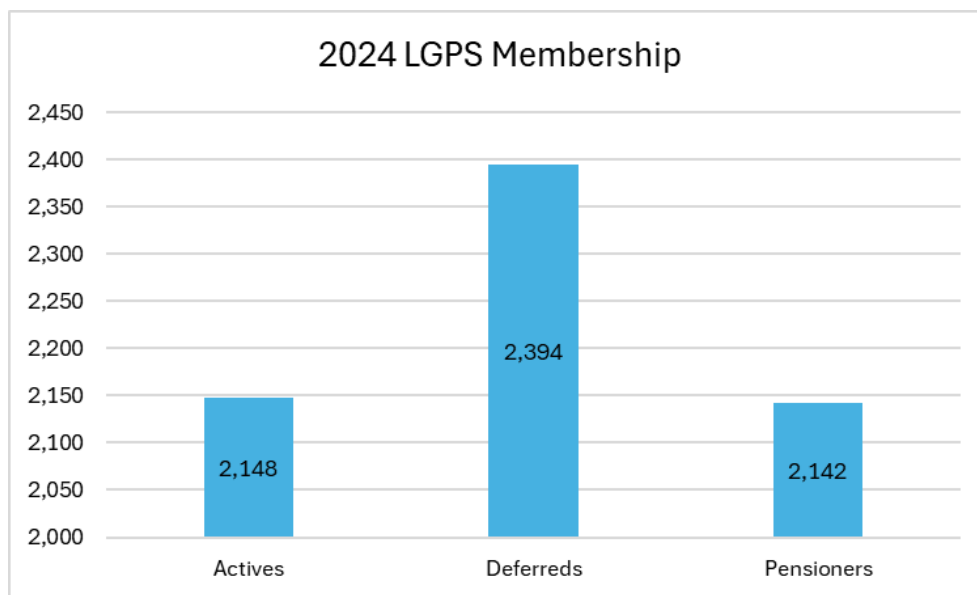
Scheme Data

2. As at February 2025, the Scheme Advisory Board Secretariat noted that 23 of the 87 audit opinions in respect of 2023-24 pension fund accounts of associated administering authorities remained outstanding. Where audited accounts were not available, full draft accounts were available in all but three instances. Council Statement of Accounts were used for two of these, Teesside and Tower Hamlets, but were unavailable for Croydon.

Total Membership

3. As at 31 March 2024, the total membership of the Scheme was 6.68million, compared with 6.49million in 31 March 2023. The greatest increase in absolute and relative terms was to pensioner membership, which increased by 2.03 per cent relative to total membership and 6.3 per cent relative to pensioner membership over the year to March 2024.
4. Active membership of the LGPS has continued to grow, with the biggest absolute and relative increase since 2020. Deferred membership of the LGPS has decreased -0.06 per cent relative to overall membership and -0.2 per cent relative to deferred membership.
5. LGPS membership as a whole has continued to grow with an increase of 2.84 per cent over the year, the largest increase since 2020.

Scheme Advisory Board



Cashflow before investment income

6. When looking at the gap between contribution income and benefit payments (i.e. excluding investment income), cashflow levels between funds ranged from -£324m to +£120m with the average being -£26.1m. 67 out of 86 (78%) funds reported a negative cashflow on that basis. This compares with a range of cashflow positions between funds of -£382m to +£24m and an average of -£33.8m in 2023 with 64 funds in a negative cashflow position.
7. There are therefore an increasing number of funds looking to balance the need for asset growth to pay future benefits and using assets for income generation to pay benefits now. However, it is difficult to draw too many conclusions about the specific changes from year to year as these are strongly affected by the profiling of employer contributions across the valuation period.

Scheme Account Summary

8. This summary is provided to give a broad picture of the LGPS in England and Wales. It has been aggregated from fund accounts (both audited and unaudited) as available but is not in itself subject to any form of audit nor is it set out in line with standard accounting practice. Aggregation into the headings shown will by necessity mean some individual fund figures are placed into the nearest equivalent financial heading or asset class. Where no accounts were available at the time of aggregation, information for those funds is blank. For source data please see the 2024 fund annual reports.

Scheme Advisory Board

	23-24	22-23
	(£m)	(£m)
Dealings with Members, Employers and Others Directly Involved in the Fund		
Contributions and other income	14,713.32	12,073.40
Benefits and other payments	(4,894.26)	(12,995.80)
Net Additions (Withdrawals) from dealing with members before management expenses	(176.17)	(922.40)
Fund running costs		
Investment & Fund management costs and expenses (see breakdown below)	(2,090.58)	(1,973.60)
Net Additions (Withdrawals) including management expenses	(2,115.04)	(2,896.00)
Investment returns		
Investment Income	5,936.65	4,968.50
Taxes on income	(19.27)	(35.00)
Profits and losses on disposal of investments and change in value of investments	28,624.46	(11,407.50)
Net return on investment	34,524.73	(6,474.00)
Net increase / (decrease) in the net assets available for benefits during the year	32,254.66	-9,367.00
Opening Net Assets of the scheme	357,704.27	363,414.20
Closing Net Assets of the scheme	389,963.06	354,047.20

Breakdown of Investment & Fund management costs and expenses

	23-24	22-23
	(£m)	(£m)
Administration and Governance		
Administration	(195.7)	(176.5)
Oversight and Governance	(91.89)	(92.9)

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Scheme Advisory Board

Other	(3.26)	(5.7)
Total Administration and Governance	(290.84)	(275.1)

Investment management costs

Management fees	(1,362.46)	(1,310.30)
Performance fees	(167.14)	(181.6)
Transaction costs	(201.1)	(180.8)
Custody costs	(7.28)	(9.5)
Other costs	(38.1)	(44.4)
Total investment management costs	(1,776.07)	(1,726.50)

Scheme Net Assets Summary

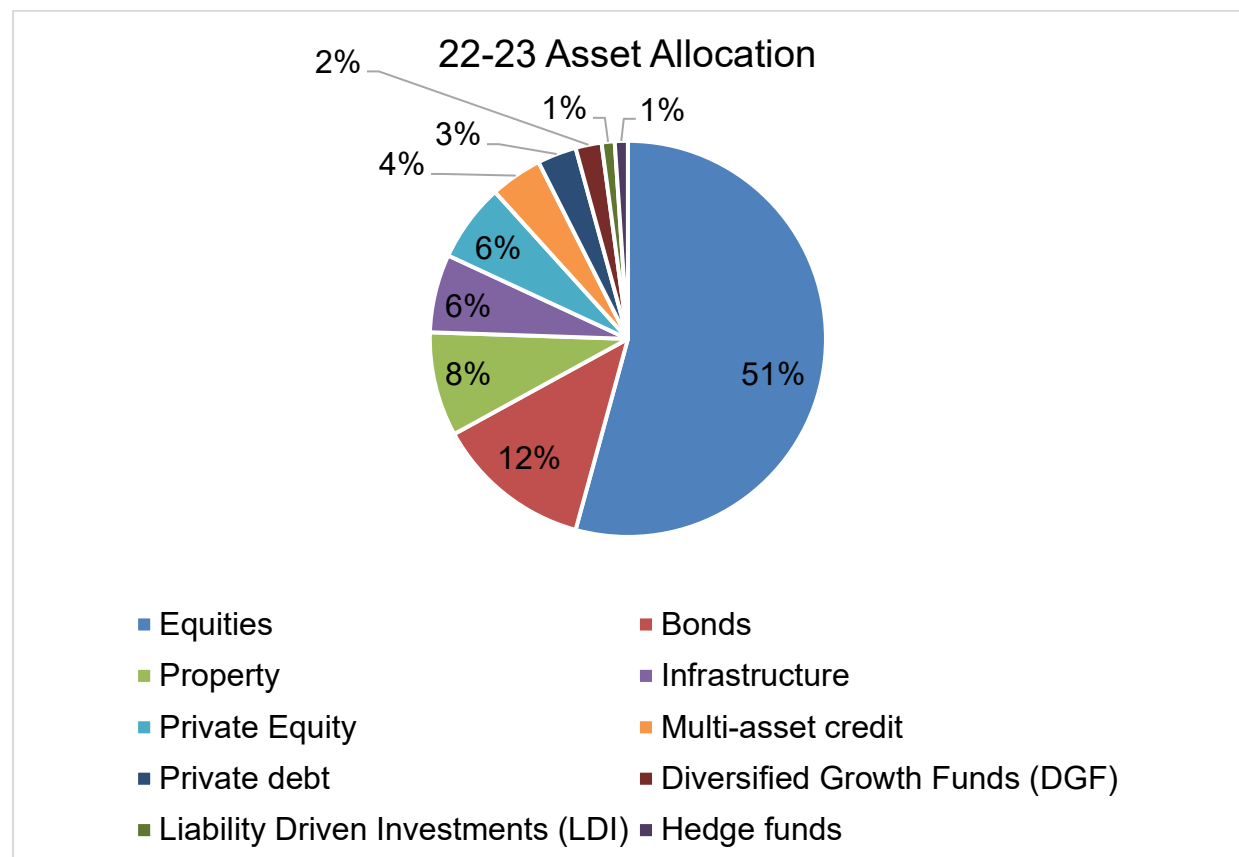
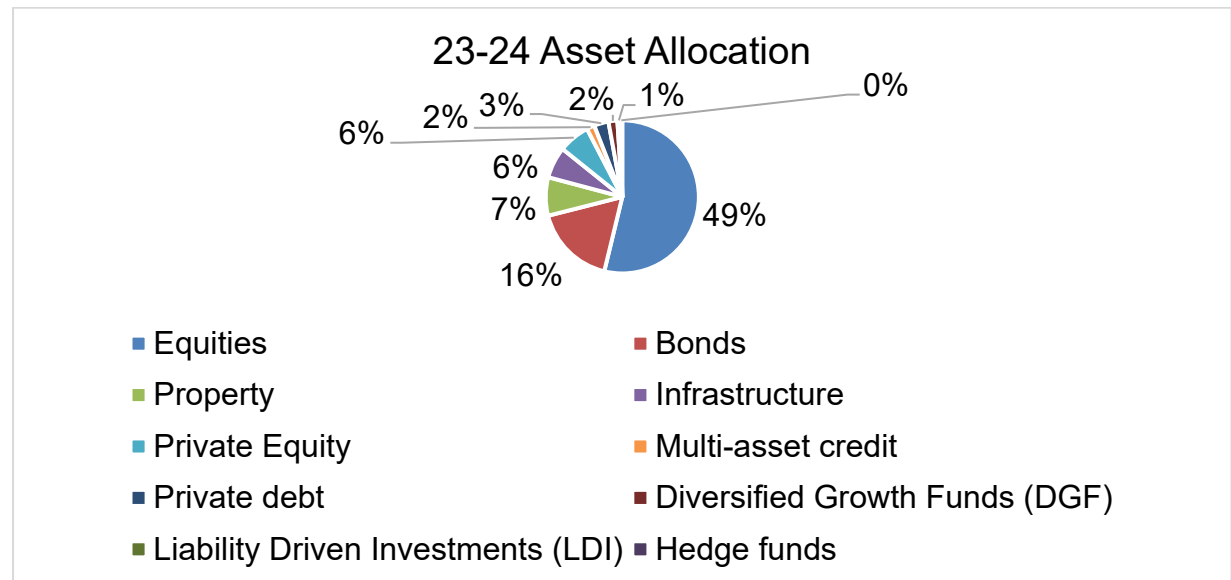
9. The table below uses the asset categorisation required to be reported in annual reports in line with the CIPFA Code but with a further breakdown of the amounts included within the “pooled investment vehicles” category. This breakdown is taken from the Net Assets Statement when not included in the annual report itself. The Board believes that this greater level of disclosure helps to better illustrate the underlying asset classes and strategies used by funds. This approach is different from previous years, where they were reported simply under “pooled investment vehicles”.

	23-24	22-23
	(£m)	(£m)
Equities	192,602.31	182,320.00
Bonds	61,790.12	44,107.00
Property	28,998.53	28,393.50
Infrastructure	23,715.61	22,739.20
Private equity	23,717.54	22,012.20
Multi-asset credit	5,959.17	13,203.80
Private debt	10,906.30	11,075.90
Diversified growth funds (DGF)	6,738.70	8,506.00
Liability Driven Investments (LDI)	2,246.25	3,419.30
Hedge funds	1,414.49	1,844.60
Derivatives	116.80	438.00
Cash	8,350.80	7,297.20
Other (inc net current assets)	13,745.18	8,690.50
Total net assets	389,963.06	354,047.20

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10. The asset allocation based on the more granular asset classifications for the year ended 2024, together with the asset allocation for the year ended 2023.



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Compliance with the Annual Report Guidance

11. Overall compliance of the 87 pension fund annual reports with the Annual Report Guidance was 84 per cent. This score was based on completion of the following sections:

Section	Fund Account	Governance and administration KPIs	Net Asset Statement	Asset Allocation	Fund Manager Analysis
Percentage of funds completed	99%	54%	95%	80%	93%

12. It should be noted that the data required to be reported in the Governance and KPIs section of the annual report was significantly different this year, following revision of the Annual Report guidance, and compliance with it was on a “best endeavours” basis in the first year.

13. The compliance scores above can be compared across fund sizes, by the partner-fund’s pool and type of authority.

Fund Size	Compliance
Small	78%
Medium	86%
Large	91%

Authority Type	Compliance
County Council/Unitaries	88%
London Boroughs	81%
Metropolitan Districts	84%
Wales	83%
Other	72%

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 11– PAPER G

Board and Committee Membership update

1. Catherine Pearce (Aon) has replaced Mary Lambe as Governance Consultant on the Compliance and Reporting Committee after Mary's departure from Aon.
2. Jeffrey Dong (Deputy Section 151 Officer & Deputy Chief Finance Officer at Swansea Council) is proposed as the new Chair of the Compliance Reporting Committee following Mark Wynn stepping down. This nomination has also received support from CIPFA and is to be raised for approval at CIPFA's Public Finance and Management Board (PFMB) at their next meeting on 27 March 2025.
3. On the Responsible Investment Advisory Group (RIAG), Tim Mpofu has stepped down from his role at Haringey Pension Fund and subsequently from the group. Patrick Rowe (City of Westminster Pension Fund) has been nominated to replace him as the London fund representative on the Group.
4. The Board would like to thank Mary, Mark and Tim for their participation.
5. The Board should also note a change to RIAG's Terms of Reference to align the term length of the chair with the same length as other RIAG members. This change was discussed at the recent RIAG meeting and approved at the Investment Committee when it met on 3 March 2025. Sandra Stewart will continue as chair of RIAG until the expiry of her second term in March 2029.
6. The second terms of Board members Emelda Nicholroy, Garry Warwick, Chris Tansley and Jon Richards are coming to an end in April 2025. The Secretariat is liaising with the relevant nominating bodies to discuss the replacements, and these will be passed to MHCLG for approval.
7. It has already been proposed that Emelda Nicholroy is replaced by Charity Main as the education sector's representative on the Board. We have also been provisionally notified that Charity Main will be seeking to step down from the Cost Management, Benefit Design and Administration Committee and Emelda has expressed an interest in replacing her. The Board is asked to approve this change at this time.

Conflicts of Interest Register

8. At its previous meeting, the Board agreed to maintain a Conflicts of Interest (Col) Register for Board and Committee members. It was agreed that the Secretariat would provide a template form which included some guidance on the interests that would need to be declared for both Board and Committee members. Once completed, it is proposed that the information collected would be publicly available on the Board's website.

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Scheme Advisory Board

9. The information will not be used for any other purpose and will not include sensitive data such as the exact value of any holdings that may be declared under it. If Board or Committee members have queries or concerns about what will be put into the public domain, then they would be invited to discuss this with the Secretariat team, and nothing would be published until agreement to publish had been reached. Where agreement was not possible, the Secretariat would refer the matter to the Chair to resolve.
10. A model template, based on those used by similar boards and committees, is at **Annex A**. A register would be maintained alongside inviting declarations ahead of each meeting, as is best practice.
11. The Board is also invited to discuss a possible revision to its Terms of Reference in relation to the process for seeking nominations. This is due to an increase in scrutiny of nominations by MHCLG officials in line with general public appointment principles. They have, quite reasonably, asked for the assurances and processes in putting forward nominations to the Minister for appointments to the Board that the Secretariat have gone through, or challenged nominating bodies to go through. This is to ensure a transparent process can be demonstrated and the most appropriate candidate has been nominated. They have also asked for assurance that the nominations are made having regard to the public sector equality duty (PSED) and the need to improve the representativeness of public appointments more generally.
12. In liaising with the nominating body, the Secretariat asks (and will document) that the body provides evidence and/or confirms the following:
 - Nominee's knowledge of the LGPS
 - Nominee's relevant experience and how that relates to the LGPS and the Board's work
 - Nominee's involvement and links into other relevant groups
 - Where the nominee is an elected member, they should ideally be from an alternative fund to the preceding outgoing member on the Board
 - Whether applications were sought for the nomination and if so, how that process was conducted. If no applications were invited from eligible nominees, how the decision on the specific nomination was taken by the nominating body
 - Due consideration of PSED requirements by the nominating body

Recommendation: That the Board approves the recommendations in this paper.

Scheme Advisory Board

Annex A – Template form for the Board's Disclosure of Interests

Disclosure of Interests (for inclusion in a Register of Interests)

Name:	
Board role:	

The members of the Local Government Pensions Scheme Advisory Board are expected to use this form to provide details of all relevant interests. These are interests that might be perceived as affecting the carrying out of their duties as part of the Scheme Advisory Board. If you are in doubt about whether to disclose a particular interest, please seek advice from the Scheme Advisory Board Secretariat.

1. Please give details of any relevant remunerated or non-remunerated directorships, i.e. directorships of companies or other organisations falling within the Information Commissioner's sphere of statutory responsibility.

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2. Please give details of any relevant employment (other than held in teaching) - that is any remunerated employment, offices held, professions etc. that might affect the carrying out of your duties as part of the Scheme Advisory Board.

Name of organisation	Nature of organisation	Position within organisation

3. Please give details of any voluntary and/or public offices held.

Name of organisation	Nature of organisation	Position within organisation

4. Please give details of any sponsorships or financial or material support that you receive from any relevant organisation.

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Scheme Advisory Board

5. Please identify any institution where you hold a total investment or other interest which has a value over £25,000 or which accounts for more than 1/100th of the issued shares or securities of that institution, or of any class of such shares or securities.

6. Please give details of any significant political activity that you are involved in, for example holding office in a political party or standing as a nominated candidate for a political party.

7. Please give details of any other relevant interests, including significant interests of close family members, i.e. ones which might influence your judgment, deliberation or action as a member of the Scheme Advisory Board, or which might be perceived by a reasonable member of the public as doing so.

Data Protection

The information provided will be processed in accordance with data protection principles as set out in the Data Protection Act 2018 and UK General Data Protection Regulation 2016. Data will be processed only to ensure that Scheme Advisory Board members and Scheme Advisory Board meeting attendees act in the best interests of Local Government Pensions. The information provided will not be used for any other purpose however will be hosted on the Board's website as part of a central register.

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Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 12 – PAPER H

COMPLIANCE AND REPORTING COMMITTEE (CRC) Update

Workplan update – summary of workstreams

1. This paper summarises the agreements and the work undertaken by the CRC and its workstream group since the last Board meeting in November 2024. The Board Secretariat wants to thank all volunteers within each CRC workstream for their continued input into each project.

Audit workstream

2. Following the publication of the [Government's English Devolution White](#) paper on 16 December 2024, an open consultation was launched by Government setting out proposals for overhauling the local audit system in England. The consultation ([Local audit reform: a strategy for overhauling the local audit system in England](#)) closed on 29 January 2025 and set out a series of measures to improve the local audit system and mentioned a commitment to consider legislating to decouple the pension fund accounts from the main accounts of the administering authority.
3. [The Board's response was submitted](#), based on views obtained from the CRC's audit working group and the December 2024 audit roundtable meeting. The response was supportive of the decoupling commitment and made more detailed comments around the implementation, e.g. the impact on the audit timetable that might come with decoupling, the role of the Key Audit Partner, considering practicality for funds and the needs of scheme employers.
4. The Audit Roundtable met in December 2024 and will meet again in the Summer. Aside from audit separation, the Virgin Media 37 case was also discussed by the CRC, and it was agreed to write to Pensions Minister Torsten Bell to request that certainty is brought to the sector on the matter.
5. Reflecting the growth in the remit of the audit working group, e.g. with the proposed accounts decoupling, the CRC agreed to extend the membership of the Audit Working Group to include a representative from the audit firms on the Public Sector Audit Appointments (PSAA) framework. The CRC felt that it was not practical to have all the firms represented but they would see whether one representative (from Grant Thornton as they volunteered) would work on the condition that they would need to represent the audit firms more widely.

Good Governance and Administration workstream

6. The Good Governance and Administration working group has met twice since the last Board meeting. In both meetings, discussions centred

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Scheme Advisory Board

around the governance proposals in the Government's [LGPS Fit for the Future consultation](#). The working group is expecting to input into revising the 2008 governance compliance statement statutory guidance in the coming months. Later in the year, the group would assist in the production of statutory guidance on administration strategy statements.

7. There is still some uncertainty on whether the new governance guidance will include the representation of scheme members. It was confirmed by MHCLG that the specific details of the role of the LGPS senior officer would be contained in guidance.
8. The CRC discussed the proposals for funds to have an LGPS Senior Officer, with some views that the role needed to be a standalone statutory role, and that guidance should specify what the expectations are for the senior officer. Discussions also covered the proposed new administration statutory guidance, with views that it will be important to consider what is currently done and measured in terms of Key Performance Indicators to ensure how these are presented but also contextualized. The Secretariat would obtain views on this from pension officer groups at key events, such as the Pensions Managers conference in Torquay.
9. The Board Chair's [letter](#) sent to administering authorities about ensuring they provide appropriate resources for effective pension service delivery was discussed and it was felt to be a helpful reminder for administering authorities at this time.

Knowledge and Skills workstream

10. The working group met in January 2025 and welcoming three new members. It also discussed the Board's response to the [LGPS Fit for the Future consultation](#) and it was agreed to develop guidance to assist funds when creating a Training Strategy (taking into consideration the current existing documents/content).
11. In developing new Training Strategy guidance the group will identify the gaps that exist, the priority of certain topic areas and consider the current CIPFA guidance and future landscape. The group felt that the eight areas within CIPFA guidance remained largely relevant, but areas where the guidance could be developed further or given greater priority include; local investment, 'soft' skills (decision making, communication, chairing skills etc), issues specific to dealing with lobbying and fiduciary duty and conflicts of interest.
12. As well as identifying the necessary knowledge and skills topics, the working group have started to consider what scheme-specific Training Strategy guidance could look like and the CRC agreed a list to evolve into guidance.

Scheme Advisory Board

Peer Support Offer workstream

13. At the November 2024, the Board asked the Secretariat to scope out a peer support service for the LGPS. The CRC agreed the initial stages of this project and a Terms of Reference which can be found at **Annex A** and the Board are asked to approve this document. The milestones proposed for this project are:

- November 2024 – Board approval of workstream (completed)
- January 2025 – March 2025 – project scoping, including creation of working group and engaging with MHCLG on proposals
- March 2025 – Terms of Reference and other project documentation to be proposed to the Board
- April, July, and September 2025 – working group meetings
- June 2025 – initial findings presented to CRC
- July 2025 – project update to Board
- October 2025 – draft framework for models of a LGPS peer support offer, budget and constraints presented
- November 2025 – project proposal delivered to the Board.

14. The Secretariat have met with the Local Government Association's Improvement team to gauge the work involved in setting up a peer support service and to learn from the approach taken by the LGA, with the specific focus on governance peer support for LGPS funds.

15. In January 2025, an invitation was added to the [LGPC monthly bulletin](#) sent to LGPS stakeholders seeking volunteers to participate in a working group to scope out the offering. Twelve volunteers representing eight funds have been received, a representative from The Pensions Regulator will also join and the first meeting is to be convened in due course.

16. For this working group, the peer support offer will be the focus, and the proposed independent governance review is considered a separate strand, although linked. It is envisioned that the peer support offer would be similar to LGA's service for member councils as a well-recognised developed service.

Recommendation – that the Board notes the progress made by the Committee on the issues set out above and agrees the Terms of Reference contained at Annex A of the paper.

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 13 – PAPER I

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE (CMBDA)

CHAIR'S REPORT FROM MEETING – 24 February 2025

Local Government Pension Committee (LGPC) update

1. The Committee received an update on the implementation of the McCloud remedy including webinars for scheme members. Lorraine Bennett (LB) also mentioned that while guidance had been expected from MHCLG on using the discretion not to include underpin information in annual benefit statements for 2024/25, none had been forthcoming and LGPC were fielding many queries about the use of the discretion. It was also noted that there not currently many queries from members on McCloud remedy.
2. LB also confirmed that the new Government was pursuing the Pensions Dashboard project and kept the connection date for LGPS of October 2025. There was as yet no go-live date for access to the Dashboard for the public though.
3. It was noted that LGPC were expecting shortly a consultation on member benefits changes, which is expected to include; proposals to equalise survivor benefits, removing the age 75 limit for death grants, updating forfeiture rules, making buying pension to cover absences easier and fairer and proposals on New Fair Deal.
4. LB also mentioned that the changes to the Normal Minimum Pension Age from 55 to 57 from 6 April 2028 and the latest position on this for the LGPS will be covered in the LGPC update to the Board. The Committee were also updated on LGPC's response to the proposed changes to inheritance tax included in the Autumn 2024 budget.

MHCLG Update

5. The Committee were informed that the 220 responses to the Fit for the Future consultation were being analysed and the response will be issued in due course. MHCLG remain interested in the Board's work on the Gender Pensions Gap and changes to the treatment of unpaid leave within the scheme.
6. It was noted that the consultation period for Fit for the Future was very short and the Committee expressed its preference for longer to respond to the coming consultation on member benefits (mentioned in paragraph 3 above). MHCLG officials gave reassurances that there would be more time allowed for responses to that consultation.

Scheme Advisory Board

2025 fund valuations and section 13

7. The Committee discussed the 2025 actuarial valuation, and the Committee were reminded of the published Funding Strategy Statement (FSS) guidance to assist funds. It was expected that there will be a mixed picture of funding positions across the Scheme and there will be the need for continued discussion on managing any surpluses and extensive engagement with employers.
8. The Board Chair will hold another meeting with pension committee chairs and the approach to 2025 valuations will be the key topic for discussion. The Committee discussed whether there was a need for more consistency in the setting of discount rates, or at least greater consistency in the way that the different considerations were considered, recorded and implemented in the valuation report. Given different actuarial approaches it was recognised that consistency was easier to achieve in the themes considered than in achieving the same outcomes.
9. Member representatives expressed concern about zero per cent employer contribution rates, citing that funds should be making at least the same contribution as scheme members. It was confirmed that the four actuarial firms are expected to meet soon to discuss their approaches to the upcoming valuation.
10. **Post meeting update:** Michelle Warbis, Deputy Director, Local Taxation and Local Government Pensions at Ministry of Housing, Communities and Local issued [a letter to administering authorities](#) on 10 March 2025, concerning the use of interim contribution reviews and looking ahead to the 2025 local fund valuations. Also, at a meeting with the fund actuaries on 10 March 2025, they asked if the Board would be prepared to consider offering some guidance ahead of the local fund valuations on these issues. It is recommended that a statement be drawn up, with the key messages being taken from the recently completed FSS guidance and the approach in the Board's [surplus statement](#) (especially in relation to managing conflicts of interest between the administering authority and scheme employer roles).

Recommendation – that the Board asks the Secretariat to draft a statement ahead of the 2025 local fund valuation.

Opt Out and Gender Pensions Gap (GPG) Survey

11. The Committee noted that the Secretariat was continuing to work with MHCLG officials to put in place an effective system for monitoring the level of opt outs from the LGPS and gain intelligence if there were particular groups that were disproportionately doing so.
12. The Committee received an overview of the findings from the Secretariat's survey, launched on 5 December 2024, of local government and academy school employers which included questions on what type of data is held by

Scheme Advisory Board

employers on employees who opt out and employer interest in GPG data reporting.

Gender Pensions Gap (GPG) working group

13. The working group has met and made significant progress on its action plan. For example, it has developed a paper setting out a standard GPG definition and reporting approach (including methodology) for the LGPS. This was drawn up by both fund, member and employer representatives and was approved by the Committee. The proposal is that the initial step in LGPS GPG reporting could be done via the 2025 local fund valuation reports.
14. The Committee also agreed to seek Board approval for the Secretariat to arrange a “roundtable” event to bring together in the summer the various stakeholders with an interest in gender pensions gap and pensions adequacy generally. That event could bring together representatives of public sector schemes (broadly defined, so including those like Railpen or USS), the actuarial profession, member representatives and representatives of employer groups (like the Local Government Association, University and Colleges Employers Association (UCEA), academy representatives etc). It is also expected that the Minister for Pensions, Torsten Bell MP, would be invited to this event.

Recommendation – that the Board asks the Secretariat to work up a detailed proposal for a roundtable event on GPG in the summer.

Committee Workplan

15. The Committee agreed the key workstreams expected for 2025 and therefore asking the Board to approve the workplan below:

Workstream	Details	Timescales
Gender Pensions Gap	The Committee agreed action plan	Ongoing
Opt out data	Work with MHCLG to devise a system to enable collection and analysis of opt out data	Consultation expected in coming months Depending on timing, maybe discuss response at June 2025 CMBDA meeting

Scheme Advisory Board

Workstream	Details	Timescales
MHCLG consultation on member benefits	Work with MHCLG on initial proposals Prepare a Board response once the consultation launches	Consultation expected in coming months Depending on timing, maybe discuss response at June 2025 CMBDA meeting
Normal Minimum Pension Age (NMPA)	With NMPA changing in 2028, clarity will need to be sought on the protection for existing members. Board to agree on review on receipt of LGPC technical paper	TBC – not clear yet when Government will make policy decision or consult on any necessary changes
Review of local fund valuations (Section 13 exercise)	To be discussed with GAD and waiting to see if there will be any steers on surpluses or employer contributions from MHCLG	TBC Scottish fund section 13 due in summer 2025, which may give some indication

Recommendation – that the Board notes the progress made by the Committee on the issues set out above and agrees the workplan.

Scheme Advisory Board

Hybrid Meeting – 24 March 2025

Item 14 – Paper J

Investment Committee Report – 3 March 2025

Code of Transparency (CoT) data system

1. The Committee appreciated the good work done by the Secretariat to address non-compliance with the Code by signatories. The rate of template completion for 2023/24 stood at 96 per cent at the time of the meeting and around 98 per cent to 99 per cent for previous years. The Secretariat would continue to chase any Code signatories with a high number of late templates. The Committee was also presented with a breakdown of late templates in private markets. Of only 2.2 per cent of templates which were late across all years, 54.8 per cent of these were in relation to private markets.
2. The Committee also received a paper outlining progress with the ongoing project on the Code of Transparency data system. The Secretariat had met with the National LGPS Frameworks team to begin preparation to develop a new framework for template collection, cost data monitoring and benchmarking services. This followed the Board's decision to not reprocur the existing central data system. The Framework team have advised that new framework being developed should start from April 2026 to allow a transitional period before the end of the Board's contract with Byhiras in August 2026. The Secretariat are working on putting together a founder's group which will include representation of the Board via the Secretariat with meetings expected to commence in April 2025. An updated project plan has been submitted at **Annex A** for the Board's approval and further detail will be provided in the coming months.

Recommendation – that the Board approves the updated CoT project plan at Annex A

Fit for the Future – next steps

3. The Committee discussed the Board's response to the Fit for the Future consultation which closed on 16 January 2025. The timelines of the Government's proposals and response to the consultation would need to be aligned with the work being done on Local Government Reorganisation to avoid additional disruption. Pools had submitted their proposals to meet the proposals set out in the consultation by 1 March 2025. MHCLG would be reviewing the proposals, and the Secretariat had offered to help in that, on a confidential basis. Some members of the Committee expressed concern if the Government expected the setting of responsible investment policy to sit with the pool, rather than just its implementation. It was felt that the policy-making function

Scheme Advisory Board

should remain with the funds and if transferred to the pools, it would be difficult to reconcile the varying views of their clients.

Responsible Investment Advisory Group (RIAG) Report

4. The Group discussed the Climate Risk Reporting principles that were put together by the fund actuaries and is currently published on the Board website alongside the updated Funding Strategy Statement. Other topics of discussion were the updated advice on fiduciary duty and the Fit for the Future consultation.
5. The Group felt the legal advice was very useful but did question the idea that scheme members were more interested in responsible investment than employers as this was not necessarily the case in many of the Group members' experience.
6. The proposals set out by the Government in the Fit for the Future consultation raised some questions about the management of responsible investment under the proposed new model. The Group had lengthy discussions on this and raised their concerns with Oliver Watson from MHCLG who was present at the meeting.
7. The Terms of Reference for the Group, which were last updated in September 2024, were updated to extend the term length of the RIAG chair to four years with a renomination of an additional four years to match the group members. This was approved.

Update of Fiduciary Duty advice

8. The Committee were informed that the Board had received [further advice](#) from Nigel Giffin KC on the evolving legal understanding of the fiduciary duty in the LGPS. The Secretariat informed the Committee that a draft summary had been written and would be published on the Board website to provide an overview of the key points raised in the 36-page document. The Committee welcomed the advice, and the draft summary was circulated confidentially to the Committee after the meeting for comment. The final draft summary has also been submitted to the Board for approval under Item 8.

Committee Workplan

9. The Committee agreed that the workplan for 2025 be submitted to the Board for approval. The workplan can be found at Annex B.

Recommendation – that the Board notes the report and approves the Cot project plan at Annex A and the Investment Committee's 2025 workplan at Annex B.

Scheme Advisory Board

ANNEX A - UPDATED PROJECT TIMETABLE

The timetable below sets out the updated key decision points and proposed timescales. The timetable for the project will remain agile to respond to developments as they emerge.

Project stage	Current timeline and proposed future timescales	Required input
Byhiras contract extension and novation	December 2023 - April 2024	Secretariat to write formal notification of contract extension to Byhiras
CoT system working group	January - February 2024	Members to be selected, Secretariat to arrange meetings and collate findings
Market engagement prep	February – April 2024	LGA Procurement team to assist with shaping of early market engagement questions
Early market engagement	24 June – 6 August 2024	Secretariat to schedule meetings with providers and collate feedback to present case to Board
Survey of funds based on early market engagement findings	9 September – 27 September 2024	Secretariat to devise and issue survey using Survey Monkey
CoT system working group final meeting	w/c 7 October 2024	Feedback on survey results
Board executive panel recommendation	w/c 21 October 2024	Send updates/information pack pre meeting
Update Investment Committee	11 November 2024	Secretariat to update the Investment Committee on the project and the recommendation being made by the panel
Board final decision	25 November 2024	Secretariat present paper to Board and invite final decision on future of the system. The final decision will be made by the Board on recommendation from an executive panel comprised of members from the Board.

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Scheme Advisory Board

Project stage	Current timeline and proposed future timescales	Required input
Ministerial Budget submission for 2025/26	November 2024	Start-up costs for framework development approved by Minister
Framework development scoping conversations	December 2024 – April 2025	Various – Secretariat, National LGPS Team, fund officers (volunteers as Framework Founders)
Framework development	April 2025 – April 2026	Various – Secretariat, National LGPS Team, fund officers (volunteers as Framework Founders)
Framework launch and transition from Byhiras system	April 2026 – August 2026	Various – Secretariat, National LGPS Team, fund officers (volunteers as Framework Founders), fund officers (system users to retrieve data from Byhiras), Byhiras (to support transitional arrangements and comms)
Byhiras contract end	30 August 2026	
Review of new arrangements to see if they are delivering expected outcomes	30 August 2027	Secretariat and fund officers

*Rows in grey indicate stages that have been completed.

Scheme Advisory Board

ANNEX B – COMMITTEE WORKPLAN

Investment Committee High-Level Workplan

Workstream	Details	Action for next Committee	Timescales
Code of Transparency	Work with the National LGPS Framework team to develop a framework for funds to procure investment cost data monitoring and benchmarking services	Compile a project plan and bring updates on progress to the next meeting. Explore changes needed to the Code to reflect the pivot to alternative method of collecting investment cost data	New framework projected to launch in April 2026. Revise Code to launch alongside the framework; exact timescales TBC
Fit for the Future consultation	Work with MHCLG to ensure the draft Bill is implementable by funds and pools, minimising the risk of unintended consequences	Depending on timing of MHCLG response.	Bill expected in Summer 2025
Fiduciary duty advice	Seek legal opinion with follow up questions on fiduciary duty and conflicts of interest	Identify legal practitioner to engage; draft summary of follow up advice to be publicised	TBC
Responsible investment (RI)	Committee agenda informed by RIAG. Discuss how Fit for the Future proposals interact with RI policies and fund requirements	Continue discussions at RIAG meetings and provide update to the Committee in the RIAG Report	Bill expected in Summer 2025 At some point we expect climate risk reporting regulations for LGPS