Investment Committee

DATE:	**11th November 2024**
VENUE:	**Hybrid Meeting (MS Teams and 18 Smith Square)**
TIME:	**11:05 – 13:00**

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:05
2	Meeting protocol		11:10
3	Actions and Agreements from 8th July 2024	**Paper A**	11:15
4	Code of Transparency Compliance Update	**Paper B**	11:20
5	Code of Transparency Project Update - CONFIDENTIAL	**Paper C**	11:30
6	Update on Pensions Review and post Budget discussion	**Paper D**	11:45
7	Responsible Investment Advisory Group (RIAG) Report	**Paper E**	12:00
8	Legal advice on fiduciary duty	**Paper F**	12:10
9	Funding Strategy Statement guidance	**Paper G**	12.25
10	Ministry of Housing, Communities and Local Government (MHCLG) Update	**Verbal**	12:35
11	AOB and Date of next meeting		12:50

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Item 3 – Paper A

Actions and Agreements from meeting of 8 July 2024

Present

Councillor Yvonne Johnson	Chair – London Borough of Ealing
Councillor Robert Chapman	Local Authority Pension Fund Forum (LAPFF)
Sandra Stewart	Greater Manchester Pension Fund (Chair of Responsible Investment Advisory Group)
Peter Wallach	Practitioner – Merseyside Pension Fund
Euan Miller	Practitioner – West Yorkshire Pension Fund
Jeffrey Dong	Practitioner – Swansea Pension Fund
Nick Buckland	Practitioner – Kent Pension Fund
Louis-Paul Hill	Investment Consultant (Aon)
Iain Campbell	Investment Consultant (Hymans)
Tony English	Investment Consultant (Mercer)
Pete Smith	Investment Consultant (Barnett Waddingham)
Fiona Miller	Asset Pool (Border to Coast)
Chris Rule	Asset Pool (Local Pensions Partnership – LPP)
George Georgiou	Member representative – GMB
Richard Lane	Academies representative – Twyford Academies
Christophor Ward	Government Actuary's Department (GAD)
Jo Donnelly	Head of Pensions, Local Government Association (LGA)
Jeremy Hughes	Senior Pensions Secretary, LGA
Becky Clough	Board Support & Policy Officer, LGA
Ona Ehimuan	Pensions Secretary, LGA
Sarah Tingey	Research and Data Analyst, LGA
Jonathan Hunt	Consultant to the Scheme Advisory Board (SAB)

Investment Committee

Item 1 – Welcome, introductions and declarations

1. The Chair welcomed all in attendance.
2. Apologies had been received from Andrew Dobbie (UNISON) and representatives from the Ministry of Housing, Communities and Local Government (MHCLG) did not attend the meeting given the proximity to the general election. Tommy Bowler (Unite) and Gary Delderfield (Eversheds Sutherland) were absent without apology.
3. Louis-Paul Hill declared a conflict of interest in relation to Item 5 – Code of Transparency Project Update and was not present in the meeting during that item.

Item 2 – Meeting protocol

4. The Chair advised members of the virtual meeting protocol.

Item 3 – Actions and agreements from the meeting of 26 February 2024

5. The actions and agreements from the previous meeting were agreed as a fair and true record of the meeting, although the attendance list needed to be changed as Peter Wallach had not been able to attend.

Item 4 – Code of Transparency (CoT) compliance update

6. Ona Ehimuan (OE) introduced Paper B to the Committee. Since the February 2024 meeting, the rate of compliance within the Code of Transparency online system had increased. The increase was due to uploading of late templates from previous years. The compliance figures were as follows:

- for 2019/20 it had remained at 98%
- for 2020/21 it had increased from 95% to 98%
- for 2021/22 it had increased from 94% to 98%
- for 2022/23 it had increased from 94% to 98%
- for 2023/24 the rate stands at 46%. The rate of completion was lower than expected due to the reporting year end date of 31 March 2024, meaning that templates were not classified as late until the end of June. It was expected that the rate would have increased sharply by the next Committee meeting and was in line with the pattern of activity on the system shown in previous years.

7. The Committee also were updated on the asset managers that had a significant number of late uploads. Neuberger Berman have

significantly reduced the number of late uploads since the last meeting in February 2024 and have committed to uploading the remaining outstanding templates over the coming months.

8. Partners Group reported to the Secretariat that they would not have the capacity to address the outstanding 34 late templates and would instead be focussing on delivering the data going forward. The Committee recognised that while recent data was typically the most valuable, previous templates were also needed for trend analysis. The Committee noted that uploading templates to the system is a condition of being a Code signatory. Compliance by Partners Group was felt to be especially important since it is one of the main providers of private markets investment opportunities to LGPS clients. The Committee requested that the Secretariat contact Partners Group to express their concerns and encourage compliance with the Code’s requirements.

ACTION – that the Secretariat writes to Partners Group to encourage them to upload all their late CoT templates

Item 5 – Code of Transparency Project Update (Confidential)

9. OE introduced Paper C (Confidential) to the Committee. An update on the progress of the project was delivered to the Committee along with an updated project plan for submission to the Board. The Committee noted the updates and approved the updated project plan for submission to the Board.

ACTION – That the Secretariat presents an updated project plan to the Board at its next meeting on 22 July 2024

Item 6 – RIAG Report

10. Sandra Stewart, Chair of the Responsible Investment Advisory Group (RIAG) introduced Paper D to the Committee. The key items of discussion at the most recent RIAG meeting on 13 May 2024 was a presentation from The Pensions Regulator (TPR) on their review of compliance from the second year of TCFD reporting in the private sector and a discussion on the RIAG’s ToR and workplan for the coming year.

11. It was agreed that the RIAG would discuss their Terms of Reference again at the next meeting, although there was broad agreement that they should remove the requirement to maintain the Responsible Investment (RI) A-Z database.

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12. The Committee also agreed that at a future meeting they would have a more in-depth discussion of the evolving factors affecting fiduciary duty and recommended that the Board should make a statement on the subject to support officers and elected members. In doing so it was noted that the BDS Bill that was introduced by the previous government had not completed its passage through Parliament and was unlikely to be brought back by the incoming Labour Government.

13. Councillor Rob Chapman expressed support for a statement and guidance to support funds as the lobbying pressure seems to be increasing in intensity.

Item 7 – Update on recent engagement activity

14. Jeremy Hughes (JH) introduced Paper E to the Committee. Following on from a letter sent by Minister Simon Hoare MP in May 2024 to most funds in England, the Board had held engagement events with Pension Committee Chairs and fund officers. Around 60 – 70 officers attended the officer session led by Jo Donnelly, LGA Head of Pensions and 20-25 PC Chairs attended the pension committee session led by Cllr Roger Phillips, chair of the Scheme Advisory Board. The key messages from these sessions were:

- The Chairs appreciated being brought together (even though it was election time) and would want more of these kinds of events in the future
- There was a feeling that MHCLG should engage more widely and this would help it to understand the complexity of some of the issues with pooling
- There was a strong sense that pension fund monies are very different from a sovereign wealth fund and Ministers should not try to direct what LGPS funds invest in
- That said, there are varying appetites to work with Government to find creative financing solutions for infrastructure and other projects that government wanted to get backers for.

15. The Committee noted the next steps in Paper E.

POST MEETING NOTE – the Local Government Minister after the general election on 4th July 2024 is now Jim McMahon MP

Item 8 – Post Election Planning

16. Jo Donnelly (JD) informed the Committee that the Board would send a welcome letter to the new Local Government minister (once announced) and the Committee was asked for views on the key issues areas which should be raised in that letter.

17. The role and definition of fiduciary duty, implementing Good Governance, climate risk reporting and clarity on pooling regulations were all highlighted by the Committee. Richard Lane (RL) added that multi-academy trusts were facing increasing structural issues in the scheme and highlighted this as a topic. George Georgiou said that for GMB the key issues were a lack of evidence that pooling has brought the increased returns and reduced asset management costs that were promised. He also raised concern about the way exit credits seemed to be encouraging employers to leave the scheme.

18. Cllr Chapman (RC) mentioned that LAPFF was also planning to set out its views to the new Minister. The areas raised by the Committee were noted by the Secretariat.

ACTION – that the Secretariat considers the topics raised by the Committee for inclusion in the welcome letter to the new Minister

Item 9 – AOB and date of next meeting

19. Cllr Yvonne Johnson would be stepping down from the Committee after the conclusion of the meeting as her term of office has ended. JD thanked her for her contributions to the Committee as Chair and wished her all the best in her new role as Mayor of Ealing.

20. The new Chair of the Committee, Cllr Andrew Thornton from Bradford Metropolitan District Council/West Yorkshire Pension Fund, would be confirmed by the Scheme Advisory Board at its next meeting.

21. The date of the next meeting was confirmed as 11 November 2024 at 11:05.

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Item 4 – Paper B

**LGPS Cost Transparency Compliance Update
(standing agenda item)**

Background

1. The LGPS Investment Code of Transparency (Code) requires signatories to provide certain cost information to their LGPS clients. To enable the SAB to have direct oversight of Code compliance as well as see scheme-wide cost data, the SAB procured an online system, specifically for the LGPS, which is provided by Byhiras. This was launched at the end of March 2020.

Recent developments

2. The table in **Annex A** sets out how uptake and use of the system has developed since the system was launched. In terms of "headline numbers" for timeliness, the overall percentage of completed templates for 2019/20 has remained the same at 98%. The largest proportion of missing templates remain in the infrastructure and unlisted equity asset classes.
3. For 2020/21 the overall completion rate has risen from 98% to 99%. Late templates are predominantly in the unlisted equity (more commonly known as private equity), private listed equity and property asset classes.
4. For 2021/22 the overall completion rate has remained at 98%. Late templates are predominantly in the unlisted equity, property 'other' asset classes.
5. For 2022/23 the overall completion rate has remained at 98%. Late templates are predominantly in the property, active listed equity and active listed fixed income asset classes.
6. For 2023/24 the overall completion rate currently stands at 95% (at the time of writing). Late templates are predominantly in the unlisted equity, infrastructure, active listed equity and property asset classes.
7. These improvements compared to the completion rates reported at previous meetings are due to work that the Secretariat has put in to chase the particular fund managers failing to upload templates as required under the Code. Often this is to do with formatting issues which have been resolved with the help of the current service provider, Byhiras.
8. Despite this, the Secretariat has identified fund managers that still have a significant number of late templates. These are as follows:
    a. Neuberger Berman Europe Limited has 72 late templates at the time of writing (1 for 2019/20, 33 for 2023/24 and 38 for

2024/25) an increase of 40 since the last meeting. The majority of the outstanding historic templates have been uploaded following on from our contact with them in previous months, however the sharp rise in late templates once again indicates an ongoing issue with uploading the template without prompting from the Board. We have been informed that the vast majority of the templates relate to alternative funds, causing a delay in the flow of data but they are working to upload the templates.

b. Partners Group UK Limited have 34 late templates at the time of writing (9 for 2019/20, 8 for 2020/21 and 17 for 2021/22), which is the same as at the last meeting. Partners Group informed us that they would not be uploading the late templates for previous years as they did not have the capacity to do so. Jo Donnelly, Board Secretary wrote to Partners Group on two separate occasions (2 September 2024 and 2 October 2024) to request that these templates be uploaded and expressed the Investment Committee's concern that an asset manager with substantial LGPS assets under management has not done so. Partners Group responded on both occasions saying that they are committed to future compliance but will not be reworking past templates. The Secretariat have contacted the three underlying funds to ask whether this will be an issue and have received a response from one fund confirming that they have received the data directly and do not need the Secretariat to chase these further.

The Secretariat asks at this stage whether the Committee has a particular view on escalating this matter.

c. JP Morgan Asset Management have 24 late templates at the time of writing (12 for 2023/24, 1 for 2022/23 1 for 2021/22, 1 for 2020/21, 1 for 2021, 2 for 2020 and 6 for 2019), which is an increase from 12 at the last meeting. The Secretariat made contact with JP Morgan in October 2024 to ask for an update on the remaining outstanding templates and have been informed that they will be uploaded as soon as possible.

d. Aviva Investors Global Services Limited have 29 late templates at the time of writing (4 for 2023/24, 4 for 2022/23, 4 for 2021/22, 4 for 2020/21, 2 for 2019/20, 3 for 2023, 3 for 2022, 3 for 2021 and 2 for 2020) up from 25 at the last meeting. The Secretariat made contact with them to follow up on the additional 4 late templates and they confirmed that the templates . Aviva previously informed us that they have had issues uploading real estate templates due to reporting deadlines and issues with logging on to the system but clients are sent the data directly without issue.

e. Veritas Asset Management have 12 late templates (2 for 2023/24, 2 for 2022/23, 2 for 2021/22, 2 for 2023, 2 for 2022, 2 for 2021,). We have made contact with them to chase the outstanding templates and are awaiting a response from them.

f. Dalmore Capital have 38 late templates on the system for 2023/24. We have made contact with them to chase the outstanding templates and are awaiting a response from them.

9. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.

10. Since the last meeting, we have had 3 new managers sign up to the Code:

- Cardano Risk Management Limited on 10 July 2024
- Generation Investment Management on 6 August 2024
- Alphinity Investment Management Ltd on 3 September 2024

Recommendation: That the Committee notes this summary report.

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Annex A

Headline statistics on cost transparency compliance system users and uses

Cumulative totals to the date shown

Date	No. of managers on system	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
June 2020	46	1,023	922	96	5
January 2021	69	1,358	1,265	0	93
April 2021	86	2,984	1,394	1,448	142
September 2021	95	4,252	3,639	163	450
November 2021	103	4,551	3,732	208	611
February 2022	107	4,995	3,863	439	693
May 2022	114	7,326	4,089	2,215	1,022
September 2022	113	7,102	6,360	53	744
November 2022	115	6,884	6,411	15	458
February 2023	114	7,147	6,508	264	363
May 2023	114	9,584	6,869	2,344	371
July 2023	113	9,706	7,751	1,603	352
November 2023	115	9,792	9,418	15	359
February 2024	116	10,357	9,630	262	465
July 2024	118	13,154	11,344	1,571	239
November 2024	120	13,319	12,952	54	313

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Totals (non-cumulative) for each financial year

Date	No. of managers with schedules	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
2019/20 Change from July 2024	78 No change	1,438 No change	1,418 No change	0 No change	20 No change
2020/21 Change from July 2024	103 No change	2,671 Up 26	2,646 Up 8	0 No change	25 Down 8
2021/22 Change from July 2024	110 Down 1	2,917 Up 5	2,871 Up 17	0 No change	46 Down 12
2022/23 Change from July 2024	109 No change	3,070 Up 13	3,033 Up 35	0 No change	37 Down 22
2023/24 Change from July 2024	109 Up 2	3,105 Up 40	2,959 Up 1,523	0 Down 1,570	146 Up 77

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Item 6 – Paper D

Update on Pensions Review and Autumn Budget

The Pensions Review

1. The Board Chair and Secretariat have been engaging with the Pensions Review which was launched in July. The review is led by Emma Reynolds MP, who is the first joint DWP/HMT Pensions Minister. Together with Jo Donnelly, Cllr Phillips has had introductory meetings with both Emma Reynolds and Jim McMahon, the Local Government Minister.

2. A Terms of Reference for Phase One of the Review was published on 16 August, stating that it would look at "*tackling fragmentation and inefficiency in the LGPS through consolidation and improved governance*" as well as DC consolidation and "*encouraging further pension investment into UK assets to boost growth across the country*". Since then, a Call for Evidence has been published (with respondents given just three weeks to reply) and the Board provided a response. Many other LGPS stakeholders (funds, pools and trade unions) also put in submissions.

3. The Board's response was clear in its view that pools have delivered significant cost savings already and facilitated access to asset classes such as infrastructure and housing. They are also playing an increasing role in due diligence to support local investing and providing additional expertise in the field of climate risk management. The Board also highlighted in its response that the Scheme being based in local government is important to scheme members and employers.

4. Because of this the Board would argue that what "consolidation" should mean in this context is focussing on delivery of the current project and identifying best practice from across the different pool models and experiences. That would include governance, approach to investment and the need for member representation.

5. The Board does not believe that "consolidation" should have as an objective a reduction in the number of funds or pools. That would be a distraction and could actually lead to inertia around the Government's main aim to increase the level of assets pooled. Given the huge amount of effort required to engineer voluntary fund mergers, the Board feels that forced mergers or consolidation should be avoided at all costs.

6. An announcement on the initial findings of Phase 1 of the Pensions Review is expected before the end of the year. Beyond that announcement, we anticipate that further action will be needed to deliver the revised policy direction. That may mean clauses on LGPS

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being included in the Pension Schemes Bill when it is published in the New Year. We also expect MHCLG to consult in the New Year on any changes it proposes to make to the 2016 LGPS Investment Regulations and associated statutory guidance.

7. Although there is not yet a timetable for Phase Two of the Review, the Board believes that there are likely to be several issues that the Board will want to engage in. For example, it is expected that Phase Two will be looking at the gender pensions gap, and potentially other pension gaps that other research has shown to exist (e.g. around ethnicity). There will also be chances to make representations about how the pensions system more generally works for scheme members who are typically low-paid and often part-time workers.

8. At its meeting two weeks ago, the Cost Management, Benefit Design and Administration Committee (CMBDA) decided to recommend that a small working group be set up by the Board to consider how best to engage with and respond to Phase 2 of the Pensions Review.

Autumn Budget

9. Although there were no new LGPS-specific announcements in the Autumn Budget on 30 October, the overall spending limits for local government were set for the coming year. The Chancellor announced a 10.2% real terms increase in revenue support provided through the Local Government Settlement and a real-terms increase of around 3.2% in 2025-26 in total core spending power (which allows for council tax increases and retained business rates).

10. Despite this, many administering authorities are still likely to face financial pressures, and the Secretariat is aware that this has been affecting the ability to manage pensions services, despite the cost being met from the ringfenced pension fund and not the General Fund used for other local authority services.

11. The Board is therefore considering writing to all LGPS funds in England and Wales to encourage them to implement the Good Governance recommendation to “ensure their [pension] committee is included in the business planning process. Both the committee and LGPS senior officer [which was another recommendation in the report] must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year” and “that the fund’s budget is set and managed separately from the expenditure of the host authority and therefore no direct impact on the fund’s activities following any decision relevant only to the host authority's budget.”.

Recommendation – For this Committee to note this update

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Item 7 – Paper E

Update from Responsible Investment Advisory Group (RIAG)

Report from last meeting on 23rd September 2024

1. The Group discussed the Labour Party's commitment in its manifesto to Net Zero targets and the proposed requirement for all pension schemes to develop a credible transition plan that aligns with the 1.5°C temperature rise goal of the Paris Agreement. The group also considered the implications that the change in government could have for the LGPS. It was felt that implementing transition plans would not be a significant additional ask for those LGPS funds which were already engaging in voluntary reporting. There was, however, a need for clarity from the government and sufficient lead in time to allow those funds who weren't already doing voluntary reporting to prepare for any new reporting regime.

2. The Board had identified in previous analysis that less than 50% of funds had climate related targets and less than a quarter were attempting to report emissions data across different asset classes. It was agreed that the Secretariat would explore whether there is a correlation between funds voluntarily engaging in climate related reporting activities and their size.

3. The Group discussed the government's desire for greater investment in assets that contribute to local growth and impact investing. It was noted that the areas in the UK where investors might choose to invest if aiming to generate maximum growth were potentially different from areas where they would invest if aiming to reduce regional inequality. The pools as well as the new National Wealth Fund could have a role in enabling funds to align their investment strategies with the government's desires. This would need further clarity from government, as to intentions and any measures to help deliver their aims, and then consideration of how that mapped onto funds' investment aims.

4. The group were concerned that action by the government might conflict with the application of the fiduciary duty in the LGPS. LGPS investment choices were more easily influenced than other institutional investors, which potentially made it an "easy target". The Group felt it was possible that conflicts could arise with fiduciary duty and discussed whether a formal definition of the fiduciary duty would be helpful. The group also discussed the possibility of the government underwriting investments in strategically significant infrastructure and the possibility

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of using new financing models, akin to previous, well-established models like the private finance initiative (PFI), to finance impact investing.

5. The Group noted the recent statement by the Board to address the current situation whereby administering authorities are dealing with increasing queries about how LGPS funds are invested. The group felt that the statement would be very helpful in briefing and setting the ground-rules for pension committee and board members.

6. The Group agreed that the updated Terms of Reference be finalised and submitted to the Board for approval.

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Item 8 – Paper F

Legal advice on fiduciary duty

Background

1. LGPS funds are having to deal with increasing levels and increasingly extreme forms of lobbying around how LGPS funds are invested. The intensity of lobbying around climate change has been building for some time and the humanitarian disaster in Gaza has taken it to unprecedented levels. It is increasingly difficult for LGPS funds to ignore these activities while carrying out their statutory functions.
2. It is within this context that the Board decided to get further advice on the relevant factors that those making investment decisions at LGPS funds should take into account. Advice has been sought in particular on whether there have been changes in the way the fiduciary duty is understood since 2014, when counsel advice was last taken on this question.
3. Around the same time as this advice was received, the Law Commission was asked by the Government to investigate how the law of fiduciary duties applies to investment intermediaries and to evaluate whether the law works in the interests of the ultimate beneficiaries. Their full report was issued in June 2014.
4. The Board has also noted some recent re-consideration of the fiduciary duty, mostly in relation to climate risk. A recent report from the Financial Markets Law Committee (FMLC) seeks to clarify a legal position on a pension fund trustee's fiduciary duty when considering sustainability and climate change. This suggested that a distinction between financial and non-financial factors is increasingly hard to maintain in this context. The report argues that the consequences of climate change (both physical and financial) are now better seen as material financial risks and not responsible investment concerns.
5. The Board is also mindful of increasing desire by different governments to set targets or ambitions for LGPS investments. This has led to some decision makers potentially facing a conflict between the twin aims of achieving these government targets, and investing in the best interests of beneficiaries. We have been repeatedly reassured by MHCLG officials that the setting of targets is not intended to conflict with the fiduciary duty, but some funds have expressed concern that this may still unintentionally have that outcome.

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Recent developments

6. The Secretariat have commissioned Nigel Giffin KC to provide the updated advice that the Board has asked for.
7. The Board also sought Counsel's view of letters that a number of funds have received which allege that they are acting unlawfully by holding, and failing to divest from, investments in companies which have been linked to the ongoing situation in the Middle East. That legal advice has been received and is publicly available on the legal opinions and summaries page of the Board's website.
8. The fuller, revised general advice from Counsel is expected to be received by the time of the Board's next meeting on 25 November. At that meeting it will be agreed how to publicise the revised advice.

Recommendation – that the Committee notes this report.

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Item 9 – Paper G

Funding Strategy Statement (FSS) guidance

Background

1. Regulation 58 of the Local Government Pension Scheme Regulations (LGPS) 2013 requires funds in England and Wales to publish a written statement setting out its funding strategy. As a reminder, Part (4) of this regulation requires that:

2. '(4) In preparing, maintaining, and reviewing the statement, the administering authority must have regard to -
    (a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and
    (b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016'.

3. The Board's Compliance and Reporting Committee (CRC) set up a working group compromising of fund practitioners, fund actuaries, the Government Actuary's Department (GAD), scheme employers, LGPS legal advisors, scheme member representatives and the Scottish Scheme Advisory Board. That group worked on updating the previous CIPFA guidance from 2016 to help funds create their FSS document. A primary aim of the new guidance was to cover all the necessary topic areas but without being prescriptive in the policy approach to take. A priority was also that the FSS document published by a fund should be better understood by its primary readership of scheme employers.

4. The new FSS guidance has been drafted so it can be applicable in Scotland and Northern Ireland and has been reviewed for comment by Scottish LGPS practitioners in the working group. The Secretariat have also shared the guidance with the Scottish Public Pensions Agency (SPPA) policy team and the Scottish Scheme Advisory Board (SSAB) for potential adoption by Scottish Ministers.

5. The project was first started in Autumn 2022 and the Secretariat has received a significant amount of input from all group members to the final version, which reflects the current funding scenarios faced by LGPS funds now and as they prepare for the 2025 Actuarial Valuation.

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Current position

6. The new FSS guidance was approved by the Board's CRC when it met on 21 October 2024 with only minor comments which have been addressed since the meeting. The Committee are invited to note the new guidance which can be found at **Annex A** (shared confidentially via email).

7. The Secretariat wanted to bring the updated guidance to this Committee's attention for two reasons. Firstly, because of the link between the FSS and the Investment Strategy Statement (ISS) covered in the LGPS regulations, the Committee will wish to note the section in the guidance covering a FSS's interaction with a fund's ISS (paragraphs 45 to 49).

8. Secondly, the new FSS guidance has been updated to take into consideration some of the recommendations made in the Government Actuary's latest review of local fund valuation reports. Specifically for climate risk reporting, the FSS guidance now sets out that funds should be clear on their approach to assessing the potential impact of climate risk, how this is used in decision making, risk management and how it links with other management strategies. However, as the subject of climate risk reporting is an evolving area, the FSS guidance recognises this and therefore a separate climate principles document is referenced in the guidance which has been drafted by fund actuaries and which is broadly supported by GAD (at paragraph 42).

9. It is proposed that the Board will publish the climate risk reporting principles document and the current draft can be found at **Annex B** to this paper (shared confidentially via email). The Committee is invited to comment on this document.

Next steps

10. The Secretariat are aiming for the FSS guidance to be available for the end of the year and it will be submitted for approval by the Chartered Institute of Public Finance and Accountancy (CIPFA) at its Public Finance Management Board meeting on 7 November 2024. If approved there, it will be put for approval at the Board's meeting on 25 November 2024 and the Secretariat will then work with MHCLG officials for it to receive Ministerial approval, with the plan for final guidance to be issued before the end of December 2024.

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