

# Scheme Advisory Board

**Hybrid meeting held on 11<sup>th</sup> March 2024 – 1.00pm**

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

### **Actions and agreements**

**Hybrid meeting held on 4<sup>th</sup> December 2023 – 1.00pm**

### **Present**

Councillor Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Councillor Yvonne Johnson	Scheme Employer Representative
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)
John Neal	Scheme Member Representative (UNITE)
Tommy Bowler	Scheme Member Representative (UNITE)
George Graham	Practitioner Representative (South Yorkshire Pension Authority)
Kelvin Menon	Association of Local Authority Treasurers representative – ALATS
Mark Wynn	Compliance and Reporting Committee Chair
Joe Dabrowski	Pensions and Lifetime Savings Association (PLSA)
Ollie Watson	Department for Levelling Up, Housing and Communities (DLUHC)
Matt Gurden	Government Actuary's Department (GAD)
Gary Delderfield	Eversheds Sutherland
Alan Wilkinson	Scottish Public Pensions Agency (SPPA)
David Murphy	Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)
Jo Donnelly	Local Government Association (LGA) – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Lorraine Bennett	LGA – Senior Pensions Adviser

### **Scheme Advisory Board Secretariat**

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# Scheme Advisory Board

Becky Clough

LGA – Board Support and Policy Officer

Ona Ehimuan

LGA – Pensions Secretary

Jonathan Hunt

Consultant to the LGA

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

1. Apologies for absence were received from Chris Tansley (UNISON) and Nick Kirby (TUC). Apologies were also received from Teresa Clay (DLUHC), Ollie Watson attended the meeting in her place. The Chair welcomed Kelvin Menon and Tommy Bowler to their first Board meeting.

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

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

## **Item 3. Actions and agreements from 17<sup>th</sup> July 2023 meeting (Paper A)**

3. The minutes of the meeting of 17<sup>th</sup> July 2023 were confirmed as an accurate record of the meeting.
4. The Chair invited Lorraine Bennett (LB) to provide an update on McCloud. McCloud regulations took effect from 1<sup>st</sup> October 2023 giving funds the legal power to implement the McCloud remedy. This is a significant piece of work for funds to implement and administrators would be working on the remedy for many years to come. The LGA pensions team had undertaken various workstreams to support the implementation of the remedy including producing communication material/template letters for funds to use, technical and data guides, a presentation at the Pension Managers' Conference in Torquay and webinars to be held on 7<sup>th</sup> December 2023 and 20<sup>th</sup> December 2023.

## **Item 4. Economic Activity of Public Bodies (Overseas Matters) Bill**

5. Jo Donnelly (JD) informed the Board that a date for the third reading of the Bill had not yet been set. During the Public Bill Committee stage of the Bill, Jo Donnelly as Board Secretary and Jon Richards as Vice-Chair attended the Committee to provide oral evidence on behalf of the Board. The LGA has also submitted written evidence to the Committee and will continue to issue technical briefs for Parliamentarians as the Bill proceeds through Parliament.

## **Item 5. King's Speech update**

6. There was no mention of the Audit, Reporting and Governance Authority (ARGA) Bill in the King's Speech on 7<sup>th</sup> November 2023. This Bill would have sought to establish ARGA as a new regulator to replace the Financial Reporting Council (FRC). The Bill had been identified as a potential

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legislative vehicle to allow for the separation of pension fund accounts from main local authority accounts. This change had been proposed by the Board and agreed in principle by the previous Local Government Minister, Lee Rowley, to alleviate the ongoing issue of the delays in auditing pension fund annual accounts. It was thought unlikely now that this Bill would be enacted before the next General Election.

7. JD informed the Board that the House of Commons' Levelling Up, Housing and Communities Select Committee issued a report in November 2023 which included a recommendation to decouple the pension fund accounts from the host local authority accounts.

## Item 6. Autumn Statement

8. Ollie Watson (OW) from DLUHC updated the Board on the Autumn Statement, which the Chancellor presented on 22<sup>nd</sup> November 2023. DLUHC published its response to the 'next steps on investments' consultation alongside the Autumn Statement and OW thanked all respondents to the consultation, including the SAB.
9. DLUHC's response made minimal changes to the original consultation proposals. OW confirmed that the deadline for funds to transfer all their assets to pools would be 31<sup>st</sup> March 2025 and that it was envisioned that in the future there would be fewer but larger pools. The consultation response also confirmed that funds should make a plan to ensure that up to 5% of fund assets were invested in projects that supported the Government's Levelling Up missions. The response also confirmed that the Government would set an aspirational target for funds to invest 10% of their assets in private equity.
10. The Chair stressed the importance of effective governance in making a success of pooling. He urged DLUHC to implement in full the Board's Good Governance recommendations. OW explained that the consultation response did make reference to publishing a training strategy for decision makers and said that broader advice would be put to the Minister on the adoption of the SAB's Good Governance recommendations.
11. OW said that there would be a set requirement to report on the pooling of assets in fund annual reports, and funds will be asked to clearly justify any non-pooled assets through a 'comply or explain' regime. In response to questions to explain how this regime would operate in more detail, OW said that this would be set out in guidance that was still being drawn up. The Board encouraged OW and the Department to set this out as early and as clearly as possible.
12. The Board agreed that the Chair should reiterate the Board's views when meeting with the Minister and report back at the next meeting. At the suggestion of Cllr John Beesley (JB), it was agreed that the Board should

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make further formal representations to DLUHC on those issues where its advice did not appear to have been taken on board in the response to the consultation.

13. Cllr John Fuller (JF) said that the definition of infrastructure and its relationship to Levelling Up needed to be made clear by DLUHC. OW explained that the definition of infrastructure had been set out in the levelling up section of the consultation response, but sought to avoid being overly prescriptive to allow funds to seek out the opportunities most appropriate to them and not cut across fiduciary duty.

**ACTION – that the Chair reports back to the Board on the Government's direction on pooling after meeting with the Minister**

## **Item 7. Surpluses Statement (Paper B – Confidential)**

14. Jeremy Hughes (JH) introduced Paper B to the Board. A surpluses working group had been established in October 2023 and had met twice to consider the issue of funding level surpluses in the LGPS. The group's discussion focused on the impact of surpluses on employer contributions, investment/funding strategies and any specific communications needed to be developed in response to this position. The working group agreed that the Board should release a statement on the issue to assist funds with some of the issues which may arise. The draft statement was presented to the Board for discussion.
15. Teresa Clay (TC), Head of Local Government Pensions at DLUHC had provided some additional wording in the statement, specifically to address the implications where a council had issued a s114 notice. TC said that even if a s114 notice had been issued and a council was not able to set a balanced budget, they could still be relied on to honour their statutory and contractual obligations, including the payment of LGPS employer pension contributions.
16. While there was general agreement about the content of the statement, there was a concern that it was trying to cover too much ground and needed to send fewer, clearer messages. It was also felt necessary to have further discussion about how communications with members and employers should be managed. It was agreed that the Secretariat consider altering the drafting of the statement before publishing it. The final statement would then be cleared by the Chair and Vice-Chair. The Secretariat would also be leading a discussion on the topic at the next LGPS Live webinar on 6<sup>th</sup> December 2023.

**ACTION – that the Secretariat review the draft surpluses statement before publication, taking on board the comments from the Board, and arrange another surpluses working group meeting**

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## Item 8. Risk Register (Paper C)

17. Becky Clough (BC) introduced Paper C to the Board. The level of risks 8, 10 and 16 had decreased since the last meeting. The rating for risk 14 which related to the SAB's website had been increased to reflect the urgency of changes needed to improve the accessibility of the SAB website.

## Item 9. Code of Transparency data reporting system (Paper D – Confidential)

18. Ona Ehimuan (OE) introduced Paper D to the Board. Since the last meeting, the Secretariat had concluded a series of training and awareness sessions across the country and the feedback collected from the sessions was presented to the Board at Annex A. The sessions had been a success with 155 attendees and engagement from over 60 funds in England, Wales and Scotland. The Board discussed and agreed their preferred course of action in relation to the existing contractual arrangements, which would be taken forward by the Secretariat following the meeting. The Secretariat were also instructed to implement the longer-term project plan to support this work, presented to the Board at Annex B.

**ACTION – that the Secretariat carry out the actions associated with the Board's preferred course of action**

## Item 10. Board budget and workplan 2024/25 (Paper E – confidential)

19. JD introduced Paper E to the Board. Gareth Brown had left the LGA and, subject to approval and a successful recruitment process, would be replaced by a full-time data analyst to support the increased demand on the team. The salary component of the 2024/25 budget had been increased to reflect this. In relation to last year's budget, the proposed budget also included:
- existing contractual commitments to maintain the Code of Transparency reporting system
  - a reduction in the Cost Transparency Initiative contribution for this year
  - spreading the estimated GAD costs for the next quadrennial valuation cycle across four years
  - uprating of overheads, travel costs and legal costs to reflect inflation
  - a small repayment to the reserve, which was very much depleted in 2023/24.
20. Budget to remedy the legal risk identified above (website accessibility) was not included in the main budget but as a possible extra item. The Chair emphasised the importance of carrying out work to renew the SAB website as this was the primary mode of engagement between funds, scheme members and other members of the public and the SAB. The Board accepted

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his proposal that this be included as an integral part of a revised budget to be sent to the Minister.

21. Emelda Nicholroy (EN) asked whether the fees for the website would entail a full website review or a new website entirely. JH explained that this was likely to include a bit of both. The Secretariat intended to create a new, fully accessible website but reviewing all of the existing content to decide what should be reformatted and migrated to the new site would be done by the Secretariat. It was recognised that this was a significant task in itself.
22. The Chair said that it would be prudent for the SAB to also develop a three-year working budget to allow for longer term planning of operations. The Chair also said that there was a discussion to be had with DLUHC and the Minister around potentially increasing the capacity of the Secretariat team further, if it was going to continue to carry out important workstreams and support DLUHC in delivering on crucial policy areas going forwards.
23. The total amount agreed for the budget, to be submitted for ministerial approval, would be £664,500.

**ACTION – That the budget be updated and submitted to the Minister for approval**

## Item 11. Terms of Reference and Committee scope (Paper F)

24. BC introduced Paper F to the Board. It was proposed that the Secretariat undertake a review of each of the Committee's Terms of References now that the Compliance and Reporting Committee was well established. The review would cover the name, workplan and scope of each Committee, with the outcome reported to the next Board meeting on 11<sup>th</sup> March 2024.

## Item 12. Board and Committee Membership

25. OE informed the Board that Kelvin Menon had joined the Board as the ALATS representative following Duncan Whitfield's retirement. As a non-voting member, Kelvin's appointment would not need Ministerial approval.
26. Tommy Bowler (TB) had been nominated to join the Board as a scheme employee representative for UNITE after Bridie McCreesh had stepped down and TB was present at this meeting as an observer. A letter had been sent to the Minister to approve TB's nomination.
27. Councillor Peter Mason had been nominated to replace Councillor Yvonne Johnson as a scheme employer representative by the LGA Labour Group. A letter had also been sent to the Minister to approve his nomination and he was expected to attend the next Board meeting on 11<sup>th</sup> March 2024. The



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Chair thanked Councillor Johnson for her contributions to the Board over the last five years.

28. It was also agreed that TB would join the Investment, Governance and Engagement Committee as a scheme employee representative for UNITE, following Lisa Colquhoun stepping down. The Board also agreed that Peter Turner (LB Bromley), who had been nominated as the London Borough practitioner representative, should join the Compliance and Reporting Committee. The Board also agreed that Sheila Stefani should replace Valborg Lie on the Responsible Investment Advisory Group on behalf of the LGPS Central pool.

## **Item 13. SAB cost management process (Paper G)**

29. Matt Gurden (MG) from GAD presented Paper G to the Board. An earlier version of the paper had also been presented to the Cost Management, Benefit Design and Administration Committee at its last meeting on 30<sup>th</sup> October 2023 for comment. The paper laid out the assumptions that could be used in SAB's 2020 Scheme Cost Assessment process under Regulation 116 of the LGPS Regulations 2013. There were a number of assumptions that needed to be made for this process and these could differ from those set for HM Treasury's separate cost control mechanism.
30. One of the main assumptions to be considered, which has a material influence on the outcome, is the discount rate to be used. Multiple options were presented in the report and it was agreed that the most prudent choice would be to use the 2016 SCAPE rate again (so that there was no change in it from the last time the process was run). The Board agreed to accept the recommendations from MG on all other assumptions.

## **Item 14. Compliance and Reporting Committee Report (Paper H)**

31. MW introduced Paper H to the Board and invited questions on the contents. It was noted that the Annual Report guidance workstream was making good progress and was on target for the guidance to be published before the end of the financial year.
32. The Audit Issues workstream was also making good progress and had agreed to work with the Institution of Chartered Accountants in England and Wales (ICAEW) to implement the recommendation of the previous audit roundtable to develop and issue guidance that provided a timeline and charted the information flow on the valuation and IAS19 processes. This would aid the different parties, particularly the auditors of scheme employers. Work to agree the funding for this report was ongoing.
33. The group charged with revising the 2016 Funding Strategy Statement guidance from CIPFA had made good progress in setting out the high-level

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topics for the new guidance and was aiming to have guidance in place before the next triennial valuation. The Board noted the significant contribution made by BC in her first 6 months with the Secretariat team in driving these workstreams forward.

## **Item 15. Cost Management Committee Report (Paper I)**

34. GGe introduced Paper I and the contents were noted. The Committee workplan for 2024, which could be found at Annex A, was approved by the Board.

## **Item 16. Investment Committee Report (Paper J)**

35. Cllr Yvonne Johnson (YJ) introduced Paper J and the contents were noted. The Committee workplan for 2024, which could be found at Annex B, was approved by the Board.
36. OE presented Annex A to the Board. This related to a report that had been commissioned into Sharia Law and the LGPS which had now been received from Mufti Faraz Adam of Amanah Advisors Ltd. The key findings of the report were explained to the Board along with the Secretariat's proposals for publication and the key headlines for communications. The Board agreed the proposals and emphasised the need for sensitive communications around it.
37. Joe Dabrowski (JDa) asked whether Mufti Faraz Adam would be willing to record a video explaining his report. The Secretariat agreed to explore the possibility of this with him but explained that there would be capacity issues with hosting the video on the current SAB website.

**ACTION – that the Secretariat explore the possibility of Mufti Faraz Adam recording a video explaining the findings in his report**

## **Item 15. AOB and date of next meeting**

38. GGe informed the Board that the appeal against the outcome of the McCloud judicial review would be heard in the Court of Appeal from 20-22<sup>nd</sup> February 2024.
39. The date of the next meeting is set for 11<sup>th</sup> March 2024 at 1pm.

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