

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

AGENDA

1.00pm – 3.00pm, Monday 11 March 2024

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

Item		Timings
1	Welcome, apologies and introductions	1.00
2	Meeting protocol and declarations of conflicts of interest	1.05
3	Actions and Agreements from meeting of 4 December 2023 – Paper A	1.10
4	McCloud update	1.15
5	Economic Activity of Public Bodies (Overseas Matters) Bill – Paper B	1.20
6	Investment policy update (including Spring Budget) – Department for Levelling Up, Housing and Communities (DLUHC)	1.25
7	Cost Management Results – Paper C	1.35
8	Review of 2022 Fund Valuations (section 13) – verbal update	
9	The Pensions Regulator General Code – Paper D	1.45
10	Code of Transparency Project Update – Paper E (CONFIDENTIAL)	1:55
11	Gender Pensions Gap Update – Paper F	2.10
12	Board budget and workplan 2024/25 – verbal update	2.15
13	Board and Committee Membership – verbal update	2.25
14	Terms of Reference and Committee scope – Paper G	2.30
15	Compliance & Reporting Committee report – Paper H	2.35
16	Cost Management, Benefit Design and Administration Committee report – Paper I	2.40
17	Investment Committee report – Paper J (CONFIDENTIAL)	2.45
18	AOB and date of next meeting	2.55

Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ

E SABSecretariat@local.gov.uk W www.lgpsboard.org

Scheme Advisory Board

Hybrid meeting held on 11th March 2024 – 1.00pm

Item 3 – Paper A – Actions and Agreements

Actions and agreements

Hybrid meeting held on 4th 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

Local Government House, Smith Square, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

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 17th July 2023 meeting (Paper A)

3. The minutes of the meeting of 17th 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 1st 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 7th December 2023 and 20th 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 7th 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

Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ

E SABSecretariat@local.gov.uk W www.lgpsboard.org

Scheme Advisory Board

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 22nd 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 31st 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

Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

Scheme Advisory Board

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 6th 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

Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

Scheme Advisory Board

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

Scheme Advisory Board

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 11th 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 11th March 2024. The

Scheme Advisory Board

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 30th 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

Scheme Advisory Board

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 20-22nd February 2024.
39. The date of the next meeting is set for 11th March 2024 at 1pm.

Scheme Advisory Board

HYBRID MEETING – 11 MARCH 2024

ITEM 5 – PAPER B

ECONOMIC ACTIVITY OF PUBLIC BODIES (OVERSEAS MATTERS) BILL

Background

1. The [Bill](#) (known as the BDS Bill for ease of reference) was introduced to the House of Commons on June 19th 2023, and had its second reading on July 3rd; ahead of which the LGA issued a [technical briefing](#). There was a [lively debate](#) in the Commons at second reading, and the Bill then proceeded to [committee stage](#) in September, during which Jon Richards and Jo Donnelly gave evidence to the Bill committee.

Update

2. The Bill had its Commons report stage on October 25th before Parliament was prorogued ahead of the King's Speech on November 7th. The LGA issued a [technical briefing](#) ahead of report stage, commenting on some of the proposed amendments. The Bill was not amended at report stage, despite a number of amendments being tabled, debated and voted on.
3. However, there were commitments from the minister to clarify the explanatory notes on a few matters, which has since been completed. The Bill received a carry-over motion and was reintroduced to the House once Parliament was reconvened after the King's Speech.
4. The Bill had its third reading in the Commons on January 10th 2024 and moved to the House of Lords where it had its second reading on February 20th 2024. The LGA [issued a further briefing](#) ahead of second reading, and again there was a [lively debate](#).
5. Informal discussions between the Secretariat and the Bill team have continued, and most recently have included discussions with the team at The Pensions Regulator responsible for implementing the enforcement element of the Bill in relation to the Local Government Pension Scheme.
6. The Secretariat will continue to evaluate amendments put forward ahead of Lords Committee Stage (for which at the time of writing there is no confirmed date) and will suggest amendments that we think would improve the Bill if no similar amendments are tabled, using LGA channels to brief Peers who would be happy to table said amendments.
7. The Bill team have indicated their expectation that Royal Assent will be attained swiftly once the Lords proceedings are complete.

Recommendation – that the Board notes this update

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 7 – PAPER C

COST MANAGEMENT RESULTS

Background

1. On 19 September 2023, HM Treasury (HMT) announced via a written ministerial statement changes to the public sector pension scheme cost control mechanism. The key changes were that the margin by which costs need to vary from the target in order for benefit changes to be required was increased from 2% to 3% of pensionable pay, and an ‘economic check’ was introduced such that benefit changes could only be made if the costs would still be outside the margin once the impact of changes in long-term economic assumptions (SCAPE rate) had been included.
2. Under Regulation 116 of the LGPS Regulations 2013, the Board also has a duty to undertake its own scheme cost assessment (SCA). The assumptions on which this process is based are set by the Board. DLUHC consulted last year on changes to the SCA process which also widened the “corridor” for the SAB process to 3%. The SCA process is intended to run prior to the HMT process, with any changes arising from it being reflected in the HMT cost control calculations.

Consideration

3. The Government Actuary’s Department has completed its work on the Board’s cost control mechanism as part of the 2020 valuation of the LGPS E&W, using the assumptions previously agreed by the Board. These results are presented at Annex A.
4. The results show that there is a 1% deviation upwards from the target cost, which is in the territory where the Board may make recommendations which would bring the scheme cost closer to the target cost (i.e. in this case, to *reduce* benefits). After taking initial soundings from the Chair and Vice-Chair, the Secretariat do not believe that there is any appetite to propose benefit changes in these circumstances.
5. The yield in member contributions has also been confirmed as 6.5%, so there is no need to amend contribution thresholds.

The Board is asked to agree that it makes no recommendations on benefit or contribution changes, and if it so agrees, bring the 2020 SCA process to a conclusion.

6. GAD have also shared, on a confidential basis, the provisional outcome of the separate HMT Cost Control Mechanism process for the LGPS. We understand these results, which are in confidential Annex B, are likely to be finalised shortly and published in the coming weeks.

Scheme Advisory Board

7. GAD have helpfully prepared a short additional paper (Annex C) that explains how the different assumptions for the SAB and HMT processes have affected the derived scheme costs under either process.

Recommendations

8. The Board is asked to note the position and ask the Secretariat to draft a short statement to accompany publication of the SCA results.
9. The Board may also want to reflect on how well the revised cost management processes have run, and to what extent they are providing an effective indication of scheme affordability.

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 9 – PAPER D

The Pensions Regulator's General Code of Practice

Background

1. The Scheme Advisory Board has welcomed the publication of The Pensions Regulator's (TPR) [General Code of Practice](#) ('the Code') which has been laid in Parliament and which is expected to come into force on 27th March 2024.
2. The Code brings together 10 previous TPR Codes into one single Code, mainly covering governance and administration of pension schemes. The previous Codes will be revoked, including Code of Practice 14 for Public Sector Pension Schemes.
3. TPR's 2023 survey on [governance and administration](#) shows that LGPS funds generally already have high standards of governance in place, however the new Code provides an opportunity for funds to review current practices alongside the Code.

Current position

4. The published Code is similar to the draft that was consulted on in 2021, with most of the changes around the clarity of language and ordering of sections. The Board's main recommendation back to TPR in the consultation was that clarity was required on which parts of the Code specifically applied to LGPS funds and which should be considered best practice. There has been some improvement in the final Code, but there still isn't a simple map or template in the Code document which sets out the requirements specifically for the LGPS or Public Sector schemes generally.
5. We expect that funds will now be reviewing the Code and undertaking compliance and gap-analysis exercises, either using a third-party adviser or as an internal project. Undertaking the necessary work to review the 171-page document to identify and record areas of compliance presents significant challenges in what is an already busy time for funds.
6. The Secretariat believe that consistency in how funds interpret the Code is desirable and will lead to greater compliance for the LGPS. It is noted that the Board is committed to assisting funds in understanding and meeting any new requirements in the Code and, where needed, can produce new or update existing guidance to assist funds with their responsibilities.
7. To inform what is needed to assist funds, a focus group was held with officers on Thursday 8th February 2024. The aim was to gather initial feedback on the Code from fund officers and to understand what support and interpretation would be helpful from the Board. This was

Scheme Advisory Board

also helpful in considering the overlap with other ongoing Board workstreams, e.g. the Good Governance project.

8. Thirteen funds were represented at the 2-hour focus group and significant feedback was received on the varying ways funds are approaching Code compliance and the individual priorities for each fund. It was acknowledged that different funds are at varying starting positions in the work required to demonstrate Code compliance, however it was generally agreed that identifying how the Code specifically applied to the LGPS was the first challenge.
9. In some areas of the Code, the requirements are clear and unambiguous, however, some modules are new compared to the previous Code and may only apply as 'best practice'. There are also some modules which, although they do not apply directly to the LGPS, are closely related to other modules that could overlap with funds' internal controls and functions. Consideration of these will still be needed as the Code states that *'Where an expectation does not apply to a scheme because the law doesn't apply, the governing body may wish to consider whether the principles should be adopted as good practice'*.
10. The focus group also agreed that there was an opportunity to clarify some of these ambiguities with already planned guidance (from the Board or Department of Levelling Up, Housing and Communities (DLUHC)), for example the planned update of the Governance Compliance Statement guidance. It was also acknowledged that the Code is largely consistent with the Board's Good Governance recommendations and the Code's publication should provide further impetus for DLUHC to deliver on those recommendations.

Next Steps

11. New guidance to implement the Good Governance recommendations will provide the first opportunity to fill in some gaps on Code requirements for the LGPS. DLUHC are aiming to consult on this guidance in Summer 2024. The Secretariat team, along with the Compliance and Reporting Committee Governance and Administration Workstream, will suggest to DLUHC officials the appropriate areas within the Code which could be clarified or covered in more detail in future governance and administration guidance.
12. This may also be the appropriate time to review the Board's 2015 Local Pension Board guidance. The relevance of the Code to the Board workstreams on Knowledge and Skills and responding to any new requirements on climate risk reporting that overlap with the Code, will also be considered as appropriate. To further inform this work, the Board's LGPS Live webinar on 6th March 2024 at 3.30pm is covering the Code. A verbal update on this event can be provided at the Board meeting.

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 11 – PAPER F

Gender Pensions Gap Update

Background

1. The Gender Pensions Gap working group, feeding into the Cost Management, Benefit Design and Administration Committee (CMBDA), was established to work on the next steps following the publication of the Board's [further analysis report on the Gender Pensions Gap](#). The working group met for the first time on 9th October 2023 and has since met on 11th December 2023 and 13th February 2024.

Current position

2. The working group have progressed or started working on most of the four actions shared with the Board at the last meeting. A further two actions are also being explored by the Secretariat and the working group. The current action log can be found at Annex A.
3. Work is underway to prepare the content for the blog to be added to the Local Government Association's (LGA) Workforce blog at the end of March 2024. Content will cover the results of the Board's reports into the GPG along with the ways the working group are exploring the next steps and how the employer's role could help in narrowing the gap.
4. Board members may also wish to attend the webinar being held on the 9th May 2024 at 2.00pm which is being held in conjunction with the LGA's Workforce Team.
5. Board members should note that the further research proposed in action five of the action log is still in initial discussions with the Pensions Policy Institute. An initial scope has been received by the Secretariat and shared with the working group for comment. It covers a proposal to undertake further intersectional analysis to understand which other indicators are associated with a pension gap.
6. There is particular interest to understand the intersectionality of other characteristics alongside gender, such as ethnicity, working patterns, pay and impact of life events. However, it is acknowledged that there will be significant barriers in this further research, not only with the Data Protection issues in collecting and using any personal data for this further research but also in obtaining the necessary funding. A further update on the progress will be provided at the next Board meeting.

Recommendations - To note the contents of this report and the action log found at Annex A.

Scheme Advisory Board - Gender Pensions Gap (GPG) action log

No.	Action point	Follow up actions	Status
1.	Investigate feasibility of changes to regulations to extend the deadline for scheme members to elect for SCAPCs	<ul style="list-style-type: none"> a) Contact Department for Health for background on NHS policy on pension buy-back and statistics for take-up. b) Consider how potential impact could be measured and impact on employers contributions c) Transfers in – explore the impact of funds allowing all transfers in and not being fund discretion (Note: all funds have to accept club transfers in and aggregate other LGPS rights) 	<p>COMPLETED</p> <p>NOT STARTED</p> <p>NOT STARTED</p>
2.	Plan specific communications needed for employers on the GPG to raise awareness of the specific issues which impact the GPG within the LGPS regulations, particularly during scheme member life events	<ul style="list-style-type: none"> a) Develop FAQ for employers similar to current strike leaflet to cover unpaid leave b) Add content to LGA Employer Role course c) Investigate how pension administration systems show in member self-service portals the pension impact of breaks and life events d) Collate the best practice examples for HR/payroll procedures and communications during life events e) Investigate if actuaries could include gender pensions gap as part of valuation report 	<p>ONGOING</p> <p>ONGOING</p> <p>NOT STARTED</p> <p>ONGOING</p> <p>ONGOING</p>
3.	Work with LGA workforce team on increasing awareness of GPG and identify the policy solutions	<ul style="list-style-type: none"> a) Presentation at virtual event on 9th May 2024 with LGA workforce team covering GPG aimed at HR leads and pension contacts across Local Government b) Contribute to LGA's monthly blog/workforce bulletin on GPG in March 2024 	<p>ONGOING</p> <p>ONGOING</p>

	which could have a positive impact	c) Investigate with LGA workforce team to consider the duty which could be put on employers for reporting future GPG	NOT STARTED
4.	Continue the discussions with DLUHC on the progress of New Fair Deal and impact of outsourcing on the GPG	a) Put forward as a topic for Cllr Phillip's discussion with the new minister b) Explore how to understand the impact of outsourcing on the GPG	COMPLETED NOT STARTED
5.	Explore further research options with Pensions Policy Institute (PPI)	a) Provide PPI initial comments on the research proposal b) Investigate potential funding options	ONGOING ONGOING
6.	Add questions on GPG to Opt Out survey	a) Planned for when new Secretariat analyst starts in late March 2024	ONGOING

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 14 – PAPER G

Review of Committee Terms of Reference, membership and workplan

Background

1. At the last meeting, it was agreed for the Secretariat to proceed with a broader review of each of the Committee's Terms of Reference (ToR), membership and workplan.

Current position

2. The Secretariat have concluded this review and it was established that for each Committee the existing ToR and workplan were still generally relevant and appropriate. However, some changes were approved by each Committee in the latest cycle of Committee meetings which took place in February 2024. The recommendations for each Committee are below for the Board to approve.
 - I. That the Investment, Governance and Engagement Committee is renamed to the Investment Committee. This is because while governance and engagement are important parts of each Committee's work, they do not need to be specifically in this Committee's title. The new title more accurately and succinctly reflects this Committee's usual and upcoming workplan items.
 - II. That the Governance representative on the Investment Committee, Mary Lambe from Aon, should move over to the Compliance and Reporting Committee, along with another governance consultant (to be appointed) to align with the workplan items on the Compliance and Reporting Committee.
 - III. That there is an additional member from an investment pool added to the Investment Committee's membership. Given the focus on the future of pooling, and indications from Government that it expects pools to have a more active role in delivering investment strategies going forwards, it would be useful to have more than one type of pool company structure represented on the committee. The suggested additional representative is Chris Rule, CEO of LPPI. The current member from an investment pool is Fiona Miller from Border to Coast.
 - IV. For the Compliance and Reporting Committee, to amend the current ToR to remove the specific number of seats within each category of membership. This will allow more flexibility to manage the membership needed, according to the availability of members to sit on the Committee and to achieve the aims of the workplan.

Scheme Advisory Board

- V. For the Compliance and Reporting Committee, to add the role of 'governance advisor' to the list of membership categories and to include Mary Lambe from Aon (and another adviser to be confirmed) in line with paragraph II above.
 - VI. Minor additions to each Committee ToR's were recommended to provide clarity and bring up to date each Committee's Remit and Scope, Membership and Reappointment process and Declaration of Interests.
3. The updated ToR's presented at each Committee meeting are available for the Board to view on each of the relevant Committee meeting pages on the Board's website:

[Investment, Governance and Engagement Committee](#)

[Compliance and Reporting Committee](#)

[Cost Management, Benefit Design and Administration Committee](#)

Recommendation – that the Board agrees the recommendations summarised in paragraph 2.

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 15 – PAPER H

Compliance and Reporting Committee (CRC) update

Workplan update – summary of workstreams

1. The Committee's workstreams have continued to make considerable progress since the last Board meeting. This paper summarises the agreements and the work undertaken by each of the five workstreams since the last Board meeting in December 2023. The Board Secretariat wants to thank all volunteers within each workstream for their input into each project.

Annual Report guidance

2. A working group was established to review and update the 2019 guidance on preparation of pension fund annual reports, previously issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel. The work to review the 2019 guidance has entailed consultation with funds, industry experts, Department for Levelling Up, Housing and Communities (DLUHC) and other interested stakeholders and been reported to previous Board meetings.
3. With many thanks to those who participated in the working group, the drafting work is now complete, and the 2024 Annual Report Guidance was approved by the CRC on the 12th February 2024 and by CIPFA's Public Finance Management Board on the 22nd February 2024. The revised guidance for the Board to approve can be found at Annex A.
4. The next approval step is Ministerial agreement and the Pensions Team at DLUHC are preparing the necessary submission to the Minister. Once it has received Ministerial approval, the final design process (and accessibility checks) will be completed before publication. The Board may wish to note that this will be the first jointly produced statutory guidance document emanating from this Committee.
5. As with the previous guidance, it will be applicable to Scotland. The Secretariat have checked with the Scottish Public Pensions Agency (SPPA) policy team and the Scottish Scheme Advisory Board (SSAB), and they have indicated that they will arrange for this guidance to be adopted by Scottish Ministers.
6. Once in force, the guidance will apply to 2023/24 Annual Reports (so for those reports due to be published by 1 December 2024) and later years. However, it is acknowledged that it may be a challenge for funds to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to

Scheme Advisory Board

implement. The guidance therefore says that pension funds should use their 'best endeavours' to comply fully with the requirement but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

7. As agreed at the creation of the CRC, the new guidance will be freely available and hosted on the Board's website. This means that it should be easier to maintain the guidance and keep it up to date with any changes required from year to year. The Board should note that further work may be needed to align the guidance with any additional reporting duties added to the Investment Strategy Statement guidance when that is reviewed later this year. DLUHC committed to making such changes in its [response to the investments consultation](#) last year. Also to be considered is the Pensions Regulator's General Code of Practice, which is expected to be effective from 27 March 2024 and may also require further changes to the annual reporting guidance for next year.

Audit issues workstream

8. As previously reported, the audit working group recommended production of a short factual briefing note which sets out the timeline and information flow throughout a triennial valuation period. At the last Board meeting it was reported that the workplan budget for the current year did not include this work, however through collaboration on cost with the Institute of Chartered Accountants in England and Wales (ICAEW (Institute for Chartered Accountants in England and Wales)) the Secretariat was able to commission this work within the existing budget.
9. The purpose of the briefing note is to help aid understanding and signpost different parties, and in particular employer auditors, to where they should be requesting the information that they need during the audit process. The intended audience for the guide is actuaries, auditors, and pension fund accounting practitioners. As the briefing note has been commissioned by the Board and ICAEW the output (based on the specification agreed by the workstream) was jointly agreed and will cover specifically:
 - A short factual briefing note;
 - Visual maps showing the flow of information between employers, actuaries, funds, custodians, and auditors;
 - A model questionnaire with key questions for actuaries to complete each year and provide to scheme employer auditors.
10. The briefing note should be completed in the next few weeks and the Secretariat are planning to use various events, including the next LGPS (Local Government Pension Scheme) Audit Roundtable in April, the LGPC bulletin, the Board website, and relevant contacts to ensure the intended audience of the guide are made aware of this publication.

Scheme Advisory Board

Knowledge and skills

11. The working group conducted a survey of views of Pension Board and Committee members which closed on 6th November 2023. The high-level findings of the survey were presented at the Local Government Association's Governance conference held in York on 18th – 19th January 2024. Some of the key messages were:

- There need to be a range of training options that reflect the various levels of knowledge and experience
- It was recognised that obtaining LGPS knowledge was a journey and would take time
- Training needs analyses for the committees and boards help to understand 'collective knowledge'
- Forums for sharing best practice across funds would be desirable
- Committee and board members are volunteers with busy schedules and other duties so accessibility of training options should be a key consideration in any training strategy
- A syllabus that set out a mutual understanding of the different roles required would be helpful

12. The working group will meet again in March 2024 but has already agreed:

- To analyse the requirements of TPR's General Code and how this linked with the findings of the survey and research amongst LGPS funds on clarity required within the Code
- To make recommendations on what is required for any new scheme-wide guidance and consider the various communication channels through which this could be disseminated
- To work with DLUHC on what is needed for the investment consultation response on training and to implement the Board's Good Governance recommendations.

Good Governance and Administration workstream

13. This workstream has started work on revised statutory guidance on governance that aims to incorporate the Good Governance recommendations that the Board made to DLUHC in 2021, along with an update of the 2008 Governance Compliance Statement guidance.

14. DLUHC are aiming to consult on the Governance Compliance Statement guidance in the early Summer 2024 and the group would be meeting on a more regular basis to facilitate this ambition. The Administration guidance consultation is expected later in the year.

Scheme Advisory Board

Funding Strategy Statement (FSS) guidance

15. Now that the review of the Annual Report guidance has been completed, the next priority for the CRC will be to complete the review of the Funding Strategy Statement guidance which was last revised in 2016. The working group has already identified the high-level prospective changes and additions required to the current FSS guidance following a review of a sample of fund policies and discussions at previous workstream meetings.
16. It is expected that the new FSS guidance is likely to include more detailed guidance on information to be included in the FSS around policies on partial terminations, employer exits/cessations and engagement with fund employers. These topics were also discussed at the Board's working group on Surpluses and some of the members of that group have asked to join the FSS group (including representation from the four actuarial firms), which have been accepted.

Recommendations – that the Board notes the progress made by each of the five workstreams set out above and approves the 2024 Annual Report guidance at Annex A.

Scheme Advisory Board

HYBRID MEETING – 11 March 2024

ITEM 16 – PAPER I

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE

CHAIR'S REPORT FROM MEETING – 19 February 2024

SAB Cost Management process

1. The Committee were informed that the scheme specific assumptions had been agreed by the Board at its last meeting. The Committee received a paper on the SAB cost management process and the methodology and assumptions used in the process. The Government Actuary's Department (GAD)'s calculations showed that scheme costs had increased by 1% and while the Board could make recommendations to bring the cost of the Scheme back in line with the overall target cost, there was no requirement to do so. The Committee heard that the Board was unlikely to make any recommendations to reduce scheme costs. The provisional outcome of the HMT Cost Control Mechanism was also shared confidentially with the Committee. Further details are in the paper for Item 7 – Paper C in this meeting (March 11th 2024).

Surpluses working group

2. Following the SAB's publication of the [surpluses statement](#), the Committee agreed that the working group be closed, and the members of the group be retained as a contact list for the SAB to engage with on future issues as needed. However, it was agreed to broaden the Compliance and Reporting Committee's Funding Strategy Statement Guidance working group to include actuaries and widen the scope of the FSS Guidance working group to include partial terminations, exit credits and methodology on academisation.

Opt-out Monitoring

3. Two Freedom of Information (Fol) requests were submitted to the Pensions Regulator (TPR) to request the opt out information held by TPR which is submitted by all LGPS employers in their annual auto-enrolment compliance returns. The Secretariat received a reply with some data however it did not provide the level of detail needed. The Secretariat would now be going ahead with issuing a new survey on opt-outs as previously agreed by the Committee.
4. The Committee agreed to explore whether employers should attempt to collect the reasons for opting out and any data on the characteristics of those opting out, to determine how opt out rates vary across certain groups. This proposal had arisen due to discussions resulting from the receipt of the report on Sharia Law and the LGPS. The advice received

Scheme Advisory Board

from Counsel suggested that it would be useful to collect data on the reasons for opting out, not least so the Board had an approximate number of LGPS employees opting out of the LGPS on the basis of their faith.

5. It was also suggested that widening the scope of the survey should allow for information to be collected on how opt outs rates vary by gender and how this relates to the gender pensions gap identified by GAD.
6. The Committee suggested that a pilot exercise with selected employers, or analysing a sample of LGPS members, could also be ways to identify the characteristics of those in the scheme, though it was acknowledged the nature of the exercise excluded those who had already opted out of the Scheme and were therefore never recorded as members.

McCloud

7. The LGA Pensions team had published Part 1 of the McCloud Administrative guide in December 2023. Part 1 of the guide addressed how to implement the remedy for people leaving the Scheme from October 2023. Parts 2 and 3 would follow once guidance from GAD had been received. The Pensions team had hosted two webinars on McCloud in December which were attended by over 270 practitioners. Once Parts 2 and 3 of the LGA guidance had been published, more webinars would be held.
8. Further statutory guidance from DLUHC (which would deal with issues not covered in the earlier guidance such as on breaks in qualifying service and the effect of refunds) was expected to be consulted on in the coming weeks. McCloud remained a substantial administrative project that would impact funds especially given ongoing recruitment and retention issues in the sector, but the guidance and webinars had been well received.

Survivor benefits and Forfeiture

9. DLUHC informed the Committee that there were plans to consult on survivor benefits and forfeiture later this year. Exact timings could not be confirmed however it was said that it was expected that the two areas would be addressed in a single consultation. The Committee's Unison representative confirmed that the General Secretary had written to the Chief Secretary to the Treasury to request an update on the change to survivor benefits to reflect the Goodwin judgment. The response from the CST was to expect amending regulations in Spring 2024.

Terms of Reference

10. The Committee approved the updated Terms of Reference following a review by the SAB Secretariat.

Recommendation – that the Board notes the progress made by the Committee on the issues set out above
