

Scheme Advisory Board

ACTIONS AND AGREEMENTS

HYBRID MEETING HELD ON 22nd MAY 2023 – 1.00pm

PRESENT

Cllr Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Cllr Yvonne Johnson	Scheme Employer Representative
Cllr John Beesley	Scheme Employer Representative
Cllr Christopher Weaver	Scheme Employer Representative
Emelda Nicholroy	Scheme Employer Representative (UCEA)
George Georgiou	Scheme Member Representative (GMB)
Garry Warwick	Scheme Member Representative (GMB)
John Neal	Scheme Member Representative (UNITE)
Bridie McCreesh	Scheme Member Representative (UNITE)
George Graham	Practitioner Representative (SYPA)
Duncan Whitfield	Treasurers' Societies
Mark Wynn	Compliance and Reporting Committee Chair
Nick Kirby	TUC
Joe Dabrowski	PLSA
Teresa Clay	DLUHC
Gary Delderfield	Eversheds Sutherland
Kimberley Linge	SPPA
Alan Wilkinson	SPPA
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Lorraine Bennett	LGA – Senior Pensions Adviser
Becky Clough	LGA – Board Support Officer
Gareth Brown	LGA – Pensions Analyst
Jonathan Hunt	Consultant to LGA

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Item 1. Welcome, apologies and introduction

1. Apologies for absence were received from Councillor John Fuller, David Murphy (NILGOSC), Chris Tansley (UNISON), Matt Gurden (GAD) and Ona Ehimuan (LGA). Cllr Andrew Thornton was not present. Cllr Roger Phillips (RP) welcomed Becky Clough to her first meeting.

Item 2. Meeting Protocol and declarations of conflicts of interest

2. RP reminded attendees of the hybrid meeting protocol. Jonathan Hunt (JHu) declared that he had an interest in Item 8 as a deferred member of the TfL scheme. John Neale also declared an interest in that item as Unite's Pension Officer.

Item 3. Actions & Agreements from 20th February 2023 meeting (Paper A)

3. The minutes of the 20th February meeting were agreed as an accurate record of the meeting. On the status of the Board's budget for this year, Teresa Clay (TC) said that this was due to be put to the Minister shortly and there would be a decision in due course. RP said that it would be helpful to have a meeting with the Minister on a number of issues, including the budget, and he was pursuing this through political channels.

Item 4. Agenda Steering Group Update (Paper B)

4. Jo Donnelly (JD) explained that this paper was confidential as it concerned the process for re-procuring the reporting system that supported the Board's Code Of Transparency. The current system was delivered by Byhiras under a five year contract that was signed in August 2019 (and included provision for a two year extension). The paper didn't ask for decisions at this stage but raised some of the relevant issues and asked Board members for steers on strategy.
5. It was noted that the Code itself had been very successful in providing funds with the information that they needed to report and manage investment costs. It had already been discussed that the system was not well-enough known or used and the Secretariat had set up a series of "roadshows" in six locations in England and Wales to promote its use over the summer months.
6. RP observed that transparency is critical for a scheme like the LGPS, and that was only increasing with climate reporting and market conditions where returns were harder to generate. Data quality is also an ongoing issue.
7. Given that the procurement process for establishing the current cost reporting system was quite onerous, the Board asked the Secretariat to bring to the July meeting some more detailed options and a timetable for decision making.

Action - Secretariat to bring paper to July Board meeting on timescales and when decisions need to be made

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Item 5. Consultations Update

8. JD said that there were quite a number of consultations outstanding and updates were given as follows:
- **McCloud** – Lorraine Bennett (LB) reminded the Board that the Government Response to the first LGPS consultation was published last month and that a further consultation was expected by the end of this month on those matters not settled in the first consultation. In addition, the Local Government Pensions Committee (LGPC) had participated in drafting a members' factsheet.
 - **SAB Scheme Cost Assessment** – Jeremy Hughes (JH) updated the Board that the Government Response has now been published and it closely followed the model consulted on. Regulations to implement it had also been laid in Parliament. The changes were in line with recommendations made by the Board and would give extra flexibilities in handling the 2020 cost management process. It was hoped that GAD would be able to bring some advice on assumptions for the revised 2020 process to the July meeting.
 - **HM Treasury Scheme Valuation / Cost Control Mechanism Draft Directions** – JD said that although there was not a formal public consultation process for HMT Valuation Directions, the Board had been given sight of and asked to give its views on draft directions ahead of them being finalised. They were very dense and technical, and DLUHC had asked for the Board to provide views by early July. JD would send these on to Board members, with a commentary, in the coming weeks.
 - **Pooling/Levelling Up** – JD confirmed that DLUHC officials were no longer saying to expect this consultation on investment issues "soon" but "by summer recess", which is 20 July. TC was invited to explain to the Board what the cause of this delay was but was only able to say that discussions on the contents were ongoing.
 - **Climate Risk reporting** – JH informed the Board that DLUHC's implementation of climate reporting obligations would be delayed at least until next year. That meant that reports covering the period 1 April 2024 - 31 March 2025 needed to be produced by December 2025. DLUHC were also unlikely to be pursuing the option of implementing the associated governance requirements part-way through this year. The Board regretted this further delay, which only increased pressure on funds from lobby groups. It was agreed that the Board would explore what could meaningfully be done on a voluntary basis until the regulations were made, and whether guidance on "shadow-running" of climate risk reports should be issued. JH reported that in the meantime, the Responsible Investment Advisory Group (RIAG) would also

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be looking at what could be done to standardise the development of climate reporting approaches at the pool level.

Action - Board to consider what could be done in the "shadow year" before climate risk reporting is expected to become mandatory

- **Survivor benefits and death grants** – JD updated the Board on DLUHC's commitment to update the LGPS Regulations 2013 to reflect recent case-law on equalising survivor benefits. It seemed that while this consultation had been approved by the Minister, he has declined to address the clear age discrimination of having the cut off at age 75 for payment of death grants. The rationale for this decision had not been shared but it constituted a clear legal risk for funds. RP stated that this was a matter of concern for the Board, and that he would raise this in the meeting he was seeking with the Minister.
- **Good Governance** – Becky Clough (BC) updated the group, saying that our understanding from DLUHC was that the Minister had now given a steer on this. However, his view was that any changes to the regulations would not be made until the next calendar year. DLUHC were considering what could be achieved through guidance. The Secretariat would review the recommendations and see what might be appropriate for pursuing on that basis, whilst acknowledging that this meant that some of the benefit of including some elements in legislation could be lost.

Item 6. Risk Register Review (Paper C)

9. JH talked the Board through the revisions to the risk register, which covered the Scheme itself as well as the Board. Jon Richards (JR) said that he would like to see more consideration given to non-regulatory policy risks that are external to the Scheme. Whilst there was some consideration of these (things like climate change) JR thought that the treatment of these could be improved. It was agreed to consider this further.
10. JH also drew the Board's attention to the Secretariat's view that the risk of the Minister failing to effectively discharge his function of stewarding the scheme had increased. This was due to the delays in getting the regulations updated to reflect changes in case-law, delays in getting clear policy positions (e.g. on pooling) and the failure to properly explain decisions that went contrary to the Board's recommendations and legal advice (e.g. on death grants). This view was endorsed by the Board and RP agreed to raise this view with the Minister when they met.
11. JD updated the Board on the recent serious data breach at Capita. It was still too soon to say categorically that no LGPS funds were affected, and the Secretariat was in touch with potentially affected funds. Several local authorities have been affected as Capita is a significant service provider in the public sector.

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Item 7. Board and Committee Membership

12. It was noted that this was Duncan Whitfield's (DW) last meeting and the Chair thanked him for his contribution to the Board over many years. It was agreed that the Secretariat would contact ALATS to seek a nomination for his replacement.

Action – Secretariat to contact ALATS to seek a nomination to replace DW.

13. BC recommended that the Board reappoint for a further two-year term the following RIAG members:

- Sandra Stewart (Chair)
- Tim Mpofu
- George Graham
- Debbie Fielder
- Kevin McDonald
- Frances Deakin
- Ashley Hamilton Claxton
- Piers Lowson
- Sarah Wilson
- Joe Dabrowski
- John Neal
- Sam Gervaise-Jones
- Edwin Whitehead
- Graham Cook.

Agreed – the Board approved these recommendations.

Item 8. TfL Pension Scheme Developments (Paper D)

14. JD updated the Board on what was known about the Government's desire for the membership of the TfL pension scheme to be transferred into the LGPS. It was yet unclear how that might be done or on what basis prior service and future expectations would be preserved. John Neal (JN) who was involved in the negotiations on behalf of TfL staff who are members of Unite the Union, said that his members were opposed to the transfer. Under the terms of the TfL trust deeds, member consent would be needed for such a substantial change, although that could be over-ridden by an Act of Parliament.

Item 9. Annual Report update

15. Gareth Brown (GB) presented to the Board some early findings from his review of each fund's annual report for the financial year 2021/22. The final scheme level report would be published online at the time of the PLSA conference in late June. RP observed that the latest data confirmed the long-term trend that the scheme was maturing in terms of membership profile and

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cashflow. Investment fees also rose again this year, and George Georgiou said that it was important to have reliable data on this.

Item 10. Compliance and Reporting Committee Report (Paper E)

16. Mark Wynn (MW) introduced Paper E to the Board. The Committee had made considerable progress with reviewing the Annual Reporting and Funding Strategy Statement guidance that had previously been issued by CIPFA. Revised guidance would be jointly owned by the Committee and CIPFA, and work was ongoing to clarify CIPFA's contribution to the drafting of the final guidance.
17. MW said that the FSS guidance would be reviewed in two stages, with the final guidance being ready well in advance of the next valuation round in England and Wales (2025). The Committee had also conducted a survey of levels of knowledge and skills amongst local pension board and pensions committee members. The results were available from the Secretariat and would inform where the working group on knowledge and skills target their work.
18. MW also drew the Board's attention to the very productive and pragmatic audit summit which had been held on 20 April. This brought together representatives of funds, their actuaries and the main auditors involved in auditing LGPS scheme employer accounts. A further summit would be held in July to update on actions that were agreed in April. It was expected that these summits would become annual events, to ensure that any unnecessary friction could be taken out of the process, or at least reduced.

Item 11. Cost Management Committee Report (Paper F)

19. GG introduced Paper F to the Board. It was agreed that the note on actuarial treatments for the establishment of academies on conversion should be published on the Board's website, following final consultation with the actuaries who had not participated in the working group.

Item 12. Investment Committee Report (Paper G)

20. Councillor Yvonne Johnson introduced Paper G to the Board and the contents were noted.

Item 13. AOB and date of next meeting

21. JD reminded the Board that we were still awaiting TPR's General Code to be published. That required it to be laid before Parliament for 40 days before coming into effect and non-sitting days do not generally count. That meant it was now unlikely to come into effect before the Autumn.

Action - Secretariat to bring paper on TPR's General Code to the first Board meeting after it is published.

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22. JD also raised the question of meeting frequency. Given that councillors were generally not available in August, for the Conference season in Sept/Oct and April/May time when there were elections in their wards it was proving difficult to fit in four rounds of meetings with sensible breaks in between. She asked if the Board would be prepared to consider moving to a three-meeting cycle and if so, the secretariat would prepare a paper, including the necessary amendments to Board's Terms of Reference, for the July meeting. The Board approved this suggestion.

Action – The Secretariat would prepare the necessary amendments to the Board's Terms of Reference for the July meeting.

23. The date of the next meeting is set for 17th July 2023.
