

# Scheme Advisory Board

## HYBRID MEETING HELD ON 17<sup>th</sup> JULY 2023

### AGENDA

1.00pm – 3.00pm, Monday 17<sup>th</sup> July 2023

Beecham Room, 7<sup>th</sup> 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 22 <sup>nd</sup> May 2023 – <b>Paper A</b>	1.10
4	Economic Activity of Public Bodies (Overseas Matters) Bill - verbal update	1.15
5	Consultations – verbal update	1.20
6	Cost Control Mechanisms – <b>Paper B</b>	1.25
7	Code of Transparency reporting system – <b>Paper C (confidential)</b>	1.35
8	Annual report update – verbal update	1.50
9	Board budget 2023/24 – <b>Paper D (confidential)</b>	1.55
10	Terms of Reference – <b>Paper E</b>	2.10
11	Board and Committee Membership – verbal update	2.20
12	Compliance & Reporting Committee report – <b>Paper F</b>	2.25
13	Cost Management, Benefit Design and Administration Committee report – <b>Paper G</b>	2.35
14	Investment Committee report – <b>Paper H</b>	2.45
15	AOB and date of next meeting	2.55

### Scheme Advisory Board Secretariat

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# Scheme Advisory Board

## ACTIONS AND AGREEMENTS

**HYBRID MEETING HELD ON 22<sup>nd</sup> 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 20<sup>th</sup> February 2023 meeting (Paper A)**

3. The minutes of the 20<sup>th</sup> 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 17<sup>th</sup> July 2023.

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## **HYBRID MEETING – 17<sup>TH</sup> JULY 2023**

### **ITEM 6 – PAPER B**

#### **COST CONTROL MECHANISMS**

##### **HMT Cost Control Mechanism (CCM)**

1. The draft HM Treasury Directions were shared confidentially with the Cost Management, Benefit Design and Administration (CMBDA) Committee. Government officials were clear that while views from this Committee (and other public sector scheme SABs) were welcomed, this was not a formal consultation. The Department for Levelling Up, Housing and Communities (DLUHC) had initially requested a response by 23 June 2023 but agreed that the CMBDA could consider the directions at their meeting on 26 June 2023.
2. As per previous announcements, the HM Treasury SCAPE rate (based on long term GDP growth) has been set at CPI plus 1.7% (down from 2.4% for the last set of directions). GAD gave a presentation to the CMBDA Committee on the other key assumptions in the HM Treasury directions, which would be used in their CCM (e.g. around life expectancy and future salary growth, both of which are significant downward pressures on cost across all public sector schemes). GAD also explained how the new economic check will work and their expectation that, due to the very significant change in SCAPE rate, its effect within the economic check removes any chance of a floor breach this time around.
3. The CMBDA Committee did not make any representations on the assumptions in the HMT draft directions but endorsed the suggestion made by the Secretariat that a gender pensions gap analysis and a wider equality assessment should be worked into the standard valuation report and CCM process across all schemes.
4. GAD said that they expected that the final directions would be issued later in the Summer with the results, calculated in accordance with the finalised directions, to be available in Autumn 2023.

##### **SAB Scheme Cost Assessment**

5. The SAB's own Scheme Cost Assessment (SCA) process is set out in Regulation 116 of the 2013 LGPS Regulations. The regulations were amended following the recent DLUHC consultation. The SCA process is intended to run prior to the HM Treasury CCM process so that any changes in benefits or costs arising from it are considered within the scheme valuation and CCM.

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6. The key purposes of the SCA are:
  - a) To ensure that the costs of the scheme are in line with the target cost (19.5% of earnings using SAB assumptions)
  - b) To check that the split of costs between employers and employees is in the ratio of 2:1 respectively
  - c) To check that the yield of the employee contributions overall is around 6.5%
7. Previously, the SCA assumptions very closely mirrored those of the HM Treasury CCM. That is an option available again for the SCA process, although the context is slightly different. For the 2016 cost control process it did seem, until the implication of the McCloud judgment became clearer, that there was a real prospect of a floor breach leading to some benefit improvements. This meant it was sensible to limit the divergence between the two processes so that they could more easily be considered alongside each other.
8. For this year's process, it seems very unlikely either that the HM Treasury CCM will result in a floor breach (due to the operation of the economic check) or that DLUHC ministers would agree any improvements to member benefits, if the SCA shows a floor breach.
9. As with the HM Treasury process, the key assumptions that the Board will need to set are around:
  - a) The discount rate
  - b) Changes in life expectancy
  - c) Future salary increases (less relevant in a CARE scheme).
10. The key variable the Board may wish to consider moving is the discount rate. The LGPS is a funded scheme, so return on investment, rather than GDP is the main driver. In the past, these figures have been fairly similar, but an early analysis of fund-level discount rates suggest a growing divergence. The scheme-level valuation report, which should be published shortly, also shows that while total employer contributions (expressed as a %age of salary) have fallen, the primary contribution rates have risen further. The difference is due to the offsetting reduction in secondary contribution rates with so many funds now being in surplus.
11. The secretariat would like to commission the Board's GAD adviser to do the necessary work and collate a paper on the assumptions in due course. Given the next CMBDA meeting is on 30<sup>th</sup> October 2023, the Committee will consider the recommendations and make a proposal to the Board by correspondence. As the Board does not meet again until December 2023, it is similarly proposed that the Board agrees to approve the recommendations of the CMBDA Committee by correspondence.

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**Recommendation – that the Board agrees to commission GAD to provide advice on assumption setting in the SCA and for this matter to be dealt with by correspondence**

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## HYBRID MEETING – 17 JULY 2023

### ITEM 10 – PAPER E

#### PROPOSED AMENDMENTS TO BOARD TERMS OF REFERENCE

##### Background

1. The Board's current Terms of Reference (TOR) have been in place since 2016 and set out the operational function of the Board. The Board's TOR are published on the SAB website. The Board agreed, in principle, to reduce its meeting frequency from four to three times a year at the May 2023 meeting and asked the Secretariat to propose the necessary amendments to the current TOR.

##### Issue

2. It is proving increasingly difficult to fit in each year (with sensible breaks in between) the four meetings required by the Board's TOR. There are times of the year when meetings are difficult to hold as fewer Councillors and other stakeholders have availability. Paragraph 32 of the current TOR currently states:

##### ***Frequency of meetings***

*'The Board will meet a minimum of four times a year. The Chair may call meetings more frequently if deemed necessary or on the joint request of two or more Board members. Except in situations to consider matters of urgency, all meeting dates will be communicated at least one month in advance. The Board will strive to agree dates of meetings on a calendar year basis by the preceding 30<sup>th</sup> November.'*

3. An update to the 2016 TOR is proposed and new text for paragraph 32 is below. The change is to hold a minimum of three meetings at year and the updated text is underlined below:

##### ***Frequency of meetings***

*'The Board will meet a minimum of three times a year. The Chair may call meetings more frequently if deemed necessary or on the joint request of two or more Board members. Except in situations to consider matters of urgency, all meeting dates will be communicated at least one month in advance. The Board will strive to agree dates of meetings on a calendar year basis by the preceding 30<sup>th</sup> November.'*

4. If the change is approved by the Board, the TOR of the Committees will also be similarly amended.
5. The SAB secretariat team are undertaking a broader review of the Board and Committees' TOR and will highlight any further suggested changes at the next cycle of meetings. Board members are invited to suggest any other areas they would like the Secretariat to review.

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## **Recommendation:**

6. To approve the change to the Board's current Terms of Reference covering meeting frequency at point 32, and for the SAB website to be updated to reflect this change.

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## **HYBRID MEETING – 17<sup>TH</sup> JULY 2023**

### **ITEM 12 – PAPER F**

#### **COMPLIANCE AND REPORTING COMMITTEE OF 19<sup>TH</sup> JUNE**

##### **General Approach to Guidance**

1. The CRC was established as a joint committee with CIPFA to co-produce statutory guidance for LGPS administering authorities on a range of issues. A meeting had been held between the Chair and Board Secretary with CIPFA officials to clarify the purpose and nature of the joint committee. Staff changes at CIPFA meant that there was a lack of corporate knowledge about how the CRC was established.
2. The Secretariat would produce a high-level project plan to help manage the flow of work across the different workstreams and minimise pinch-points created by the multiple coinciding deadlines.

##### **Funding Strategy Statement (FSS) Guidance**

3. The working group is preparing to draft revised FSS guidance and will identify common themes and good practice using selected examples of funding strategy statements. The theme that the Board has discussed on the implications of fund surpluses could also feed into that guidance.

##### **Audit Issues**

4. A follow up to the 20 April summit of auditors, actuaries, LGPS practitioners and regulators has been arranged for 12 July 2023. At that meeting, the group would get an update from the working group set up to look at potential solutions.
5. DLUHC have yet to identify an appropriate legislative vehicle to effect the separation of pension fund from host authority accounts, and therefore audits. The BEIS bill previously identified is not now considered an option. The next King's Speech (due in the Autumn) would help clarify whether this is a priority. It was suggested that Cllr Phillips should continue to flag this in meetings with the Minister, Lee Rowley MP.

##### **Annual Report Guidance**

6. The group had reached a consensus on areas to be kept, changed or removed from the guidance. However, some changes would be conditional on DLUHC making the changes it has proposed in legislation. The timetable for this workstream is still being settled but if

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it was possible for guidance to be issued in the coming months, then it would only be advisory for 2022/23 annual reports (the deadline for which is 1 December 2023) and then properly take effect from 2023/24 onwards. It was agreed to circulate some comms with practitioners to make them aware of the activities that this working group was undertaking.

## **Knowledge and Skills Framework**

7. The Committee received a high-level summary of the Knowledge and Skills Survey which closed on 19 April 2023. As the CIPFA guidance on knowledge and skills was revised in 2021, the group were focussing on practical ways to improve local practice and make training options better, rather than reviewing the text of the guidance itself. It was also agreed to undertake a further survey of knowledge and skills, targeted specifically at elected members.
8. The Secretariat would be looking at developing a session at the LGPS Governance Conference dedicated to Knowledge and Skills. This conference will be taking on January 18-19 2024 in York.

## **Review of Guidance on Administration, Communications and Guidance**

9. Much of the work of this group is dependent on the Department's response to the Board's recommendations out of the Good Governance Review. The Ministerial response, as relayed by officials, was that limited statutory changes would be made next year, but the Board should consider how much can be delivered through the encouragement of best practice. DLUHC officials have also flagged a desire to review the 2008 LGPS Governance Compliance Statement guidance that was issued by DLUHC.

**Recommendation – that SAB notes the progress made by the committee on each of the five workstreams set out above**

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## HYBRID MEETING – 17<sup>th</sup> JULY 2023

### ITEM 13 – PAPER G

#### **COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE**

##### **CHAIR'S REPORT FROM MEETING OF 26<sup>th</sup> JUNE 2023**

##### **Cost Control Mechanism (CCM)**

1. The draft HMT Directions were shared confidentially with the Committee and the Government Actuary's Department gave a presentation on the key assumptions and how the new economic check is proposed to operate.
2. The Committee also discussed processes around the SAB's own Scheme Cost Assessment (SCA) process which also measures scheme cost (and the relative share of that between employers and employees). The SCA is intended to run prior to the HMT CCM so that any changes in benefits or costs arising from it are considered in the CCM. Given that the next Committee meeting wasn't scheduled until 30 October, it was agreed to deal with setting the SCA assumptions by correspondence.
3. The Board has a separate and more detailed paper on these issues at Item 6.

##### **Scheme Level Annual Report and Valuation Report**

4. The tenth [Scheme Annual Report](#) was published on 26<sup>th</sup> June 2023. A draft 2022 Scheme Valuation Report had been produced by Barnett Waddingham and a final version was expected to be published in July 2023.

##### **Education and Skills Funding Agency Forum**

5. The DfE had through the ESFA set up a working group for academies which included representation from one of the actuarial firms and an LGPS practitioner representative, as well as academy representatives involved in CMBDA and IGE. Given the overlaps in membership and risk of misunderstandings, it was agreed to press ESFA for a clear understanding of the boundaries between that group and this Committee.

##### **Gender Pensions Gap**

6. The Committee received a draft report from GAD on the Gender Pensions Gap in the LGPS, building on [initial analysis](#) published earlier in the year. Further consideration would be given to how this



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information should be published and what the next steps should be. It was recognised that the principle means by which the gap could be closed were in the gift of central government and scheme employers, rather than the rules of the scheme itself.

## **Opt-out Monitoring**

7. Anecdotal evidence from funds has not suggested that there has been any increase in opt outs, as might have been expected due to the long-term squeeze on living standards. Discussions are being held with software providers to develop a standard report which funds could easily run and report back data from to establish a more reliable evidence base.

## **Survivor Benefits**

8. The Minister is maintaining the stance of declining to implement the recommendation from the Board to remove the upper age limit of 75 on the award of death grants. The Committee again raised the concerns about potential age discrimination legal cases being brought by affected scheme. In relation to proposals to update survivor benefits in line with recent case-law, the Committee noted that it would be a considerable job to implement this retrospectively. There was also a need to address the situation of those who had purchased additional benefits in the past in consequence of the inherent discrimination in the scheme.

## **McCloud**

9. DLUHC had responded to the first McCloud consultation and had issued a second consultation which closed on 30<sup>th</sup> June 2023. The LGPC team had responded. It was expected that the final regulations would be in place in early September 2023 and take effect from 1<sup>st</sup> October 2023.

## **TPR General Code**

10. The TPR Code had not yet been published in Parliament so would not take effect before Autumn 2023 at the earliest, due to the 40-day laying period.

**Recommendation – that SAB notes the progress made by the committee on the issues set out above**

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## **HYBRID MEETING – 17<sup>th</sup> July 2023**

### **ITEM 14 – PAPER H**

#### **INVESTMENT, GOVERNANCE AND ENGAGEMENT COMMITTEE**

#### **CHAIR'S REPORT FROM MEETING OF 3<sup>rd</sup> JULY 2023**

##### **Sharia Compliance**

1. The Board has awarded a contract to Amanah Advisors Ltd to produce a report reviewing the scheme according to Sharia principles. This was recommended in legal advice from Counsel, so that they could advise on whether the scheme was consistent with administering authorities' anti-discrimination and public sector equality duties. The report is expected in the late summer.

##### **Code of Transparency Next Steps**

2. The Board has set up a series of free regional training sessions for local pension board and committee members and fund officers on investment cost transparency. The first session of the series was held on 21<sup>st</sup> June 2023 in London and was highly successful with a number of engaging conversations. The Secretariat continue to promote these sessions and the next one will be held on 11<sup>th</sup> July 2023 in Manchester.

##### **Provision of Code of Transparency Online Compliance System**

3. The Committee considered a confidential paper outlining the current position with regards to the online CoT reporting system that was procured in 2019. The Board had asked for advice on options and timings so that it could begin making strategic decisions. A separate confidential paper on this is being provided to the Board.
4. In discussing the paper, it was agreed that the Code of Transparency had been a success and was now embedded in the sector. The Committee noted that the Code and the associated templates produced by the Cost Transparency Initiative (a joint venture between the Board, PLSA and the Investment Association) were important in addressing the asymmetry of information in the investment industry.

##### **Climate Risk Reporting**

5. A pool-level working group has been set up and met for the first time on 31<sup>st</sup> May 2023 with representatives from each of the 8 pools attending. The group is looking to build a common approach to climate risk reporting and avoid unnecessary duplication of effort.
6. DLUHC officials said that they were still reviewing the responses to last year's [consultation](#) but it was likely now that any changes would take

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effect from 2024/25 at the earliest. This has now been confirmed by the [Minister in a letter to the SAB Chair](#). The consultation covering Levelling Up, next steps on pooling and other LGPS investment policy issues is expected to be released before Summer 2023 recess (20 July).

**Recommendation – that SAB notes the progress made by the committee on the issues set out above**

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