

Scheme Advisory Board

ACTIONS AND AGREEMENTS

HYBRID MEETING HELD ON 20th FEBRUARY 2023– 1.00pm

PRESENT

Cllr John Fuller	Scheme Employer Representative – Acting Chair
Cllr Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Cllr Andrew Thornton	Scheme Employer Representative
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 Neale	Scheme Member Representative (UNITE)
Bridie McCreesh	Scheme Member Representative (UNITE)
Chris Tansley	Scheme Member Representative (UNISON)
George Graham	Practitioner Representative (SYPA)
Nick Kirby	TUC
Joe Dabrowski	PLSA
Matt Gurden	GAD
Teresa Clay	DLUHC
Gary Delderfield	Eversheds Sutherland
Kimberley Linge	SPPA
David Murphy	NILGOSC
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Lorraine Bennett	LGA – Senior Pensions Adviser
Bob Holloway	LGA – Pensions Secretary

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Ona Ehimuan LGA – Pensions Secretary

Gareth Brown LGA – Pensions Analyst

Item 1. Welcome, apologies and introduction

1. Apologies for absence were received from Duncan Whitfield (ALATS) and Mark Wynn (Cheshire West and Chester). Councillor John Fuller (JF) asked for the Board's approval to act as Chair for this meeting as Cllr Roger Phillips (RP) was still recovering from a period of ill-health. Jon Richards, Vice Chair, was not in a position to Chair due to travel arrangements. The Board approved Cllr Fuller as acting Chair for this meeting.

Item 2. Meeting Protocol and declarations of conflicts of interest

2. There were no conflicts of interest declared.

Item 3. Actions & Agreements from 5th December 2022 meeting (Paper A)

3. The minutes of the 5th December meeting were agreed as an accurate record of the meeting.

Item 4. SAB Workplan and Budget for 2023-24

4. Jeremy Hughes (JH) introduced Paper B to the Board. The budget for 2022-23 had been approved by the Minister and work was ongoing to issue invoices to LGPS Administering Authorities for the statutory levy.
5. The draft budget increase for 2023-24 was larger than anticipated at the previous meeting. The anticipated workload, and hence staff costs associated with the Secretariat, remained similar and Bob Holloway's (BH) post had been filled due to his impending retirement. Costs associated with the work on the Gender Pensions Gap were less than previously anticipated. The Code of Transparency work that was agreed by the Board in December 2022 represented a large proportion of the budget in addition to the standing costs for the online system.
6. The increase was largely driven by expenditure associated with running the Scheme Cost Assessment, which was approximately £100,000. It was confirmed that this cost is a one-off cost paid every four years with the quadrennial scheme valuation cycle. This pattern of expenditure was felt to be unhelpful and so Joanne Donnelly (JD) agreed to consider spreading this cost over the valuation cycle for future years.
7. Jon Richards (JR) anticipated that it would be necessary for the Board to effectively explain the one-off costs contained in the budget to the Minister as the significant increase this year could cause issues with approval. JF asked whether the Secretariat could also identify the value of the budgetary increase that had arisen from the Secretariat's absorption of the CIPFA Pensions Panel's work.

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8. Teresa Clay (TC) supported the suggestion of contextualising the costs for this year and also suggested the Secretariat work on a revised budget with as much smoothing as possible. Councillor Roger Phillips (RP) explained that he had met with the Minister, who seemed to engage well on LGPS issues and suggested that the approval of the budget this year would need to be a co-ordinated approach. There was no objection to the budget as members felt that all the work was necessary however it was agreed that securing approval would need careful handling from the Board.
9. Joe Dabrowski (JDa) asked TC whether there were items which the Minister could remove from the workplan for political reasons. TC responded saying this was unlikely as the workplan contained necessary workstreams.

Agreed – That the Secretariat submit the Budget to the Minister with clear information on one-off costs and costs caused by the absorption of workstreams from the CIPFA Pensions Panel, as well as the reallocation of costs relating to the Head of Pensions’ salary to more accurately reflect the amount of time spent on SAB work.

Item 5. Agenda Steering Group Update

10. Joanne Donnelly (JD) gave the Board a verbal update. There had been no ASG meeting since the last Board meeting for various availability reasons; the next meeting was expected to be scheduled in early March.
11. On post-2022 fund valuation work, there were issues arising from fund surpluses that could pose challenges for administering authorities in the future; the topic would be added to the agenda for the next ASG meeting. On fund capability and capacity, Lorraine Bennett (LB) was leading on work to consider establishing an apprenticeship programme or LGPS-specific qualification and had been holding discussions with fund officers. On reporting consistency, work was ongoing to collect and analyse data from fund annual reports which would feed into the wider Scheme Annual Report. On Climate Risk Reporting, it was decided that the Board’s statement on managing expectations around what funds, and the Board’s own scheme level report, can achieve at an early stage should be timed to align with the Department’s response to the consultation in order to have the most impact.
12. JF raised the issue of pooling and RBKC’s potential decision to leave the London CIV. It was said that there had been no final decision by RBKC at this stage; TC informed the Board that the Minister had written to RBKC and would meet them soon.
13. RP informed the Board that he had discussed the pooling consultation with the Minister at their meeting in December 2022. RP hoped that the upcoming pooling consultation would be sensible and realistic and said that an open discussion on the issues surrounding pooling was needed.

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14. JF said that he would like to see the pooling consultation include information on how far the promise of pooling had been delivered to date. He also asked for an update on when the consultation might be issued. TC could not confirm when it would be released but hoped it would be soon and indicated that work and discussions around it were ongoing. George Graham (GGr) highlighted that there were also growing concerns about the content of the consultation from those funds which had made significant efforts to establish functioning pooling arrangements.
15. JF raised the issue of the definition of UK infrastructure and asked whether work could be done to ascertain the preferred definition for LGPS funds. JD explained that this could be possible once the Department's consultation on pooling is seen.

Item 6. McCloud and Exit Pay

16. LB gave a verbal update to the Board. On McCloud, the Department's response to the 2020 consultation was yet to be published; TC informed the Board that the previously scheduled date of February 2023 for publication would not now be met. It was likely that the second consultation on McCloud would also be pushed back, possibly beyond local government elections in May. Final regulations were now due to be published in September 2023 with the regulations coming into effect from 1st October 2023.
17. LB explained that LGPC and SAB were still working with lawyers on guidance for funds on missing data that was mentioned at the last meeting; this work was now in its final stages with a view to publish the guidance in the coming weeks.
18. LB also explained that the McCloud remedy for TPS members with excess service (who were consequently enrolled into LGPS for the extra hours) was complicated, and it was estimated that 18,000 teachers would be in scope of remedy. Emelda Nicholroy (EN) noted that there would be instances where employees in the HE sector could not be rolled back into the LGPS because the employer was not an LGPS scheme employer. LB acknowledged this and said that arrangements were being made to cover this eventuality. TC expressed gratitude for the work that the LGPC and SAB teams had done on this issue.
19. On Exit Pay, LB informed the Board that there was no update. TC followed on from this, saying that the Department was working with their lawyers and GAD to move this workstream forward and would provide an update in due course.
20. George Georgiou (GG) informed the Board that the decision from the McCloud Judicial Review hearing, which took place over 5 days at the end of January, was expected before the end of the judicial term on 5th April 2023.

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Item 7. SAB Committee Membership

21. BH delivered the following update to the Board on committee membership:
- Councillor Christopher Weaver's Board membership had received approval from DLUHC.
 - Duncan Whitfield's (DW) ten-year term required mid-term reappointment as per the Board's Terms of Reference. The Board agreed to approve the second half of DW's term if he agreed to continue.
 - GG's mid-term reappointment was proposed by John Neale (JN), seconded by Councillor Yvonne Johnson (YJ) and subsequently approved by the Board.
 - GG, Kev Gerard, Sean Collins, Emma Mayall and Glyn Jenkins were all reappointed to the CMBDA committee.
 - On the IGE committee, Rodney Barton was retiring and would be replaced by Euan Miller, also from the West Yorkshire Pension Fund. GG was reappointed to the committee. Lisa Colquhoun (Unite) has stepped down from the committee due to ill health and a replacement for her was being sought.
 - Caroline Escott (Railpen) had stepped down from RIAG; JD informed the Board that Graham Cook would be moving from the Environment Agency to the private sector but was happy to continue attending RIAG. She suggested that the Board approve him as a suitable replacement for Caroline Escott as the 'special interest member' of that group.

Agreed –the Board approved the position as set out above.

Item 8. TPR Single Code

22. JD informed the Board that the Single Code not yet been launched.

Item 9. Update on Consultations

23. The Board was given a verbal update on various consultations. The Scheme Cost Assessment consultation would be open until 24th March 2023 and was looking at how to better align the SAB and Treasury cost control processes. As the consultation closed ahead of the next Board meeting, JH suggested that the Chair should approve the Board's response in correspondence. This was agreed.
24. The consultation on changing the revaluation date closes on 24th February. The LGPC will respond. JF asked whether it was possible to get an estimate of the number of scheme members affected, the consultation document subsequently set out that anywhere between 20,000 and 13,000 members of the LGPS would be prevented from breaching the annual allowance in 2023/24 if the proposed changes were implemented – those numbers depended upon the assumed pay increase. On Climate Risk Reporting, the

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Department was yet to issue its response to the consultation which closed on 24th November 2022. TC said that the target date for publishing the regulations implementing the reporting requirements was before summer recess.

25. TC explained that unfortunately the timing for the consultation on pooling and investments could not be confirmed at this stage. The BDS Bill was expected to be introduced to Parliament after the current recess. On the Pensions Dashboard, it was expected that the DWP would set out further detail this month and the TPR consultation on enforcement would be closing on 24th February 2023. On good governance, it was expected that DLUHC would consult this year on draft regulations and potentially also on statutory guidance to implement the recommendations made by SAB. On survivor benefits and forfeiture, it was expected that there would be a consultation this year, but it was noted that this workstream was not seen as a high priority.

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

26. BH introduced Paper C to the Board. The most recent CRC meeting was held on 23rd January 2023; all the workstreams were now underway and the committee wanted to gain the Board's approval for its latest action plans.
27. The progress on revising the Funding Strategy Statement guidance was noted. The Board was advised that there was ongoing discussion with CIPFA about their role in drafting the guidance given that the guidance would be free at the point of issue.
28. The Audit Issues workstream chaired by Nemashe Sivayogan had been exploring further the separation of pension fund accounts from administering authority accounts. Meetings had been held with the PSAA, FRC and Audit Wales to evidence the benefits of pension fund audit separation. The Board had also received a positive response to its letter of August 2022 to the (then) Minister on this issue. The Minister confirmed that the issue would be looked at in more detail and officials had confirmed that a suitable statutory vehicle to implement the change was being sought. On the issue of valuing asset allocation, there were ongoing discussions about resolving the issue between auditors and actuaries and a meeting to explore how to improve ways of working was being arranged for March.
29. The Annual Report Guidance working group chaired by Peter Worth had been reviewing the current guidance with a view to making recommendations to the CRC at the next meeting on 17th April 2023.
30. The Knowledge and Skills working group chaired by John Jones had agreed to conduct a survey of funds, which would close on 24th March 2023. The survey aimed to collect information on the current standards of knowledge and understanding, as well as provision of training in pension funds. The

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information collected from the survey would assist in the development of a new Knowledge and Skills framework.

31. The Administration, Communications and Governance workstream was being chaired by Jeff Dong. Much of the work to be undertaken was linked with the Good Governance consultation; at this stage the working group was assisting the Department by advising on the content of the consultation. The most recent workstream meeting on 16th February 2023 included a discussion on the development of standardised KPIs as well as independent reviews of pension funds' governance arrangements.
32. The Board approved of the work done by all the working groups and was happy for them to proceed with their respective workstreams.

Item 11. Cost Management Committee Report (Paper D)

33. GG introduced Paper D to the Board. The most recent CMBDA meeting was held on 30th January 2023. The committee recommended that the Board publish the findings on the Gender Pensions Gap and commission GAD to undertake some additional analysis. JH noted that the difference between the reported size of the Gender Pay Gap in local government and the LGPS Gender Pensions Gap was stark and when publishing the latter, the Secretariat would need to put that into context. That was partly because disadvantages in pay were compounded for pensions, but it also needed to be noted that the two were based on different sets of workforces and so were not directly comparable.
34. Chris Tansley (CT) asked whether it would be possible to run the gender pensions gap analysis on the 2016 valuation data as well to get an idea of previous trends. JH explained that the 2020 data collected would have included past service history and additional analysis on 2016 data was unlikely to offer good value for money.
35. Emelda Nicholroy (EN) said that she would like to see the supporting narrative that would be published alongside the gender pensions gap report before it was published, as this was a very sensitive issue in negotiations with further education unions. It was agreed that the report and supporting narrative would be sent to EN before publication.
36. JDa informed the Board that the new Pensions Minister, Laura Trott, had recently committed to undertaking work on the gender pensions gap in the private sector.
37. On whether gender pensions gap analysis would be part of future valuation exercises, JH said that was his hope. The Board agreed that this analysis should become part of the reporting output in future to increase transparency within the Scheme. The Board agreed the estimate from GAD and asked them to conduct the further analysis proposed.

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38. On the working group that was looking into the s13 report recommendation on academy conversions, JH informed the Board that they were devising some additional wording for the Information Note jointly owned by the Board, DFE and DLUHC. This new section would contain standardised nomenclature on the different actuarial approaches taken to setting up academy accounts on conversion.
39. On Opt-Outs, it was agreed to continue to explore reliable sources of data to see whether there were any trends. EN expressed support for investigating the issue further and fast tracking the workstream given its potential usefulness in analysing the Gender Pensions Gap.

Agreed – that the Secretariat would share the supporting contextualisation of the Gender Pensions Gap report to EN before publication. The Board also agreed to commission the further analysis by GAD into the Gender Pensions Gap.

Item 12. Investment Committee Report (Paper E)

40. Councillor Yvonne Johnson (YJ) introduced Paper E to the Board. The most recent IGE meeting was held on 6th February 2023. The IGE was given an update on compliance with the Code of Transparency which had risen to 92% for 2021/22 as of February 2023. The committee recommended two items be submitted for the Board's approval. These were the commissioning of a report into Sharia compliance in the LGPS and the implementation of a communications and awareness strategy to supporting engagement with the Code of Transparency online reporting system.
41. EN expressed caution about the potential outcome of the Sharia compliance report and the ramifications for the Scheme if it were not deemed to be compliant. JD explained that Lydia Seymour KC's legal advice, which was received last year, explained that any changes required by law would need to be proportionate to the degree of disadvantage caused to affected members by the non-compliance – there would still be consideration of reasonableness and proportionality. JD went on to say that the report would be commissioned as a strategic piece of work that would serve to provide necessary evidence for funds if a legal challenge was raised in the future. Board members agreed that this piece of work was important and agreed to commission the report.
42. The CoT awareness and communications project plan was also agreed with no objections.

Agreed – that the Secretariat commission a report into Sharia compliance in the LGPS and that the Secretariat carry out the work contained in the CoT project plan.

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Item 13. AOB and date of next meeting

43. Councillor Roger Phillips thanked Bob Holloway (BH) for his contributions to the Board and the LGPS over the length of his career ahead of his retirement on 24th February 2023.

44. The date of the next meeting was set for 22nd May 2023.
