

# Investment, Governance and Engagement Sub Committee

## Item 3 – Paper B

### **Summary of Scheme Advisory Board meeting on the 16<sup>th</sup> January 2019**

This note summarises the meeting of the Scheme Advisory Board on the 16 January 2019. Full details of the meeting and agenda papers can be found at [www.lgpsboard.org](http://www.lgpsboard.org).

The meeting began with one minute's silence to mark the sad passing of Councillor Ian Greenwood.

#### **Cost Cap**

The Board was advised that since it had last met on the 10<sup>th</sup> October, there have been ongoing discussions with MHCLG and other interested parties regarding the package of scheme improvements formulated by the technical group commissioned by the Board and subsequently agreed by the Board itself to bring the scheme's costs of 19.0% back to the target cost of 19.5%.

Board members were further advised that to keep Board members, administering authorities and other scheme stakeholders fully aware of progress, the Chair agreed that the statement set out at Annex A should be sent.

It was also confirmed that the Secretariat is working with scheme stakeholders to prepare a Q&A document to assist administering authorities in explaining the cost cap arrangement and its implications to scheme employers and others.

Board members expressed concern that in the absence of any agreement by government on the Board's agreed package that the deadline of 1<sup>st</sup> April 2019 for regulatory changes to be introduced was becoming increasingly challenging. The representative from MHCLG confirmed that a consultation paper based on the Board's agreed package was close to being finalised and that the consultation would be ready to be launched once the green light has been given by the government. It was also confirmed that the normal 12 week consultation period could be shortened to help achieve the 1<sup>st</sup> April deadline for any changes to be introduced.

It was also confirmed that the HM Treasury cost cap arrangement would still need to be undertaken at a later stage and would take on board the changes introduced under the Board's own arrangement.

#### **Cost Transparency - Compliance System**

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The Board was advised that the deadline for bids for the Compliance contract was the 22<sup>nd</sup> January and that to date, four bids had been received.. Once the procurement process has been completed, recommendations will be made by the bidding panel for the Board's consideration.

The Board also agreed that the Northern Ireland LGPS should be added to the Code of Transparency.

## **Academies and Third Tier Employer projects**

The Board was advised that the work of the academies administration working group and third tier employers' project working group had been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement. Work on both projects will now be resumed as a matter of urgency.

## **Good Governance in the LGPS project**

The Board was advised that on the 29<sup>th</sup> November, a panel representing the Chair, Vice-Chair and practitioner representative had interviewed the three bidding teams and unanimously agreed that the project should be awarded to Hymans Robertson.

However, concerns were subsequently raised about how Hymans Robertson would manage the potential conflict of interest given their position as clients to a number of LGPS administering authorities and the potential for recommendations to lead to paid work advising on TUPE transfers. At the Board's request, Hymans Robertson prepared a statement explaining how they would manage any such conflict which was subsequently accepted by the Chair and Vice Chair on the Board's behalf.

The Board also agreed that the project should be re-named from the previous 'Separation Project' as this name had given rise to unfounded fears that options around removing the scheme from Local Authority control were being considered. It was agreed that "Good Governance in the LGPS" better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.

## **Responsible Investment Guidance**

The Board agreed with the recommendation from the Investment, Governance and Engagement committee ("Investment Committee") that the draft guidance should be extended to include a checklist enabling administering authorities to measure whether their ESG policy, including climate change risk, represents the minimum to comply with the law, good practice or best practice. Work would also be undertaken in conjunction with scheme stakeholders to assist administering authorities in developing a specific policy, if they wish, on climate change risk.

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## **MHCLG Draft Statutory Guidance on Pooling**

The MHCLG representative confirmed to the Board that the consultation was not a public consultation and has been sent to interested parties (administering authorities, local boards, the SAB and pool companies) for informal comment. Closing date for comments is the 28<sup>th</sup> March. The Board agreed that member's comments should be sent to the Secretariat who would then draft a composite response to be considered and agreed by the Chair. This would not prevent individual organisations represented on the Board from responding directly to MHCLG provided that it was made clear that it does not represent the views of the Board. Administering authorities are welcome to share the draft guidance with advisors and incorporate their views within the authority's response.

## **IORP II Directive**

The Board agreed with the recommendation from the Investment Committee that discussions with MHCLG should be undertaken on key elements of the Directive to avoid any potential legal challenge to the way it has been transposed by the UK government.

## **Local Pension Boards**

Following concerns raised at the Investment committee about the effectiveness of some local pension boards, the Board agreed that the Secretariat should prepare a draft survey to build on the one undertaken in 2017. The draft will be considered by the Board when it next meets in April and, subject to their agreement, will be undertaken in the early Summer.

## **2019/20 Budget and Workplan**

The Board considered a paper, , setting out an early indicative proposed budget and workplan for 2019/20. Although members were advised that no new major projects were envisaged and that the year should be regarded as a period of consolidation, it was suggested that some work on annual and lifetime tax allowances may be necessary. The Board agreed that the Secretariat should continue to firm up the 2019/20 budget and workplan with the view of this being submitted to MHCLG in February.

## **Pensions Regulator**

The Board was advised that no reply has been received from the letter sent to the Chief Executive, Lesley Titcomb, by the Chair in November last year. It was agreed that the Secretariat should investigate further and press for a reply.

[In an exchange of correspondence immediately following the meeting, it was confirmed that a reply had been sent in December but that this was somehow

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lost in transit. A copy has been requested which will be circulated to Board members on receipt for comment. Lesley Titcomb also confirmed to the Chair that a senior member of her team will be asked to attend the next Board meeting].

**Bob Holloway**  
**Pensions Secretary**  
24 January 2019