

Scheme Advisory Board

HYBRID MEETING – 25 NOVEMBER 2024

1.00pm – 3.00pm

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

AGENDA

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 July 2024 – Paper A	1.10
4	LGPC update – Paper B	1.15
5	Pensions review and Mansion House – Verbal Update	1.20
6	Board 2025/26 budget and medium-term financial strategy – Paper C (CONFIDENTIAL)	1.45
7	Code of Transparency Project Update – Paper D (CONFIDENTIAL)	1.55
8	Board Annual Report – Paper E	2.10
9	SAB Website Upgrade Project – Paper F (CONFIDENTIAL)	2.20
10	Board and Committee Membership – Paper G	2.30
11	Compliance & Reporting Committee report – Paper H	2.40
12	Cost Management, Benefit Design and Administration Committee report – Paper I	2.45
13	Investment Committee report – Paper J	2.50
14	AOB and date of next meeting - Stewardship Code Consultation launched 11 Nov 2024	2.55

Scheme Advisory Board Secretariat

Local Government House, Smith Square, London SW1P 3HZ

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

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HYBRID MEETING HELD ON 25 NOVEMBER 2024 – 1.00PM

ITEM 3 – PAPER A – ACTIONS AND AGREEMENTS

Actions and agreements – 22 July 2024 – 1.00pm

Present

Councillor Roger Phillips	Chair
Jon Richards	Vice-Chair (UNISON)
Councillor Peter Mason	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)
Chris Tansley	Scheme Member Representative (UNISON)
George Graham	Practitioner Representative (South Yorkshire Pensions Authority)
Kelvin Menon	Association of Local Authority Treasurers representative – ALATS
Nick Kirby	Trades Union Congress (TUC)
Teresa Clay	Department for Levelling Up, Housing and Communities (DLUHC)
Matt Gurden	Government Actuary's Department (GAD)
Gary Delderfield	Eversheds Sutherland
Eva Sobek	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
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary

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

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Sarah Tingey

LGA – Research and Data Analyst

Item 1. Welcome, apologies and introductions

1. The Chair welcomed attendees to the meeting and informed the Board that a letter had been sent to the new minister, Jim McMahon MP to welcome him to his new role. In his letter, dated 18 July 2024, Cllr Phillips outlines the Board's view of the key priorities and also asks for clarity on the status of the 1 April 2025 deadline for pooling assets that was set under the previous government. The Board's Secretariat team have also met with officials from the Ministry of Housing, Communities and Local Government (MHCLG) to discuss initial priorities.
2. Apologies for absence were received from Mark Wynn, Compliance and Reporting Committee Chair, Kimberly Linge (SPPA) and Cllr Yvonne Johnson, outgoing Investment Committee Chair. Joe Dabrowski, Pensions and Lifetime Savings Association (PLSA) was absent without apologies.
3. The Chair welcomed Eva Sobek (SPPA) to her first Board meeting.

Item 2. Meeting protocol and declarations of conflicts of interest

4. The Chair reminded attendees of the hybrid meeting protocol. There were no declarations of interest.

Item 3. Actions and agreements from 11 March 2024 meeting (Paper A)

5. The minutes of the meeting of 11 March 2024 were confirmed as an accurate record of the meeting.
6. Under matters arising, the Board was informed that the legal opinion provided by Lydia Seymour was now published on the SAB website. Ona Ehimuan (OE) reminded the Board that feedback on the 2020 Cost Control process (either the HMT part or that undertaken by the SAB) was welcomed and requested that feedback be sent to the SAB Secretariat inbox.

Item 4. LGPC Update (Paper B)

7. Lorraine Bennett (LB) introduced the updates in Paper B to the Board. MHCLG has conducted a limited consultation on the requirement to include underpin information in 2023/24 annual benefit statements to which the Board and the LGPC had responded. It was confirmed that the legislative changes that needed to be made would be in place by 31 August 2024 to allow funds the discretion not to include estimated information for certain members. MHCLG had also published statutory guidance relating to the McCloud remedy and were considering whether to issue further guidance on the exercise of this discretion. It was commented that implementing and explaining the McCloud remedy remained extremely challenging for funds.

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8. Work was ongoing to deal with the issue of teachers who will become retrospectively eligible for the LGPS as part of the remedy in the Teachers' Pension Scheme (TPS). It was welcomed that the initial scope of potential teachers affected was lower than previously thought. LB confirmed that approximately 6000 teachers were now thought to be in scope across a range of employers.
9. On tax issues, HMRC have confirmed that interest on delayed payments at 8% would not now be treated as an unauthorised payment. On the Lifetime Allowance, which was abolished from 6 April 2024, HMRC still had not issued the necessary guidance, so LGPC had provided its own guidance to administrators.
10. On pensions dashboards, it was confirmed that the Department for Work and Pensions (DWP) had published the staging timetable for connecting to the dashboard. This timetable is in statutory guidance rather than regulations. The Pensions Regulator (TPR) expects the LGPS (along with other public service pension schemes) to be connected to the dashboard by 31 October 2025.
11. LGPC will also be developing a toolkit for employers to promote the LGPS to potential scheme members. The team are also undergoing a restructure and looking to recruit more members of the team to help meet the increased training demand. and to assist in the delivery of the LGPS apprenticeship programme.
12. The Board noted the LGPS update.

POST MEETING NOTE - the [LGPS \(Information\) Regulations 2024](#) were laid on 28 August 2024 and remove the requirement to include estimated underpin information for certain members in 2023/24 statements. The regulations come into force on 23 September 2024, with backdated effect to October 2023.

Item 5. King's Speech – verbal update

13. Jo Donnelly (JD) gave an update to the Board on the King's Speech at the State Opening of Parliament on 17 July 2024. The Speech did not contain direct references to the LGPS, however did confirm that the government would be launching a Pensions Review and a National Wealth Fund. The Audit Reform and Corporate Governance Bill was announced during the speech, which could be a potential vehicle for separation of pension fund from host authority audit in England.
14. There was a [further announcement](#) after the King's Speech when the Pensions Review was formally launched. The statement said that the government will consider legislating to mandate pooling if insufficient

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progress is made by March 2025. It also said that the government would tackle “fragmentation and waste” in the LGPS and consider “further consolidation” as a means of achieving that. The Terms of Reference for Phase One of the [Pensions Review](#) confirmed that it would be led by Emma Reynolds, the Pensions Minister working jointly across HM Treasury and the Department for Work and Pensions.

15. The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the BDS Bill, did not receive Royal Assent before the dissolution of Parliament ahead of the general election and so the Bill had now fallen away. There was no commitment to reviving the Bill, or a similar legal instrument, in Labour’s manifesto, nor in the King’s Speech, so it is thought highly unlikely that the Bill would return to Parliament.

Item 6. Post Election discussion

16. JD updated the Board on the engagement events held with fund officers and pension committee chairs following on from a letter that then Minister Simon Hoare MP sent to funds in England on 17 May 2024. The events were well attended, and the Secretariat will be exploring holding further engagement events in the Autumn. A key message from the sessions was that Pension Committee chairs welcomed the opportunity for engagement directly with the Board Chair.
17. The Board expressed concern about anything which cut across the fiduciary duty and considered whether an updated legal opinion on this was needed in the light of recent proposals. The Chair said that this is under consideration. Teresa Clay (TC) added that any proposals that government makes with regards to LGPS assets were not intended to infringe on the fiduciary duty.
18. JD informed the Board that she had attended a roundtable at 11 Downing Street on 22 July 2024 to discuss the proposed Pensions Review. The LGPS was also represented by Chris Rule (CEO of Local Pensions Partnership Investments) and Rachel Elwell (CEO of Border to Coast). The event was held by Rachel Reeves MP, with Emma Reynolds MP and Local Government Minister Jim McMahon MP also present, alongside pensions industry figures.
19. Jeremy Hughes (JH) asked TC whether a prioritised programme of the Ministry’s workstreams could be brought to the Board at the next meeting. TC agreed to explore this further.

ACTION – that TC share a prioritised programme of work with the Board.

Item 7. Consideration of non-financial factors in investment decisions – verbal update

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20. JH gave a verbal update to the Board. The Board had taken legal advice on the application of fiduciary duty in the LGPS in 2014 and there was a question whether this advice should be revised given evolving practice and understanding of the fiduciary duty, especially in relation to the effects of climate change. The Board agreed that legal counsel should be engaged to discuss this further.

21. The Secretariat has also received notifications that there had been an increase in lobbying at Pension Committee and other formal meetings within administering authorities. The Responsible Investment Advisory Group had also raised this at its meeting on 13 May 2024 and suggested that the Board draft a statement to give information to funds that addressed the current situation. It was agreed the statement should be drafted.

ACTION – that the Secretariat drafts a statement on behalf of the Board to share with funds that addressed dealing with lobbying and abuse at official meetings. POST MEETING NOTE – the Board issued this [statement](#) on its website on 17 September 2024

ACTION – that the Secretariat engages with legal counsel to revisit the application of fiduciary duty in the LGPS

Item 8. Risk Register

22. JH introduced Paper C to the Board. The assessment of risk in the register had not changed since it was last presented to the Board in December 2023, however an update on the work being undertaken in relation to two of the risks was provided to the Board. Risk 15 related to the knowledge and skills of Board members. This was not a material risk, but the Secretariat recommended that the Board consider developing and publishing training guidelines for its members as a matter of good practice. It was agreed that a draft summary of the appropriate knowledge and skills for Board members be brought to the next meeting on 25 November 2024.

23. OE informed the Board that work was continuing to update the LGPS Board website (Risk 14). Research was being undertaken to determine the changes that were required for the website and the associated resources and timelines for the project. A detailed update would be brought to the next meeting on 25 November 2024.

ACTION – that the Secretariat brings a draft of Knowledge & Skills training guidelines for Board members to the next meeting.

ACTION – that the Secretariat brings a detailed report on plans for the SAB website to the next meeting.

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Item 9. Code of Transparency Project Update

24. Ona Ehimuan (OE) introduced Paper D (Confidential) to the Board. Some stages of the project had been delayed due to unforeseen circumstances, however because the original plan had sufficient contingency time built in, the delay should not adversely affect the project. The early market engagement exercise was ongoing and included a meet the buyer event on 10 July 2024. Once the early market engagement exercise had closed on 6 August 2024 and the responses from suppliers reviewed by the Secretariat, a survey would be issued to funds to gather their feedback on the current set-up.
25. The Board noted the contents of the paper and approved the updated project plan.

ACTION – that the Secretariat continue the work contained in the Code of Transparency Project Plan.

Item 10. Scheme Annual Report

26. The Chair informed the Board that the eleventh Scheme Annual Report had been published. Key points from the report are that the scheme had 13,802 active employers along with a slight increase in total membership to 6.49m members. There had been a 2.6% decrease in assets to £354bn. The information for the report had been aggregated from 83 fund annual reports, for reporting year 2022/23.
27. The Board noted the update on the publication of the [Scheme Annual Report 2023](#).

Item 11. Board and Committee Membership

28. OE informed the Board that Councillor Peter Mason had been promoted to Deputy Labour Leader at the LGA and as a result would be stepping down from the Board. Councillor Nathan Yeowell (Chair of the LGPC) had been nominated as his replacement by the LGA Labour Group. The Chair thanked Cllr Peter Mason for his contributions.
29. Eva Sobek, Policy Manager at SPPA had replaced Kimberley Linge who stepped down from the Board due to a reduction in working hours.
30. The Board also discussed and approved the recommendations on Committee membership in Paper G.
31. On the Compliance and Reporting Committee, Robert Branagh had stepped down from the Committee and Christina Thompson (Section 151 Officer at London Pensions Fund Authority) had been nominated to replace him. Paul Guillioti (Director of Financial Services at Richmond and Wandsworth Pension Fund) had been nominated as London fund representative on the

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CMBDA Committee. There was a Treasurers' vacancy on the CMBDA Committee after Sean Collins stepped down from his post due to retirement. A nomination for his replacement will be brought to the next Board meeting.

32. Rachel Barrack (Hymans) would be replacing Debbie Fielder who had retired from Clwyd Pension Fund on the Responsible Investment Advisory Group. This nomination had been agreed by all of the administering authorities in the Wales Pension Partnership.

33. Cllr Andrew Thornton had been nominated to replace Cllr Yvonne Johnson as the Chair of the Investment Committee.

34. The Board approved the nominations set out above.

Item 12. Secretariat Team Recruitment

35. JH introduced Paper E (Confidential) to the Board. The Secretariat had set out a plan for a peer support offer and the Secretariat would be recruiting an extra person to support this work and other emerging policy and workstream priorities.

36. The Chair expressed support for the progress that been made in this area.

37. The Board noted the contents of the report.

Item 13. Compliance and Reporting Committee Report (Paper F)

38. Becky Clough (BC) introduced Paper F to the Board, as the Committee Chair Mark Wynn had sent his apologies. The revised fund [Annual Report guidance](#) had been published on 28 March 2024 and the Secretariat had held an LGPS Live webinar to discuss the changes made to the guidance. MHCLG had confirmed that the first year of reporting under the new guidance would be on a 'best endeavours' basis. There had been some feedback on the application of the new KPIs in guidance, but this had not been extensive so far.

39. An [audit informer document](#) jointly procured with the Institute of Chartered Accountants in England and Wales (ICAEW) had now been published. The document sets out the timeline and information flow throughout a triennial valuation period and the finalised document is on the Board's website.

40. The Good Governance and Administration workstream had made good progress and it had been expected a consultation on the proposed changes to governance guidance would be issued over the summer, but this was stopped due to the calling of the general election. However, it was hoped that progress would now resume following the forming of the new government.

41. The work of the Funding Strategy Statement guidance working group was currently high priority with the aim of publishing the new guidance by

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December 2024 and in good time before the next valuation cycle. The membership of the group had been increased to broaden representation.

42. George Graham (GGr) requested that the next Audit Roundtable meeting include discussions on the cost of responding to questions and objections raised on payments associated with climate modelling. This was noted for inclusion on the agenda for the next Audit Roundtable meeting.

43. The Board noted the contents of the report.

Item 15. Cost Management Committee Report (Paper G)

44. George Georgiou (GGe) introduced Paper G, which gave an overview of the key items discussed when the Committee met on 1 July 2024 and the Board noted the contents of the report.

Item 16. Investment Committee Report (Paper H)

45. Ona Ehimuan (OE) introduced Paper H to the Board, as the Committee chair Cllr Yvonne Johnson had sent her apologies, reviewing the items of discussion from the last Investment Committee meeting on 8 July 2024. The Board noted the contents of the report, including the recommendation to discontinue the Responsible Investing A-Z website.

Item 17. AOB and date of next meeting

46. OE raised an item on the possibility of recording future meetings of the Board to support accurate note taking by the Secretariat. The Board discussed the implications of recording meetings, and it was agreed that the Secretariat explore this further and present a proposal at the next meeting on 25 November 2024.

47. JD asked the Board to note the publication of the updated UK Stewardship Code signatory list, and that the list had reduced since last year although LGPS funds and pools were still very well represented amongst asset owner signatories.

48. The date of the next meeting is set for 25 November 2024 at 1pm.

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ITEM 4 – PAPER B

LGPC UPDATE

Background

1. The Local Government Pension Committee (LGPC) is a committee of councillors constituted by the LGA. It represents local authority interests in dealing with Government and others on local government pension issues. Its work is carried out by the LGPC secretariat at the LGA.
2. The LGPC secretariat also provides an advisory and training service to LGPS administering authorities across the UK. The service is funded by a subscription on LGPS authorities and training income.

Summary

Consultation on inheritance tax and pensions

3. At the Autumn Budget 2024 the Chancellor announced that from 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for inheritance tax (IHT) purposes.
4. The Government launched a [technical consultation on Inheritance tax on pensions: liability, reporting and payment](#) on the same day. The consultation seeks views on the processes required to implement the change.
5. Under the current rules, unused pension funds and death benefits are not liable for IHT where the trustees/scheme managers have a discretion in deciding who will receive them.
6. From 6 April 2027, the distinction between discretionary and non-discretionary payments will be removed. For the LGPS, this means LGPS death grants will be subject to IHT from 6 April 2027. If the death grant is paid to a spouse or civil partner no IHT will be payable.
7. The Government is proposing to make pension scheme administrators responsible for paying and reporting to HMRC any Inheritance Tax deducted from an LGPS death grant. Personal representatives will still be responsible for calculating whether any IHT is due and passing on the relevant information to the pension scheme administrator.
8. The consultation closes on 22 January 2025. We will submit a response on behalf of the LGPC.

McCloud update

9. LGPS administrators continue to implement the McCloud remedy. The McCloud implementation period set out in the statutory guidance runs to

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31 August 2025; however, it is expected that work will continue beyond this date.

McCloud administration guide – version 2

10. On 11 October 2024, we published the second instalment of the McCloud administration guide (version 2).
11. We published the guide in two instalments due to the breadth and complexity of the McCloud remedy project. The first instalment published in November 2023 included an overview, which pension accounts qualify for underpin protection and how to perform provisional and final underpin calculations.
12. The second instalment covers other calculations that are impacted by the underpin, such as transfers in, and revisiting past calculations. We have also significantly amended the section on which accounts qualify for protection, taking into account the clarification from Government set out in section 5 of the [McCloud Implementation Statutory guidance](#).

McCloud webinars

13. During October 2024, we delivered four McCloud webinars for administrators. Two covered transfers and two covered McCloud more generally. Each webinar lasted up to 90 minutes and provided an opportunity for attendees to ask the LGA pensions team questions.
14. Over 500 people attended the webinars across the four days. Feedback was very positive. We will consider running more McCloud webinars next year if there is enough demand.
15. We are currently working with [Affinity Connect](#) on McCloud webinars for scheme members. The webinars will provide an overview of the LGPS as well as information about McCloud. These will be advertised on the [national LGPS member website](#) from early 2025.

McCloud public service pensions history forms

16. We have published forms for administering authorities to use as part of the McCloud project. The McCloud public service pensions history form is for collecting information about previous pensions for members who are not protected by the remedy based on their LGPS membership in a particular fund.

Club transfers – extension of 12-month time limit

17. On 24 October 2024, the Cabinet Office emailed public service pension scheme stakeholders to confirm the 12-month time limit for Club transfers can be extended if the delay has been caused by implementing the McCloud remedy. Both schemes will still need to agree to the extension.

Abolishing the Lifetime Allowance

18. The [Finance Act 2024](#) abolished the lifetime allowance (LTA) from 6 April 2024 and replaced it with two new lump sum allowances. The new lump

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sum limits restrict the amount of tax-free cash an individual can take over their lifetime.

19. HM Treasury has laid two further sets of regulations in connection with the abolition of the LTA. Both sets of regulations came into force on 18 November 2024 and have backdated effect to 6 April 2024. They make corrections to the legislation introduced earlier this year and contain new provisions covering Transitional Tax-Free Amount Certificates (TTFAC) and the calculation to determine the value of member's benefits when paying a Trivial Commutation Lump Sum (TCLS).
20. We will update our Abolition of the LTA guide to reflect these changes shortly.

Pensions Dashboards

DWP Ministerial Statement on dashboards

21. On 22 October 2024, DWP published a [written statement](#) on dashboards. The statement confirms the Government's commitment to the existing timetable for connecting schemes to the ecosystem. This is expected to begin in April 2025 with an overall legislative deadline of 31 October 2026. The timetable provides for a connect by date of 31 October 2025 for all public service pension schemes.
22. The statement also describes the progress made by the Pensions Dashboards Programme (PDP) and the Government's confidence in the PDP to deliver against the timescales. PDP has been instructed to focus its efforts on the connection and launch of the MoneyHelper dashboards service before turning to the work of connecting commercial dashboards. This is to facilitate helping the public to realise the benefits of using a dashboard at the earliest opportunity.

PDP confirms identity service provider

23. PDP has confirmed that users of pensions dashboards will verify their identity with GOV.UK One Login. This will make it easier for those who have previously registered with One Login for other Government services.
24. The identity service for dashboards will ensure that people must prove who they are before they can access confidential pensions information.

TPR data quality engagement – from October 2024

25. From 15 October 2024, the Pensions Regulator (TPR) will contact pension schemes, in scope of dashboards, to make sure they have the right processes and controls in place around their data.
26. Data quality is critical to the success of dashboards. Without good data, savers may not be able to find all their pensions or get an accurate picture of the value of their savings to help them plan for retirement.

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TPR dashboards readiness survey – November 2024

27. TPR will send all scheme managers two surveys at key points in their journey to their 'connect by' date, as set out in DWP's guidance.
28. All PSPS schemes can expect to receive the first survey in November 2024.

Dashboards guides published

29. We have published two guides to assist LGPS administering authorities comply with their dashboard duties. The connection guide provides information on the steps needed to connect to the dashboards ecosystem. The AVCs and dashboards guide deals specifically with providing AVC data to dashboards.

Upcoming consultations

30. In the coming months, we expect MHCLG to consult on changes to survivor benefits and the introduction of new Fair Deal into the LGPS. We expect the survivor benefits changes to address the Goodwin case and equalise pensions paid to widowers with those paid to same sex survivors.

Increase to the normal minimum pension age

31. The Finance Act 2022 increased the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028. The NMPA is the earliest age people can access their pension savings, except for ill health. The change does not apply to members of uniformed services pension schemes.
32. The Act provides for protections to allow a member who, on 4 November 2021, already had a right to take their benefits before age 57 to retain a protected pension age. The Act also provides that a member retains a protected pension age on transfer.
33. Whilst the Act provides protection under the primary legislation, it is up to each pension scheme to decide whether it will provide for protected pension ages in its scheme rules. We are encouraging MHCLG to prioritise this work to allow members and employers to plan appropriately. We are currently putting together a document detailing the implications of providing for protected pension ages in the LGPS. The document includes information on:
- the details of the change
 - how it differs and interacts with the 2010 increase to the NMPA
 - the cost and two-tier workforce implications for employers if protections are introduced
 - the potential increased complexity of the Scheme.

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Recommendation

The Board is asked to note the contents of this report.

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ITEM 8 – PAPER E

BOARD ANNUAL REPORT

Background

1. Updates on the Board's projects and workplan are well documented throughout the year in the Board and Committee papers and minutes which are available on [the Board's website](#). However, it is acknowledged that there isn't currently a single source of information which specifically gives a periodic overview of the activities of the Board, its committees, working groups and the work of the Secretariat to support the scheme.
2. A brief overview of the work of the Board has been covered in the Scheme Annual Report [Chair's statement](#) which, on top of providing scheme-level data, provides some commentary on the Board's work in the relevant reporting period.
3. However, the Scheme Annual Report is compiled using the previous financial year's fund annual reports which aren't available until the end of the calendar year, so the Chair's statement inevitably looks back at activities from up to two years previously. It is suggested that it would be of greater benefit for more up to date information about the work of the Board to be provided outside of the Scheme Annual Report.

Proposal

4. The Secretariat would like to establish a new communication channel to provide information on the Board's work and has discussed this with the Chair. This would take the form of a 'Board Annual Report'. It is proposed that the publication of this new report would coincide with setting the Board's workplan and budget and will cover:
 - Main achievements from the last 12 months
 - A fuller overview of how the Board's budget has been spent, the membership and attendance record of Board and Committee members and activities over the previous 12 months
 - The Board's workplan for the upcoming 12 months
 - Confirmation of key meeting dates and any other important events in the Board's calendar.
5. The report will first be published at the end of December 2024 and therein each subsequent December, covering activities in the calendar year. It is proposed that the report will be drafted by the Secretariat and cleared by the Chair but largely will be created from the Board's agreed workplan.

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6. As the Secretariat team is increasing with a new team member starting in December, it is expected that more communication initiatives can be developed to promote the Board's work ensuring funds and key stakeholders are kept informed of the Board's work undertaken and planned work on behalf of the scheme.

Recommendation – that the Board agrees the proposal set out above.

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Item 10 – Paper G

Board and Committee Membership

Changes in Board and Committee Membership since 22 July 2024

1. At the last Board meeting, it was reported that Sean Collins has stepped down from the Treasurer's position on the Cost Management, Benefit Design and Administration (CMBDA) Committee due to retiring from his role at Oxfordshire Pension Fund. The Secretariat contacted the Association of County Treasurers to request a nominee to replace him and were notified that this would be Matthew Trebilcock (Head of Gloucestershire Pension Fund).
2. The Secretariat have also been informed that Stephen Smellie has stepped down from his role as the Scottish SAB representative on the Responsible Investment Advisory Group (RIAG) and the Scottish SAB would like him to be replaced by Kenny Dick (The Care Inspectorate).

Recommendation – that the Board approves the nominations at Paragraph 1 – 2

3. The first terms of both John Neal (Scheme Member Representative, UNITE) and Cllr John Beesley (Scheme Employer Representative, Dorset Pension Fund) came to an end in October 2024. Both members indicated a willingness to renew their terms and their nominations were approved by the Board via correspondence in September 2024. The Secretariat has notified the Ministry of Housing, Communities and Local Government (MHCLG) of this and we are awaiting confirmation that their memberships have been approved by the Minister.
4. Cllr Nathan Yeowell (Scheme Employer Representative) has been nominated by the Labour Group to replace Cllr Peter Mason who stepped down after being appointed as Deputy Group Leader at the LGA following changes in the LGA Labour Group following the General Election. The nomination has also been submitted to MHCLG and we are awaiting Ministerial confirmation.

Development of a Conflict of Interests Register

5. To date, we have relied on conflicts of interests being declared at the start of individual meetings. These are then recorded in actions and agreements documents. Though this method has been adequate so far, to ensure that there is a centralised record of information on conflicts of interest, the Secretariat is proposing that an exercise be conducted in the new year to establish, and then maintain, a Conflicts

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of Interest Register. In the first instance we will collect information on conflicts of interest for both Board and Committee members via the use of a form, and then ask members to notify the Secretariat of any relevant changes in their circumstances.

6. The form that is being proposed for usage is a form that MHCLG have recently notified us that they will be using to collect information on potential conflicts going forward.
7. Once collected, this information will be held securely (password protected) in the Secretariat's SharePoint files and, in the case of the voting Board members, will be shared with the MHCLG on request.

Recommendation – that the Board approves the collection of Conflicts of Interest information for Board and Committee members

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ITEM 11 – PAPER H

COMPLIANCE AND REPORTING COMMITTEE (CRC) Update

Workplan update – summary of workstreams

1. This paper summarises the agreements and the work undertaken by the CRC and its workstream groups since the last Board meeting in July 2024. Following the General Election, the Secretariat briefly paused arranging meetings for ongoing workstreams whilst the new Government's priorities were emerging. This also allowed resources and focus to be placed on completing the Funding Strategy Statement (FSS) guidance.
2. The Board Secretariat wants to thank all volunteers within each CRC workstream for their continued input into each project. In particular, the volunteers from the FSS guidance which has completed its work to update the guidance. This means three guidance documents have been produced from CRC workstreams this year covering; preparing the fund annual report, guidance on the FSS and audit informer document jointly produced with the Institute of Chartered Accountants in England and Wales (ICAEW).
3. This report confirms the position which was set out at the last CRC meeting on the 21 October 2024. At this meeting it was confirmed that both the Annual Report and FSS guidance workstreams are completed and therefore no further meetings will take place at this time. The Secretariat is now prioritising the outcomes of the Knowledge and Skills, Good Governance and Audit workstreams.
4. This paper also proposes that the Board agrees a new workstream to be added to the workplan for the CRC to cover the work required in scoping a new Peer Support Offer, high level details of which are set out in the recently published consultation from the Ministry of Housing, Communities and Local Government (MHCLG) ['LGPS - Fit for the Future'](#).

Audit workstream

5. At the CRC meeting in October, the recommendation made for the separation of pension fund accounts from that of the administering authority's main accounts was discussed. MHCLG officials have previously said it intended to enact this separation once a suitable legislative vehicle was available and there is no reason to think that the change in Government has altered this position. In fact, the King's Speech in July 2024 contained a commitment to bring forward a draft

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Audit Reform and Corporate Governance Bill which would seem to provide a legislative vehicle and the Secretariat believes the Pension Schemes Bill is another option. To highlight that this remains an issue for the scheme, the [Secretariat wrote to the Minister Jim McMahon MP](#) on 12 November 2024 to reconfirm the Board's position.

6. The Board may wish to note that the next audit roundtable meeting is due to take place on 9 December 2024.

Good Governance and Administration workstream

7. In advance of the October CRC meeting, the Secretariat reassessed the Board's original 2021 agreed action plan to check if anything can be taken forward in the absence of a clear Ministerial position (at that time) on the Good Governance project.
8. It was noted by the CRC that the actions set out in the original 2021 action plan as 'SAB immediate actions' were either completed in 2022 or have been partially completed and are awaiting further progress. It was recommended to the CRC that whilst delays continue, the Secretariat would shift the initial focus and resources in the coming months to the knowledge and skills guidance project, updating the Board's Local Pensions Board guidance and developing an LGPS peer support offer by recruiting a new team member.

Funding Strategy Statement (FSS) guidance workstream

9. The Board have received updates in previous meetings on the progress of the FSS workstream which has now reached its conclusion with the new guidance (**Annex A**) ready for Board approval.
10. The new guidance has been shaped using the previous guidance as a template but took into consideration significant feedback from a wider range of perspectives and to reflect the current funding scenarios faced by funds. The guidance received approval at the CRC meeting on 21 October 2024 and at the Chartered Institute of Public Finance and Accountancy (CIPFA) Public Finance Management Board meeting on 7 November 2024.
11. The Board are asked to approve the updated FSS guidance. If approved, MHCLG officials have been asked to obtain Ministerial approval before the end of the year.

Knowledge and Skills workstream

12. Work has progressed within this workstream since the Board last met and at the October 2024 CRC meeting, the Secretariat shared a list of the relevant regulations and guidance covering knowledge and skills for reference. It is acknowledged that guidance on this subject has

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been developed using a piecemeal approach, spread over several documents, sometimes behind a paywall, and therefore not widely accessible for all funds.

13. The last document updated by CIPFA was in 2021, therefore a review of existing documentation is needed to identify content gaps. The CRC agreed for the workstream to commence a review on the changes needed to the existing published guidance documents to create guidance for funds making a Training Policy and for the Secretariat to publish any available data or commentary obtained from fund annual reports in the Scheme Annual Report.

Peer Support Offer workstream (new)

14. The Board is asked to agree that a new CRC workstream is added to the CRC workplan to be discussed at the next committee meeting. If agreed by the Board, a Terms of Reference for this workstream should be drafted for discussion at the CRC meeting in February 2025.
15. The workstream will be tasked with assisting the Secretariat to scope out and develop a LGPS Peer Support Offer. The Secretariat has planned for the expected need to increase its internal resources to input into the development of this offer by creating a new role in the team (Pensions Policy and Support Officer) and have recently undertaken interviews for the post. The successful applicant is set to start within the team on the 2 December 2024.

Recommendations

- **That the Board notes the progress and report made on each of the workstreams set out above.**
- **For the CRC to set up a new workstream to scope out a Peer Support Offer.**
- **For the Board to approve the FSS guidance and recommend to MHCLG that it is submitted for Ministerial approval.**

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HYBRID MEETING – 25 NOVEMBER 2024

ITEM 12 – PAPER I

COST MANAGEMENT, BENEFIT DESIGN AND ADMINISTRATION COMMITTEE (CMBDA)

CHAIR’S REPORT FROM MEETING – 28 October 2024

Gender Pensions Gap working group

1. The Committee received a report outlining the large amount of work that had been done since the last Committee meeting, including:
 - The Board’s work on GPG covered in Cllr Roger Phillips’ [welcome letter](#) to new Local Government Minister Jim McMahon MP
 - Jo Donnelly wrote to [Ministry of Housing, Communities and Local Government \(MHCLG\)](#) to highlight the need for a review of the actuarial factors and regulations surrounding Shared Cost Additional Pension Contributions (SCAPCs)
 - The Pensions Minister, Emma Reynolds, has been reported as saying that phase 2 of the [Pensions Review](#) potentially will have GPG in scope as part of retirement adequacy work
 - The Secretariat secured representation on the [Pensions Equity Group \(PEG\)](#) and attended a meeting of the group on 18 September and agreed to join sub-groups focusing on Auto-Enrolment Reform, employer best practise and mandatory disclosures.
2. MHCLG officials confirmed that the new Local Government Minister was very interested in taking action to address the Gender Pensions Gap (GPG). The Committee agreed to prioritise the actions below, MHCLG asked for a progress report against these early in the new year.
 - Explore and propose a standard GPG definition and reporting approach (including methodology) for the Local Government Pension Scheme, including both for funds and employers, and prepare this draft for Committee approval at its next meeting
 - Explore with the PEG how to adapt the ‘Mind the Gap’ employer best practise guide for the Public Sector
 - Work with MHCLG (as required) to conduct a more detailed review of treatment of authorised unpaid leave and produce proposals for consultation on amendment to the LGPS regulations and SCAPCs
 - Analyse the responses from the GPG survey to local government employers
3. The Committee noted that while the working group will take forward as quickly as possible the actions set out, not all are within direct control.

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There was also a need to recognise that some issues, e.g. local government working practices and the relationship between occupational pension schemes, the state pension and the benefits regime were long-standing and difficult to easily shift.

Opt Out Survey

4. The Committee noted that the Secretariat was continuing to work with MHCLG officials to put in place an effective system for monitoring the level of opt outs from the LGPS and gain intelligence if there were particular groups that were disproportionately doing so.
5. The Secretariat also mentioned that a further survey was planned of local government and education sector employers looking at both GPG and opt out issues as both are linked themes. The survey includes questions on what type of data is held by employers on employees who opt out. On the GPG issue, the survey asks for employer interest in understanding their own GPG. The survey would be issued in the coming weeks and an analysis of the data would be available for the next Committee meeting.

Pensions Review

6. The Committee noted that Phase Two of the Pensions Review will be looking at the gender pensions gap, and potentially other pension gaps that other research has shown to exist (e.g. around ethnicity). Phase Two would also be an opportunity to make representations about how the pensions system more generally works for LGPS members who are typically low-paid and often part-time workers. The Committee agreed to set up a small working group to consider how the Committee/Board could influence the development of the Review Team's thinking.

Forthcoming change to National Minimum Pension Age

7. The Committee also returned to the earlier paper it considered on the normal minimum pension age (NMPA), including the default position set out in overarching pensions legislation and has been legislated by Government to rise from 55 to 57 on 6 April 2028.
8. Member representatives on the Committee were keen for existing members to have a protected NMPA for ordinary retirement but also to retain the enhanced benefits when dismissed by reason of redundancy or business efficiency from age 55. It was noted that the LGPS in England and Wales (E&W) was an outlier the last time NMPA was increased as LGPS in Scotland and Northern Ireland (as well as public sector schemes generally) had protected it last time. However, it was also suggested that this was because the earlier LGPS E&W scheme had not given an unqualified right to retire at the earlier NMPA.
9. It was suggested that the Board should be invited to take a position on whether the current LGPS statutory minimum pension age of 55 should be protected for existing members.

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Fair Deal

10. The Committee heard that that was likely to be a two-stage approach by the government to reforming pension rights on transfer. Firstly, it is expected that there will be a consultation aiming to catch up the LGPS on the previous Government's New Fair Deal policy before moving to look at implementing a new Two-Tier Code.
11. A new Two-Tier Code was proposed as part of Labour's "new deal for working people" document, although not explicitly referenced in the manifesto. The Labour Party had committed to "extend and strengthen" what was in the previous Two-Tier Code but there isn't much further detail on how pension rights would be treated. It was understood that the Local Government Association would be engaged directly by the Government (possibly via the Cabinet Office) to represent employer interests in how it is implemented in local government.

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

ADDITIONAL ITEM: REFERRAL FROM NATIONAL TECHNICAL GROUP

12. After the deadline for submitting new business to be included on the Committee agenda, the Secretariat received an email from the Chair of the National Technical Group, Kev Gerard. The text of this is at **Annex A**.
13. It is recommended that the Board accepts this proposal from the National Technical Group and writes to HM Treasury as suggested. It is also recommended that this point is also made in any response by the Board to the [ongoing consultation](#) on changes to the treatment of death grants for Inheritance Tax purposes.

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Annex A : Request from the National Technical Group to increase the Probate limit

Received via email on 22nd October

The National Technical Group discussed the issues faced when making payments to a deceased persons personal representatives. Although payments to a deceased beneficiaries personal representative are made under Regulation 82, the limit is set under the Administration of Estates (Small Payments) Act 1965. The current limit of £5,000 was set by the Administration of Estates (Small Payments) (increase of Limit) Order 1984. The limit has not increased since this date and imposes a tight restriction on LGPS funds in their ability to release payments to family without undue delays and costs when applying for probate. Funds face situations where significant amounts can be paid to the family in the form of a death grant along with from financial institutions as banks and building societies without the need for probate.

Technical Group noted that under the Administration of Estates (Small Payments) (Increase of Limit) Order (Northern Ireland) 2020 the limit increased to £20,000 having previously increased from £5,000 to £10,000 in 2004.

Technical Group acknowledge that an amendment to the limit would be a matter for HM Treasury, however, since it has a direct impact on the ability of LGPS Funds to release relatively small sums quickly and efficiently, Technical Group believe it would benefit all funds if SAB wrote to MHCLG in order that they may highlight the issues and request the change with HM Treasury. Technical Group propose the limit should match that of Northern Ireland and increase annually by CPI.

Diolch/Thanks

Kev Gerard

Chair of Technical Group

Scheme Advisory Board

HYBRID MEETING – 25 NOVEMBER 2024

ITEM 13 – PAPER J

INVESTMENT COMMITTEE CHAIR'S REPORT – 11 NOVEMBER 2024

Code of Transparency Data System

1. The Committee noted the work done by the Secretariat team to address non-compliance with the Code by signatories. The rate of template completion for 2023/24 stood at 95% at the time of the meeting and around 98% for previous years. The Secretariat would be continuing to chase any Code signatories with a high number of late templates.
2. The Committee also considered a confidential paper outlining progress with the ongoing project to determine the longer-term future of the Code of Transparency data system. An updated project plan was presented to the Committee along with an update on the work being undertaken in the current phase of the project. The comments made by the Committee were fed back to the executive panel who have made a recommendation to the Board on this project. A separate confidential paper has been submitted to the Board on this (Item 7 on the agenda).

Update of Fiduciary Duty advice

3. The Committee were informed that the Board had received [advice](#) from Nigel Giffin KC on the allegation that funds might face future criminal action by the International Court of Justice or have liability in domestic law under the Terrorism Act 2000 or the International Criminal Court Act 2001, as a result of holding investments in companies which have been linked to the ongoing situation in the Middle East. Members of the Committee noted that the advice has been extremely useful, as had been the [statement](#) published by the Board on dealing with lobbying in September 2024. Fuller advice on the evolving legal understanding of the fiduciary duty is expected in the coming weeks and will be published on the SAB website.

Funding Strategy Statement Guidance

4. The Committee were informed that the FSS Guidance had been updated by the Board with the input of practitioners from the FSS Guidance working group established by the Compliance and Reporting Committee (CRC) and the final draft of the guidance was noted. The Committee was asked to note that the FSS guidance now sets out that funds should be clear on their approach to assessing the potential impact of climate risk, how this is used in decision making, risk

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

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management and how it links with other management strategies. However, as the subject of climate risk reporting is an evolving area, annexed to the FSS guidance was a separate “climate principles document” that is referenced in the guidance and was drafted by fund actuaries and is broadly supported by GAD. The Committee were invited to comment on that statement of principles document particularly.

Responsible Investment Advisory Group (RIAG) Report

5. The Group discussed the proposed requirement in the Labour General Election manifesto for all pension schemes to develop a credible transition plan that aligns with the 1.5°C temperature rise goal of the Paris Agreement and the government’s desire for greater investment in assets that contribute to local growth and impact investing.
6. The Group discussed whether a formal definition of the fiduciary duty would be helpful. The Committee also discussed the possibility of the government underwriting investments in strategically significant infrastructure and the possibility of using new financing models to finance impact investing.
7. The Group also welcomed the [recent statement](#) by the Board to address dealing with increasing queries about how LGPS funds are invested. The Group felt it would be very helpful in briefing and setting the ground-rules for pension committee and board members.
8. The Group agreed that the updated Terms of Reference be finalised and submitted to the Board for approval. The updated ToR can be found at Annex A.

Recommendation – that the Board notes the report and approves the RIAG’s updated terms of reference.

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Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

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

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ANNEX A

Responsible Investment Advisory Group (RIAG)

Terms of Reference

Constitution

1. The Group is established by the Local Government Pension Scheme Advisory Board in exercise of its power under regulations 110 (4) and (5) of the Local Government Pension Scheme Regulations 2013.

Functions of the Group

2. The functions of the Group are as follows:
 - To advise the Board and the Investment Committee (the Committee), as requested, on all matters relating to Responsible Investment

Operation of the functions

3. In fulfilling its functions the Group will:
 - Report directly to and take instructions from the Committee
 - Be both reactive in terms of work commissioned by the Board and Committee and proactive in terms of approaching the Board and Committee with their own proposals for consideration
 - Seek the agreement of recommendations to the Committee by consensus of the Group which, after discussion by Group members, shall be determined by the Chair. Where consensus cannot be reached, or where the view of the Chair is challenged, the recommendation to the committee should include any contrary view expressed by individual group members
 - Direct all applications to engage with the media on the Group's behalf to the Chair of the Group for permission.

Membership

4. Membership of the Group will be as agreed by the Board below:

Chair – from the LGPS

Administering Authority – London

Administering Authority – Shire Counties

Administering Authority – Met Districts

Administering Authority – Wales

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LGPS Pool representatives

Consultant 1*

Consultant 2*

Asset Manager 1

Asset Manager 2

Special Interest

Wider Industry

PLSA

Scheme Member

(* The two consultant seats will be nominated by the Investment Consultants Sustainability Working Group).

5. Steps must be taken to ensure that all eight LGPS asset pools (companies and partnerships) are represented in the Group across the Chair, authority and pool representatives.
6. Members of the group are appointed in a personal capacity and are not expected to represent the views and positions of their organisations on any matter discussed or agreed by the Group.

Chair - appointed by the Board

7. At any point the Chair may stand down from that position or may be removed by a vote of the Group. The Group may recommend the removal of the Chair to the Board on the passing of a no confidence motion. Before discussing a no confidence motion the Group will appoint an Acting Chair in line with paragraph 9 below.
8. Person(s) in the role of Chair may retain those roles for a period of no longer than two years and may be nominated on no more than two occasions.
9. Where the Chair is not in attendance or to discuss a no confidence motion, the members of the Group shall appoint an Acting Chair from the present members for the meeting in question. At all Group meetings, it shall be the duty of the Chair or Acting Chair to ensure that all Group members show respect to the process and are provided with equal access to the floor. The Chair or Acting Chair shall also determine when consensus has been reached.

Nominations for members

10. Nominations for the appointment of Group members shall be as follows:

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Administering Authority seats – Nominated by the Committee

Pool company/partnership seats – Nominated by the Committee

Consultant seats – Two members nominated from the Investment Consultants Sustainability Working Group

Asset Manager seats – Nominated by the Committee

Special Interest seat – Nominated by the Committee

Wider Industry seat – Nominated by the Committee

PLSA seat – Nominated by PLSA

Scheme Member seat – Nominated by Board member representatives

All nominations are subject to approval by the Board.

Term of appointment of Group members

11. The term of appointment for all Group members is a period of no longer than 4 years (subject to the practicalities of appointment processes). Group members may be re-nominated at the end of their term no more than once.

Secretariat

12. The Board will provide a Secretariat function for the Group, including a Group Secretary, funded from within the Board budget. The Board may at any time choose to change the provider of the Secretariat function subject to the terms of the agreement with the LGA and the procurement section of these terms of reference.

Workplan

13. The Group is required to develop and submit a work plan for approval by the Investment Committee on an annual basis within the timescales advised by the Committee.
14. The Group shall strive to conduct the key areas of work in line with the agreed work plan, but the work plan will be subject to flexibility to respond to other matters as they arise. The Chair of the Group must update the Committee on a regular basis on progress against that Group's work plan including any additional areas of work.

Working Groups

15. The Group may establish working groups from within its membership as and when required, whether short-term or otherwise.

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16. The Group will be responsible for developing and agreeing the terms of reference of any working groups. Working groups should limit their considerations to their remit and provide, as requested, information and options to the Group who shall reserve the ability to make recommendations as it sees fit.
17. Chairs of working groups shall be nominated from and agreed by the members of the Group.
18. Nominations for membership of working groups may come from the Chair of the Group, members of the Group or the secretariat.
19. The Chair of the Group together with the Chair of the relevant working group shall seek to achieve a balance in the membership of the working group between the various stakeholders.
20. The outcome of working groups is to be reported solely to the Committee via the Chair of the Group who shall determine the extent and scope of any resulting actions.

Transparency and Communication

21. The membership, appointment processes, meeting dates, agendas and the actions and agreements of the Group shall be published regularly by the Secretariat on the LGPS Advisory Board website. Any discussion points included in the Actions and Agreements document will not be attributed to individuals unless the group and the individual agrees that it would be in the best interests of the transparency of the group to do so.

Attendance

22. All Group members are expected to regularly attend meetings. Where a member of the Group fails to attend regularly, the Chair may seek for that person to be replaced by another representative, in accordance with the nomination process detailed in the membership list above

Quorum

23. The Board will have formal quorum of 50% of the membership, rounded up where the membership is an odd number, provided that within that 50% at least half are members representing scheme members, administering authorities or pool companies and partnerships.

Frequency of Meetings

24. The Group will meet a minimum of four times a year. The Chair may call meetings more frequently if deemed necessary or on the joint

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request of two or more Group members. Except in situations to consider matters of urgency, all meeting dates will be communicated at least one month in advance. The Group will strive to agree dates of meetings on a calendar year basis by the preceding 30th November.

Declaration of interests

25. Each member of the Group will be expected to declare, on appointment and at each meeting any interests which may lead to conflicts in the subject area or specific agenda of that Board.
26. The Chair of the Group must be satisfied that a person nominated as a member of the Board does not have a conflict of interest or can effectively manage that conflict as a member of the Group.
27. Each member of the Group must provide the Secretariat with such information as is reasonably required for the purposes of maintaining and publishing a conflicts register.
28. It shall be the responsibility of the Chair of the Group to ensure that the Committee is made aware of, and provided with the necessary information in relation to, any conflict of interest which the Chair deems to be material or potentially material to the work of the Group.
29. At each meeting of the Group the Chair shall require members to declare any potential material conflict of interest with regard to any of the agenda items. If a conflict is declared the Chair shall determine if the member cannot effectively manage that conflict and/or the position of the Group may be undermined by that conflict, and if so may ask the member not to participate in the meeting during that item.
30. The SAB Secretariat will adopt the role of ensuring that the Chair of the Group does not have a conflict of interest in the same way as the Chair does in relation to all other Group members.
31. Where two or more Group members disagree with the judgement in relation to a potential conflict of interest made by the Chair (or Acting Chair as the case may be) the matter will be considered by the Group as an item of urgent business and agreed by consensus. The member in question may be asked to leave the meeting for part or all of the time whilst the matter is being considered.
32. “Conflict of interest” means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Group (but does not include a financial or other interest arising merely by virtue of membership of the LGPS or the provision of services to the LGPS).

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33. “Material conflict of interest” means of financial or other interest which could lead to the member or any organisation to which the member belongs benefitting financially or otherwise as a result of any agreement or recommendation in relation to the agenda item.

Administration

34. The Group Secretary will agree an agenda with the Chair prior to each Group meeting. The agenda and any papers for the Group will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
35. The Group Secretary will record minutes of each meeting including all actions and agreements which will be circulated to all Group members within a reasonable period after the meeting. These minutes will be subject to formal agreement at the following Group meeting.

Personal Liability of Board members

36. Following advice from legal advisers, as Group members can only make recommendations to the Committee, they shall carry no personal liability in respect of recommendations made to the Committee in respect of any areas of work within the scope or workplan of the Group.

Term of Group

37. The Group will remain in place while the Board so requires.

23 September 2024

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Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

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