

**Notes from Meeting of Local Pension Board Chairs of LGPS Central Funds
27 March 2023, 10:00am, In person meeting held at i9, Wolverhampton**

Attendees:

Fund	Member	Position
Cheshire	Peter Raynes Heidi Catherall	LPB Chair Officer
Derbyshire	Ronald Graham Dawn Kinley	LPB Chair Officer – attended online
Leicestershire	Ian Howe	Officer – attended online
Nottinghamshire	Thulani Molife Jon Clewes	LPB Chair Officer
Shropshire	David Wright Justin Bridges	LPB Chair Officer
Staffordshire	Rob Birch	LPB Chair
Worcestershire	*not present*	
West Midlands	Rachel Howe Hayley Reid Laura Parker Marsden	Officer Officer Officer
SAB/LGA	Ona Ehimuan	SAB Secretary
LGPS Central Ltd	Matt Jones Patrick O’Hara	Chief Stakeholder Officer Director of Responsible Investment and Stewardship

Apologies: Councillor Roger Phillips – Worcestershire

1) Introductions/Protocol

The Chair introduced the meeting and members introduced themselves.

2) Notes from the last meeting – 24 October 2022

PR reminded the group about the Hymans Online Learning Academy (LOLA) which has a module for current issues. Within this module is an excellent training session on cyber security. This provides a useful summary for non-technical staff and may help to determine what actions Funds need to take on this topic.

3) Update from the Scheme Advisory Board (SAB)

OE provided an update on a number of areas which has arisen since the last meeting in October 2022.

McCloud

The response to the consultation is still awaited. A further consultation and draft regulations are expected but there is no clear timeframe for when they will be published. Changes to legislation to enact the McCloud remedy are still expected to come into force from 1 October 2023.

The Scheme Advisory Board (SAB) have issued guidance to set out how Funds proceed if they are unable to collect the data needed from employers to implement the McCloud remedy, and this covers both not being able to obtain the data and not having confidence in the data obtained.

Pensions Dashboard Programme

On 2 March the Department for Work and Pensions (DWP) delivered a Ministerial Statement to say that the pensions dashboard programme would be delayed allowing more time to meet the significant challenges in developing the necessary digital architecture.

The staging date for the LGPS was meant to be September 2024. The new staging date for the LGPS has yet to be announced.

Climate Risk Reporting

On 1 September 2022 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on Governance and Reporting on Climate Risks. The consultation ran for 12 weeks and closed on 24 November 2022. SAB have published their response to the consultation: [221012_DLUHCClimateRiskReportingconsultation_SABresponse.pdf](https://www.lgpsboard.org/221012_DLUHCClimateRiskReportingconsultation_SABresponse.pdf) ([lgpsboard.org](https://www.lgpsboard.org))

Pooling Guidance

Further guidance and a consultation on asset pooling are still expected although no fixed date has been set. It is expected that this guidance would outline the next steps for pooling, a review of progress to date and an assessment of whether the government's original aims and objectives are being delivered.

New Stewardship Code

The new code is expected to be published in the Spring of 2023.

Costs Management

On 30 January 2023, DLUHC launched a consultation on changes to the SAB Cost Management Process (CMP). The consultation closed on 24 March 2023. The consultation follows the report from the Government Actuary's Department into changes to the HM Treasury CMP, and the resulting policy and legislative changes set out in HM Treasury's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by SAB in its consultation response to better integrate the SAB process within the statutory HM Treasury mechanism.

A response to the consultation is expected in May.

Levelling Up

There are no further updates on levelling up although SAB understands that the 5% target for local infrastructure will be kept.

Code of Transparency

The code of transparency's aims are to ensure that investment costs are being reported transparently. The SAB RIAG working group convened members to tease out any issues with the existing system and formulate a plan to address them.

Changes are being made to the system used to manage the transparency data, which is provided by Byhiras.

New functionality will allow funds to receive notifications when managers submit data and whether that is late etc.

The changes will be accompanied by a communications campaign to raise awareness and ensure everyone knows how to make best use of the system.

Sharia Compliance in the LGPS

SAB have a procurement underway to commission a report on the compatibility of LGPS investments with sharia law. The report is expected in the Summer. The report is intended to provide support to Funds who may be subject to potential legal challenges.

4) LGPS Central - Update

LGPS Central were invited to the meeting to provide an overview of how ESG/RI issues that surround the investments are managed for client funds.

PR pointed out that Board members recognise that it's not their role to undertake oversight of LGPS Central but rather to support their own Fund's in ensuring efficient and effective governance and administration.

All funds need to have a robust ESG/RI programme for all assets they hold, including those with LGPS Central. Therefore, Board members are keen to understand the processes that Central have in place.

AJ started with the background of Central as a pooling company, and where the company support clients in regard to investment decisions.

MJ provided an overview of the governance structure for Central and partner funds and explained the various interactions between them.

PO'H set out Central's approach to RI and how it interacts with funds. Central engage with investment companies and retain voting rights to influence them.

There are numerous areas of interest where Central receive questions from the public including; climate change, biodiversity, human rights and a variety of other areas.

Central undertake a number of actions to support funds with RI, such as:

- Producing climate risk reports for each fund
- Providing training on climate related issues
- Holding regular RI summits
- There is a RI working group who meet monthly

All of the above provide useful stewardship information for funds and allow them to produce their annual TCFD reports.

Pooling hasn't been a heavily regulated area so far but that is changing a bit now with the introduction of mandatory TCFD reports, as an example.

Most funds do not have the ability to have their own RI specialist, so this is an area where Central can add value which isn't specifically related to investment assets.

5) Round Table Briefing

Cyber Security

Given the increased focus from the Pensions Regulator, there was a discussion about cyber security. Funds are at different stages but most are on a journey to developing their own strategy and operational plan for managing cyber risk.

The group felt it was important to have a written SLA with the administering authorities ICT department to properly hold them to account on cyber related issues. Attendees were encouraged to circulate any SLAs that they might have to assist with this.

Good Governance

Funds are preparing for the introduction of the Good Governance review.

The recommendations from phase 3 of the Good Governance review were published in early 2021 and a template was devised for funds to capture their current compliance with the proposed recommendations.

The template has been updated by all funds in the pool and demonstrates that most funds are already broadly compliant with the recommendations and await the official publication before making any further changes.

Board Membership

Some Boards are finding it difficult to recruit members. It is useful to set out clearly the expectations of Board members, how many meetings they should attend, the training involved and whether they are remunerated.

6) AOB

The group noted that the Royal Borough of Kensington and Chelsea had not left their pool as it was suggested they would.

In the Spring budget the chancellor made a direct reference to LGPS pooling. The budget stated “The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets. This may include moving towards a smaller number of pools in excess of £50bn to optimize benefits of scale”.

Whilst Funds recognise the desire to move to fewer larger funds consideration needs to be given to the make up of existing funds and their position on the transition of existing assets, which is not straight forward.

PR asked the group how they would like to hold future meetings, online or face to face. The group expressed the wish to meet in person and hold the meetings in Wolverhampton which is easy for most people to travel to.

The next meeting will take place on: Monday 23 October 2023 in Wolverhampton.