

Investment, Governance and Engagement Committee

DATE:	3rd July 2023
VENUE:	Hybrid Meeting (MS Teams and 18 Smith Square)
TIME:	11:00 – 13:00

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 15 th May 2023	Paper A	11:10
4	Code of Transparency Compliance Update	Paper B	11.15
5	Code of Transparency Training and Awareness Programme		11:30
6	Provision of Code of Transparency On-Line Compliance System	Paper C (confidential)	11:40
7	Sharia Compliance Update		12:00
8	RIAG Report	Paper D	12:10
9	DLUHC Update		12:30
10	Meeting frequency		12.45
11	AOB and date of next meeting		12.55

Investment, Governance and Engagement Committee

MEETING OF THE 3RD JULY 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS FROM MEETING OF 15TH MAY 2023

PRESENT

Cllr Yvonne Johnson
Cllr Robert Chapman
George Georgiou
Andrew Dobbie
Sandra Stewart

Euan Miller
Nick Buckland
Jeffrey Dong
David Walker
Tony English
Pete Smith

Mary Lambe
Fiona Miller
Christophor Ward
Richard Lane
Teresa Clay
Jonathan Hunt
Joanne Donnelly
Jeremy Hughes
Becky Clough

Gareth Brown

Chair – L.B. Ealing
LAPFF
GMB
UNISON
Greater Manchester Pension Fund
(Chair of Responsible Investment
Advisory Group)
Practitioner – WYPF
Practitioner – Kent
Treasurer – Swansea
Investment Consultant (Hymans)
Investment Consultant (Mercer)
Investment Consultant
(Barnet Waddingham)
Governance Consultant (Aon)
Asset Pool - Border to Coast
Government Actuary's Department
Academies Representative
DLUHC
Adviser, LGA
Head of Pensions, LGA
Senior Pensions Secretary, LGA
Board Support and Policy Officer,
LGA
Pensions Analyst, LGA

APOLOGIES

Apologies had been received from Peter Wallach (Merseyside), Lisa Colquhoun (UNITE), Ollie Watson (DLUHC) and Ona Ehimuan (LGA). Gary Delderfield (Eversheds Sutherland) was absent without apology.

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Item 1 - Welcome, introductions and declarations

1. The Chair welcomed all in attendance, in particular she welcomed Euan Miller, Tony English and Becky Clough to their first meeting of this committee. There were no declarations of interest.

Item 2 – Meeting Protocol

2. The Chair advised members of the virtual meeting's protocol.

Item 3 – Actions and agreements from the meeting of 6th February 2023

3. With one amendment to how Mary Lambe's role was recorded, the actions and agreements from the previous meeting were agreed as a fair and true record of the meeting.

Item 4 – Code of Transparency Compliance Update

4. Jo Donnelly (JD) introduced Paper B to the committee. She asked the Committee to note that this paper was no longer confidential. Where asset managers have been named they had been given sight of the wording used and offered the opportunity to correct for factual inaccuracies.
5. The data showed that compliance continues to improve slowly and that the new system facilities, to send reminders and allowing quarterly data reporting, should also lead to further improvements. JD also noted that there had been two further signatories to Code since the last committee meeting.
6. There was discussion of the reasons for some of the longstanding delays in completing reports and Jonathan Hunt (JHu) observed that this was often due to customisation of the data submission templates by asset managers that could not be accommodated by the on-line system.
7. While the ultimate sanction was to exclude asset managers from the Code for non-compliance with the reporting obligations, JD felt that as we were still getting a reasonable level of co-operation from the managers named then we were some way away from considering exclusion.

Item 5 – Code of Transparency Next Steps

8. Jeremy Hughes (JH) introduced Paper C to the Committee, which gave an update on progress with the previously agreed awareness and communications project that aimed to ensure that funds were able to make best use of the online reporting system used to track investment costs. Particular attention was drawn to the series of regional training sessions for local pension board and committee members and fund

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officers. JH said that the events would be advertised on-line and through the LGPC bulletin. He encouraged committee members to use their own networks to secure good attendance.

9. JH asked the Committee for its views of the best way to source and present case-studies at the events. The view of the committee is that the case studies should be focused on funds more than pools, and also not shy away from naming the funds which they were drawn from – to highlight and share best practice.
10. The Chair agreed with Cllr Chapman to advertise these sessions through LAPFF, and Andrew Dobbie (AD) said that he would use the Unison network to promote them as well.

Agreed – Committee members agreed to use their networks to promote the roadshows, including via LAPFF and Unison.

Item 6 – Sharia Compliance in the LGPS

11. JD introduced Paper D and updated the committee on progress with the procurement of a report to examine from a Sharia perspective the legal structure of the LGPS and whether there is any contradiction between the principles of Sharia law and LGPS membership for a Muslim potential scheme member. She said that three bids had been received by the closing date and these have now been considering by the tender panel. The panel were unanimously in agreement on the lead bidder and would publicise their decision shortly.
12. In response to a question from Cllr Chapman, JD confirmed that the lead bidder demonstrated considerable technical and legal knowledge of Sharia law, and should be seen as authoritative by many of the Muslim faith.
13. It was also emphasised that while obtaining this report was a necessary next step, it couldn't answer some of the key legal questions for administering authorities. Consequently, the Secretariat would arrange to get a further legal view from a KC once the report had been received. Sandra Stewart (SS) suggested that this needed to be someone with great familiarity with LGPS structure and previous case-law.
14. Tony English (TE) noted that the position was different between the main scheme and the AVC option and suggested that needed to be considered separately.
15. JD said that the final report was expected within 2-3 months and it would be published on the Board's website with suitable contextualisation and commentary.

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Item 7 – Report from Responsible Investment Advisory Group

16. SS introduced Paper E to the committee, adding that she hoped the position on the DLUHC consultations had evolved since the date of the last RIAG meeting.

Item 8 – DLUHC Update

17. Teresa Clay (TC) said that regrettably she was unable to commit to any timing on when the expected government response to the climate risk reporting consultation last year, or when the long-awaited consultation on pooling guidance would be published. She hoped that the pooling guidance consultation would be out within the next couple of months and before summer recess (27 July). That consultation would also cover the CMA Order issue relating to investment consultants, and would offer further clarity on the Government’s proposed investment targets for “Levelling Up” investments and venture capital as an asset class.
18. TC expected that faster progress would now be made in responding to the consultation on climate risk reporting now that a new staff member had been recruited. Their role is to complete the analysis of the significant amount of detailed responses received.

Item 9 – AOB and date of next meeting

19. There was no other business and the date of the next meeting was confirmed as 3 July 2023.

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Meeting – 3rd July 2023 Item 4 – Paper B

LGPS Cost Transparency Compliance Update (standing agenda item)

Recommendations:

- That the Committee notes this summary

Background

1. The LGPS Investment Code of Transparency (Code) was first published in May 2017 requiring signatories to provide certain cost information to their LGPS clients. Initially, this was on a bilateral basis between fund manager and LGPS client. To enable the SAB to have direct oversight of Code compliance as well as see scheme-wide cost data, the SAB procured an online system, specifically for the LGPS, which is provided by Byhiras. This was launched at the end of March 2020.

Recent developments

2. The table in Annex A sets out how uptake and use of the system has developed since the system was launched. In terms of “headline numbers” for timeliness, the overall percentage of completed templates for 2019/20 has remained at 96%. The largest proportion of missing templates remain in the infrastructure, property and unlisted equity asset classes.
3. For 2020/21 the overall completion rate remains at 97%. Late templates remain predominantly in the unlisted equity (more commonly known as private equity) and active listed equity asset classes, with some property templates also showing as late.
4. For 2021/22 the overall completion rate currently stands at 95% (up slightly from 94% in May 2023). Late templates are predominantly in the unlisted equity, infrastructure, active listed fixed income and active listed equity asset classes.
5. For 2022/23 the overall completion rate currently stands at 41%. This is low due to the reporting year end date of 31 March 2023, and templates will not be classified as late until the end of June. This will be the first set of templates due to be completed since the introduction of automatic email reminders.
6. The Secretariat continue their engagement and dialogue with fund manager signatories to set up their schedules and complete the relevant templates. LGPS pension fund investment teams have also been

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prompted to follow up directly with their asset managers where schedules and templates were (or are) missing or late.

7. We have recently had one new manager sign up to the Code, Oakhill Advisors (Europe), LLP on 15 June 2023. We have also been working to encourage the 10 largest non-signatories to sign up to the Code. We have compiled a list of the funds that utilise these managers and they will be contacted after the meeting to encourage them to request that these managers sign up to the Code. Details on the outcome will be reported at the next committee meeting.
8. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:
 - a. Neuberger Berman Europe Limited has 78 late templates at the time of writing (24 for 2020/21, 30 for 2021/22 and 23 for 2022/23), an increase from 77 late templates at the last meeting. The Secretariat will be contacting Neuberger Berman and a further update will be provided at the next Committee meeting.
 - b. Partners Group UK Limited have 41 late templates at the time of writing (11 for 2019/20, 11 for 2020/21 and 19 for 2021/22), which represents no change from the last meeting. The Secretariat will be following up with them and an update will be brought to the next meeting.
 - c. JP Morgan Asset Management have 62 late templates at the time of writing (24 for 2019/20, 2 for 2020/21, 19 for 2021/22 and 17 for 2022/23), a decrease from 72 late templates at the last meeting. The Secretariat will be following up with them and an update will be brought to the next meeting.
9. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.

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Annex A

Headline statistics on cost transparency compliance system users and uses

Cumulative totals to the date shown

Date	No. of managers on system	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
June 2020	46	1,023	922	96	5
January 2021	69	1,358	1,265	0	93
April 2021	86	2,984	1,394	1,448	142
September 2021	95	4,252	3,639	163	450
November 2021	103	4,551	3,732	208	611
February 2022	107	4,995	3,863	439	693
May 2022	114	7,326	4,089	2,215	1,022
September 2022	113	7,102	6,360	53	744
November 2022	115	6,884	6,411	15	458
February 2023	114	7,147	6,508	264	363
May 2023	114	9,584	6,869	2,344	371
July 2023	113	9,706	7,751	1,603	352

Totals (non-cumulative) for each financial year

Date	No. of managers with schedules	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
2019/20	77	1,430	1,382	0	48
Change from May 2023	No change	Down 1	Up 2	No change	Down 3
2020/21	103	2,587	2,511	0	76
Change from May 2023	No change	Up 2	No change	No change	Up 2
2021/22	110	2,801	2,669	0	132
Change from May 2023	No change	Down 3	Up 7	No change	Down 10
2022/23	113	2,887	1,188	1,603	96
Change from May 2023	Up 6	Up 126	Up 854	Down 714	Down 14

Scheme Advisory Board Secretariat

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Meeting – 3rd July 2023 Item 8 – Paper D

Update from Responsible Investment Advisory Group (standing agenda item)

Recommendations:

- That the Committee notes this summary

Levelling Up

1. The Group had invited representatives from The Good Economy, the Impact Investing Institute and 3Ci to talk about their contributions to the ideas contained in the Government's 2021 "Levelling Up White Paper" and what their current thinking on these issues was.
2. Mark Hepworth from the Good Economy (TGE) said that places were what connected people and planet-based approaches. Following the publication of the [Government's White Paper](#), TGE has focused on creating local impact partnerships, one example being between Octopus and South Essex Local Authorities. Its purpose is to bring investors, projects and local stakeholders together. He had worked with several LGPS funds, including a social housing project in Victoria North with Manchester City Council. This aligned with both GMPF's and the Local Authority's strategies. He noted that many private institutional investors were unwilling to consider impact-based investing in many parts of the UK.
3. Jamie Broderick from the Impact Investing Institute introduced the work of his organisation and a prior "[White Paper](#)" that was jointly produced by ILL, TGE and Pensions for Purpose in May 2021. The 5% investment target was something they had first quoted – as an observation about what a "reasonable aspiration" would be, rather than a target. He gave Cornwall Council as an example of a smaller fund which had managed to develop a local impact portfolio by working with its pool (Brunel).
4. Chris Murray, from [3Ci](#), covered that strong governance models were essential to Place Based Investing (PBI) and that the cost of net zero was significant. A key factor was aggregating Local Authority projects to match them with investors.
5. Conflicts of interest and the attitudes of scheme members were discussed. Sandra Stewart, the Group's Chair, said that in GMPF's case, there had been no compromise on return and any potential conflicts were successfully managed. One issue was finding projects of

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sufficient size/scale, and that Local Authorities could put forward projects to pension funds.

6. It was generally agreed that pension funds should not be seen as a substitute for grant funding from Government. However, an opportunity had potentially been missed as the recent rounds of levelling up grants were not used to leverage in investment from other sources. This would potentially have allowed for more ambitious and impactful projects to have been supported.

Climate Risk Reporting – progress with RI sub-group of pool representatives

7. A sub-group of pool-level RI experts has been brought together to build a good, common approach to climate risk reporting. An initial meeting with representatives of all eight pools was held on 31 May where the remit of the group was discussed as well as hearing from each pool about their current approach and state of readiness. A follow-up meeting is being arranged.

DLUHC update

8. DLUHC officials said that they were still reviewing the responses to last year's [consultation](#) but it was likely now that any changes would take effect from 2024/25 at the earliest. This has now been confirmed by the [Minister in a letter to the SAB Chair](#). The consultation covering Levelling Up, pooling and other points on LGPS investment policy is still hoped to be released before Summer 2023 recess (20 July).

Teach in on TNFD

9. On May 24th Siobhan Cleary from Baillie Gifford gave a presentation to the Group (and other Board and Committee members) on what the Taskforce on Nature-Related Financial Disclosures might mean and how it related to the similarly initialed proposals around climate risk.
