

Investment, Governance and Engagement Committee

MEETING OF THE 6TH FEBRUARY 2023

Item 3 Paper A

ACTIONS AND AGREEMENTS – Meeting of 28th November 2022

PRESENT

Cllr Yvonne Johnson
Cllr Robert Chapman
Sandra Stewart

Peter Wallach
Rodney Barton
Nick Buckland
David Walker
Alison Murray
Nigel Thomas
George Georgiou
Oliver Watson
Christophor Ward
Richard Lane
Jonathan Hunt
Joanne Donnelly
Jeremy Hughes
Bob Holloway
Ona Ehimuan
Gareth Brown

Chair – L.B. Ealing
LAPFF
Greater Manchester Pension Fund
(Chair – Responsible Investment
Advisory Group)
Practitioner
Practitioner
Practitioner
Actuaries (Hymans)
Actuaries (Aon)
Actuaries (Mercer)
GMB
DLUHC
Government Actuary's Department
Academies Representative
Adviser, LGA
Head of Pensions, LGA
Senior Pensions Secretary, LGA
Pensions Secretary, LGA
Pensions Secretary, LGA
Pensions Analyst, LGA

APOLOGIES

Apologies had been received from Jeffrey Dong, Mark Wynn, Mary Lambe, Fiona Miller, Andrew Dobbie, and Kieran Harkin. Nigel Thomas attended the meeting in Kieran Harkin's place.

Welcome, introductions and declarations

1. The Chair welcomed all in attendance. There were no declarations of interest.
2. The Chair advised members of the virtual meeting's protocol.

Item 3 – Actions and agreements from the meeting of 26th September 2022

3. The minutes of the meeting were agreed.

Scheme Advisory Board Secretariat

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Investment, Governance and Engagement Committee

Item 4 – Code of Transparency Compliance Update

4. Ona Ehimuan (OE) introduced the report to the committee. Since the September meeting, compliance with the Code of Transparency online tool across funds for 2021/22 had risen to 89% as of 28 November 2022. The last quarter had seen Code signatories making good use of the tool.

5. Richard Lane (RL) asked what proportion of investment managers were using the tool. Joanne Donnelly (JD) said that the analysis done last year showed that around two-thirds of managers (both by number and by LGPS assets under management) were signed up to the Code, and those with LGPS clients were using the tool. It was agreed to update those figures for the Committee with data from this year's annual reports once that was available.

Item 5 – Code of Transparency Next Steps

6. OE introduced the report to the committee. Since the last meeting, the Secretariat had held two meetings of the working group in conjunction with Byhiras. The first meeting had gathered opinions on the addition of quarterly reporting and emails reminders to the online tool. The group expressed support for those changes, which were subsequently approved by the Scheme Advisory Board Chair, Councillor Roger Phillips. RL regretted that it hadn't been possible for this committee to have further input to that decision, beyond the meeting and conclusions of the working group.

7. At the second meeting, the working group felt that the focus going forward should be to raise awareness of the Code of Transparency as well as the online reporting tool and to ensure that funds and pools were deriving maximum value from the tool's current functionality. The Secretariat therefore proposed to develop a communications and awareness strategy to support this aim. This was likely to include the creation of a user manual, specific training for users/potential users of the tool, and measures to improve general awareness of the importance of cost transparency and cost management and the role of the tool in that. There would be costs associated with this and these would need to be carefully scoped out and included in the SAB workplan and budget for 2023/24.

8. RL said that the working group should be used to develop the content of the strategy. Jeremy Hughes (JH) said that the working group had worked well when given specific decisions to feed into. JH's preference in developing this broader strategy would be to have direct engagement with members of the committee and working group as necessary to develop the content, but that the committee should own and sign off on the strategy (with decisions on funding being for the Board). The Committee supported that suggestion and asked the Secretariat to bring an outline strategy to the next meeting.

Investment, Governance and Engagement Committee

9. RL also queried who owned the software/code for the tool and whether any other providers could be able to take it over when the current contract comes to an end. Joanne Donnelly (JD) explained that arrangements had been made in the original contract for the code to be held in escrow, and that there was an annual exercise to ensure the code stored with the escrow provider is updated. It would therefore be available to subsequent providers if Byhiras were not successful in any re-procurement.

Agreed – that the Secretariat will bring an outline of the proposed communications and awareness strategy to the next meeting

Item 6 – RIAG Report

10. Sandra Stewart (SS) introduced the report to the committee. She commended the Secretariat on the effort undertaken to shape the SAB's response to DLUHC's climate risk reporting consultation given the varied opinions of the Advisory Group. Many on the Group had expressed disappointment that the consultation had taken so long to materialise. There was also the consensus view within the Group that any scheme level report would be narrative heavy, especially within the early stages of this endeavour due to concerns about data quality.

11. JH discussed the report in additional detail. There would be definite limitation on the work that funds could and should do. It was expected that national government would lead on this work and provide support for funds to make contributions. It is not yet clear the degree to which government feel investment behaviour should change and the impact this could have on the definition of fiduciary duty. There were also expressions of concern about the practicalities of implementing this work such as the costing and staffing requirements. On metrics, the Group agreed that the use of a single methodology would not be advisable at this stage; the option of trialling various methodologies to decide on the best one at a later stage was preferred. The Group also recommended that pools take an increased role in this work by taking on the more complex areas of reporting such as scenario analysis.

12. Councillor Robert Chapman (RC) asked whether deferring to the Government on clarification of fiduciary duty is the right approach, and whether we might not like how they chose to define it. JH said that whilst some interventions might not be universally welcomed, like any amendment to the fiduciary duty consequent to provisions in the Boycotts, Divestment and Sanctions Bill, it may be useful for there to be discussions about the definition of the duty in this context. The committee and Board could aim to feed their views to Government and try to shape the outcome. SS expressed the view that the primary role of pension funds is to pay retirement benefits, and this should be the emphasis of fiduciary duty even within the context of climate

Investment, Governance and Engagement Committee

risk reporting. Bob Holloway (BH) added that the fiduciary duty was complex and hard to reduce to simple formulation, but it would be useful for Government to recognise that it needed to have regard to climate risk.

Item 7 – DLUHC Regulatory Update

13. Oliver Watson (OW) thanked RIAG for their input on the climate risk reporting consultation. Around 120 responses had been received. On fiduciary duty, OW explained that the requirements were similar to the private sector and funds should be assured that the current definition will not be affected by the implementation of climate risk reporting. The Department's response to the consultation would be a priority piece of work going forward but he could give no assurances as to a timetable. However, it was still intended that the climate risk reporting regulations would be in place by 1st April 2023.

Item 8 – AOB and date of next meeting

14. OW explained that the Department were looking to make some adjustments to the reporting of SF3 data to include more information on investments. They would be discussing this with LGA via the Single Data List process.

The date of the next meeting was confirmed as February 6th 2023.

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