

Investment, Governance and Engagement Sub Committee

Meeting – 19th April 2021

Item 3 Paper A

ACTIONS AND AGREEMENTS

MS TEAMS MEETING HELD ON 18th JANUARY 2021 – FROM 11.00am

PRESENT

Cllr Robert Chapman	Chair - LAPF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Mark Wynne	Practitioner
Pete Moore	CIPFA
Colin Meech	Members (Unison)
George Georgiou	Members (GMB)
Annemarie Van Bochove Allen	Actuaries (Barnett Waddingham)
Nick Buckland	Actuaries (Mercer)
David Walker	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)
Teresa Clay	MHCLG
Fiona Miller	Pool Operating Companies
Dr Anna Tilba	Durham University
Andrew McClaren	Government Actuary's Department
Jeff Houston	Head of Pensions, LGA
Joanne Donnelly	Deputy Board Secretary, LGA
Bob Holloway	Pensions Secretary, LGA
Liam Robson	SAB Secretariat, LGA

APOLOGIES

Councillor Johnson apologised for her absence. In her absence the meeting was chaired by Councillor Chapman. All other members (or substitutes) were present.

1. Welcome, introductions and declarations

The Chair welcomed all in attendance.

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

Investment, Governance and Engagement Sub Committee

3. Actions and agreements from meeting of 12 October 2020

David Walker (DW) reported that “TFCD” in the heading of Item 4 on page 3 should read “TCFD”.

The minutes of the meeting on the 12th October were agreed.

4. Corporate Actions

Jeff Houston (JH) explained that concerns had been raised in this area, including potential class actions in the US, claiming that value had been left ‘on the table’ by the action or inaction of asset managers. The Transparency Task Force had been in discussions with HM Treasury and the Select Committee on Work and Pensions and wished to assess the situation in the UK.

Following discussions with a small number of asset managers and LGPS funds and in collaboration with Dr Anna Tilba Associate Professor in Strategy and Governance Durham University Business School a survey was sent to a selection of LGPS asset managers on 30th October 2020 requesting details of how they deal with corporate actions.

Dr Anna Tilba, Associate Professor in Strategy and Governance Durham University Business School, presented a series of slides to demonstrate the contention set out in her report that decisions of asset owners on script dividends were often sub-optimal.

Dr Tilba explained that the survey found that the great majority of managers have in place processes for dealing with corporate actions and that there is no evidence of ‘wrong doing’ by managers. However, it is clear that in most cases the client is neither consulted about the process nor provided with reports of the outcome.

Fiona Miller (FM) remarked on the period covered by the survey and suggested that the advent of asset pools in the LGPS means that more information is now requested. The move away from external to internal managers has also helped to improve decision making. Dr Tilba responded by confirming that the five year period covered by the survey ended in December 2020 consistent with the period of LGPS asset pools.

Rodney Barton (RB) repeated the point made by FM that using internal managers means better processes and added that investment managers may not be making the best decisions for their clients. It

Investment, Governance and Engagement Sub Committee

was suggested that the FCA could be lobbied on this point. JH suggested that if managers are doing anything wrong that would be a matter for the FCA but concerns over value for money would not.

JH advised members that discussions with managers would continue. FM asked that asset pools must be included in any future discussions or surveys.

Mary Lambe (ML) asked if the outcome of any discussions will be communicated to all funds. JH confirmed that this would be the case.

JH advised members that HM Treasury and the Select Committee on Work and Pensions were interested in this project.

Agreed – That the secretariat continue investigations in this area on a more detailed level with a small number of LGPS funds.

5. Responsible Investment Guidance Update

Bob Holloway (BH) introduced a paper setting out the progress on procuring a web design team to build the online A to Z responsible investment web site and establishing membership of the new Responsible Investment Advisory Group (RIAG).

Members were advised that following a bidding exercise under SAB procurement rules the Board's Chair, on a recommendation from the Secretariat, had selected Digitech as the winning bid. Digitech has undertaken to provide a working version of the website by the end of January 2021 and to begin populating the underlying database throughout February with regular meetings with the Secretariat to monitor progress. The aim is for the website to be launched at the end of March.

BH reported that since the committee last met in October the Secretariat has obtained the list of names set out in the agenda paper to fill the agreed places on the new RIAG. At the time of the meeting the representatives of administering authorities and pool companies and partnerships had yet to be agreed but would be finalised when the Cross Pool Responsible Investment Group meets on the 26th January.

Rodney Barton (RB) commented that the group would need the resources of consultants to be effective. BH explained that the group included several industry experts and Nick Buckland (NB) reminded

Investment, Governance and Engagement Sub Committee

members that investment consultants from all four of the actuarial firms will be at hand to provide the necessary support.

Agreed – That the committee noted the progress made on preparing the online A to Z website and agreed to recommend to SAB the list of names set out in the agenda paper together with the final set of names agreed by the Cross Pool Responsible Investment Group.

6. Cost Transparency/Compliance Update

Liam Robson (LR) informed members that an agenda paper has been prepared to report on progress which will be circulated to members immediately after the meeting.

In a verbal update LR advised members that since the last meeting, good progress continued to be made with over 1300 schedules set up. However, there were a small number of investment managers yet to have uploaded any templates.

This is expected to change on release of the second phase of development to create further functionality, most importantly, templates submitted in currencies other than £GBP will be accepted, together with options for asset managers and LGPS pension funds to view base currency and select £GBP conversion bases.

LR advised members that as the end of 2020/21 approaches, more robust action may need to be considered in cases where investment managers signed up to the code continue to fail to upload their templates.

Fiona Miller (FM) asked LR if he was working with the asset pools and the names of individuals involved. LR said he would confirm following the meeting.

Catherine McFadyen (CM) asked whether the CTI data would be included in updated accounts post April 2021.

In response, JH explained that discussions with CIPFA are continuing on how transaction costs are to be reported although they should already be included in pension fund accounts. It is likely that from next year (2021/22) the level of detail required in accounts and reports will increase.

Investment, Governance and Engagement Sub Committee

7. Good Governance - Update

BH explained that the completion of final papers for consideration by the committee and SAB continued to be affected by the covid emergency and the unavailability of key members of the implementation group.

The aim remains for the project team at Hymans Robertson to be ready for final papers to be considered by SAB when it meets on the 8th February and if time allows, for committee members to have sight of them beforehand for comment.

Agreed – That the committee noted the position as outlined above

8. MHCLG Update

Teresa Clay (TC) advised members that a Written Ministerial Statement on McCloud is expected in February but no decision has yet been taken on when MHCLG will be introducing their remedy regulations.

On 95K Cap TC explained that work on amending regulations has been halted in view of the various judicial review cases.

Members were also advised that a new member of the pensions team at MHCLG, Oliver Watson, would be joining shortly from Ministry of Justice. He will be working on the investment side of the team's responsibilities and will be leading on TCFD reporting and pooling guidance.

In response to Councillor Chapman's (RC) question on timing, TC confirmed that the first round of TCFD reporting by administering authorities would be at the end of 2022/23.

8. AOB

JH introduced members to Joanne Donnelly who has joined the SAB Secretariat as Deputy Board Secretary leading mainly on SAB projects that are now to be managed internally. Joanne has come from HM Treasury where, amongst other things, she worked on McCloud.

Investment, Governance and Engagement Sub Committee

9. Date of Next Meeting

The date of the next meeting was confirmed as 19th April 2021.

* * *