

Responsible Investment Advisory Group (RIAG)

Actions and Agreements 23 September 2024 (Online meeting)

In attendance –

Name	Organisation
Sandra Stewart	Greater Manchester Pension Fund – Chair
George Graham	South Yorkshire Pensions Authority
Rachel Barrack	Wales Pension Partnership (Hymans Robertson)
Tim Mpofu	Haringey Pension Fund
John Neal	UNITE
Jonathan Sharma	Convention of Scottish Local Authorities (COSLA)
Jeremy Hughes	Local Government Association (LGA) – Senior Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Marion Maloney	Environment Agency
Sheila Stefani	LGPS Central
Kevin McDonald	ACCESS Pool
Frances Deakin	Local Pensions Partnership (LPP)
Graham Cook	Phoenix Group
Edwin Whitehead	Redington
Maria Espadinha	Pensions Lifetime Savings Association (PLSA)
Tom Harrington	GMPF

Item 1 – Welcome, introductions, apologies, and declarations of interest

1. The Chair opened by welcoming members to the meeting including Rachel Barrack who has been nominated by the Wales Pension Partnership to represent Welsh funds, following Debbie Fielder's retirement. Apologies were received from Piers Lowson (Baillie Gifford), Ashley Hamilton-Claxton (Royal London Asset Management (RLAM)), Sarah Wilson (Minerva), Sam Gervaise-Jones (bfinance), Jacqueline Jackson (London CIV) and Becky Clough, Sarah Tingey and Joanne Donnelly from the SAB Secretariat. There were also apologies from Ollie Watson (Ministry of Housing, Communities and Local Government). Jon Rae (Welsh LGA) was absent without apologies.
2. There were no declarations of interest.

Responsible Investment Advisory Group (RIAG)

Item 2 – Actions and Agreements from 13 May 2024

3. It was agreed that the actions and agreements paper represented a true and fair account of the meeting.

Item 3 – Net Zero Transition Planning and the LGPS

4. The Chair introduced the item for discussion. The Labour Party had made a commitment to Net Zero targets and pension schemes implementing transition plans that align with the 1.5C goal of the Paris Agreement in its manifesto. This was an extension of the previous Conservative government's commitment to introduce TCFD reporting, and the Group was asked about how this change in policy had been received and the potential implications it could have for the LGPS.
5. The Group felt that this change would not lead to a significant difference in the thinking and approach taken by those LGPS funds which were engaging in voluntary reporting. It was said that there is a need for clarity from the government as the Board's analysis of funds had shown that less than 50% of funds had climate related targets and less than a quarter are already reporting emissions data. If the government is planning to implement a new reporting regime, there would need to be a sufficient lead in time to allow funds to prepare adequately. The Group noted that climate risk reporting or 'green' investing did not seem to feature in ongoing Pensions Review, and certainly not in Phase 1.
6. There was some indication that the government would set separate targets for the LGPS, however this had not yet been confirmed. Frances Deakin (FD) said that a cross-government group that was looking at expectations for transition plans had been set up and they were very interested in the role that asset owners (such as pension schemes) could have.
7. Marion Maloney (MM) pointed out that addressing the global problem of climate change required substantial investment in emerging markets and not just the UK.
8. Questions had been asked of the Pensions Minister, Emma Reynolds MP, by trade union representatives about current broader thinking on the LGPS. The messages received confirmed a strong desire for investing in UK infrastructure and growth. There was some indication that green investing is also an area of interest, but it did not seem like there was the same level of interest in this area yet.
9. The Chair asked whether the Board's analysis of funds doing climate related target setting or reporting showed any correlation with the size of the funds as larger funds may have more resources available to dedicate to this work. JH

Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

Responsible Investment Advisory Group (RIAG)

said that this had not yet been done but would be explored and he would circulate some analysis to the Group after the meeting.

ACTION – that the Secretariat explore whether there is a correlation between funds voluntarily engaging in climate related reporting activities and their size.

Item 4 – Local Growth and Impact Investing

10. The Chair introduced the item for discussion. The government had indicated in phase one of the Pensions Review that there was a desire for a greater degree of investments that contribute to local growth and impact investing. It seemed that for LGPS this effectively replaced the 'Levelling Up' policy that had been launched by the previous Conservative government. The Group were asked for their thoughts on this change and the opportunities and challenges it could bring for the scheme.
11. The Group discussed whether this move would be beneficial to the LGPS. However, it was noted that the areas in the UK where you would choose to invest in order to generate maximum growth might be different than those where you would invest if your objective was to reduce regional inequality.
12. It was felt that there was a place for pools as well as the new National Wealth Fund to take a role in enabling funds to align their investment strategies with the government's desires. To do so would need clear plans from the government and funds would need to reassess their strategic asset allocation and determine the type of impact investing to engage in. For example, the need for stable industrial and transition policies was noted.
13. The issue of how the government's plans were consistent with the fiduciary duty in the LGPS was raised, and if not, which should have priority. It was noted that LGPS was a global investor and UK investments had in the past not performed as well as other economies (principally the US). It was expressed that it was possible that whichever route the government pursues there will be conflicts arising with fiduciary duty which begged the question of whether the definition needed to be redefined. It was felt that in the private sector the fiduciary duty was quite straightforward but for LGPS it often required expert legal knowledge to adequately interpret and apply.
14. The trade unions had discussed this area with the Pensions Minister and Unite's perspective is that there should be an accompanying underpin or guarantee from the government, if it is mandated that funds invest a set amount of assets in UK public liability companies (PLCs) given the lower returns over the past decade.
15. The Chair expressed that there was a need for the work of the scheme to be promoted more effectively. Members of the Group supported the idea of a

Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

Responsible Investment Advisory Group (RIAG)

campaign to illustrate the successes of the scheme which included the positive funding position despite being technically overweighted to 'UK PLC'.

16. The Group considered how useful new financing models, such as the private finance initiatives (PFI), might be to finance impact investing. The Chair said that Greater Manchester Pension Fund (GMPF) has had prior success with PFI and suggested that designing arrangements with pension funds in mind may be an option to explore.

Item 5 – Statement regarding lobbying and abuse at official meetings

17. JH informed the Group that the Board had published a statement to support administering authorities dealing with increasing queries about how LGPS funds are invested. JH thanked all who had an input on statement including some Group members and said that it was hoped that the statement will be helpful. The Chair welcomed the statement saying that it had been excellently drafted and addressed a much-needed area. The Group supported this sentiment adding that the statement was well timed and set boundaries that Pension Committee Chairs could use to contain and effectively steer conversations at meetings.

Item 6 – RIAG Terms of Reference

18. Ona Ehimuan (OE) introduced Paper B to the Group. Annex A of which contained the draft updates to the RIAG Terms of Reference. Following on from the last meeting, the Secretariat had reviewed the ToR and had obtained data on the usage of the RI A-Z guide website as requested by the Group from Google Analytics.
19. The Google Analytics data revealed that the A-Z guide website received minimal traffic and it was recommended that the site be discontinued. Other changes to the ToR included changes to the membership categories and nomination process and the removal of the Vice-Chair position. A full summary of the changes is contained in Paper B. The Group was asked for their opinion on two areas, firstly on changes to the term lengths held by members and secondly on the wording on the liability of Group members. It was agreed to make changes that would most closely replicate the ToR documents for the SAB committees.

ACTION – That the changes to the RIAG ToR be finalised and submitted to the Board for approval.

Item 7– MHCLG Update

20. There was no representative from MHCLG present to give an update.

Responsible Investment Advisory Group (RIAG)

Item 8 – Any other business and date of next meeting

21. There were no other items of business.
22. The date of the next meeting was confirmed as 2 December 2024 at 11am to be held as a hybrid meeting via MS Teams and at Smith Square.

DRAFT