

Responsible Investment Advisory Group (RIAG)

Hybrid Meeting – 25 March 2024

Item 2 Paper A

Actions and Agreements – 15 November 2023

In attendance –

Name	Organisation
Sandra Stewart	Greater Manchester Pension Fund – Chair
George Graham	South Yorkshire Pension Authority
Tom Harrington	Greater Manchester Pension Fund
Tim Mpofo	Haringey Pension Fund
Oliver Watson	Department for Levelling Up, Housing and Communities (DLUHC)
John Neal	UNITE
Jo Donnelly	Local Government Association (LGA) – Head of Pensions
Jeremy Hughes	LGA – Senior Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary
Gareth Brown	LGA – Research and Data Analyst
Jonathan Sharma	Convention of Scottish Local Authorities (COSLA)
Marion Maloney	Environment Agency
Sheila Stefani	LGPS Central
Kevin MacDonald	ACCESS Pool
Frances Deakin	Local Pensions Partnership (LPP)
Graham Cook	Phoenix Group
Edwin Whitehead	Redington
Debbie Fielder	Clwyd Pension Fund
Piers Lowson	Baillie Gifford
Sam Gervaise-Jones	bfinance
Ashley Hamilton Claxton	Royal London Asset Management (RLAM)
Tiffany Tsang	Pensions Lifetime Savings Association (PLSA)
Jack Oliver	University of Exeter (UoE) (for item 3 only)
Mike Clark	UoE / Ario Advisers (for item 3 only)
Mark Cliffe	UoE (for item 3 only)
Mufti Faraz Adam	Amanah Advisors (for item 4 only)

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

1. The Chair opened by welcoming members to the meeting. Apologies were received from Sarah Wilson (Minerva).
2. There were no declarations of interest.

Item 2 – Actions and Agreements from 11 September 2023

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

Item 3 – Climate Scenario Analysis – presentation by University of Exeter (UoE)

4. Gareth Brown (GB) introduced Jack Oliver (JO), Mike Clark (MC) and Mark Cliffe (MCI) to the Group to deliver a presentation on Climate Scenario Analysis. JO explained that the purpose of the session was to discuss the purpose and usefulness of scenario analyses models.
5. Currently quantitative scenario models did not accurately represent the full impact of the physical effects of climate change in the long term and assumed a smooth decarbonization path (delivered by accurate carbon pricing and rational economic actors). They did not try to capture tipping points, feedback loops or human frailty. This meant that they could only be of limited use in shaping transition plans or narratives for action.
6. The Group acknowledged that these were reasonable critiques of the current generation of scenario analysis tools but wondered how a fund would make use of a more qualitative model. The Group also considered that as a DB scheme we needed to model liabilities as well as the potential future returns.
7. It was recognised that scenario modelling analysis would not be an area of expertise for many funds and that they can only work with what is available on the market. It was recommended that general guidelines for LGPS funds would be helpful and that maybe the cross-pool responsible investment group could consider developing these. If further input from UoE was thought to be helpful, then this would be co-ordinated by the Secretariat via JO.

Item 4 – Report into Sharia Law and the LGPS – presentation by Mufti Faraz Adam

8. Ona Ehimuan (OE) introduced Mufti Faraz Adam (MFA) to the group to deliver a presentation summarising the approach and findings of the report commissioned on Sharia Law in the LGPS. This work arose after the Board sought legal advice in 2022 due to a reported increase of some Muslim

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members opting out of LGPS funds on the basis of the belief that the Scheme was incompatible with their religious beliefs. The Board were advised to instruct an expert in Islamic finance to consider membership of the LGPS alongside Sharia principles. MFA explained that his analysis focused on the perspective of the employer-employee contract as he considered Muslim employees had no direct relationship with the pension fund, except in its capacity as an agent for the employer.

9. MFA had considered in the report the fact that LGPS members do not bear the investment risk of the underlying funds, nor do they make choices about the investments made by the individual fund. The benefits received by the employee were deemed to be deferred salary which is paid to the employee from the point of retirement. MFA acknowledged in the report that the amount of pension payments are not related to the profits or dividends made from the underlying fund investments. Although MFA concluded that some of the underlying fund investments would likely not be considered Sharia compliant, the employer-employee contract is fundamental in considering this issue. It was confirmed that the final report had been shared with the secretariat team who were preparing suggested comms around publication for Board which would also be considering the report in December.
10. Tiffany Tsang (TT) asked MFA if he could comment on the ways that people who opted out of the LGPS or generally pension schemes because of religious beliefs were likely preparing for their retirement. MFA explained that in his experience historically people have bought gold or held cash as a way to save for the future, though he acknowledged that due to inflation, the latter method was not sufficient to meet future costs. He added that more recently there had been a significant increase in the availability of 'Sharia compliant' pension schemes.
11. The chair asked how the Group and funds could support Muslim employees to remain in the scheme. MFA explained that communication and education is crucial and encouraged the publication of the report as an initial step to combatting misconceptions about the scheme.

Item 5 – Update on Economic Activity of Public Bodies (Overseas Matters) Bill

12. Jo Donnelly (JD) gave an update on the BDS Bill to the Group. A carry over motion before Recess meant that the Bill would continue into the new session of Parliament which began on 7 November, despite not being mentioned in the King's Speech.
13. The date for the third reading in the House of Commons had not yet been set but it was expected that this would be relatively soon. The LGA has issued

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technical briefings with suggested amendments to the Bill. To date, all of the amendments tabled by MPs had been rejected by Parliament.

14. The secretariat would continue to brief Parliamentarians on technical amendments to the Bill and would keep this group informed about progress with the Bill.

Item 6 – Report from Cross Pool Responsible Investment (RI) Group

15. Jeremy Hughes (JH) introduced Paper B to the Committee. This group had met twice since its inception and its purpose was to determine how to best add value to fund and pool efforts to effectively respond to DLUHC's proposed requirements on climate risk reporting.
16. It was agreed that there was no desire to be overly prescriptive which might prevent funds from experimenting with different methods and learning what worked best. It was proposed that the cross-pool group develop guidance and materials on how to approach the new requirements. The four main areas to be addressed would be advice on governance, working with advisers, interpreting data and setting targets, and scenario analysis. A project plan containing additional details could be found at Annex A of the paper.
17. The project would require a significant input from funds, pools and advisers. There was no allocated budget for this work currently at the SAB, but the team could help co-ordinate input from others if it were offered "pro bono". It was hoped that this work would engage funds and help them prepare for the forthcoming DLUHC requirements.
18. Sheila Stefani (SSt) said that LGPS Central would be willing to assist with the data associated workstreams. SSt was a member of the cross-pool group and would continue to make contributions through that avenue.
19. Frances Deakin (FD) stated that it would be imperative for the Department to publish the regulations on this issue before a significant input of effort was made by the group to reduce the risk of time and resources spent on metrics that are divergent from the cross-pool group's metrics.

Item 7 – DLUHC Update

20. Ollie Watson (OW) informed the group that there was a new Minister after the Cabinet reshuffle. The new Minister, Simon Hoare MP, had already started and this was his first ministerial posting. DLUHC officials were expecting to meet with him soon.
21. A response on the investment policy consultation was expected very soon. On climate risk reporting, while OW acknowledged FD's point around the need for

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regulations he could not confirm when the consultation response and draft regulations would be published. The Department had said that the setting of metrics should not be overly restrictive, and the consultation proposed two mandatory scenarios for analysis with funds being free to set one other. OW would follow up on the work of the cross-pool group with JH.

Item 8 – Consultation by Department of Work and Pensions (DWP) Taskforce on Social Factors – response deadline 1 December 2023

22. Edwin Whitehead (EW) introduced item 8 to the group. Redington as well as Sarah Wilson (SW) at Minerva were part of the Taskforce which were looking at integrating social factors into investment approaches and seeking to gain views from the pensions community. There were roundtables planned and the group were encouraged to sign up. EW invited any comments on the proposals to be emailed to him to be passed to the taskforce.
23. JH asked whether the consultation was seeking to make changes to the previous work of the Law Commission in this area. EW explained that the focus was more on developing a practical guide for how asset owners or trustees could engage with these issues.
24. EW would provide the Group with an update on the Taskforce at the next meeting.

Item 9 – Any other business and date of next meeting

25. There were no items of AOB.
26. The date of the next meeting was confirmed as 15 January 2024 at 2pm to be held via MS Teams and at Smith Square.
