

Scheme Advisory Board

MS TEAMS MEETING – 10th APRIL 2021 ITEM 8 - PAPER E

ACTIONS AND AGREEMENTS INVESTMENT, GOVERNANCE & ENGAGEMENT COMMITTEE VIRTUAL MEETING HELD ON 19th April 2021 – 11.00am

PRESENT

Cllr Yvonne Johnson	Chair
Cllr Robert Chapman	LAPFF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Pete Moore	CIPFA
Glyn Jenkins	Members (Unison)
Annemarie van Bochove Allen	Actuaries (Barnett Waddingham)
Nick Buckland	Actuaries (Mercer)
David Walker	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)
Sandra Stewart	Chair, RIAG
John Bayliss	GAD
Teresa Clay	MHCLG
Fiona Miller	Pool Operating Companies
Jeff Houston	Head of Pensions, LGA
Joanne Donnelly	Deputy Board Secretary, LGA
Bob Holloway	Pensions Secretary, LGA
Liam Robson	SAB Secretariat, LGA

APOLOGIES

Apologies received from Mark Wynn (Treasurers) and George Georgiou (GMB). All other members (or substitutes) were present.

1. Welcome, introductions and declarations

The Chair welcomed all in attendance and thanked Liam Robson, who will be leaving the LGA the end of April to take up a new post with Wiltshire DC, for all the help and support he has given to the committee.

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

3. Actions and agreements from meeting of 18th January 2021

The committee agreed that the actions and agreements paper from the 18th January 2021 meeting should be amended as set out below:-

- Amend "Chair – LAPF" on page 1 to read "Chair – LAPFF"

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- Amend “Annemarie Van Bochove Allen” to read “Annemarie van Bochove Allen”
- Amend “Catherine Macfadyen” on page 4 to read “Colin Meech”

On page 3 Jeff Houston (JH) confirmed that one fund (Merseyside) and one asset pool (Border to Coast) have agreed to participate in the survey on corporate actions. The Chair also asked the Secretariat to circulate the slides shown by Dr Tilba at the January meeting.

The minutes of the meeting on the 18th January 2021 were agreed.

4. Consultations

Joanne Donnelly (JD) advised members of five current consultations of interest to the committee.

1. **HMT Review of the UK funds regime** – closing date for comment is the 20th April 2021. Discussions with the LPP, Brunel and Border to Coast asset pools have taken place which concluded that there is nothing significant to report back to HMT on, but that the Secretariat would continue direct discussions with the HMT team responsible for the consultation.

2. **TPR Modular Code** – the proposed modular code is largely a re-arrangement of the existing code into thematic sections. The LGA will be submitting a response which the Secretariat agreed to circulate to members. Mary Lambe (ML) asked if the new term “governing body” is defined and what it means in the context of the LGPS. In response, Annemarie van Bochove Allen (AA) advised members that at a recent Pension Regulator’s taskforce meeting it was agreed that the term is causing difficulties and is likely to be amended.

JH also advised members that the proposed code includes a definition limiting exposure to unregulated markets of “one fifth”. This will not apply directly to the LGPS but it may have a wider percussive impact on investments as a whole.

Action – Secretariat to circulate LGA’s response with committee members

3. **DWP call for evidence on social impact investment** – the committee agreed that RIAG should prepare a draft response for the committee’s consideration.

Action – RIAG to prepare a draft response for the committee’s consideration.

4. **BEIS audit and corporate governance** – members were advised that only the section on the stewardship code is relevant to

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the LGPS. The committee agreed that RIAG should prepare a draft response for the committee's consideration.

Action – RIAG to prepare a draft response for the committee's consideration.

5. - **Establishing a new stewardship council** – members were advised that there were three recommendations made by the Asset Management Taskforce in its report from November 2020 that are relevant to the LGPS. The committee agreed that the Secretariat should monitor developments and report back to the committee when appropriate.

Action – Secretariat to monitor progress in establishing the new stewardship council, with particular reference to the three recommendations set out in Paper C.

5. RIAG Chair's Report

Sandra Stewart (SS), RIAG Chair, explained the role of the new RIAG that met for the first time in March 2021. Members were advised that the group had agreed terms of reference at its second meeting in April 2021 with particular reference to conflicts of interest, media handling and quorate protocol.

Current work of the group includes preparing a response for SAB to submit to MHCLG on proposals for TCFD reporting, in particular, on four issues that diverge from DWP's proposals for private sector schemes.

The group is also supporting SAB on the preparation and implementation of the new Responsible Investment A to Z website. Of particular concern is how to provide fair access to the content without giving providers and vendors the opportunity to advertise their products.

Members were also advised that the group has prepared a draft response for SAB to send to the LGPS All Party Parliamentary Group's call for evidence on "Just Transition".

Teresa Clay (TC) expressed gratitude for the work being undertaken by RIAG and agreed that the draft consultation paper on TCFD reporting proposals would be shared with RIAG and the committee.

Agreed – that the draft response on MHCLG's proposals on TCFD reporting prepared by RIAG is circulated to committee members for comment in time for the closing date of the 30th April.

6. Cost Transparency Update

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JD advised members that the number of completed templates had increased from 90% in June 2020 to 93% by January 2021.

A second reconciliation exercise currently being undertaken has shown that several signatories have still to set up schedules. In the case of the latter the committee agreed that a letter should be sent to the signatories in question seeking an explanation for the delay and an undertaking that the matter will be resolved at the earliest opportunity.

The committee discussed keeping the managers on the list under review, with a suggestion of regular re-accreditation. The secretariat will investigate how this could best be achieved.

Pete Moore (PM) asked whether there was any concern about the quality of templates. Liam Robson (LR) explained that SAB does not have access to template data so cannot comment on the quality of data being submitted. LR also explained that the next step is for fund authorities to look at their information and engage with fund managers.

Agreed – that the Secretariat should draft a letter to the relevant signatories seeking an undertaking that their schedule will be set up at the earliest opportunity.

[Footnote – Since the meeting the Secretariat has met with those concerned to resolve the position]

7. MHCLG Regulatory Update

TC advised the committee that the Written Ministerial Statement on McCloud remedy has been delayed by the period of mourning following the death of the Duke of Edinburgh and would now be further delayed until after the local government elections on the 6th May. The government's response on the recent consultation on draft regulations is expected at some time during the Summer with the aim of introducing scheme regulations by April 2022.

Members were also advised that MHCLG has sent a letter to local authorities asking for details of all exit cap payments over the past five years. Further correspondence detailing how the data should be submitted will be sent within the next few weeks. The outcome of the survey will enable MHCLG to work up proposals for a consultation on new regulations.

ML asked when the new guidance on pooling can be expected. TC explained that her team is working on new proposals to strengthen the pooling framework in terms of governance, transparency and

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accountability and has engaged with the asset pools in formulating the proposals. The aim is to consult on proposals after the Summer.

GJ asked TC if there was a need to wait for the government's undertaking to introduce new exit payment regulations. TC confirmed that this would not be the case.

8. AOB

ML asked whether the regulations enabling council meetings to be held virtually would be extended beyond 6th May. TC confirmed that Ministers were not minded to do so.

GJ asked whether any update on scheme member representation in the asset pools had been undertaken recently. Bob Holloway (BH) explained that the matter has not been addressed since SAB undertook a survey in 2019/20 that led to the Chair writing to a number of asset pools where there was evidence of non-compliance with the Board's agreed policy. The committee agreed that SAB should be invited to re-consider the matter, with particular regard to the position at the Access asset pool where no scheme member representative seat is included in their governance arrangements.

Agreed – that SAB should be invited at a future meeting to re-consider the matter.

9. Date of Next Meeting

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

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