

Investment, Governance and Engagement Committee

MEETING – 20 NOVEMBER 2023

Item 3 Paper A

HYBRID MEETING – 3RD JULY 2023

ACTIONS AND AGREEMENTS

PRESENT

Cllr Yvonne Johnson	Chair – L.B. Ealing
Cllr Robert Chapman	LAPFF
Sandra Stewart	Greater Manchester Pension Fund (Chair of Responsible Investment Advisory Group)
Peter Wallach	Practitioner – Merseyside
Euan Miller	Practitioner – WYPF
Nick Buckland	Practitioner – Kent
Jeffrey Dong	Treasurer – Swansea
David Walker	Investment Consultant (Hymans)
Mary Lambe	Governance Consultant (Aon)
Tony English	Investment Consultant (Mercer)
Pete Smith	Investment Consultant (Barnett Waddingham)
Fiona Miller	Asset Pool – Border to Coast
Andrew Dobbie	UNISON
Richard Lane	Academies Representative
Christophor Ward	Government Actuary's Department
Teresa Clay	DLUHC
Jonathan Hunt	Consultant to the LGA
Joanne Donnelly	Head of Pensions, LGA
Jeremy Hughes	Senior Pensions Secretary, LGA
Becky Clough	Board Support & Policy Officer, LGA
Gareth Brown	Research & Data Analyst, LGA
Ona Ehimuan	Pensions Secretary, LGA

Item 1 - Welcome, introductions and declarations

1. The Chair welcomed all in attendance.

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2. Apologies had been received from George Georgiou (GMB). Gary Delderfield (Eversheds Sutherland) was absent without apology.
3. In relation to Item 6 – Provision of Code of Transparency Online Compliance System, Mary Lambe (Aon) declared that Aon currently held a contract with ClearGlass, which is authorised as an Aon sub-contractor to offer Investment Management Cost Monitoring and Reporting Services through the LGPS Frameworks. Though she was not a part of the team involved in the work relating to the contract, she informed the Committee as a representative of Aon she would not be commenting on the contents of Paper C to avoid any conflict of interest.

Item 2 – Meeting Protocol

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

Item 3 – Actions and agreements from the meeting of 15th May 2023

5. The actions and agreements from the previous meeting were agreed as a fair and true record of the meeting.

Item 4 – Code of Transparency Compliance Update

6. Ona Ehimuan (OE) introduced Paper B to the Committee. Since the November 2022 meeting, compliance with the Code of Transparency online system across 2019/20 had remained the same at 96%, for 2020/21 it had risen slightly to 96% (from 95%, mainly due to roundings) and for 2021/22 had risen to 92% (from 89%). The last quarter had seen Code signatories making good use of the system.
7. The Committee also received an update on the fund managers that had a significant number of late uploads. The Secretariat would continue engagement with these managers to facilitate the upload of these late templates.
8. Fiona Miller (FM) asked whether the figures for private and public markets should be reported separately, as she understood that it was private markets causing the most issues with late reporting. Jeremy Hughes (JH) confirmed that seemed to be the case and agreed to provide this data. He added that despite the late provision of private equity templates, many funds were keen to see the reporting deadline

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in the Code reduced from 90 days so that the data contained in them could be reported in annual accounts. The statutory deadline for producing accounts is May 31st. There was some discussion about how this might work with those asset classes, like private equity or infrastructure, where valuations were less frequent and took longer to do.

9. Tony English (TE) added that it would also be useful to have the ten largest non-signatories to the Code named in the next compliance report. It was agreed that the Secretariat would provide this in the next report and that the current list of the non-signatories would be sent to all Committee members.

ACTION – That the Secretariat provide a breakdown of the timeliness of template completion for private markets and other asset classes separately.

ACTION – That the Secretariat name the ten largest non-signatories to the Code of Transparency in the next compliance report.

ACTION – That the Secretariat send the ten largest non-signatories to the Code of Transparency to Committee members.

Item 5 – Code of Transparency Training and Awareness Workshops

10. Ona Ehimuan (OE) gave an update on the progress with the Code of Transparency workshops that the Board had arranged as part of the agreed Code of Transparency Training and Awareness Programme.

11. The first workshop was held on 21st June 2023 in London and informal feedback from attendees had shown that the session had been successful in promoting the usage of the system. However, the Secretariat would have liked to have more Committee/Board members in attendance at the London session. The next session would be going ahead on 11th July 2023 in Manchester. A previously scheduled workshop in Bristol on 20th July 2023 had been cancelled due to a combination of a low number of sign ups and train strikes announced by the RMT union.

12. Workshops were also due to go ahead in Wolverhampton, Leeds, Cardiff and Edinburgh in September 2023. Noting that not many funds

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had signed up to the Leeds session yet, FM agreed to raise this with her pool's partner funds directly.

Item 6 – Provision of the Online Compliance Reporting System

13. JH introduced Confidential Paper C to the Committee. The Code of Transparency had been successful with over 90% of LGPS assets under management held by Code signatories. The associated reporting system managed by Byhiras was launched in March 2020 after the award of the contract in August 2019. Overall, the system had met the initial aim of providing data in a consistent format for the purpose of cost transparency management, but usage of the system by fund practitioners had been lower than expected.
14. As the contract for provision of the reporting system is due to come to an end in August 2024, the Board needed to consider the strategic options about the future of the reporting system. Three options (outlined below) are to be presented to the Board meeting later in July, but this Committee was invited to comment on the options and commentary around them:
 - a. To allow the current contract to expire in August 2024 and not reprocure a replacement system;
 - b. To extend the current contract until August 2026, under the terms in the existing contract which provide for this;
 - c. To reprocure the system largely as is but potentially with some moderate changes, or to procure a new system, with potentially different functionalities to the current system.
15. The confidential Paper C set out in more detail the pros/cons, budgetary and timing considerations of each option to the Committee. Although the final decision on the preferred option would be taken by the Board, the Committee was invited to comment on the analysis of options.
16. Richard Lane (RL) proposed a move to accrediting existing software systems and having fund managers subscribe to those systems as opposed to SAB procuring a bespoke data system. TE also queried who owned the intellectual property for the current system. JH explained that the SAB owned the current system code and that the system currently in use was designed specifically for the LGPS. This

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was because when the system was procured, there were no other systems available with equivalent functionality.

17. TE also asked about the industry's acceptance of the CTI templates and whether an estimate had been made of the compliance cost of using them. Jo Donnelly (JD) said that feedback from meetings with the Investment Association and the PLSA was that investment managers were happy to use the templates and their use was now largely embedded.
18. The Committee felt it was important to clearly establish the purpose of the system - e.g. was it simply to monitor compliance with the Code or was it also to facilitate analysis of the data reported? Jonathan Hunt (JHu) added that data quality was still an issue and the way managers were compiling the templates uploaded to the system was inconsistent.
19. Andrew Dobbie (AD) added that Unison envisioned that the data should be used by Pension Boards and Committees to have an informed conversation on investment costs. If the system was just used for compliance and reporting, then that was a missed opportunity to use the data to dynamically understand and manage costs.
20. FM said that compliance with the Code of Transparency was now embedded in reporting arrangements for her pool, but it had not been cheap to achieve that. She noted issues with private markets and said tackling this was an important step in addressing the asymmetry of information in the LGPS. It was agreed that the Board would consider how it could more effectively leverage LGPS' influence on private markets, and a first step could be to bring this up at the next meeting of the pool Chief Executives. JD also recommended making contact with the British Private Equity and Venture Capital Association.
21. It was also recognised that cost data from the system could be exported for use with benchmarking services, but that these extra services came at a cost.
22. The Committee concluded that the Cost Transparency Initiative remained important and that the analysis in the paper was robust covering each potential option. The Secretariat confirmed that the Board would be presented at its next meeting with a paper making a recommendation on the preferred option. It was also agreed that the

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original specification for the online reporting system be shared with the Committee.

ACTION - That the Secretariat consult with pool Chief Executives on a strategy to better leverage data transparency with private equity managers

ACTION - That the Secretariat share the original specification for the Byhiras reporting system with the Committee

ACTION - That the Secretariat present a paper to the Board on the future of the online reporting system at its next meeting on 17th July 2023

Item 7 – Sharia Compliance Update

23. OE gave an update on the progress of the report the Board had procured on Sharia Compliance in the LGPS. The contract for the report had been awarded to Amanah Advisors Ltd on 16th May 2023, following a procurement evaluation panel on 11th May 2023. Members of the panel were Jo Donnelly (Board Secretary), Jeremy Hughes (Deputy Board Secretary), Simon Taylor (Assistant Director – Pensions, WMPF) and Ona Ehimuan (Pensions Secretary, LGA).

24. The Secretariat held a project initiation meeting with Mufti Faraz Adam (CEO, Amanah Advisors Ltd) on 24th May 2023 and a follow up meeting on 26th June 2023 to discuss progress with the report. The Secretariat were informed at the later meeting that most of the research required to write the report had been concluded and writing of the report was expected to commence imminently. It was expected that the report would be completed within the three-month timescale requested by the Secretariat.

Item 8 – RIAG Report

25. RIAG Chair, Sandra Stewart (SS) introduced Paper D to the Committee. The most recent RIAG meeting was held on 17th May 2023.

26. The Group had invited representatives from The Good Economy, the Impact Investing Institute and 3Ci to talk about their contributions to the ideas contained in the Government's 2021 "Levelling Up White Paper" and what their current thinking on these issues was.

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27. It was explained that the 5% local infrastructure investment target was first quoted by the Impact Investing Institute as an observation about what a “reasonable aspiration” would be, rather than a target. The Group discussed a broad range of topics during the meeting covering managing conflicts of interests, how scheme members’ views could be taken on board and the role of pools. SS felt that many investment opportunities were too small to be of interest to pools and would continue to need to be considered at fund level. FM said in response that her pool was still able to work alongside their partner funds, bringing their expertise to the due diligence element of the process. The Group also emphasised that it should be clear that any Levelling Up investment by LGPS funds could not be a substitute for grant funding by the Government. JD confirmed that the Board was trying to engage with the UK Infrastructure Bank to see if it was possible to work collaboratively on this issue.

28. A cross-pool level working group on responsible investment had been convened by the Secretariat and met for the first time on 31st May 2023, with representatives from each of the eight pools attending. The group would be looking at building a common approach to climate risk reporting. The remit of the group was discussed as well as hearing from each pool about their current approach and state of readiness to meet the expected new duties on climate risk reporting. A follow-up meeting was being arranged.

29. On 24th May 2023, Siobhan Cleary from Baillie Gifford gave a presentation to the Group (and other Board and Committee members) on what the Taskforce on Nature-Related Financial Disclosures (TNFD) might mean for LGPS funds and how it related to the similarly initialed proposals around climate risk.

Item 9 – DLUHC Update

30. Teresa Clay (TC) gave an update on the progress of the Department’s work since the last meeting. Officials were still reviewing the responses to last year’s climate risk [consultation](#) but any new obligations would only take effect from 2024/25 at the earliest. This has now been confirmed by the [Minister in a letter to the SAB Chair](#). TC hoped that DLUHC’s response to the consultation would be published by Autumn 2023. The consultation covering Levelling Up, investment pooling and

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other points on LGPS investment policy is still hoped to be released before Summer 2023 recess (20 July).

31. Jo Donnelly (JD) informed the Committee that the Board's position on climate reporting was that funds should be using the delay in implementing the new duties as an opportunity to better prepare for them and consider producing a voluntary report next year.
32. TE asked whether the Board was developing a template for funds wishing to report their climate data voluntarily. SS explained that there were different stages of preparedness for climate risk reporting and the cross-pool group mentioned in item 8 were looking at this, whilst aware that this was a considerable extra resource demand. JH added to this, saying that it was hoped that a basic model for funds to utilise would be in place for voluntary reports to be issued in December 2024.
33. Mary Lambe (ML) asked for an update on Good Governance. TC informed the Committee that the Compliance and Reporting Committee had active workstreams that were feeding into the shaping of the Department's response to the Good Governance recommendations, but there were no timescales on the issue of the associated consultation at present.

Item 10 – AOB and date of next meeting

34. JD informed the Committee that the frequency of meetings would be an item for discussion at the next Board meeting on 17th July 2023. The current Terms of Reference for the Board mandated a minimum of four meetings a year, but the Board would be asked to approve a reduction to three times a year to allow for a smoother workflow and management of work throughout the year. If the Board agreed this change, the Committee also agreed to reduce the number of its own Committee meetings to three times a year.
35. JD said that the Economic Activity of Public Bodies (Overseas Matters) Bill (more commonly known as the BDS Bill) was getting its second reading that day. The LGA had produced a technical brief for Parliamentarians, but SAB's own representations were likely to be more substantive. An initial comment on the Bill was already on the SAB website. JD added that concerns about the intent and drafting of

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the Bill had already been raised across the House. AD said that he would circulate the brief that Unison had produced on the Bill.

Action – AD to send Unison brief to the Secretariat for forwarding around the Committee.

36. The date of the next meeting was confirmed as 20th November 2023

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