

Investment, Governance and Engagement Committee

Meeting – 26 February 2024

Item 11 – Paper E

Terms of Reference (ToR) Update

Recommendation

- **For this Committee to be renamed the Investment Committee, and**
- **To agree that the Governance representative on this Committee, Mary Lambe from Aon, should move over to the Compliance and Reporting Committee and be replaced with another Aon investment consultant. The appropriate timing of this replacement is being considered alongside the cost transparency procurement work, to manage a conflict of interest**

Background

1. At the last meeting, it was reported that the Secretariat was conducting a broader review of each of the Board Committee's current ToR, scope and workplan. The ToR, together with the Committee's scope and workplan, have been reviewed to ensure they are still relevant.

Current position

2. The Secretariat have concluded that the current ToR and workplan is still generally relevant and appropriate, however we wish to recommend that the Committee name is changed from the Investment, Governance and Engagement Committee to the Investment Committee. This is because governance and engagement are important parts of each Committee's work, but they do not need to be specifically in this Committee's title. The new title also more accurately reflects this Committee's usual workplan items.
3. It is also recommended that the Governance representative on this Committee, Mary Lambe from Aon, should move over to the Compliance and Reporting Committee, along with another governance consultant (to be appointed) to align with the workplan items on the CRC.
4. There are some minor additions to the current ToR at paragraphs 3, 6, 7, 9, 11, 14, 19 and 23 and 29 to provide clarity on the Committee's Remit and Scope, Membership and Reappointment process and Declaration of interests.

Investment, Governance and Engagement Committee

5. The Secretariat would also recommend that there is an additional pool representative added to the Committee's membership. Given the focus on the future of pooling, and indications from the government that it expects pools to collaborate more going forwards, it would be useful to have more than one pool company structure represented on the committee. The suggested additional representative is Chris Rule, CEO of LPPI.
6. The updated ToR can be found at Annex A and the Committee are asked to approve the updated ToR.
7. Following the wider Committee review, this Committee may wish to note that the Secretariat have made the following 2 specific recommendations applicable to the Compliance and Reporting Committee:
 - a) For the Compliance and Reporting Committee (CRC) to amend the current ToR to remove the specific number of seats within each category of membership. To allow more flexibility to manage the membership needed, according to the availability of members to sit on the committee and to achieve the aims of the committee workplan.
 - b) For the CRC, to add the role of 'governance advisor' to the list of membership categories.

Recommendations

To approve the above recommendations and to approve the changes to the ToR at Annex A.

ANNEX A

Terms of Reference for the Investment Committee

Constitution

1. The Local Government Pension Scheme Advisory Board (the Board) is constituted under Section 7 of the Public Service Pensions Act 2013 and regulations 110 to 113 of the Local Government Pension Scheme Regulations 2013.
2. Regulation 110 (4) provides that the Board may establish sub-committees and working groups as and when required, whether short-term or otherwise.

Remit and Scope

3. The Committee shall consider items passed to it by the Board within the scope of Investments, related to the Local Government Pension Scheme. **Example topics are Responsible Investment, Code of Transparency and Pooling.** Such items may include a request for options to be brought back to the Board for further consideration and possible recommendation to the Secretary of State.
4. The Committee may request that Board approve its consideration of other items, within the scope, as the Committee judge to be significant to the effective running of the Scheme from time to time.
5. The Committee should limit their considerations to the remit and provide, as requested, information and options to the Board which shall reserve to itself the ability to make recommendations and/or release such information or options to any third party.
6. **The Committee will not directly commission work or reports from third parties. Any requests for such items will be through the Board and from the Board budget.**

Membership

7. The Chair of the Committee shall be nominated from and agreed by the members of the Board **but does not have to be a voting member of the Board.**
8. Nominations for membership of the Committee may come from the Chair of the Board, the Chair of the Committee, members of the Board or the Secretariat. In accordance with Regulation 111 (6) appointments to committees shall be made by the Chair of the Board with the agreement of the Board members.
9. The Chair of the Board together with the Chair of the Committee shall seek to achieve a balance in the membership of the sub-committee between the various scheme stakeholders **appropriate to the remit and specific projects undertaken by the Investments Committee.** The following membership and nominating organisations are proposed for the Committee:

Member type

Chair
Treasurers
Practitioners (England & Wales)
Investment Consultant
Scheme members
Employers
Asset Pool

10. Subject to the needs of the Committee, membership shall be limited to 20 members in total. Appointed substitutes may attend if a committee member is unable to attend.
11. Substitutes shall be determined by the same method of appointment as members of the Committee **or by nomination of the standing member with the approval of the Committee chair.**
12. Substitutes will be provided with meeting papers and subsequently with draft minutes, where their attendance is notified to the Secretariat. Members of the Committee should make arrangements to ensure substitute members (and vice-versa where the substitute attends) are briefed on discussions taking place at each Committee meeting.
13. Substitute members are not permitted to attend meetings in addition to the member of the Committee.
14. The Chair and members shall serve for no longer than five years and may be reappointed on no more than one occasion. **The reappointment process is the same as the nomination process whereby the Chair of the Board with the agreement of the Board members, confirms reappointment.**

Work plan

15. Each Committee is required to develop and submit a work plan for approval by the Board on an annual basis within the timescales advised by the Board. Committees shall strive to carry out the key areas of work in line with the agreed work plan but the work plan will be subject to flexibility to respond to other matters as they arise. The Chair of the Committee must update the Board on a regular basis on progress against that sub-committee's work plan including any additional areas of work.

Transparency and Communication

16. The membership, appointment processes, meeting dates, agendas, and minutes of the committee shall be published regularly by the secretariat on the Board website. The Board may however choose to redact commercially sensitive or confidential information where Freedom of Information legislation so allows.

Agreement of reports to the Board

17. Where the Board have asked for a report on the item or items under consideration, the report shall be subject to receiving the approval of the Committee by consensus.
18. Consensus of the committee shall be determined by the Chair. However, where consensus cannot be reached or where the view of the Chair is challenged, it shall not be put to a vote rather the Chair will notify the Board that a report cannot be produced by the committee.

Attendance

19. All committee members are expected to regularly attend meetings. Where a member of the committee fails to attend regularly, the Chair may seek **permission from the Board** for that person to be replaced.

Quorum

20. The Committee will have a formal quorum of 50% of the membership, rounded up where the membership is an odd number. Where the Committee has failed to meet its quorum over two consecutive meetings, an agenda item will be placed on the following Board agenda to allow it to reconsider the terms of reference and/or membership of the Committee if it is considered appropriate.

Frequency of Meetings

21. The Committee will meet a minimum of three times a year. The Chair may call meetings more frequently if deemed necessary or on the joint request of two or more committee members.

Declaration of interests

22. Each member of the Committee will be expected to declare, on appointment and at each meeting any interests which may lead to conflicts in the subject area or specific agenda of that committee meeting.
23. It shall be the responsibility of the Chair for ensuring that the Board is made aware of any conflict of interest which the Chair deems to be material to the work of the committee. **The Board will then agree with the Chair either how to manage the risk or, if that is not possible, replace the conflicted member of the Committee with someone who is not conflicted.**

Administration

24. The Board Secretariat will agree an agenda with the Chair prior to each Committee. The agenda and any papers for the Committee will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
25. The Board Secretariat will record high level minutes of each meeting including all actions and agreements which will be circulated to all Committee members within 10 working days after the meeting. These minutes will be subject to formal agreement at the following Committee. On agreement they will be added to the Board website.

Remuneration of committee members

26. Members of the Committee or other attendees of Committee meetings shall not be paid remuneration or expenses for attending out of SAB funds.

Personal Liability of committee members

27. Members of the Committee shall carry no personal liability in respect of recommendations made to the Board in respect of any of the areas of work within the scope or workplan of the Committee.

Term of committee

28. The committee will continue its work as long as the Board believes it has sufficient purpose.

26 February 2024