

Investment and Engagement Sub-Committee

Actions and Agreements 11th March 2015

Item

1. Apologies

Present

Ian Greenwood - LAPFF (Chair)
Brian Strutton - GMB
Martin Clift - Unite
Cllr John Fuller - LGA
Richard Paul - UCEA (*substituting for Emelda Conroy*)
Cllr Kieran Quinn - LAPFF
Geik Drever – CIPFA
Peter Morris – Practitioners
Bob Claxton - Practitioners
Rodney Barton - Practitioners
Bob Holloway – DCLG
Michael Cox - DCLG
Linda Selman - Hymans Robertson
Colin Cartwright - Aon Hewitt
Andy Farrington - Mercer (*substituting for Jo Holden*)
Alison Hamilton - Barnett Waddingham
Jeff Houston - LGA (Secretariat)
Liam Robson - LGA (Secretariat)
Con Hargrave - LGA (Secretariat)

From PIRC Ltd

Alan MacDougall - Managing Director
Janice Hayward - Client Services Director

Apologies: Colin Meech - UNISON, Emelda Conroy - UCEA, Graeme Russell - CIPFA, Nick Buckland - ALAT, Jo Holden - Mercer

2. Actions and Agreements from 8th January 2015

It was confirmed that all actions were undertaken or on the agenda for the meeting.

3. Update on cost effectiveness and efficiencies consultation

Bob Holloway (BH) provided a brief update on the consultation *Opportunities for collaboration, cost savings and efficiencies* as commenced in May 2014. A formal Government response is now not expected until the next Parliament.

Investment and Engagement Sub-Committee

4. Engagement - developing Board guidance for pension funds

Cllr Kieran Quinn (KQ) provided an outline of the work of LAPFF and a presentation was provided by Alan MacDougall (AMac) of PIRC Ltd on:

- The importance of shareholder engagement,
- Case studies of LAPFF's previous engagement activities, and
- Considerations as to how LGPS investment regulations could be amended to achieve better engagement across the Scheme.

AMac and Janice Hayward (JH) left the meeting.

A discussion was held on how better engagement could be achieved in the LGPS, recognising that regulations could not mandate for engagement.

The issue of Scheme member representation on LAPFF's executive was raised by Brian Strutton (BS), but it was noted that discussions were being held elsewhere on this topic and that this wasn't a matter for the consideration of the Investment & Engagement sub-committee of the shadow Scheme Advisory Board.

Agreed - A regulation could state that funds must publish a policy or a statement, possibly in the annual report, stating what they do to engage with the companies they invest in. This would not require funds to undertake engagement activities, but would mean that funds not engaging would be required to state that this is the case.

Action - The secretariat to circulate a draft form of wording for possible inclusion in regulation for agreement by the sub-committee and recommendation to the Shadow Board.

5. Revised investment regulations - timing and input

BH provided an update on progress made in respect of making revisions to Scheme investment regulations. It was confirmed that given our proximity to the dissolution of Parliament at the end of March a full consultation on draft regulations would not commence prior to purdah. However, a more limited consultation on investments in the LGPS could possibly begin prior to purdah and this could include issues such as fiduciary duty and stewardship in the LGPS, following the recent commencement of a DWP consultation which seeks to address similar issues for occupational pension schemes generally.

Agreed - A small working group of the Board should be set up to work with DCLG on the detail of possible revisions to investment regulations.

Investment and Engagement Sub-Committee

6. **Achieving better fee transparency in the LGPS - discussion**

A discussion was held on achieving better fee transparency in the LGPS. It was noted that increasing transparency was complex, but that greater transparency was important for many reasons, not least public perception. However, increased transparency should not have the unintended consequence of leading funds to prioritise 'cheapness' over value.

Agreed - Work to continue along two veins in order to better fee transparency in the LGPS:

- 1) Within the current legislative framework, work to continue with parties such as CIPFA to improve the available information.
- 2) Efforts to reform the underpinning regulation, requiring fuller disclosure of fees, to continue to be taken forward at both EU level and, within the UK, with DWP, HMT and DCLG.

Action - Sub-committee members in possession of best practice guides to monitoring investment managers to share these with the secretariat in order that the main principles of these guides may be provided to all funds in the Scheme.

7. **AOB**

No other business was raised.

8. **Date of next meeting**

To be arranged for a date soon after the formation of the next Government following May's general election.

The meeting closed at 4.15pm.