

Investment and Engagement Sub-Committee

Actions and Agreements 27th October 2015

Item

1.

Present

Ian Greenwood - LAPFF (Chair)
Keir Greenaway – GMB Pensions Officer (*substituting for Brian Strutton*)
Justin Bowden – GMB National Officer (*substituting for Brian Strutton*)
Martin Clift – Unite
Colin Meech - Unison
Emelda Nicholroy - UCEA
Cllr John Fuller - LGA
Geik Drever – CIPFA
Bob Claxton - Practitioners
Rodney Barton - Practitioners
Vicki Edwards – DCLG
Linda Selman - Hymans Robertson
Louis Paul-Hill - Aon Hewitt (*substituting for Colin Cartwright*)
Andy Farrington - Mercer (*substituting for Jo Holden*)
Alison Hamilton - Barnett Waddingham
Jeff Houston - LGA (Secretariat)
Liam Robson - LGA (Secretariat)

From FCA

Isla Cully – FCA
Caroline Michel - FCA

Apologies: Brian Strutton - GMB, Bob Holloway - DCLG, Peter Morris – Practitioners, Colin Cartwright – Aon Hewitt, Jo Holden – Mercer.

2.

Actions and Agreements from 11th March 2015

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

3.

MiFID II Presentation from FCA

Isla Cully (IC) provided a brief overview of MiFID II and its impact on the LGPS.

The following headings were covered:

Timeline
MiFID II & Client Categorisation Regime
Why retail and what practical impact?

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FCA's Role (*"can ..Design alternative/additional criteria to current quantitative criteria for opting-up"*)

Opting-up Regime - Current Criteria

Desired Outcome (1) – Local authorities, (2) LGPS

Benefits of Retail Client Status

In addition to the prepared agenda, discussions were held over the expertise and knowledge variation across LGPS funds, how legal separation may assist in opt up, and the practical implications in implementing investment pooling.

Action It was agreed that it would be useful to draft some examples from the LGPS funds to see how MiFID II may be applied to different situations in practice.

2. Pooling Investment

a) **Update since Board meeting of 21st September**

Jeff Houston (JH) provided an update on the progress made with pooling investments, set out in the Board paper (item 5 paper F).

b) **Return from survey on pooling initiatives**

Initial findings from the short survey of funds on communications with other funds were presented and discussed. There were several emerging groups of varying sizes (number of funds and value of assets) and varying stages of progress.

The committee noted Hymans Robertson's project in assisting funds with facilitating meetings and analysis, and the SABs role in support and coordination.

c) **New Investment Regulations – update from DCLG**

Investment in infrastructure is likely to be covered by criteria along the lines of "creating an environment to enable cost effective investment in infrastructure to occur", rather than a compulsory directive to do so.

The criteria on pooling for infrastructure investment are not expected to be set in regulations. Proposals and an outcome summary are expected in early 2016. The Regulations will cover acting on behalf of another authority and definition of committee members.

5. Investment fee transparency

CIPFA guidance for 2015 annual reporting included new, specific cost categories for reporting expenses; administration, oversight and governance and investment. There may be PR communication to manage, particularly concerning the investment expenses (where previously reported gross in return on investment, whereas now brought under expenses, and return on investment shown net).

The situation will be exacerbated where some levels of information cannot

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(or will not) be provided by some fund investment managers, leading to LGPS fund by fund variation.

The SAB is working towards a “Code of Transparency”, for fund managers with the eventual aim to mandate in Audit and Accounting Regulations.

The secretariat had met with Chris Sier to scope a trial run of a model based on the Dutch system on the West Midlands Pension Fund.

6. **AOB**

No other business was raised.

8. **Date of next meeting**

To be arranged for a date soon after the announcement of the pooling criteria and fund work assisted by Hymans has been reported (later 2015).

The meeting closed at 12.55pm.