

Investment, Governance and Engagement Sub Committee

MEETING OF THE 28th NOVEMBER 2022

Item 3 Paper A

Actions and Agreements - Meeting of 26th September 2022

PRESENT

Cllr Yvonne Johnson	Chair – L.B. Ealing
Cllr Robert Chapman	LAPFF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Nick Buckland	Practitioner
David Walker	Actuaries (Hymans)
Karen McWilliam	Actuaries (Aon)
Kieran Harkin	Actuaries (Mercer)
Andrew Dobbie	UNISON
Lisa Colquhoun	UNITE
George Georgiou	GMB
Teresa Clay	DLUHC
Oliver Watson	DLUHC
Fiona Miller	Pool Operating Companies
Christophor Ward	Government Actuary's Department
Richard Lane	Academies Representative
Jonathan Hunt	Adviser, LGA
Joanne Donnelly	Head of Pensions, LGA
Jeremy Hughes	Deputy Pensions Secretary, LGA
Bob Holloway	Pensions Secretary, LGA
Ona Ehimuan	Pensions Secretary, LGA
Gareth Brown	Pensions Analyst, LGA

APOLOGIES

Apologies had been received from Jeffrey Dong (Welsh Treasurers), George Georgiou (GMB), Pete Smith (Barnett Waddingham), Gary Delderfield (Everett Sutherland), Sandra Stewart (Greater Manchester Pension Fund) and Alison Murray (Aon). Karen McWilliam (Aon) attended the meeting in Alison Murray's place.

Welcome, introductions and declarations

1. The Chair welcomed all in attendance and introduced Andrew Dobbie from UNISON to the committee.
2. The Chair advised members of the virtual meeting's protocol.

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Item 3 - Actions and agreements from the meeting of 23rd May 2022

3. The minutes of the meeting were agreed.

Item 4 – Code of Transparency Compliance Update

4. Jeremy Hughes (JH) introduced the report to the committee. Since the May meeting, compliance with the Code of Transparency online tool across funds had risen to 85% as of 26 September 2022; this was expected to rise to 90% in the near future. The last quarter had seen signatories making good use of the tool.

Agreed – That the committee noted the position as set out above.

Item 5 – Code of Transparency Next Steps

5. Joanne Donnelly (JD) introduced the report to the committee. The main paper detailed considerations and recommendations for adjustments to be made to the online reporting tool. Annex A of the paper contained a list of twelve proposals for changes and improvements to the system which have been proposed by Byhiras for discussion. Annex B contained the Secretariat's comments on these proposals, as well as indicative costs provided by Byhiras.

6. JD felt that the proposals to allow quarterly data reporting and integrate email reminders to complete templates into the system would have immediate benefit. It was also recommended that the committee agree to Byhiras' proposal to establish a working group, aimed at identifying ways to improve the current system.

8. As the system is funded through the SAB levy, the committee felt it was necessary to ensure the system provides value to users. Some funds are currently not making use of the system as hoped which could indicate a need to incorporate improvements to the current system. There was also a consideration of ways to further raise the profile of the system, with the LGPS bulletin and LGPS Live webinar being suggested as possible ways to do this.

9. On usage of the system, some members felt that the data set currently collected was too large to be used without dedicated data analysts. This view was supported by Peter Wallach (PW) who stated that Merseyside Pension Fund only make use of the data on an annual basis and the analysis of the

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data is outsourced to another company. It was also noted that the tool was principally designed to allow funds to compare costs between the asset managers they used. Benchmarking costs across funds would require sharing of more sensitive information between them and further work would be needed to explore how that could be developed. Andrew Dobbie (AD) mentioned that there was an intention at UNISON to train the member representatives on Local Pension Boards so that they could check that the system was being used effectively locally.

10. Karen McWilliam (KMc) suggested that a video with information on the online reporting tool could be useful and could serve as reference point for users of the system. JD explained that Jonathan Hunt (JHunt) had produced a slide deck to provide new system users with information, however to date there had been no official user manual and that this was something that the Committee could commission.

11. Ollie Watson (OW) asked whether DLUHC would be able to either log in to the online tool or have a meeting which would allow them to see the tool. The data in the tool is all commercially sensitive, but it was agreed that the Secretariat would initiate conversations to see whether it would be possible to facilitate this.

Agreed – That the Secretariat would arrange an awareness session on the system with DLUHC officials.

12. With regards to cost, Fiona Miller (FM) asked whether the one-off cost estimates in Annex B included any ongoing commitment, and if it were the latter, how this would impact the SAB levy paid by funds. FM expressed that she felt it would be difficult to fully assess the value of the proposed changes until the implementation costs and any potential impacts on the SAB levy were determined. JHunt explained the recommendations for quarterly reporting and email reminders have both been explicitly requested by funds which implies that it would add value to the user experience. The costs indicated in Annex B were for implementation which would only occur once; it was not expected that this would lead to an increase of the annual running costs as they are set out in a contract.

13. Richard Lane (RL) said that he felt it was important for the recommendations for improvements to the system to be made by the funds/active user group as opposed to Byhiras to ensure that it is sufficiently tailored to user needs. The Committee suggested the working group should include a broad spectrum of contributors to allow for the incorporation of multiple perspectives. JH made a request for volunteers for the working group. FM and Nick Buckland (NB) volunteered for their organisations to join the groups. It was agreed that the SAB Secretariat would conduct a survey of

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funds and pools for recommendations on improvements to the online reporting tool.

Agreed – That the SAB Secretariat collect volunteers for a Byhiras-led working group to discuss improvements to the online reporting tool. That the SAB Secretariat conduct a survey of funds and pools for recommendations on improvements to the online reporting tool.

Item 6 – RIAG Chair’s Report

14. JH informed members that the most recent RIAG meeting was held on September 14th 2022. The meeting focused predominantly on the DLUHC consultation on climate risk reporting. The Group had expressed a range of opinions including a strong regret over the time it had taken to issue this consultation, as it could impact outside opinions of the LGPS’ approach to climate change. The group had varying opinions on the compatibility of fiduciary duty and Net Zero requirements as well as some concerns about the impact that target setting could have on investment choices. There was also discussion about the difficulties around ensuring high data quality and how lower reliability of data would make data more difficult to aggregate.

15. The Group had recommended that selecting one methodology for data collection at this time would not be suitable and it would be better to use a range of methodologies and identify the best methodologies from amongst them as time went on. The Group felt that the main merits of climate risk reporting would be to set a more positive narrative around the LGPS and climate change, along with explaining how investment choices affect climate change. It was agreed that the Secretariat would conduct a survey to assess funds’ preparedness to meet the proposed requirements in the consultation.

16. KMc expressed that it would be helpful if the SAB could produce some material on fiduciary duty, including highlighting relevant case law. The committee noted that while funds could make some preparations for climate risk reporting, they could only go so far as the requirements wouldn’t be settled until the consultation had closed and the government had issued its response, alongside regulations and guidance.

17. OW explained that with regards to target setting, there was flexibility for funds to select their own metrics for target setting. He also expressed his view that the wording in the consultation was clear enough on the government’s stance on fiduciary duty and that the government was not asking funds to divest but rather to engage with companies in order to deliver their climate-related targets.

Agreed – that the committee noted the position as set out above.

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Item 7 – DLUHC Regulatory Update

18. Teresa Clay (TC) informed the committee that the Department was working on a further consultation on investment issues that would include Levelling Up, pooling and implementation of the CMA order. This consultation is expected to be published over the next few months and will likely be a single consultation on all the various aforementioned issues. In particular, TC said that Ministers were keen to see an acceleration in progress on transition of assets to pools.

19. TC also said that there would be another consultation issued by the Department on Good Governance. KMc asked for clarification on the timing of this consultation. TC said that it was expected that it would be published in early 2023 but that timings for both consultations are subject to confirmation.

Agreed – that the committee noted the position as set out above.

Item 10 – AOB and date of next meeting

20. Date of the next meeting is 28th November 2022.

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