

Investment, Governance and Engagement Sub Committee

Item 2 – Paper A

ACTIONS AND AGREEMENTS

MEETING HELD ON 19th December 2018 – 11.00am to 1.00pm

At 18 Smith Square, Westminster, London SW1P 3HZ

PRESENT

Cllr Denise Le Gal	Chair
Mike Ellsmore	CIPFA
Peter Moore	CIPFA
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Colin Meech	Members (Unison)
George Georgiou	Members (GMB)
Annemarie Allen	Actuaries (Barnett Waddingham)
Jo Holden	Actuaries (Mercer)
David Walker	Actuaries (Hymans)
Daniel Carpenter	Actuaries (Aon)
Bob Holloway	Pensions Secretary, LGA
Liam Robson	LGA

APOLOGIES

There were apologies from Mark Wynn, Dave Harrison was also absent. All other members (or substitutes) were present.

1. **Welcome, introductions and declarations**

The Chair welcomed all in attendance to the meeting and introductions were made.

Daniel Carpenter declared that Aon were involved in a bid to procure the Cost Transparency Compliance Checking IT system. The committee noted that the 'welcome and introductions' agenda item should also include declarations more prominently to remind attendees to consider and note any potential conflicts.

2. **Minute's silence for the late Councillor Ian Greenwood OBE**

One minute's silence was observed in memory of the late Cllr Ian Greenwood. A memorial service was to be held on 25th January 2019 at 4pm in Bradford Cathedral.

3. **Actions and agreements from meeting of 3rd September 2018**

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The minutes of the previous meeting were agreed subject to minor amendments; item 4 – “over” should read “under”, and “investment pools” more specifically, “investment pool companies”. Item 10 had not been itemised separately on the agenda, but would be covered under any other business.

Item 2 referenced member representation on investment pools. There had been no further progress on this, so would be carried forward to the next meeting.

Following the infrastructure event, Unison had written to the Chair regarding assessment of costs on entering new areas of investment. The Chair mentioned that cost assessment should be part of the due diligence process and would endeavour to respond to the letter appropriately.

4. Update from SAB meeting on the 10th October

Bob Holloway (BH) provided an update on the previous SAB meeting. Items of note, not on the Investment sub committee agenda, included the Scheme Advisory Board Cost Cap, Academies and Third Tier projects, and the letter sent to the Pensions Regulator.

5. Cost Transparency - Update

Liam Robson (LR) provided an update on the LGPS Code of Transparency. Since its launch in May 2017, signatories to the Code had grown in number to 99 and represented over £180bn of LGPS assets over management. Four LGPS investment pool companies had signed up to the Code together with Link Solutions, provider for ACCESS and Wales.

All asset managers managing listed assets had signed up to the Code, leaving property, private equity, infrastructure and alternative managers (and also cash held in account) not covered by the Code.

In November, the Cost Transparency Initiative, CTI, was launched and became the organisation taking forward the work of the Institutional Disclosure Working Group (IDWG). The CTI had published the templates in draft form for information (pdf, not excel files) and were currently in the process of running a pilot to test the templates with a number of schemes and investment managers.

AGREED and ACTION – Secretariat to consider communicating with alternative investment managers regarding sign up on the basis that the new templates are available in draft form.

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AGREED and ACTION – Secretariat to consider communicating with remaining LGPS investment pool companies regarding their sign up to the Code.

Cost Transparency Procurement

LR updated the committee on the procurement exercise. The deadline for submissions to the invitation to tender, ITT, had closed and a working panel were due to meet in January 2019 to evaluate the bids.

AGREED and ACTION – Secretariat should continue with the procurement process and report back to the committee when appropriate.

6. Responsible Investment Guidance – Next Steps

Bob Holloway (BH) outlined the main points of the meeting paper, setting out the proposal for a checklist for funds covering minimum, good practice and best practice standards. The Committee discussed the potential challenges and that the cross pool responsible investment group should be involved.

Unison had commissioned Shareaction to report on the content of pension fund investment strategy statements ISS, ranking them in descending order of best practice.

AGREED and ACTION – that the committee should progress the work agreed set out in the paper. It also noted that organisations commissioned to complete work on the LGPS should be carefully managed, especially around confidentiality and data/report sharing courteousness.

7. MHCLG Guidance on Pooling

Investment guidance, to include investment pooling, was being considered by MHCLG, and following new broader regulatory powers, could become statutory. An early draft which included terminology updates had been shared with the secretariat and a draft would be shared with the committee following further refinement.

8. Section 13 report

The Section 13 report had been published; the four scheme actuaries had written to MHCLG/GAD regarding consistency of assumptions across funds and the Scheme. A response to the letter from officials was expected before the next meeting.

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AGREED – SAB to consider the response from MHCLG regarding local assumptions once received.

9. Separation project

Interviews between the bidders and selection panel had been held earlier in November and at the time of the meeting, a decision from the Chair/vice Chair was still to be confirmed.

10. IORP II Directive

The committee discussed the considerations set out in the paper regarding the application of particular articles, namely 5, 8 and 19, with differing application depending upon the interpretation of a statutory guarantee.

It was noted that UNISON would be minded to seek a legal remedy if the government failed to apply the key elements of the IORP II Directive to the LGPS.

AGREED and ACTION – Secretariat should open discussions with MHCLG to explore the potential remedies set out in the agenda paper in order to avoid any potential legal challenge.

11. AOB and date of next meeting

Related to IORP, the committee was made aware of draft regulations restricting investment trading to UK regulated markets.

ACTION – Secretariat to review the trading position of LGPS funds following the UK's exit from the EU.

The committee discussed meeting attendance over 2018 and asked the secretariat to consider proposing new committee members following discussion with relevant individuals. (matter has since been resolved)

Two examples of operational issues with Local Pension Boards were brought to the attention of the committee. The committee discussed examples of good practice and the variation in Local Board effectiveness across the Scheme.

ACTION – Secretariat to prepare a paper for the SAB meeting on the 16th January (may include an updated Local Board Survey).

It was noted that some guidance around the reporting lines between pool companies and ultimate asset owners/decision makers would be a very helpful inclusion in the investment pooling guidance (especially

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where an investment sub-committee may summarise reports for different audiences).

ACTION – To be circulated following the meeting was a report from the Competition and Markets Authority, “Serving UK pension schemes better: Final decision from the CMA’s investigation into investment consultancy”. The SAB/Committee may consider scope for amending regulations to strengthen mean of mitigating conflicts.

The date of the next meeting was to be confirmed.

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