

Investment, Governance and Engagement Sub Committee

Item 2 – Paper A

ACTIONS AND AGREEMENTS

MEETING HELD ON 5th DECEMBER 2016 – 2.00pm

AT LAYDEN HOUSE, 76-86 TURNMILL STREET, LONDON

PRESENT

Cllr Kieran Quinn	Chair
Bob Holloway	SAB Secretary
Ian Greenwood	LAPFF
Rodney Barton	Practitioners
Mark Wynn	Treasurers
George Georgiou	Members (GMB)
Colin Meech	Members (Unison)
Dave Harrison	Members (UNITE)
Annemarie Allen	Actuaries (Barnett Waddingham)
Joanne Holden	Actuaries (Mercer)
William Marshall	Actuaries (Hymans)
David Lyons	Actuaries (Aon Hewitt)
Gary Delderfield	APL
Liam Robson	LGA

APOLOGIES

There were no apologies, all members (or substitutes) were present.

1. Welcome, introductions and apologies

The Chair welcomed all in attendance to the first meeting of the Committee.

2. Issues outstanding from Shadow Board predecessor committees

(A) Legal Opinion James Goudie “Legal status of Local Boards”

The Committee received a report on items outstanding from its predecessor – the Investment and Engagement Sub-Committee.

The Committee agreed that there may be further work to be completed on the operation of Local Boards as reported case studies were brought to Committee attention. Bob Holloway (BH) confirmed that a detailed survey of local pension boards would be a major priority in the Secretariat’s work in the New Year.

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AGREED – that the scope of work on Local Boards should be decided at Board level and that the Committee would be prepared to take forward action decided.

(B) **Legal Opinion Nigel Griffin “FSMA regulation”**

A recent case at SYPA, involved an auditor refusing to sign off annual accounts until legal confirmation had been sought to confirm that a local authority was not subject to regulation by the Financial Conduct Authority FCA. The case highlighted that there appears to be concern over external auditors’ knowledge and understanding of the LGPS.

AGREED – that work on external audit knowledge and understanding should be decided at Board level and the Committee would be prepared to take forward any actions decided.

In addition, to the above, other items raised under issues outstanding were the statutory guarantee, the investment regulations and separation work.

AGREED – that the above would be raised at Board level and the Committee could take forward any actions decided.

3. **Terms of reference**

The Committee received and noted a report detailing its terms of reference as agreed by the Scheme Advisory Board (SAB) at its meeting held on 1st August 2016.

4. **Pooling investments update**

(BH) reported that there was some progress on pooling, albeit some way behind the government’s original timetable. The government had responded to the Welsh pool and further meetings with DCLG Ministers are planned over the course of December for the remainder of the pools. .

Colin Meech (CM) asserted that, linked with the statutory guarantee argument and separation issue, member/union representation at asset pool level and the application of ESG was inconsistent across LGPS funds/pools.

AGREED – that the above would be raised at Board level.

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5. MiFIDII Consultation response

A draft of the response to the FCA's MiFIDII consultation was presented to the Committee. The response was strong in highlighting the fundamental issues in re-categorising Local Authorities as retail clients.

AGREED – the committee agreed the content of the consultation response

6. Investment Regulations

BH reported that there had been a number of authorities raising the question of permitted investments. The new regulations were a move to less prescription and greater autonomy for authorities to make investment decisions having regard to statutory guidance and the requirement to take proper advice.

An Early Day Motion had been raised against the Investment Regulations seeking annulment. CM informed the committee that the EDM debate will not happen as the JCSI committee had decided not to pursue it. CM claimed that the ESG agenda was hampered because individual funds are saying that voting will be a function of the new pools. This as not wholly accepted by the committee.

AGREED – as concluded in the Paper, the Committee agreed that there may be action required (for example revision of statutory guidance) which would be proposed to the SAB and that the SAB should invite the Secretariat to explore the ESG matter further.

7. Transparent Investment fees

Liam Robson (LR) provided an update on the SAB work on a Transparency Code for investment costs. The paper to be presented to the SAB on 6th December 2016 was circulated, which the Committee noted.

8. Law Commission's call for evidence on social investment

AGREED - that there was no need to submit a general response from the SAB as the main recommendation of the report was to offer members of *defined contribution* schemes the option of investing their contributions in vehicles that have social impact.

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9. Any Other Business

CM drew the Committee's attention to the recently published interim report of the FCA, "Asset Management Market Study".

AGREED – the Committee agreed that the report should be considered; and action, as appropriate, should be decided at Board level. The Committee noted the timing of the next meeting should be planned in order to fit in response time for the closing date of 20 February 2017 if required.

10. Date of next meeting

The (four) meeting dates for 2017 were to be confirmed, with the next meeting to be held in February 2017. The Chair and Secretariat undertook to have the dates arranged in the calendar by the end of year. These would be co-ordinated to fit around the meeting dates for the SAB.

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