

Investment, Governance and Engagement Sub Committee

Item 2 – Paper A

ACTIONS AND AGREEMENTS

MEETING HELD ON 26th JULY 2017 – 11.00am

At UNISON, 130 Euston Rd, Kings Cross, London NW1 2AY

PRESENT

Cllr Kieran Quinn	Chair
Bob Holloway	SAB Secretary
Geik Drever	CIPFA
Emma Mayall	Practitioner
Ian Greenwood	LAPFF
Colin Meech	Members (Unison)
George Georgiou	Members (GMB)
Danny Hoggan	Members (Unite)
Annemarie Allen	Actuaries (Barnett Waddingham)
Kate Brett	Actuaries (Mercer)
David Walker	Actuaries (Hymans)
Karen McWilliam	Actuaries (Aon Hewitt)
Jeff Houston	LGA
Liam Robson	LGA

APOLOGIES

There were apologies from Rodney Barton and Mark Wynn, all other members (or substitutes) were present.

1. Welcome and introductions

The Chair welcomed all in attendance to the meeting.

2. Matters arising (Paper A)

The minutes of the previous meeting were agreed.

3. Markets in Financial Instruments Directive (MIFID) II - Update

The committee were provided with an update on progress on implementing MiFIDII and the opt-up process. A standard template and opt-up letter, developed in collaboration with investment manager association and stakeholders, was expected to be released at the SAB event on 10th August 2017.

The committee acknowledged the significant work completed to date and the challenges that still lie ahead.

Investment, Governance and Engagement Sub Committee

The options for separation project, which begun in 2015, but was put on hold following investment pooling and MiFIDII was discussed.

AGREED – it was agreed that autumn 2017/spring 2018 was an appropriate time to revisit options for separation and that the subject should be raised at the next SAB meeting.

4. Pooling investments – Cross Pool Forum consultation

The committee were given a brief overview of the questions around the constitution of the information (not decision making) forum and noted that the consultation would run until the end of September 2017.

AGREED – that the responses to the consultation should be considered at the next committee meeting

5. Cost Transparency

An update on the Code of Transparency was provided. A total of 12 investment managers, representing around £70bn of LGPS assets had signed up to the Code, with a further three major managers indicating they would do so in the future.

One LGPS pool had signed up to the Code, and pressure on managers with pool mandates could come in the form of a requirement in new Investment Manager Agreements.

The SAB was due to set up a working group to develop a procurement process and scope to appoint a third party to aggregate and analyse submissions under the Code at a LGPS fund and asset level (not benchmarking). The working group would also consider finance and objectives of all stakeholders.

The increase in transparent cost data and the advent of LGPS pooling will require amendments and/or extensions to fund reporting and accounting disclosures into which all relevant stakeholders should be able to input. Such changes could include amendment of guidance and/or Audit and Accounting Regulations.

It was also noted that a separate discussion with Audit firms would be useful to clarify a number of recent issues both related and not to transparent reporting.

AGREED – The Board secretary should liaise with other relevant parties (inc. CIPFA, CPCG, Audit firms and DCLG and

Investment, Governance and Engagement Sub Committee

Cabinet Office) to develop a working party on transparent reporting.

AGREED – that the SAB (with CIPFA) should consider an event or briefing of auditors on particular LGPS investment and accounting issues.

6. Responsible investment guidance - Update

The committee noted that the revised guidance was nearing the final draft stage.

AGREED – that the updated guidance would be circulated via email by 4th August, giving the committee three weeks for comments before a more final draft is shared with DCLG. Depending on DCLG's adoption, the guidance would follow a wider consultation, or publication as a SAB document.

7. Local Pensions Board survey - Update

The committee noted that 50 responses had been received, the vast majority of which had come from Local Board Chairs.

AGREED – the committee agreed that the deadline for response should be extended until September, and that responses from administering authorities should be chased in order to get a balance of submissions.

8. FCA market study - Update

The Market Study report was discussed as part of the Transparency agenda item to the overlap in the issues raised. Specifically on transparency, the report referred to the setting up of a panel to develop further the/(a) template(s) for transparent cost disclosure, the constitution of which was expected to be announced in early August.

AGREED – that the SAB could consider, following the Market Study findings, a response to the FCA consultation.

9. DCLG statutory guidance – Judicial Review (Paper C)

The Palestinian Solidarity Campaign's challenge against DCLG was discussed. It was understood that DCLG would appeal against the ruling.

Investment, Governance and Engagement Sub Committee

AGREED – that the SAB consider a communication to fund investment contacts giving an update/view on current investment issues, including the impact of the result of the JR.

ACTION – the committee agreed that a letter seeking clarification of the Government's intentions regarding the implementation of IORP II be drafted for the Chair of the Board.

10. AOB

The committee noted that Giek Drever was nearing retirement and thanked her for her valuation contribution to the committee and support of the SAB. CIPFA would nominate a replacement member of the committee in due course.

11. Date of next meeting

The date of the next meeting was to be confirmed, the venue for the next meeting to be Barnet Waddingham offices.

* * *