

Investment, Governance and Engagement Sub Committee

Item 2 – Paper A

ACTIONS AND AGREEMENTS

MEETING HELD ON 21st MARCH 2017 – 2.30pm

AT LAYDEN HOUSE, 76-86 TURNMILL STREET, LONDON

PRESENT

Cllr Kieran Quinn	Chair
Bob Holloway	SAB Secretary
Ian Greenwood	LAPFF
Rodney Barton	Practitioners
David Anthony	Practitioners
Geik Drever	CIPFA
Mark Wynn	Treasurers
George Georgiou	Members (GMB)
Colin Meech	Members (Unison)
Annemarie Allen	Actuaries (Barnett Waddingham)
Nigel Thomas	Actuaries (Mercer)
David Walker	Actuaries (Hymans)
David Lyons	Actuaries (Aon Hewitt)
Jeff Houston	LGA
Liam Robson	LGA

APOLOGIES

There were no apologies from Danny Hoggan, all other members (or substitutes) were present.

1. Welcome, introductions and apologies

The Chair welcomed all in attendance to the meeting.

2. Matters arising (Paper A)

The minutes of the previous meeting were agreed, subject to the addition of apologies for Danny Hoggan and Geik Drever to be added under the appropriate heading.

The Board noted the Local Pension Board survey and considered whether the Board should prepare guidance following the results.

(A) 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

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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. SAB meeting update

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 – Role of SAB

(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.

5. MiFIDII Update

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.

The committee agreed that while there had been progress in communicating with the FCA regarding investor status, it would be

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prudent, given to timescales, to prepare for the case that the FCA does not change its stance on providing more detail on the opting-up of Local Authorities

AGREED – the committee agreed that the Board should seek legal advice on what scope the FCA have to amend the criteria of the directive, and what scope the board would have to challenge the FCA on the assumption that the current draft of COBS 3 will be written into Handbook in June.

6. Asset Management Market Study

The Committee noted the consultation response to the FCA's interim findings.

7. Transparent Investment fees – update (Paper C)

The committee received an update on the SAB work on a Transparency Code for investment costs. The release of the code was imminent, and the secretariat awaited legal advice regarding on audit, and the meantime would be working with Chris Sier in developing the audit function.

8. Local Pensions Board survey (Paper D)

AGREED - that there was agreement to in principle to carry out a Local Pension Board Survey. The committee members would be welcome in emailing the secretary comments, however, as the version presented was practical and workable, more detailed nuances and qualitative assessments could be made at a later stage.

9. Responsible Investment and corporate governance

The Committee received an update on responsible investment and corporate governance; noting that consultation with pools would be part of providing a best practice guide for administering authorities.

10. Dates of next meeting

The next meeting date would be arranged in due course to co-incide with the Board meeting in June 2017.

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