

# Investment, Governance and Engagement Sub Committee

## Meeting – 22<sup>nd</sup> November 2021

### Item 3 Paper A: Actions and Agreements

#### Part A: Hybrid meeting held on the 20<sup>th</sup> September 2021

#### PRESENT

Cllr Yvonne Johnson	Chair – L.B. Ealing
Cllr Robert Chapman	LAPFF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Mark Wynn	Treasurers
Colin Meech	Members (Unison)
Annemarie van Bochove Allen	Actuaries (Barnett Waddingham)
David Walker	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)
Oliver Watson	DLUHC (previously MHCLG)
Fiona Miller	Pool Operating Companies
John Bayliss	Government Actuary's Department
Jonathan Hunt	Adviser, LGA
Jeff Houston	Head of Pensions, LGA
Joanne Donnelly	Senior Pensions Secretary, LGA
Bob Holloway	Pensions Secretary, LGA
Gareth Brown	Pensions Analyst, LGA

#### APOLOGIES

Apologies for absence were received from Karen McWilliams, Peter Moore, George Georgiou and Gary Delderfield.

#### 1. Welcome, introductions and declarations

The Chair welcomed all in attendance.

#### 2. The Chair advised members of the virtual meeting's protocol.

#### 3. Actions and agreements from meeting of 19 July 2021

Colin Meech (CM) asked whether there were any developments to report at Item 3 on the issue of scheme member representation. In response Jo Donnelly (JD) explained that she and Councillor Phillips, SAB Chair, had met with the Chair of ACCESS asset pool, Councillor

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Mark Kemp-Gee and Kevin McDonald, lead officer, at the LGC Investment Summit in Leeds on 10<sup>th</sup> September to explain SAB's policy and to discuss next steps. Members were advised that the question of scheme member representation at ACCESS is to be discussed at the next but one board meeting.

Fiona Miller (FM) suggested an amendment to the paragraph covering item 7, to make it clear that cyber security is not the only item being used by the FCA to measure operational resilience. The final part of the sentence will be amended to read ".....that the FCA is using cyber security as part of a toolkit to measure operational resilience."

The minutes of the meeting on the 19<sup>th</sup> July were agreed.

## **4. RIAG Chair's Report**

RIAG Chair, Sandra Stewart (SS) advised members that a verbal update of the 7<sup>th</sup> July RIAG meeting had been given to the committee when it last met on the 19<sup>th</sup> July and that her report would therefore cover the subsequent meeting on the 1<sup>st</sup> September.

The Chair's report included:

- A summary of the presentation given by Lily Tomson from the Occupational Pensions Stewardship Council including a link to where members could find more details about the work of the council and how to become a member;
- The main points to emerge from an update of the proposed consultation on TCFD reporting from MHCLG (now DLUHC (Department for Levelling UP, Housing and Communities));
- A further request for case studies to populate the Board's Responsible Investment A to Z guidance and details of a survey that the Secretariat will be circulating to administering authorities to gauge how helpful the site is and the extent to which it is being used;
- A summary of the group's comments on the FRC's recent survey on "Say on Climate";
- A summary of a group discussion on pension committee engagement.

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Full details of each item above can be found in committee Paper B.

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

## 5. CIPFA Pensions Panel Closure

JH explained that one of the outcomes of a recent re-organisation exercise at CIPFA was a decision to dispense with a specific panel for public sector pensions (the CIPFA Pensions Panel). A paper will be going to the SAB meeting on the 27<sup>th</sup> September seeking agreement in principle for the creation of a new board committee with a dual reporting structure (SAB and CIPFA) to take over the functions of the pensions panel.

Terms of reference and membership will need to be resolved as will the procedure under any new arrangement for the amendment of existing statutory guidance published by CIPFA and publication of any new statutory guidance.

In response to a question from Councillor Robert Chapman (RC) JH confirmed that the new body would be a committee of the Board and in response to a question from CM, JH confirmed that any new body would be named as the Compliance and Reporting Committee.

Mary Lambe (ML) highlighted the importance of the CIPFA Pensions Panel being a cross-border/UK body and asked how the various roles between the three SAB committees will be allocated. JH confirmed that the cross-border nature of the pensions panel would be replicated in the proposal for the new committee and that the allocation of roles will be considered as part of the Secretariat's further work.

JH also confirmed that any statutory guidance published under the auspices of the new committee would be free of charge.

Mark Wynn (MW) advised members that he hoped to be in a position to share comments from the pensions panel on future arrangements with the Secretariat soon.

**Agreed – That the committee noted the position as set above and that a paper seeking agreement in principle to the above proposal should be considered by SAB when it next meets on the 27<sup>th</sup> September.**

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## 6. Consultations Update

JD reminded members that a number of responses have been submitted in respect of the consultations on HM Treasury's cost control mechanism and SCAPE discount rate. Although not applying to the LGPS, members were also advised that DWP are currently consulting on new powers for the Pensions Regulator for schemes that are eligible for the Pension Protection Fund. Other consultations expected shortly include TCFD reporting for the LGPS, and draft regulations relating to the pensions dashboard.

Following a recent conference session with the new Chair of The Pensions Regulator JH informed members that two consultations on scams and criminality will be published later in the year.

ML asked whether there have been any developments on the concerns raised in the Pension Regulator's consultation on the single code about the definition of governing body. JD explained that nothing substantive has emerged to date.

**Agreed – That the committee noted the position as outlined above**

## 7. Code of Transparency Consultation Update

JD informed members that the consultation had been sent to about 150 recipients and that out of the substantive responses received only three commented on the proposed wording of the code. Other substantive responses had commented on the templates in use under the Code. After full consideration it was decided to recommend to the committee that there should be no changes to the revised wording proposed in the consultation.

**Agreed – that the proposed changes to the code should be adopted in full.**

## 8. Cost Transparency Compliance Update

JD took members through committee Paper D and highlighted the key findings from the Board's online reporting system supplied by Byhiras. At present the overall percentage of completed templates for 2019/20 is 94%. For 2020/21 the overall completion rate currently stands at 86%.

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JD acknowledged that there was room for further improvement and explained that the Secretariat will continue to work with asset managers and Byhiras to improve the performance. Any proposals emerging from these discussions will be reported to the committee when it next meets.

CM asked how many out of the 154 Code signatories have complied fully. In response JD explained that not all of the signatories have LGPS clients and that in addition work is underway to check why there is no activity in certain cases. Members were also advised that non-compliance, or late compliance, is often linked to particular asset classes, for example, private markets.

FM informed members that private markets is a broad church and that new regulations on valuation are not helping, all of which means that template deadlines are very challenging. Members were also told that another reason for inactivity is that being a signatory to the Code is often a condition of participating in a procurement.

JD referred to the recommendation in Paper D to remove Woodford Investment Management as a Code signatory, which had been requested by Woodford's administrator.

**Agreed – that the committee noted the position as set out above and agreed that Woodford Investment Management should be removed as a Code signatory**

## 8. DLUHC Update

OW informed members that following the Cabinet re-shuffle Luke Hall is no longer the Local Government Minister. New Ministers have been appointed but as yet no decision has been taken on their portfolios. Members were warned that this could result in delays to the Department's programme of work but that the aim is still to publish the TCFD consultation in late October. The consultation is expected to run for 12 weeks with regulations expected to come into force in April 2022. The first reports for the period 2022/23 are expected to be published at the end of 2023.

Following comments made by RIAG OW confirmed that the Department's proposals on definitions and terminology (in particular the methodology for calculating Carbon Footprint) would be the same as those adopted by DWP in their consultation for private sector schemes. The hope is that fund authorities will adopt the same measures to ensure consistency at scheme level.

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FM took the opportunity to thank all eight LGPS asset pools for standardising their TCFD returns.

David Walker (DW) asked for an update on pooling guidance. OW explained that the Department's main focus is publication of the TCFD consultation and that the recent change in the Ministerial team made this even more challenging.

## 9. AOB and Date of Next Meeting

ML reminded members of the important issue of pension committee engagement raised in the RIAG Chair's report. No further comments were made at the time.

Details of the date of the next meeting and those for 2022 will be circulated shortly by the Secretariat.

## Part B : Virtual Meeting held on the 28<sup>th</sup> October 2021

### PRESENT

Cllr Yvonne Johnson  
Peter Wallach  
Colin Meech  
George Georgiou  
David Walker  
Mary Lambe  
Peter Moore  
John Bayliss  
Joanne Donnelly  
Bob Holloway

Chair – L.B. Ealing  
Practitioner  
Members (Unison)  
Members (GMB)  
Actuaries (Hymans)  
Actuaries (Aon)  
CIPFA  
Government Actuary's Department  
Senior Pensions Secretary, LGA  
Pensions Secretary, LGA

### APOLOGIES

Apologies for absence were received from Fiona Miller, Annemarie von Bochove Allen, Mark Wynn, Rodney Barton and Councillor Robert Chapman.

## 1. Welcome, introductions and declarations

The Chair welcomed all in attendance and explained that the purpose of the single issue meeting was to invite members' views on the

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extent of any overlap between the work of the committee and the proposed new Compliance and Reporting committee.

2. The Chair informed members that in an email Annemarie von Bochove Allen wished to advise the committee that in her view there was little or no overlap in the work of the two committees.

## 3. **Comments and Discussion**

Peter Moore (PM) opened the discussion by fully supporting the paper (Item 5 Paper C) considered and agreed by the Board when it met on the 27<sup>th</sup> September. PM stressed the importance of retaining three key elements of the former pensions panel, that is, UK wide representation; maintaining the link to the various treasurer bodies and continuation of the Pensions Network. PM further advised members that the former pensions panel had set up a number of working groups and he hoped that the new committee would have the facility to do likewise. Communication of what is being proposed and eventually agreed to scheme stakeholders will be key to allay any concerns that the work of the former pensions panel has come to an end. David Walker (DW) agreed that effective communication is vital to a successful handover. In that respect PM suggested that any communication should be in the form of a joint Board/CIPFA statement.

Mary Lambe (ML) noted that the Boards workplan has yet to be formally approved by Ministers and that the future work of the committee is still, to a degree, uncertain. Reference was also made to the period of the Shadow Board when five sub-committees were established which begs the question whether a wider review of the number of extant and proposed committees and their remits should be undertaken by the Board.

Peter Wallach (PW) questioned whether the new committee would have the capacity to undertake both the work of the former pensions panel and any new work transferred from either the investment or CMBDA committee. ML agreed and in particular highlighted the extensive work connected with the introduction of the scheme's TCFD reporting regulations and guidance.

Both George Georgiou (GG) and Colin Meech (CM) advised members that they were happy with the proposals set out in the Board's paper and confirmed that they did not regard the committee's work being duly affected by them.

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ML asked when the new committee would first meet. Bob Holloway (BH) advised members that subject to the Board agreeing final proposals when it meets in December there should be no reason why the new committee should meet for the first time early in the New Year.

PM asked whether there has been any discussions with Richard Lloyd-Bithell at CIPFA. Jo Donnelly (JD) confirmed that this was the case and that the Secretariat is waiting to hear from Richard about the outcome of a meeting to be held with members of the former pensions panel.

PW asked about the status of CIPFA's Pensions Network under the new arrangement. PM confirmed that it was the intention that the Pensions Network will continue as before although whether it sits under CIPFA or the new committee has yet to be considered. JD advised members that consideration of CIPFA's commercial activities will be paramount in future discussions.

**Agreed – that the committee fully supports the paper agreed by the Board on the 27<sup>th</sup> September and that at the present time there are no elements of the committee's workplan that should be transferred to the proposed Compliance and Reporting Committee.**

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