

Investment Committee

DATE:	8th July 2024
VENUE:	Hybrid Meeting (MS Teams and 18 Smith Square)
TIME:	11:00 – 12:30

AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 26 th February 2024	Paper A	11:10
4	Code of Transparency Compliance Update	Paper B	11:15
5	Code of Transparency Project Update - CONFIDENTIAL	Paper C	11:25
6	RIAG Report	Paper D	11:40
7	Update on recent engagement activity	Paper E	11:55
8	Post Election Planning		12:10
9	AOB and Date of next meeting		12:25

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Item 3 – Paper A

Actions and Agreements from meeting of 26 February 2024

Present

Councillor Yvonne Johnson	Chair – London Borough of Ealing
Councillor Robert Chapman	Local Authority Pension Fund Forum (LAPFF)
Sandra Stewart	Greater Manchester Pension Fund (Chair of Responsible Investment Advisory Group)
Peter Wallach	Practitioner – Merseyside Pension Fund
Euan Miller	Practitioner – West Yorkshire Pension Fund
David Walker	Investment Consultant (Hymans)
Tony English	Investment Consultant (Mercer)
Pete Smith	Investment Consultant (Barnett Waddingham)
Fiona Miller	Asset Pool (Border to Coast)
Andrew Dobbie	Member representative – UNISON
Tommy Bowler	Member representative – Unite
George Georgiou	Member representative – GMB
Richard Lane	Academies representative – Twyford Academies
Eva Grace	Government Actuary's Department (GAD)
Teresa Clay	Department for Levelling Up, Housing and Communities (DLUHC)
Oliver Watson	DLUHC
Joanne Donnelly	Head of Pensions, Local Government Association (LGA)
Jeremy Hughes	Senior Pensions Secretary, LGA
Becky Clough	Board Support & Policy Officer, LGA
Ona Ehimuan	Pensions Secretary, LGA
Jonathan Hunt	Consultant to the Scheme Advisory Board (SAB)

Item 1 – Welcome, introductions and declarations

1. The Chair welcomed all in attendance.

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2. Apologies had been received from Jeffrey Dong (Swansea Pension Fund), Nick Buckland (Kent Pension Fund) and Gary Delderfield (Eversheds Sutherland). Christophor Ward (GAD) also sent apologies and Eva Grace attended the meeting in his place. Richard Lane gave apologies for the beginning half of the meeting.
3. There were no declarations of interest.

Item 2 – Meeting protocol

4. The Chair advised members of the virtual meeting protocol.

Item 3 – Actions and agreements from the meeting of 20 November 2023

5. The actions and agreements from the previous meeting were agreed as a fair and true record of the meeting.

Item 4 – Code of Transparency (CoT) compliance update

6. Ona Ehimuan (OE) introduced Paper B to the Committee. Since the November 2023 meeting, the rate of compliance with the Code of Transparency online system had decreased slightly. The decrease was due to retrospective changes to schedules which had led to an increase in the number of templates expected. The compliance figures were as follows:
 - for 2019/20 it had risen slightly to 98%
 - for 2020/21 it had decreased slightly to 95%
 - for 2021/22 it had decreased slightly to 94% and
 - for 2022/23 it had decreased slightly to 94%
7. The Committee also were updated on the asset managers that had a significant number of late uploads. Of particular note is Neuberger Berman who had a significant increase in late uploads since the last meeting in November 2023, following which the Secretariat made contact with them to establish a timeline for the outstanding uploads and inform them of next steps if further delays continued. Since this there has been an encouraging increase in the upload of completed templates from Neuberger Berman. The Secretariat are monitoring progress on the outstanding templates and will continue the escalation process if not resolved quickly. The Secretariat are continuing engagement with the other fund managers with late template uploads to ensure these are completed.
8. Fiona Miller (FM) asked about the impact of increased investing in alternative asset classes in the LGPS on the timeliness of the uploads

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of templates, given the known difficulties with data transparency and availability in private markets. Jo Donnelly (JD) acknowledged that this may be having an impact however a detailed breakdown of the timeliness of asset classes by year would be needed before drawing this conclusion.

Item 5 – Code of Transparency Project Update (Confidential)

9. OE introduced Paper C (Confidential) to the Committee. The Board had approved the project plan at its last meeting on 4 December 2023. An update on the progress of the project was delivered to the Committee along with an updated project plan for submission to the Board. The Committee noted the updates and approved the updated project plan for submission to the Board.

ACTION – That the Secretariat presents an updated project plan to the Board at its next meeting on 11 March 2024.

Item 6 – Update on Economic Activity of Public Bodies (Overseas Matters) Bill – aka Boycotts, Divestment & Sanctions (BDS) Bill

10. JD informed the Committee that the second reading of the Bill in the House of Lords had taken place on 20 February 2024. The LGA had published an [updated technical briefing](#) in response to the reading. The Government's Bill Team had met the Secretariat and said that they were looking to get Royal Assent on the Bill by Easter, but that timeline looked unlikely now.
11. The Secretariat attended a meeting with officials from The Pensions Regulator (TPR), convened by the DLUHC Bill team, to discuss how they planned to enforce the Bill's provisions for the LGPS. TPR officials indicated that they were still discussing how this would work in practice, but would likely not be deploying additional resource to enforce the Bill and would use existing methods, policy and sanctions to oversee, regulate and enforce. TPR expected that there would not be a significant increase in queries, with an estimation of one query per year. The Secretariat felt that this was an underestimate, and emphasised to TPR that there remain significant concerns about funds and administering authorities being at higher risk of appeals and judicial reviews resulting from the provisions in the BDS Bill.
12. The LGA would continue to issue technical briefings as the Bill passed through Parliament and the SAB Secretariat would continue to brief Parliamentarians sympathetic to the LGA's position.

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Item 7 – Responsible Investment (RI) Cross-Pool Update

13. Jeremy Hughes (JH) gave a verbal update to the Committee. The RI Cross-Pool group met on 12 January 2024 to discuss practical ways to support funds on their journey to enhanced climate risk reporting.
14. The main focus of discussion was the response to DLUHC's 2022 climate-related risks reporting consultation which had not yet been published. DLUHC had now confirmed that regulations were not going to be in place before 1 April 2024. As previously noted, the pools are well placed to assist funds to create templates and/or guidance that would serve as a source of information that funds could use to build voluntary reports. Members of the group volunteered to develop these – however the detailed work would begin in May 2024, after the completion of the Annual General Meeting voting season, which is the busiest time of year for RI practitioners.
15. The RI Cross-Pool group did acknowledge that until regulations were put in place, the group would be limited in the scope of what they could produce without clear guidance for the LGPS.
16. David Walker (DW) asked whether the delay in making these regulations might allow for the Taskforce on Nature-related Financial Disclosures (TNFD) to be built into the reporting requirements in the LGPS. JH said that he thought that this was very unlikely and had not been raised by DLUHC as an option.

Item 8 – Sharia Law and the LGPS – Update

17. OE introduced Paper D (Confidential) to the Committee. The Committee were informed that Mufti Faraz Adam's report was published on 23 January 2024 along with an [accompanying statement from the Board](#). The Committee discussed Counsel's further legal opinion on the report received and how the report's findings could be shared with employees and employers within the LGPS community.
18. The Committee discussed ways in which the opinion could be communicated, and whether this was something best done by funds or employers. It was agreed that this was an important and sensitive area and would need a considered approach. Andrew Dobbie (AD) said that Unison was keen to publicise this report and would work with funds or employers who were interested, and to link up with the work on optants out.

Items 9 and 10 – Investment Strategy Statement (ISS) review discussion and Pooling guidance discussion

19. Oliver Watson (OW) gave a presentation to the Committee on the next steps that DLUHC were planning following the Investments

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Consultation response issued in November 2023. The presentation confirmed that the DLUHC workplan included revising ISS guidance, produce new pooling guidance, updating the Annual Report guidance and aligning the asset category data requested in SF3 with annual reporting guidance. He also confirmed that the requirement to have a plan to invest up to 5% of fund assets in a way that supported the Levelling Up agenda would be added to the 2016 LGPS Investment Regulations. The ambition on private equity allocation would be in guidance and not regulations.

20. Following a question from the Committee on the definition of pooled versus non-pooled assets, OW confirmed that the definitions would be consistent with the Annual Report guidance definitions set to be released soon. OW also confirmed that the guidance would set out how the “comply or explain” regime would work in relation to the transfer of assets to the pools by 31 March 2025. It would also set out more detail of DLUHC’s preferred governance model, including on manager selection, delegation and provision of advice.
21. In terms of timetable, DLUHC hoped to share draft pooling guidance with the Committee for comment first, and then issue final guidance in the summer. There would not be a further public consultation although DLUHC would arrange some roundtables to allow for wider engagement. Teresa Clay (TC) confirmed that when the drafts were shared with Committee members, they would be free to share these with the organisations that they were on the Committee to represent.

Item 11 – Terms of reference

22. Becky Clough introduced Paper E to the Committee. Both recommendations proposed in Paper E were agreed. Although “Engagement” was removed from this Committee’s name, it was acknowledged that it remained an important element in the work of this Committee (and of all the other Committees).
23. The proposal to invite another pool representative to join the Committee was discussed and agreed.

ACTION – that the Secretariat implements the recommendations made and agreed by the Committee.

Item 12 – DLUHC update

24. TC confirmed that there were no further updates for the Committee following on from DLUHC’s earlier presentation under Items 9 and 10.

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Item 13 – AOB and date of next meeting

25. JD raised two items for the Committee's attention. The first was that the Financial Markets Law Committee (FMLC) had published a paper in early February entitled [*Pension Fund Trustees and Fiduciary Duties – Decision-making in the context of Sustainability and the subject of Climate Change*](#).
26. The second was that the Work and Pensions Committee held an oral evidence session on 21 February 2024 exploring trustees' fiduciary duties in relation to pension investment decisions. The hearing focussed on how climate risk is considered and whether changes to the fiduciary duty are needed. Charlotte O'Leary, CEO at Pensions for Purpose, attended and gave evidence. The sessions were recorded and are [available on the Parliament website](#).
27. JD advised the Committee that it had been announced that LGPS Central had appointed a new CEO, the current Royal Mail Pensions CEO Richard Law-Deeks.
28. The date of the next meeting was confirmed as 8 July 2024.

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Item 4 – Paper B

LGPS Cost Transparency Compliance Update (standing agenda item)

Background

1. The LGPS Investment Code of Transparency (Code) requires signatories to provide certain cost information to their LGPS clients. To enable the SAB to have direct oversight of Code compliance as well as see scheme-wide cost data, the SAB procured an online system, specifically for the LGPS, which is provided by Byhiras. This was launched at the end of March 2020.

Recent developments

2. The table in **Annex A** sets out how uptake and use of the system has developed since the system was launched. In terms of “headline numbers” for timeliness, the overall percentage of completed templates for 2019/20 has remained the same at 98%. The largest proportion of missing templates remain in the infrastructure and unlisted equity asset classes.
3. For 2020/21 the overall completion rate has risen from 95% to 98%. Late templates are predominantly in the unlisted equity (more commonly known as private equity), private debt, property and ‘other’ asset classes.
4. For 2021/22 the overall completion rate has risen from 94% to 98%. Late templates are predominantly in the unlisted equity, private debt, active listed equity and ‘other’ asset classes.
5. For 2022/23 the overall completion rate has risen from 94% to 98%. Late templates are predominantly in the property, active listed equity and private debt and ‘other’ asset classes.
6. For 2023/24 the overall completion rate currently stands at 46% (at the time of writing). This is low due to the reporting year end date of 31 March 2024, and templates will not be classified as late until the end of June. We expect that as fund managers begin to receive notifications about late templates these will be uploaded to the system and the rate of compliance would have increased sharply by the time of the next meeting in November 2024. This is line with the pattern of activity on the system shown in previous years.
7. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:

Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ
E SABSecretariat@local.gov.uk W www.lgpsboard.org

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- a. Neuberger Berman Europe Limited has 32 late templates at the time of writing (1 for 2019/20, 1 for calendar year end 2020, 5 for 2020/21, 10 for 2021/22, 8 for 2022/23 and 7 for 2023/24). These figures represent a significant decrease and positive development from 281 late templates at the last meeting. Neuberger Berman Europe have been responsive and communicative with the Secretariat over the past few months and are working to upload the outstanding templates.
- b. Partners Group UK Limited have 34 late templates at the time of writing (9 for 2019/20, 8 for 2020/21 and 17 for 2021/22), which is the same as at the last meeting. Partners Group informed us that they would not be uploading the late templates for previous years as they did not have the capacity to do so. The Secretariat made contact with Partners Group in February 2024 to request further context on this statement. We have been informed that for the 2021/22 period templates were emailed directly to clients and could not be uploaded to the system at the time due to errors being flagged on the system. The focus of the team is now on uploading templates for the 2023/24 reporting year so there is no capacity to rework the templates and upload them.
- c. JP Morgan Asset Management have 12 late templates at the time of writing (1 for 2020/21, 1 for 2021/22, 1 for 2022/23, 6 for 2019, 2 for 2020 and 1 for 2021), which is a decrease from 17 at the last meeting. The Secretariat made contact with JP Morgan in February and June 2024 to ask for an update on the remaining outstanding templates but have not received a response from them to date. The continued decrease in late templates however is a positive development and the Secretariat will continue to make contact with JP Morgan requesting uploads of the outstanding templates.
- d. Aviva Investors Global Services Limited have 25 late templates at the time of writing (2 for 2019/20, 4 for 2020/21, 4 for 2021/22, 4 for 2022/23, 2 for 2020, 3 for 2021, 3 for 2022 and 3 for 2023). The Secretariat made contact with Aviva in June 2024 to request some context on the late templates. We have been informed that their clients are normally in real estate which is not as fast moving as liquid markets, so it takes longer to complete templates. This means that the data doesn't align with the reporting schedules on the system which causes issues when uploading the templates, but clients are sent the data directly without issue. In addition to this, we have been informed that the IT team at Aviva does not like employees downloading

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authenticator apps on work phones which causes issues with logging in to the system.

- e. Morgan Stanley Investment Management Limited have 20 late templates on the system at the time of writing (10 for 2022 and 10 for 2023). We contacted them in June 2024 to enquire about this and since then they have uploaded 7 outstanding templates from 2021 which brought their total down to the current 20 and have informed us that they are working on uploading the remaining outstanding templates. They apologised for the oversight in not uploading required templates to the system.
 - f. State Street Global Advisors Limited have 28 late templates on the system at the time of writing (1 for 2022/23, 1 for 2021/22, 5 for 2020, 8 for 2022 and 13 for 2023). They have informed us that the templates have now been completed and will be uploaded to the system shortly.
 - g. The Secretariat also made contact with Veritas Asset Management, Goldman Sachs Asset Management International and First Sentier Investors but have not yet received a response.
8. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.
 9. Since the last meeting, we have had 5 new managers sign up to the Code:
 - IFM Investors Pty Ltd on 8 March 2024
 - Anterra Capital on 9 April 2024
 - LGT Capital Partners on 10 April 2024
 - Gresham House Asset Management Limited on 11 April 2024
 - Patria Capital Partners LLP on 20 June 2024

Recommendation: That the Committee notes this summary report.

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Annex A

Headline statistics on cost transparency compliance system users and uses

Cumulative totals to the date shown

Date	No. of managers on system	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
June 2020	46	1,023	922	96	5
January 2021	69	1,358	1,265	0	93
April 2021	86	2,984	1,394	1,448	142
September 2021	95	4,252	3,639	163	450
November 2021	103	4,551	3,732	208	611
February 2022	107	4,995	3,863	439	693
May 2022	114	7,326	4,089	2,215	1,022
September 2022	113	7,102	6,360	53	744
November 2022	115	6,884	6,411	15	458
February 2023	114	7,147	6,508	264	363
May 2023	114	9,584	6,869	2,344	371
July 2023	113	9,706	7,751	1,603	352
November 2023	115	9,792	9,418	15	359
February 2024	116	10,357	9,630	262	465
July 2024	118	13,154	11,344	1,571	239

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Totals (non-cumulative) for each financial year

Date	No. of managers with schedules	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
2019/20 Change from February 2024	78 Up 1	1,438 Up 7	1,418 Up 11	0 No change	20 Down 4
2020/21 Change from February 2024	103 Down 1	2,671 Up 26	2,638 Up 95	0 No change	33 Down 69
2021/22 Change from February 2024	111 No change	2,912 Up 24	2,854 Up 127	0 No change	58 Down 103
2022/23 Change from February 2024	109 Down 4	3,057 Up 26	2,998 Up 97	0 No change	59 Down 68
2023/24 *As of June 2024	107	3,075	1,436	1,570	69

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Item 6 – Paper D

Update from Responsible Investment Advisory Group (RIAG)

Report from last meeting on 13th May 2024

1. When RIAG last met the group received a presentation from The Pensions Regulator (TPR) setting out findings from their review of the second year of TCFD reporting by private sector bodies. TPR conducted a larger review than last year, analysing thirty reports, five of which were reports from organisations that are in their second year of reporting.
2. TPR found that thirteen schemes had formal net-zero targets included in their report and an additional six had included it as an ambition. The scenario analysis aspect of the reports presented a challenge and the analysis in many reports was limited.
3. Many reports were found to contain generic statements which gave TPR less confidence in the reports written. Another key finding was that while investors used only a small range of providers to help produce the reports, there was still inconsistency in the presentation and transmission of information from asset managers to their clients. There was also both duplication and inconsistency in the information required for annual reports and stewardship reports for the same organisations.
4. TPR have issued guidance on how to improve reports and issued some fines to organisations whose reports were not deemed compliant. TPR said there was not much interest from the media and no indication that the reports were widely read by members. However, Share Action had published a paper reviewing various schemes and their climate change policies.
5. RIAG also discussed its Terms of Reference (ToR), scope and workplan. There was a specific requirement in the ToR to maintain the [RI A-Z guide](#), but in practice this was now extremely challenging in a fast-moving environment without dedicating a significant amount of resource. The Group felt that the RI A-Z guide could be replaced with information signposting a selection of useful resources.
6. The Group also agreed to have at a future meeting a more in-depth discussion of the evolving concept of the fiduciary duty. Given the different expectations between those running the scheme and those lobbying it, the Group recommended that the Board should make a statement on how best to support officers and elected members who are facing increasing amounts of challenge about investment decisions – which sometimes borders on unacceptable verbal abuse. To the extent that further legal advice was needed, it was felt best to wait until there was certainty over the outcome of the proposed Economic Activity of Public Bodies

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(Overseas Matters) Bill (BDS) Bill before taking that. **POST MEETING UPDATE: The calling of the General Election on the 4th July has meant that this Bill has failed to be given Royal Assent before the dissolution of Parliament. It would only return if included in a future King's Speech with the Parliamentary legislative process re-commencing.**

Responsible Investment and the General Election

7. While they were not available at the date of the last RIAG meeting, the Secretariat has reviewed the main parties' election manifestos for responsible investment related commitments.
8. The Department for Work and Pensions (DWP) were conducting a review of the current TCFD regulations at the time the election was called but there is no reference to extending TCFD to the LGPS in the Conservative manifesto, nor any commitments on pension schemes being asked to set net zero or other climate targets. [The Conservative manifesto](#) does however promise to bring back the BDS Bill (which no other party does).
9. [Labour's manifesto](#) says that pension funds will be required "to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement". The Liberal Democrat manifesto says that they would require "pension funds and managers to show that their portfolio investments are consistent with the Paris Agreement, and creating new powers for regulators to act if banks and other investors are not managing climate risks properly".
10. The Conservative Party manifesto commits to implementing the Mansion House reforms but has no specific reference to LGPS as a source of Levelling Up funding. The Labour Party manifesto includes a commitment that "We will adopt reforms to ensure that workplace pension schemes take advantage of consolidation and scale, to deliver better returns for UK savers and greater productive investment for UK PLC". There are no equivalent commitments in the [Liberal Democrats' manifesto](#).

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Item 7 – Paper E

Update on Recent Engagement Activity

1. Before the general election was called, the minister, Simon Hoare, held three roundtables with a number of fund and pool attendees. The first (May 14th) was called an “investment roundtable”, the second (May 20th) was called a “fund merger roundtable” and the third (May 23rd) was called an “investment and governance” roundtable. The third roundtable went ahead the day after the general election was called.
2. Cllr Phillips and Jo Donnelly were present at the first two roundtables, but not the third. The content of both roundtables attended was similar, with some of the same attendees from funds (officers and elected members) as well as pool representatives. Members of the DLUHC team attended all the roundtables, including the recently appointed Deputy Director Michelle Warbis.
3. The minister stressed his view that any future government – be that Conservative or Labour – would be keen to engage more closely with the LGPS. Government would be keen to see whether funds and pools were investing in UK-based opportunities, and understanding barriers where these could be said to exist. There would also likely be considerable attention paid to minimising costs where possible.
4. As the minister had clearly stated publicly before, he felt that the structure of 86 separate funds in England and Wales is not the way that the scheme would be structured, were it being established now. The discussions in the roundtables were productive and robust, with a significant number of attendees emphasising to the minister the importance of the proposals in the Board’s good governance project being implemented to allow a proper picture of scheme governance to emerge.
5. Whilst the roundtables were ongoing, on May 15th the minister sent a letter to administering authorities in England. The letter was sent as a follow up to a letter sent to all English councils in mid-April about productivity plans. Funds in Wales, and administering authorities who are not councils (SYPA, LPFA and EA) did not receive the minister’s letter.
6. On June 17th, Jo Donnelly held a hybrid session with officers to discuss some of these themes. This was attended by 64 officers from around 50 funds. Cllr Phillips also held an online session with Pension Committee Chairs on June 25th to discuss similar matters. Around 20 PC Chairs attended the session, and there was an interesting and constructive discussion.
7. Both sessions have been widely welcomed and are in fact the first such sessions held directly between the Board Chair and Secretary with

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Committee Chairs and fund officers respectively. The aim is to hold more sessions in future, particularly once there is more clarity post-election on how the scheme may be affected by any change of government.

Next steps

8. The Secretariat will continue its engagement activities with funds, pools, government officials and figures in the opposition, ahead of the election as permitted, and afterwards.
9. The Secretariat, with approval from the Board Chair and Vice Chair, has drafted [some text that funds may wish to use](#) when responding to the minister's letter. Fund officials were informed that responses should be addressed to officials (Michelle Warbis and Teresa Clay) rather than the minister.
