Scheme Advisory Board

HYBRID MEETING – 22nd May 2023

ITEM 12 – PAPER G

INVESTMENT, GOVERNANCE AND ENGAGEMENT COMMITTEE

CHAIR'S REPORT FROM MEETING OF 15th MAY 2023

Sharia Compliance

1. Following the recommendation in the legal advice received on the issue of members opting out of the LGPS on the basis of their (principally Islamic) religious belief, the Board has issued a tender for a report from an Islamic finance and legal scholar to review the scheme according to Sharia principles, and in particular to consider whether the LGPS "pensions promise" is of a contractual nature rather than being a financial investment by the member. The proposed report will also look at governance and administering authority investment principles. The tender closed on 9 May and the contract has been awarded to Amanah Associates. The report commissioned is expected in the late summer.

Code of Transparency Next Steps

2. The Board is also setting up a series of free regional training sessions for local pension board and committee members and fund officers on investment cost transparency. Sessions are being arranged in London, Bristol, Wolverhampton, Leeds, Manchester, Darlington, Cardiff and Glasgow. These sessions will provide:

   - An explanation of the purpose and background of the Board's ground-breaking Code of Transparency
   - a case study from a fund or pool on how investment cost information has been used
   - a troubleshooting session on how to use the online reporting system, run in conjunction with Byhiras (the provider of that system), and
   - a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees.

   Further details of these sessions, including dates and how to sign up, will be sent out to fund contacts shortly.

Code of Transparency Compliance

3. The changes to the online reporting system by Byhiras were successfully implemented on 1 April 2023.

RIAG Report

4. DLUHC confirmed that implementation of new regulations on climate risk reporting were likely to be delayed for a further year. The Group considered the pros and cons of a possible part year introduction of climate risk reporting, perhaps just for the governance requirements.

5. This was an idea that the Department had tentatively floated and the Group felt that it would be possible to have earlier implementation of governance requirements, however, reporting requirements would still need certainty over the date of implementation soon and a considerable lead in time so that funds could align supply chains for information and systems. Otherwise, there was a real risk of wasted resources for funds.

6. It was noted that the Budget documents referred to a potential new target for LGPS funds investing in venture capital. It was confirmed by officials that although it was not specifically mentioned, the 5% "Levelling Up" investment target remained government policy. Further detail of both new targets would be included in the upcoming investment consultation, which would also cover pooling.

7. The Group asked for more support and communication from the SAB and so it was agreed to establish a sub-group to convene expertise and build a good, common approach to execution. The Secretariat would kick this off with a quick survey of pools to see how much commonality there already was and whether there was an appetite to work together to increase standardisation and learn from each other.

8. Responding to a discussion at the previous Board meeting, it was agreed that those organisations/think tanks which had helped shape the Levelling Up White Paper would be invited to the next meeting to discuss the issue with the Group.

9. The Group heard that it was Valborg Lie's last RIAG meeting as she was leaving her role at LGPS Central. The Chair and Joanne Donnelly thanked her for her significant contributions to RIAG over the years and wished her the best in her future endeavours.

Jeremy Hughes
Senior Pensions Secretary
15th May 2023