

Scheme Advisory Board

MEETING – 13TH DECEMBER 2021

ITEM 11 PAPER G

INVESTMENT, GOVERNANCE & ENGAGEMENT COMMITTEE

ACTIONS AND AGREEMENTS FROM MEETINGS OF 28TH OCTOBER AND 22ND NOVEMBER 2021

PART 1

ACTIONS AND AGREEMENTS

VIRTUAL MEETING HELD ON 28TH OCTOBER 2021

PRESENT

Cllr Yvonne Johnson	Chair – L.B. Ealing
Peter Wallach	Practitioner
Colin Meech	Members (Unison)
George Georgiou	Members (GMB)
David Walker	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)
Peter Moore	CIPFA
John Bayliss	Government Actuary's Department
Joanne Donnelly	Senior Pensions Secretary, LGA
Bob Holloway	Pensions Secretary, LGA

Apologies

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

Item 1 Welcome, introductions and declarations

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

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

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

Item 2 Comments and Discussion

4. Pete Moore (PM) (outgoing chair of the CIPFA pensions panel) opened the discussion by fully supporting the paper (Item 5 Paper C) considered and agreed by the Board when it met on the 27th September.
5. 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.
6. 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.
7. Mary Lambe (ML) noted that the Board's 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.
8. 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.
9. Both George Georgiou (GG) and Colin Meech (CM) advised members that they were happy with the proposals set out in the Board's paper

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and confirmed that they did not regard the committee's work being duly affected by them.

10. 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 shouldn't meet for the first time early in the New Year.
11. 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.
12. 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 CIPFA's commercial activities will continue but they are will be separate from the work of the new committee.

Agreed – that the committee fully supports the paper agreed by the Board on the 27th 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.

PART 2

MEETING HELD ON 22ND NOVEMBER 2021

PRESENT

Cllr Yvonne Johnson	Chair – L.B. Ealing
Cllr Robert Chapman	LAPFF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Annemarie van Bochove Allen	Actuaries (Barnett Waddingham)
David Walker	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)

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Teresa Clay	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

1. Apologies for absence were received from George Georgiou, Gary Delderfield, Colin Meech, Oliver Watson, Mark Wynn and Lisa Colquhoun

Item 1. Welcome, introductions and declarations

2. The Chair welcomed all in attendance and advised members of the virtual meeting's protocol.

Item 3. Actions and agreements from meetings of 20th September and 28th October 2021

3. Annemarie van Bochove Allen asked that references to her name should be corrected from "von" to "van".
4. The minutes of both meetings were agreed.

Item 3. New Compliance and Reporting Committee

5. Jo Donnelly (JD) reminded members of the special meeting held on the 29th October to discuss the potential overlap between the work of the committee and the new Compliance and Reporting Committee. This will be followed up shortly with a meeting seeking views on behalf of the former CIPFA Pensions Panel. Draft terms of reference of the new committee will be being drafted and had been shared with CIPFA for comment.
6. JD confirmed that a paper setting out the membership, scope and terms of reference of the new committee will be considered by the Board when it meets on the 13th December.

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7. Councillor Chapman (RC) asked what CIPFA will be doing on pensions in the future. In response Jeff Houston (JH) informed members that the Secretariat will be meeting with Richard Lloyd-Bithell at CIPFA shortly to discuss this and other related matters. JH also confirmed that the new committee, to be chaired by a CIPFA nominee, would report both to the Board and the senior team at CIPFA.
8. RC asked how different views between CIPFA and the new committee would be handled. JH agreed to raise this with Richard Lloyd-Bithell when they meet.
9. Mary Lambe (ML) asked if any further thought has been given to communications around the handover and about the position of members of the former CIPFA Pensions Panel. In response JH explained that former members of the panel would populate the new committee together with representatives of the treasurer bodies and practitioners.
10. Annemarie van Bochove Allen asked if the former panel has been dissolved. JH confirmed that this is the case.

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

Item 4 COP 26 Update

11. Bob Holloway (BH) set out the main outcomes of COP 26 held in Glasgow between the 31st October to the 13th November including:-
 - An agreement for countries to meet next year to pledge further cuts to greenhouse gas emissions to keep temperature rises to 1.5 degrees;
 - An agreement to “phase down” the use of coal. This replaced the proposed target of “phase out”;
 - Additional monies to assist developing countries in coping with the effects of climate change; and
 - An agreement to phase out subsidies that artificially lower the price of coal, oil or natural gas.
12. Fiona Miller (FM) highlighted the difficulties funds and asset pools are having to cope with on issues around divestment and engagement. David Walker (DW) made reference to the LGPS All Party Parliamentary Group’s recent report on Just Transition. FM advised

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members that consistency in moving to a net zero economy will be crucial and that the asset pools have a key role in this process.

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

Item 5.Code of Transparency Compliance Update

13. JD reminded members of the consultation in the Summer of proposed changes to the Code of Transparency guidance. The changes were agreed and can now be found on the Board's website. Members were asked to consider proposals for a new process to remove code signatories without the need for a full meeting. There would be a three stage process including signing off by the Chair and Vice-Chair and the decision being published in standing orders. The committee agreed the proposal as set out in Paper C.
14. JD made reference to the first part of Paper C which includes an update on completed templates since the committee last met in September. Compliance in 2020/21 had increased from 86% to 87% since the last meeting. This was still too low and the focus will remain on seeking further improvement.
15. Jonathan Hunt (JHU) advised members that numbers are affected by some Code signatories not having LGPS clients and the fact that those managers who signed up in 2020/21 will not feature until after the year end.
16. JD referred members to paragraph 8 of Paper C which described how certain signatories were dealing directly with their clients rather than through the system. The Secretariat will continue to work with signatories to resolve the matter and ensure the Code requirements are met.
17. Since the committee last met in September the Secretariat has continued to resolve the five signatories on the "watch list". Apart from some data sharing issues raised by one, where discussions are ongoing, no further action elsewhere needs to be taken.
18. JD asked members if up and down arrows on the compliance report in the annex would be helpful, to indicate the direction of change since the last report. The committee agreed that this would be helpful.
19. FM asked what will be done with the data that is being collected. In response JH explained that subject to the funds' blessing the proposal for benchmarking is being considered. The Secretariat met recently with a number of benchmarking entities to discuss the proposal in more

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detail, and the matter will be raised at the next Board meeting on the 13th December. JHU further explained that there were five or six players in the market and posed the question whether they have comparable data across all UK pension schemes. JHU also explained that data sensitivity could be an issue for some providers. FM suggested that not many schemes outside of the LGPS are of the same scale and DW pointed out that the majority of DB schemes in the private sector are closed and will not have open records.

Agreed – that the committee recommends that the Board agrees the following three-stage approach to remove code signatories :-

Secretariat prepares a briefing with reasons for removal of a Code signatory, which is sent to the Investment Committee Chair for approval,

Following the Committee Chair's approval, the briefing is shared with the Board Chair and Vice-Chair for confirmation,

The Secretariat shares the details of any such uses of the process between Investment Committee meetings at the next meeting, via the Cost Transparency Compliance Update paper (which is a standing agenda item).

Item 6. Roadmap to Sustainable Investing

20. BH introduced Paper D and set out the main elements of the paper "Greening Finance – Roadmap to Sustainable Investing" published by HM Treasury on the 19th October.

21. Members were advised that the main elements of the paper included :-

- Sustainability disclosure requirements to help businesses prepare for TCFD reporting;
- More details on the UK Green Taxonomy;
- Emphasis on the importance of stewardship, and
- The importance of the UK's commitment to international leadership on green finance.

22. Members were also advised that the paper stressed the importance of schemes signing up the UK Stewardship Code 2020.

23. JH informed members that the UK Stewardship Code 2020 will feature on LGPS Live on the 1st December.

Agreed – that the committee notes the position as set out above.

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Item 7.Consultations Update

24. JD advised members that DWP has launched a new consultation proposing the introduction of a new Paris Alignment metric in addition to those already in force in the TCFD reporting regulations for private sector schemes. Members were also advised that the DLUHC consultation on TCFD reporting was still subject to delay.
25. Members were advised that HM Treasury has published its response to the consultation on the cost control arrangement but that the response on the SCAPE discount rate consultation has yet to be published.
26. JH informed members that he & JD had met the FCA recently to discuss issues surrounding the CMA Order, in particular, the position of asset pools and whether or not they should be classed as fiduciary managers under the Order. Members were also advised that the FCA's intention is to bring the CMA Order forward into legislation.

Agreed – that the committee noted the position as set out above.

Item 8.DLUHC Update

27. Teresa Clay (TC) advised members that she is still not in a position to say when the consultation on TCFD/climate risk and reporting would be published.
28. Members were also informed that new Ministers are taking a keen interest in the LGPS and working through a number of questions with the Department's pensions team.
29. RC asked if plans for TCFD reporting at the end of 2023 for the period 2022/23 was still part of the Department's thinking. TC confirmed that this was the case.
30. BH asked if the new Paris Alignment metric proposed by DWP will feature in the Department's consultation. TC said that this would be desirable but that a decision has yet to be taken.
31. FM asked what questions Ministers have asked. In response TC informed members that they included questions on equalities, investments and scheme governance.
32. BH asked when the Board's good governance action plan, submitted to the Department in February, would be considered. TC confirmed that the New Year will see new recruits to the pensions team and that the good governance project will be given priority along with other matters like pooling guidance, forfeiture and SF3 data.

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33. Peter Wallach (PW) asked about progress on exit payments. In response TC said that this work is going forward but details have yet to be finalised.

Item 10.AOB and Date of Next Meeting

34. There were no AOB items.
35. Details of the dates of meetings in 2022 will be circulated shortly by the Secretariat.