Tameside Metropolitan Borough

ASHTON-UNDER-LYNE · AUDENSHAW · DENTON · DROYLSDEN · DUKINFIELD · HYDE · LONGDENDALE · MOSSLEY · STALYBRIDGE

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 18 November 2016
Time: 10.00 am
Place: Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF

Item No.	AGENDA	Page No

GENERAL BUSINESS

1. CHAIR'S OPENING REMARKS

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

To receive any declarations of interest from Members of the Panel.

4. MINUTES

a) MINUTES OF THE PENSION FUND ADVISORY PANEL — 1 - 12

To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 23 September 2016.

b) MINUTES OF THE PENSION FUND MANAGEMENT PANEL — 13 - 18

To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 23 September 2016.

c) MINUTES OF THE ANNUAL GENERAL MEETING — 19 - 22

To approve as a correct record the Minutes of the meeting of the Annual General Meeting held on 23 September 2016.

5. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

a) URGENT ITEMS

To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.

b) EXEMPT ITEMS

The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Schedule 12A to the Local Government Act 1972.

Items	Paragraphs	Justification
7, 8, 9, 11, 12, 13, 14, 15	3&10, 3&10, 3&10, 3&10, 3&10 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.

ITEMS FOR DISCUSSION/DECISION

Item No.	AGENDA	Page No

ITEMS FOR INFORMATION

Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.

SPS conference – Annual Northern Pension Funds Investment Conference Manchester Victoria and Albert Hotel	**22 November 2016**
LGPS Fundamentals Training Leeds Marriott Hotel Day 3	**6 December 2016**
Capital International Training Day Hilton Doubletree, Manchester	**1 December 2016**

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk to whom any apologies for absence should be notified.

LAPFF Annual Conference **Marriott Hotel Bournemouth**	**7–9 December 2016**
PLSA Investment Conference **EICC Edinburgh**	**8–10 March 2017**
PLSA Local Authority Conference **Cotswold Water Park Hotel, Gloucestershire**	**15–17 May 2017**

18. DATES OF FUTURE MEETINGS

Management/Advisory Panel	10 March 2017
Local Pensions Board	15 December 2016 30 March 2016
Pensions Administration Working Group	27 January 2017 7 April 2017
Investment Monitoring and ESG Working Group	27 January 2017 7 April 2017
Alternative Investments Working Group	3 February 2017 13 April 2017
Property Working Group	17 February 2017 13 April 2017
Policy and Development Working Group	2 February 2017 23 March 2017
Employer Funding Viability Working Group	10 February 2017 21 April 2017

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk to whom any apologies for absence should be notified.

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

23 September 2016

Commenced:	**10.00am**	**Terminated: 12.55pm**
Present:	**Councillor K Quinn (Chair)** **Councillors: Brett (Rochdale), Grimshaw (Bury), Halliwell (Wigan), Pantall (Stockport), Stogia (Manchester) and Ms Herbert (MoJ)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE) and Mr Flatley (GMB)** **Local Pensions Board Members (in attendance as observers):** **Councillors Cooper and Fairfoull** **Advisors:** **Mr Bowie, Mr Moizer and Mr Powers**	
Apologies for Absence:	**Councillors Francis (Bolton), Hamilton (Salford) and Mitchell (Trafford), Messrs Llewellyn (UNITE) and Thompson (UCATT) and Ms Baines (UNISON).**	

24. CHAIR'S OPENING REMARKS

The Chair welcomed new Members to the Panel; Councillor Stogia representing Manchester City Council and Councillor Hamilton representing Salford City Council.

25. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

26. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 1 July 2016 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 1 July 2016 were signed as a correct record.

The Minutes of the proceeding of the meeting of the Urgent Matters Panel held on 1 September 2016 were signed as a correct record.

27. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

(i) **they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and**
(ii) **in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:**

Items	Paragraphs	Justification
9, 10, 11, 12, 13 & 14	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

28. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 15 July 2016 were considered.

The Chair of the Working Group, Councillor Taylor, explained that the Working Group had received two presentations from UBS Global Asset Management. The first had provided an update on UBS's corporate governance activity, and included examples of their engagement with various companies and key votes against company management on issues such as remuneration and director nominations. The second had provided an analysis of trading costs and officers outlined how UBS had satisfied GMPF's probing of the data.

The Working Group had also heard from representatives of PIRC, who had presented an overview of Local Authority Pension Fund forum (LAPFF) work programme and the approach LAPFF had taken in general regarding engagement with companies. Carbon risk, tax transparency and labour standards in companies that the Fund invested in were issues discussed by the Group.

RECOMMENDED
That the Minutes be received as a correct record.

29. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 15 July 2016 were considered.

RECOMMENDED
(i) **That the Minutes be received as a correct record; and**
(ii) **In respect of Minute 3, Performance Standards, that the age and the average age of employer queries be included on the outstanding tasks spreadsheet.**

30. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 22 July 2016 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Group had received reports on the performance of GMPF's Private Equity and Infrastructure portfolios to 31 December 2015, where the 'since inception' return for Private Equity remained stable (at 16.9% per annum) and exceeded public market returns over the 34 year period. The 14 year 'since inception' performance of GMPF's Infrastructure portfolio, which was immature, had increased to 8.3% per annum.

The Group had also received an interesting presentation by Warburg Pincus, which was well received.

The Working Group had also considered and supported a report seeking approval of a new investment sub-type for the Special Opportunities Portfolio covering 'Leveraged Private Debt' funds.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of Minute 6, Special Opportunities Portfolio – Approval of Investment Sub-Type, that approval be given for a new sub-type of investment by the Fund's 'Special Opportunities Portfolio'.

31. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 29 July 2016 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, explained that the Working Group had received an update from officers on the progress of the actuarial valuation, which was the subject of a report later in the agenda today.

The Group had been informed that the Fund's administration expenditure was less than budgeted during the 2015/16 year and over the first two months of the current year. In addition, there was also a reduction in the Fund's aged debt since the previous meeting of the Working Group.

The Working Group had also considered a report setting out the Governance arrangements for the approval of GMPF's accounts and reviewed the reasonableness of the significant assumptions and estimates used in the production of the accounts.

The Group had further considered the fund's external audit plan for the year and noted that the Fund had been commended on a successful year from an audit perspective.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 7, GMPF Statement of Accounts 2015/16 Governance Arrangements:
- **that the governance arrangements for the approval of GMPF accounts be noted;**
- **that the assumptions for estimates used in the GMPF accounts be noted; and**
- **that the pre-audit simplified accounts be noted.**

32. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 3 August 2016 were considered.

The Chair of the Working Group, Councillor K Quinn, explained that, in light of continuing reservations about the performance of one of the Fund Managers, the Working Group had considered various options in relation to the ongoing role of the Fund Manager for the Fund. Specific concerns had been raised by an Advisor in relation to the Fund Manager's cash holding and Emerging Markets performance, which were issues that the Working Group would consider further at future meetings. This matter was also the subject of a report later in the agenda.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 7, Investment Management Arrangements:

- **That the Fund Manager in question, be retained in line with the arrangements and time frame agreed at the meeting of the Management Panel on 11 March 2016;**
- **That their investment mandate be reduced by 10% of assets under management, to partially fund the newly appointed Credit Manager; and**
- **That a report be submitted to the meeting of the Management Panel on 23 September 2016 setting out preliminary suggested governance arrangements in respect of Fund Manager reporting to, and attendance at, Panel and Working Group meetings, going forward.**

33. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 5 August 2016 were considered.

The Chair of the Working Group, Councillor S Quinn, explained that the main theme of the meeting was the implications of Brexit on the Property market.

LaSalle reported on performance during the previous quarter and they were also due to present their strategy for the forthcoming year, later in the agenda.

The Chair added that the Working Group had also agreed terms of reference for the review of GVA's contract that would take place at the next meeting of the Property Working Group.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 5, Investment Guidelines for other Property Investments, that the Investment Guidelines be approved; and
(iii) In respect of Minute 9, Elisabeth House Unit Trust, that the sale of Elisabeth House be noted.

34. LOCAL PENSIONS BOARD

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 1 August 2016 be noted.

35. WORKING GROUP APPOINTMENTS

RECOMMENDED
That the following appointments be made to the Working Groups:

- **Councillor Stogia be appointed to: Investment Monitoring & ESG and Pensions Administration Working Groups;**
- **Councillor Hamilton be appointed to: Alternative Investments and Property Working Groups; and**
- **Mr Kevin Allsop be removed from the membership of the Pensions Administration Working Group and appointed to the Investment Monitoring and ESG and Property Working Groups.**

36. ACTUARIAL VALUATION

The Assistant Executive Director of Pensions – Funding and Business Development, submitted a report providing an update on the 2013 actuarial valuation and the issues that would arise therefrom.

It was reported that there had been a significant change in the membership of GMPF over the inter-valuation period. Over 40,000 members transferred to GMPF as a result of the changes to the Probation Service. The number of employee members had also been supported by the implementation of auto-enrolment, which was likely to have offset much of the impact of employers reducing their workforce due to the continuing austerity in public sector spending. In 2015/16 alone, GMPF processed over 15,000 new joiners and the total membership of GMPF now stood at over 350,000.

A summary of the GMPF membership at the current and previous valuation dates was provided in the report.

It was explained that provisional valuation assumptions were recommended by the April meeting of the Employer Funding Viability Working Group. The financial assumptions used in the 2013 valuation and the assumptions proposed for the 2016 valuation were also summarised in the report.

It was further explained that the Funding Strategy Statement provided guidance to the Actuary in undertaking the actuarial valuation. CIPFA had updated their guidance on preparing the Funding Strategy Statement and this was released in early September. Officers would be reviewing what updates were required and a revised Funding Strategy Statement would be tabled for review at the meeting of the Employer Funding Viability Working Group in October. The Employer Funding Viability Working Group would review the responses to the Funding Strategy Statement consultation and bring a final version to Panel for approval in early 2017. The Funding Strategy Statement needed to be considered in tandem with the results of the actuarial valuation.

In respect of the Outlook for Employer Contributions, the Panel were informed that the Actuary and the Panel needed to consider the risks and protect the Fund, but would also need to balance this with the affordability challenge for employers. Contribution rates should reflect the creditworthiness of the employer and the ‘security’ provided to the Fund, e.g. the provision of a guarantee or a bond or the taking of security such as a charge on property. Early dialogue with employers in this area was essential and some external support and advice was likely to be required in dealing with employers, (e.g. legal, accountancy and actuarial). The measures that employers could take to help improve the funding position included; pay restraint, controlling early retirements, understanding the impact of transfers and making additional employer contributions.

It was concluded that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers’ average employer contribution rate would again be at the lower end of the range.

The expectation of further material reductions in public expenditure would affect many of the Fund’s employers. Further reductions in the public sector workforce were expected over the next 3 to 5 years, and the impact of auto-enrolment on increasing employee members would decline as most employers pass their auto-enrolment staging dates. Some employers would cease to be viable and some employers would be abolished. This was a very challenging environment for employers and raise complex matters for the Fund where issues of prudence, stewardship, affordability and stability would need to be considered.

The Actuary was aiming to have more clarity on individual employer results ready for detailed discussion at the Employer Funding Viability Working Group in October and a summary of the results would be brought to the November Panel meeting.

Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, then delivered a presentation, which gave details of the timeline of the valuation and progress to date.

Provisional, whole fund valuation results were outlined and the risk based approach to setting contribution rates was detailed and discussed.

Mr McKay and Mr Law concluded that a prudent approach had been maintained during another challenging 3 year period. They reported an increase in funding level and an increase in cash deficit. It was explained that contributions would remain similar for MBC's, however, variations at employer level were likely.

RECOMMENDED

(i) That the Actuary's current estimated funding position of the fund as a whole be noted; and

(ii) That the projected timescales and actions required to finalise the valuation process be noted.

37. POOLING OF ASSETS

The Assistant Executive Director, Funding and Business Development submitted a report, which provided an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area.

Members were reminded that, as reported at previous Panel meetings, GMPF, Merseyside Pension Fund (MPF) and West Yorkshire Pension fund (WYPF) had developed a pooling proposal and signed a Memorandum of Understanding setting out the operation of the 'Northern Pool'. The three funds had combined assets of around £35 billion, therefore clearly meeting the scale criterial (Government was looking for pools in excess of £25 billion).

It was reported that the Northern Pool had submitted its pooling proposal to Government on 15 July 2016. The key points of the submission were discussed at the July Panel meeting. The submission and the covering letter had been published on each of the Funds' websites.

A committee of Government officials and industry experts was due to meet on 8 September 2016 to review the pooling submissions and make recommendations to Ministers. However the current expectation was that formal feedback may not be received by the pools until after the Chancellor's Autumn Statement.

It was explained that, pending formal feedback from Government on the Northern Pool's submission, the Funds were focussing on developing closer working relationships particularly with regards to investments in alternative assets.

RECOMMENDED

That the submission to Government and the developments since the July Panel meeting be noted.

38. SUGGESTIONS FOR CHANGES TO MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

A report was submitted by the Assistant Executive Director of Pensions (Investments) and a presentation delivered by the Senior Investments Manager, providing details of the Fund's current approach to Manager Monitoring and the Management Information presented to Panel, and the need for these arrangements to be reviewed.

It was reported that the broad intentions of the review were threefold. Firstly, to update the arrangements for Securities Manager attendance at meetings of the Panel and its Working Groups. Secondly, to develop a codified and more structured Securities Manager Monitoring Escalation Protocol. Thirdly, to enhance the Management Information presented to Panel.

It was explained that Officers had been working in co-operation with the Fund's Investment Consultant, Hymans Robertson, to develop interim illustrative ideas in terms of both Securities Manager attendance at Panel and Working Groups and a suggested Monitoring Escalation Protocol.

In respect of Securities Manager attendance at Panel and Working Groups, the current arrangements were set out in **Appendix A** to the report. Under the suggested arrangements, one of each of the four active Securities Managers would present at each quarterly meeting of the Panel. This would represent a reduction for UBS and Capital from four presentations per annum currently, to one presentation per annum under the suggested baseline arrangements. Investec and the Global Credit Manager did not currently present to the Panel.

In addition to an annual presentation to the Panel, it was suggested that each of the four active Securities Managers also make an annual presentation to either the Policy and Development Working Group (Capital and UBS), or the Investment Monitoring and ESG Working Group (Investec and the Global Credit Manager).

In addition to the proposed monitoring to be undertaken by the Panel and Working Groups, it was also suggested that officers strengthen the routine formal monitoring of each active Securities Manager on a quarterly basis.

It was further explained that the suggested baseline monitoring arrangements, (as set out in **Appendix A** to the report), described the Fund's approach under those circumstances where Active Securities Manager performance was within an acceptable range. Where Securities Manager performance was out of this acceptable range, the Fund's current approach to Securities Manager monitoring could be enhanced by the adoption of a more codified and structured Monitoring Escalation Protocol. A suggested draft Monitoring Escalation Protocol was detailed in **Appendix B** to the report.

Members were informed that the Fund had long acknowledged that Active Managers could legitimately experience relatively long periods of underperformance as the nature of investment cycles varied over time. The suggested Monitoring Escalation Protocol reflected a balance between identifying when an Active Manager's performance was becoming a cause for concern, and the Fund's approach of taking a longer term perspective to investing. The intention was to provide a framework of regular review in order to ensure the Fund had an audit trail for the decisions it made.

It was also reported that the Fund had very recently appointed Portfolio Evaluation Limited as a new provider of performance measurement services. This followed the announcement earlier this year, by the Fund's longstanding performance measurement provider WM (now part of State Street) of its decision to exit the market in respect of third party clients such as the Fund. It was envisioned that Portfolio Evaluation would provide an enhanced service to that of WM, potentially offering the opportunity to develop significant elements of the 'dashboard' approach (as detailed in the report) to enhancing the Management Information presented to Panel.

It was explained that migrating from WM to Portfolio Evaluation was not a trivial exercise, involving a substantial amount of checking large volumes of long term data received form WM. Ensuring that the data fulfilled the requirements of Portfolio Evaluation, checking that the data was then taken on board correctly, and subsequently developing a 'dashboard' were tasks that Officers would be working on over the coming months with a view to bringing proposals to the March meeting of the Panel.

The report concluded that the suggested enhancements to the Fund's arrangements, as outlined above and detailed in the report, represented a work in progress. When finalised, it was the intention to share the details of the ongoing Manager monitoring arrangements and the Monitoring Escalation Protocol, with the relevant Managers. It was also noted that the Fund's approach to Manager Monitoring and Management Information may need to change over the next 12 – 18 months in light of developments in relation to pooling and experience of any revised arrangements implemented.

The Chair thanked Mr Harrington for the presentation and stressed the importance of the need to examine and monitor Managers' performance more closely.

Mr Bowie expressed his support of the proposals, however added that there was still a lot of work to do. He further expressed the importance of monitoring the implementation of the Business Plan.

Mr Moizer concurred with Mr Bowie's comments and added that it was important to always look to the future, when analysing performance.

Mr Powers also concurred with Mr Bowie and Mr Moizer's comments and highlighted the importance of a robust audit trail of discussions with Managers.

Members sought clarification of Managers' views of the proposed new arrangements.

The Assistant Executive Director of Pensions – Investments, explained that informal feedback from Managers had expressed support of the suggested approach and a recognition that it was not tenable to continue with current arrangements due to the increased complexity and diversification of the Fund.

RECOMMENDED
(i) That the suggested arrangements for Securities Manager attendance at Panels and Working Groups, as set out with the report, be supported as an initial basis for future arrangements, with flexibility in terms of Working Group attendance as the Fund's approach evolves;
(ii) That the Monitoring Escalation protocol, as set out within the report, be supported as a basis for future arrangements.

39. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF GOVERNANCE, RESOURCES AND PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 March 2016 and 30 June 2016

A report of the Assistant Executive Director of Pension Fund Investments was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 31 March 2016 and 30 June 2016.

RECOMMENDED
That the report be noted.

(b) External Managers' Performance

The Assistant Executive Director of Pension Fund Investments submitted a report, which advised Members of the recent performance of the external Fund Managers.

It was noted that in the quarter to 30 June 2016, Capital had underperformed by 0.7% against their benchmark index of 8.0%. UBS had also underperformed by 0.5% against their benchmark index of 5.9% and Legal and General had broadly succeeded in tracking their benchmark.

Performance figures for the twelve months to 30 June 2016 were detailed which showed that Capital had underperformed their benchmark by 1.6% and UBS had also underperformed their benchmark by 1.8%. Legal and General had broadly succeeded in tracking their benchmark.

RECOMMENDED
That the content of the report be noted.

40. LASALLE INVESTMENT MANAGEMENT ANNUAL STRATEGY REPORT ON THE MAIN UK PROPERTY PORTFOLIO

Ms Gates and Mr Rose, LaSalle Investment Management, attended the meeting to present a summary of progress on the main UK property portfolio over the year and planned strategy for the portfolio going forward.

Following queries/issues raised by Members and Advisors, Ms Gates and Mr Rose also commented on:

- the uncertainty in the UK property market since the Brexit result;
- the drag of indirect holdings on performance; and
- the underperformance of the Fund last year and how LaSalle could add value going forward.

RECOMMENDED
That the content of the presentation be noted.

41. REPORTS OF THE MANAGERS

(a) UBS Global Asset Management

Jonathan Davies, Head of Currency and Global Investment Solutions and Steve Magill, Portfolio Manager, UK Value Equities, UBS Asset Management, attended before Members to present their quarterly report.

Mr Davies began by commenting on market background and a strong year for bonds and equities enhanced by the depreciation of sterling following the Brexit result.

He reported that, in respect of the multi-asset Fund performance, performance overall was less positive.

Asset allocation was detailed and it was reported that North American equities had been strong overall but UBS continues to be underweight the benchmark in North America. It was also reported that overall the portfolio was underweight in bonds. Mr Davies added that currently the portfolio did not hold any UK Government bonds.

In respect of the Exchange Rate Strategy, it was explained that the appreciation of foreign currencies had boosted the Fund's performance.

With regard to Fixed Income Strategy, it was reported that bond yields had fallen to unprecedented low levels.

Mr Magill then commented on a positive UK Equity portfolio performance, adding that the Market had taken the Brexit result 'in its stride'.
Stock attribution for the three months to 30 June 2016 was detailed and the top 10 overweight/underweight positions at 30 June were noted.

The Advisors were then asked to comment.

Mr Moizer sought UBS's views on Europe and also quantative easing.

Mr Davies, in his response, explained that it was felt that there may be more occasions when fiscal stimulus would be used going forward. He informed the Panel that things were slowly improving in Europe with very low inflation rates and expressed a level of optimism going forward.

Mr Powers sought clarification that UBS were fully exploiting the 'bond bubble'.

Mr Davies responded that this was being actively considered and monitored all the time.

(b) Capital International

Stephen Gosztony, President, Richard Carlyle, Equity Investment Director and Mark Brett, Fixed Income Portfolio Manager, Capital International, attended before Members to present their quarterly report.

Mr Gosztony began by commenting on a strong last quarter and 12 months' performance in absolute terms, however relative to the benchmark recent performance had continued to be disappointing.

A breakdown of asset allocation was given and it was explained that, in respect of the last 12 months, the portfolio had achieved a strong absolute return of 10.6% boosted by Brexit and weak sterling. It was further explained that US equity stock selection had been hurt by healthcare volatility; there had been welcome recovery in emerging market stock selection and strong absolute and relative returns from fixed income. The portfolio was positioned for a good environment for equities and bonds had performed better than expected.

In respect of the Equity portfolio, the top twenty holdings were outlined and the outlook for 2016 was detailed.

Mr Brett then gave a summary of markets following Brexit, including long-term dividend and bond yields, real yield comparison and capital market assumptions.

The Advisors were then asked to comment.

Mr Powers sought clarification of how the Fund could fully exploit the 'bond bubble'.

Mr Brett responded that he supported the Fund's appointment of a Global Credit Manager to manage 5% of Main Fund assets, which had already been agreed by the Panel.

RECOMMENDED
That the content of the Fund Manager presentations and the comments of the Advisors be noted.

42. GMPF STATEMENT OF ACCOUNTS 2015/16 AND ANNUAL REPORT

The Assistant Executive Director of Pensions – Local Investments and Property, submitted a report for information, giving details of:

- Governance arrangements for the approval of the accounts;
- Audit Findings Report;
- Simplified summary of the accounts for this year; and
- Annual Report.

RECOMMENDED
(i) That the completion of governance arrangements for the approval of GMPF's accounts be noted;

(ii) **That the Audit Findings Report from Grant Thornton be noted;**
(iii) **That the approval of the Annual Report by Urgent Matters Panel on 1 September 2016 be noted.**

43. LGPS UPDATE

The Assistant Executive Director – Pensions Administration submitted a report providing a summary of items of note since the last meeting of the Panel.

In respect of the DCLG consultation on LGPS Amendment Regulations, it was reported that, in May 2016, the Department for Communities and Local Government (DCLG) issued a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covered the implementation of Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. The consultation closed on 20 August 2016.

Details were given of the GMPF reply to the consultation, which was broadly supportive of the changes proposed by the DCLG, i.e. that more deferred beneficiaries should be able to access their deferred benefits as of right once they are 55 and that firms taking on outsourcing contracts should be compelled to join the Scheme.

With regard to Exit Payment Reforms, it was explained that the introduction of the Government's policy, which would require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they returned to public sector employment within 12 months, had been delayed.

The Government had also stated that it intended to implement the public sector £95,000 exit payments cap legislation in autumn. Draft regulations were awaited.

RECOMMENDED
That the content of the report be noted.

44. SECTION 13 VALUATION

Consideration was given to a report of the Assistant Executive Director – Funding and Business Development, which provided a summary of the Section 13 valuation which would be undertaken by the Government Actuary's Department (GAD) as part of the 2016 actuarial valuation process for LGPS funds in England and Wales.

The report also provided a summary of the 'dry-run' that GAD had undertaken using the 2013 LGPS valuations.

RECOMMENDED
That the content of the report be noted.

45. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

NAPF Annual Conference ACC Liverpool	19 – 21 October 2016
LGPS Fundamentals Training Leeds Marriott Hotel	

Day 1	18 October 2016
Day 2	9 November 2016
Day 3	6 December 2016
Capital International Training Day Manchester venue to be advised	1 December 2016
LAPFF Annual Conference Marriott Hotel Bournemouth	7 – 9 December 2016

46. DATES OF FUTURE MEETINGS

The dates of future meetings of the Greater Manchester Pension Fund Management/Advisory Panel, Local Board and Working Groups were noted as follows:

Management/Advisory Panel	18 November 2016 10 March 2017
Local Pensions Board	13 October 2016 15 December 2016 30 March 2017
Pensions Administration Working Group	14 October 2016 27 January 2017 7 April 2017
Investment Monitoring & ESG Working Group	14 October 2016 27 January 2017 7 April 2017
Alternative Investments Working Group	21 October 2016 3 February 2017 13 April 2017
Property Working Group	4 November 2016 17 February 2017 13 April 2017
Policy and Development Working Group	6 October 2016 2 February 2017 23 March 2017
Employer Funding Viability Working Group	28 October 2016 10 February 2017 21 April 2017

47. RETIREMENT OF GED DALE, ASSISTANT EXECUTIVE DIRECTOR OF PENSIONS – PENSIONS ADMINISTRATION

The Chair announced the retirement of Mr Ged Dale, Assistant Executive Director of Pensions – Pensions Administration. The Chair informed Members that Ged had been employed in Local Government for 40 years. On behalf of Panel Members he thanked him for his dedicated work in Local Government and in particular to the Fund and presented him with a gift.

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

23 September 2016

Commenced:	**10.00am**	**Terminated:12.55pm**
Present:	**Councillor K Quinn (Chair)**	
	Councillors: Councillors: Brett (Rochdale), Cooney, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), Middleton, Pantall (Stockport), Patrick, S Quinn, Reid, Ricci, M Smith, Stogia (Manchester),Taylor and Ward	
Apologies for Absence:	**Councillors: Francis (Bolton), Hamilton (Salford), J Lane and Mitchell (Trafford)**	

24. CHAIR'S OPENING REMARKS

The Chair welcomed new Members to the panel; Councillor Stogia representing Manchester City Council and Councillor Hamilton representing Salford City Council.

25. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

26. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 1 July 2016 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 1 July 2016 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Urgent Matters Panel held on 1September 2016 were signed as a correct record.

27. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and

(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	Paragraphs	Justification
9, 10, 11, 12, 13 & 14	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

28 INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 15 July 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

29. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 15 Julyl 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

30. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 22 July 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

31. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 29 July 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

32. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 3 August 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

33. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 5 August 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

34. LOCAL PENSIONS BOARD

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

35. WORKING GROUP APPOINTMENTS

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

36. ACTUARIAL VALUATION

A report of the Assistant Executive Director of Pensions - Funding and Business Development was submitted and a presentation of the Actuary was received.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

37. POOLING OF ASSETS

A report of the Assistant Executive Director of Pensions – Funding and Business Management, was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

38. SUGGESTIONS FOR CHANGES TO MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

A report was submitted by the Assistant Executive Director of Pensions – Investments and a presentation was delivered by the Senior Investments Manager.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

39. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 March 2016 and 30 June 2016

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

(b) External Managers' Performance

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

40. LASALLE INVESTMENT MANAGEMENT ANNUAL STRATEGY REPORT ON THE MAIN UK PROPERTY PORTFOLIO

Ms Gates and Mr Rose, LaSalle Investment Management attended the meeting to present a summary of progress on the main UK property portfolio over the year and planned strategy for the portfolio going forward.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

41. REPORTS OF THE MANAGERS

Representatives of UBS Global Asset Management and Capital International attended before Members of the Panel to comment on their investment strategy and to answer questions raised by the Advisors and Members.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

42. GMPF STATEMENT OF ACCOUNTS 2015/16 AND ANNUAL REPORT

A report of the Assistant Executive Director of Pensions – Local Investments and Property, was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

43. LGPS UPDATE

A report of the Assistant Executive Director of Pensions – Pensions Administration, was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

44. SECTION 13 VALUATION

A report of the Assistant Executive Director of Pensions – Funding and Business Development, was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

45. FUTURE TRAINING DATES

NAPF Annual Conference ACC Liverpool	19 – 21 October 2016
LGPS Fundamentals Training Leeds Marriott Hotel	
Day 1	18 October 2016
Day 2	9 November 2016
Day 3	6 December 2016
Capital International Training Day Manchester venue to be advised	1 December 2016
LAPFF Annual Conference Marriott Hotel Bournemouth	7 – 9 December 2016

46. DATES OF FUTURE MEETINGS

The dates of future meetings of the Greater Manchester Pension Fund Management/Advisory Panel, Local Board and Working Groups were noted as follows:

Management/Advisory Panel	18 November 2016 10 March 2017
Local Pensions Board	13 October 2016 15 December 2016 30 March 2017
Pensions Administration Working Group	14 October 2016 27 January 2017 7 April 2017
Investment Monitoring & ESG Working Group	14 October 2016 27 January 2017 7 April 2017
Alternative Investments Working Group	21 October 2016 3 February 2017 13 April 2017
Property Working Group	4 November 2016 17 February 2017 13 April 2017
Policy and Development Working Group	6 October 2016 2 February 2017 23 March 2017
Employer Funding Viability Working Group	28 October 2016 10 February 2017 21 April 2017

47. RETIREMENT OF GED DALE, ASSISTANT EXECUTIVE DIRECTOR OF PENSIONS – PENSIONS ADMINISTRATION

The Chair announced the retirement of Mr Ged Dale, Assistant Executive Director of Pensions – Pensions Administration. The Chair informed Members that Ged had been employed in Local Government for 40 years. On behalf of Panel Members he thanked him for his dedicated work in Local Government and in particular to the Fund and presented him with a gift.

CHAIR

GREATER MANCHESTER PENSION FUND

ANNUAL GENERAL MEETING

23 September 2016

Commenced: 1.30pm **Terminated: 2.45pm**

Present: **Councillor K Quinn (Chair)**

Councillors: Brett (Rochdale), Cooper, Fairfoull, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), Middleton, Mitchell (Trafford), Pantall (Stockport), Patrick, S Quinn, Reid, Ricci, M Smith, Stogia (Manchester) and Taylor.

Messrs Allsop, Drury, Flatley and Schofield. Ms Herbert (MoJ)

Apologies for absence: **Councillors Cooney, J Fitzpatrick, Francis (Bolton), Hamilton (Salford), J Lane, Ricci and Ward. Messrs Llewellyn (UNITE) and Thompson (UCATT) and Ms Baines (UNISON).**

Other Representatives:	Organisation:
Joanne Ellis	Stagecoach Manchester
Martin Evans	University of Bolton
Cathy Lees	Tameside MBC
Raegan Spencer	Tameside MBC
Carol McBurnie	Trafford Council and GMP
Debbie Thomas	Manchester City Council
Nina McGlashon	Rochdale MBC
Gareth Davies	Rochdale MBC
Melanie Fielding	Rochdale Development Agency
Tony Thompson	Salford City Council
Eddie Asong	Greater Manchester Sports Partnership
Kate Egdell	Stockport Sports Trust
Sharon Adams	Six Town Housing
Sean Ryan	UNIAC
Lisa Blackshaw	Manchester Metropolitan Univerity
James Bell	New Charter Housing
Michelle Clegg	Cash Box Credit Union
Julie Hardy	Royal Northern College of Music
Ann Cassidy	Holy Cross College
Mark Cliff	Manchester Airport Group
David Barlow	Career Connect
Gill Holywell	Career Connect
Danielle Kneale	Career Connect
Shirley Gallagher	CWHT
Nigel Carr	Bolton at Home

Andrew Harrison	**Bury College**
Davie Clermont	**Southway Housing Trust**
George Whalley	**Greater Manchester Arts Centre**
Lisa Bateman	**The Manchester College**
John Gleeson	**Rise Mutual CIC**
Patricia Holloway	**GMWDA**
Lindsey Keech	**GMWDA**
Emma Parsons	**Oldham MBC**
Ann Silcock	**Wythenshawe Catholic Academy Trust**

1. MINUTES

The Minutes of the annual meeting held on 2 October 2015 were noted.

2. CHAIR'S INTRODUCTION

The Chair welcomed the representatives of the various participating organisations to the meeting.

He began by stating that 2015/16 had been an exceptionally challenging year for pensions in general and local authority pensions in particular.

He explained that employers continued to face the impact of austerity measures and Government policies on public service delivery. This had resulted in workforces shrinking, the number of employers increasing and a potential weakening of the covenant strength of some of GMPF's employers.

This resulted in the maturity of the liabilities increasing across the fund with a wider range of liability profiles amongst employers.

In such challenging times, it was imperative that GMPF maintained its long term approach which had delivered successful outcomes over many years, whilst at the same time embracing the opportunities that arose to further enhance its performance and resilience.

The Chair outlined GMPF's key achievements during the year, including:

- Creation of the first direct infrastructure investment vehicle in the LGPS; and
- Completion of the successful integration of the £3 billion of assets received following GMPF becoming the sole provider of LGPS benefits to the Probation Service.

He further reported that the GMPF had responded to the requirement from Government that LGPS funds pool their investments at a scale of at least £25 billion by submitting a proposal to form the 'Northern Pool' with Merseyside Pension Fund and West Yorkshire Pension Fund. The Northern Pool would consist of three of the largest LGPS Funds and total over £35 billion in assets. The Pool would seek to lead on infrastructure investment and be recognised as the lowest cost pool in the LGPS.

With regard to funding issues, the Chair explained that the triennial valuation of GMPF was currently taking place, with an effective date of 31 March 2016. Despite the challenging economic conditions, it was expected that GMPF would remain one of the best funded LGPS funds.

In respect of investment performance and management arrangements it was reported that over 2015/16, GMPF's assets under management reduced by £267 million to £17,325 million, reflecting the increasing maturity of GMPF's liabilities and an investment return of -0.8%. This was a disappointing return, and was below the local authority average of 0.2%. Over the last 15 years, GMPF's return had been 6.5% per annum, compared to the local authority average of 5.9% per annum. It was this strong long term investment performance that had supported the funding level.

Investment highlights of the year included the successful integration of £3 billion of assets in respect of Probation Service members into GMPF's Main Fund, the development of a trigger process to capitalise on market opportunities as they arose, and the further strengthening of investment management arrangements by appointing three managers specialising in higher yielding debt to a framework, one of which has subsequently been appointed by the Fund.

Regarding membership changes, it was explained that during the year, the number of employee members in GMPF reduced, however this reduction was more than made up by increases in the number of deferred and pensioner members. In total the membership increased over the year from 341,317 to 352,292. As well as being the largest LGPS fund in the country in terms of assets under management, GMPF was also the largest in terms of members.

In terms of local investment, it was reported that local investment opportunities continued to be progressed with the twin aims of commercial returns and supporting the area. GMPF had also set up a programme of lending and providing equity capital to small and medium sized enterprises in the North West of England.

With regard to infrastructure investment, it was reported that in April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets, with a focus on the UK.

The Chair explained that GMPF had moved into a new home in Droylsden in September 2015 which had enabled all staff to be located in the same building.

The Chair concluded that it had been another exceptional year to be managing a pension fund.

The need to communicate with all stakeholders and the ability to respond to the challenges that the future brings had been long recognised. There was also the need to balance the short and long term needs of employers in a prudent way from a GMPF perspective.

GMPF had a long term successful track record reflected in its funding level and reputation. The proposed pooling arrangements were designed to ensure that this continued.

Since the year end there had been a major change in the management of GMPF, with the retirement of Peter Morris, the long standing Executive Director of Pensions. Sandra Stewart, who had played a significant part in the strategic management of the Fund for over 15 years, was the new Executive Director for GMPF and led a strong management team ready for take on the challenges ahead.

The Chair added that the Panel would strive to continue to take decisions from a long term perspective to help maintain success.

He thanked Panel Members, Advisors, Investment Managers and Officers for their work over the last 12 months.

3. REVIEW OF THE YEAR

The Executive Director of Governance, Resources and Pensions began by explaining the complex nature of the Fund and outlined the challenges faced going forward to provide secure pensions, effectively administered at an affordable and stable cost to employers.

The Executive Director then introduced Paddy Dowdall – Assistant Executive Director, Property and Local Investments and Euan Miller, Assistant Executive Director, Funding and Business Development who gave details of the work/key tasks undertaken over the past year, particularly in respect of:

- Investment Performance and costs;
- Local Investments;
- Greater Manchester Property Venture Fund;
- GMPF LPFA Infrastructure LLP joint venture;
- LGPS Asset Pooling agenda and submission to Government; and
- Actuarial Valuation.

Questions were then invited from the floor.

4. ACTUARIAL VALUATION UPDATE

Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, then delivered a presentation, which gave details of the timeline of the valuation and progress to date.

Mr Law outlined the process involved in setting employer contribution rates. Provisional, whole fund valuation results were outlined and the risk based approach to setting contribution rates was detailed and discussed.

Mr McKay and Mr Law concluded that a prudent approach had been maintained during another challenging 3 year period. They reported an increase in funding level and a decrease in cash deficit (excluding the deficit taken on in respect of the probation liabilities). It was explained that contributions would remain broadly similar to their current level for many employers, including MBCs, however, variations at employer level were likely.

Questions were then invited from the floor.

CHAIR

GREATER MANCHESTER PENSION FUND

POLICY AND DEVELOPMENT WORKING GROUP

6 October 2016

Commenced: 2.30pm **Terminated: 3.30pm**

Councillor K Quinn (Chair)
Councillor J Fitzpatrick
Councillor Cooney
Councillor S Quinn
Councillor M Smith
Councillor Taylor
Councillor Pantall

Apologies for absence: **Councillors J Lane (Official Duties)**

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 3 August 2016, having been circulated, were agreed as a correct record.

10. INVESTMENT INITIATIVES

Consideration was given to a report of the Executive Director, Governance, Resources and Pensions, which provided an update on progress of a number of specific investment initiatives undertaken by the Fund. Members were asked to note certain specific actions that had been taken under delegated authority following consultation with the Chair.

It was reported that since the last meeting of the Working Group actions had been implemented in the Impact Portfolio, which were detailed in the report.

In respect of the LPFA Joint Venture (GLIL), it was reported that, from a transaction perspective, GLIL continued to see a number of opportunities in Quarter 3 despite the uncertainties after the Brexit vote. Two transactions had received final stage Investment Committee approval in the period. The first being a bid to acquire a stake in a high profile UK Road PFI concession. Members were informed that there was a certain level of complexity involved in the transaction and it transpired that another bidder was prepared to take considerably more risk and so was appointed the preferred bidder. The second project was to procure and lease new rolling stock in the UK. This second project had been closed the previous week and had been well received by the market.

It was further reported that GLIL had considered a number of other opportunities during the period, details of which were provided in the report.

In addition to investment activity, officers had been working with the LGA and other LGPS pension funds in promoting a national infrastructure platform as part of the solution for the LGPS pooling and exploring the role the GLIL could play in this as an existing entity.

The Working Group were notified that in relation to the first phrase of Matrix Homes all units had been completed and handed over across the five sites (240 properties). GVA's latest forecast was that the overall construction cost would be in line with the target estimate.

With regard to Matrix Homes 2, it was reported that Manchester City Council (MCC) had given formal approval to release five sites, which they believed were suitable for development using the Matrix Homes Model. GVA had reviewed the sites and the financial model prepared by Manchester City Council to illustrate financial viability. GVA did not accept the assumptions used in the model for costs/sales values, and were liaising with Manchester City Council to amend the model to more prudent levels.

It was further reported that Rochdale MBC had notified the Fund and MCC that it did not wish to proceed with the sites identified close to the town centre, which they believed would be suitable for the Matrix model. GVA identified that any proposed development would be extremely challenging due to site remediation and the expected abnormal costs. Rochdale were unable to identify any additional sites which would improve the overall viability.

Members were informed that Tameside Council and GMPF had agreed to work together to develop a number of sites across Tameside. GVA were working through a programme to prove the viability of development at six sites. Initial site investigation reports had identified moderate risk of abnormal ground conditions. To understand the risks further, intrusive ground investigations were carried out on the sites, the results of which had been provided to GVA, to include within the forecast financial model being prepared to understand the viability of development at the 6 sites. The results of the surveys identified significant abnormal costs, which severely impacted the viability of development. Officers from the Fund were working with GVA to try and mitigate these costs wherever possible and to determine if a wholly long term rental model would be able to demonstrate a viable development.

It was reported that the investment initiatives undertaken by GMPF detailed in this report had attracted attention nationally from other investors and developers to the extent where Fund officers and the Chair had received proposals that did not fit into existing specific investment allocations. Examples were detailed in the report.

It was further reported that officers had had some very preliminary discussions on these opportunities and had identified some merit in them. The investment opportunities were broadly speaking a hybrid of national property development and infrastructure and did not fit into the GLIL or GMPVF mandates. The Panel had allocated significant investment into property and infrastructure, and at present investments in these areas were underweight to their allocation, therefore there was spare capacity available for investments.

It was recommended that officers continue to diligence these opportunities in consultation with the Chair and reporting back to the Working Group. Should there be a need to deploy capital between reporting cycles of the Working Group it would be done using delegated authority of the Executive Director of Governance, Resources and Pensions in consultation with the Chair.

RECOMMENDED:
That the report be noted, including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair.

11. UPDATE ON INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Executive Director of Pensions Investments submitted a report which referred to the last meeting of the Working Group (meeting of 3 August 2016, Minute 7 refers) where a number of options were considered in respect of one of the Fund Manager's ongoing role for the Fund.

A wide ranging debate had taken place at the meeting, and on balance, the following recommendations to Panel were agreed:

- That the Fund Manager in question be retained in line with the arrangements and time frame agreed at the meeting of the management Panel on 11 March 2016;
- That their investment mandate be reduced by 10% of assets under management, to partially fund the newly appointed Credit Manager; and
- That a report be submitted to the 23 September 2016 meeting of the Management Panel setting out preliminary suggested governance arrangements in respect of Fund Manager reporting to; and attendance at, Panel and Working Group meetings, going forward.

In addition to the above recommendations, Mr Bowie, Advisor to the Fund, raised specific issues in relation to the Fund Manager's holdings of cash and of their Emerging Markets pooled fund. Officers had worked with the Advisor to follow up on these issues with the Fund Manager and updates were provided in respect of both of these issues.

It was confirmed that officers and the Advisor were satisfied with the Fund Manager's response to issues raised in respect of their cash holding.

With regard to the Emerging Markets pooled fund, Members were informed that officers and the Advisor were working with the Fund Manager to understand in detail the issues raised, and despite progress having been made, there were a number of areas where further clarification was still required. A report would be presented to a future meeting of the Working Group upon resolution of the outstanding issues.

RECOMMENDED
That the report be noted.

12. COMPLIANCE WITH THE PENSIONS REGULATOR CODE OF PRACTICE 14 – GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICE PENSION SCHEMES

The Assistant Executive Director, Funding and Business Development, submitted a report informing Members of the recommendations of the Pensions Regulator that all public service pension funds should assess their compliance against its Code of Practice number 14.

It was explained that Code of Practice number 14 covered the governance and Administration of Public Service Pension Schemes. The Code was divided into the following four sections:

- Governing your Scheme;
- Managing Risks;
- Administration; and
- Resolving Issues.

Each section detailed the legal requirements, which must be complied with, and also Pension Regulator's guidance, which was practical guidance and the standards expected by the Regulator.

It was further explained that LGPS administering authorities had been strongly encouraged by the Pensions Regulator to undertake a review of their compliance with the Code of Practice and undertaking such a review was also likely to be a Key Performance Indicator used by the Scheme Advisory Board.

An analysis of GMPF's compliance with each of the sections of the Code was appended to the report. In general, GMPF was fully compliant with all of its legal requirements and operated in accordance with the Regulator's guidance. There were a small number of actions or enhancements which could be made to existing processes to ensure the guidance continued to be met in full and these were detailed in the Appendix and it was explained that work was already in progress on many of these actions.

RECOMMENDED
That the content of the report and the actions highlighted in Appendix 1 to the report, be noted.

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

13 October 2016

Commenced: 3.00pm **Terminated: 4.55pm**

Present:	**Councillor Fairfoull (Chair)**	**Employer Representative**
	Councillor Cooper	**Employer Representative**
	Richard Paver	**Employer Representative**
	Jayne Hammond	**Employer Representative**
	Paul Taylor	**Employer Representative**
	Mark Rayner	**Employee Representative**
	Catherine Lloyd	**Employee Representative**
	Pat Catterall	**Employee Representative**
Apologies for absence:	**Chris Goodwin and Dave Schofield**	

10. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

11. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 1 August 2016, having been circulated, were signed by the Chair as a correct record.

12. UPDATE FROM GMPF MANAGEMENT PANEL

The Assistant Executive Director, Investments, submitted a report providing an update for Board members on a key agenda item from the meeting of GMPF Management/Advisory Panel held on 23 September 2016 (Minute 38 refers).

The report provided details of the Fund's current approach to Manager Monitoring and the Management Information presented to Panel, and the need for these arrangements to be reviewed.

It was explained that the broad intentions of the review were threefold; firstly, to update the arrangements for Securities Manager attendance at meetings of the Panel and its Working Groups. Secondly, to develop a codified and more structured Securities Manager Monitoring Escalation Protocol. Thirdly, to enhance the Management Information presented to Panel.

It was further explained that Officers had been working in co-operation with the Fund's Investment Consultant, Hymans Robertson, to develop interim illustrative ideas in terms of both Securities Manager attendance at Panel and Working Group and a suggested Monitoring Escalation Protocol.

The current arrangements for Securities Manager attendance at Panel and Working Groups were set out in an appendix to the report. Under the suggested arrangements, one of each of the four active Securities Managers would present at each quarterly meeting of the Panel. This would represent a reduction for UBS and Capital from four presentations per annum currently, to one presentation per annum under the suggested baseline arrangements. Investec and Stoneharbor did not currently present to the Panel.

In addition to an annual presentation to the Panel, it was suggested that each of the four active Securities Managers also make an annual presentation to either the Policy and Development Working Group (Capital and UBS), or the Investment Monitoring and ESG Working Group (Investec and Stoneharbor).

In addition to the proposed monitoring to be undertaken by the Panel and Working Groups, it was also suggested that officers strengthen the routine formal monitoring of each active Securities Manager on a quarterly basis.

It was further explained that the suggested baseline monitoring arrangements, (as set out in **Appendix A** to the report), described the Fund's approach under those circumstances where Active Securities Manager performance was within an acceptable range. Where Securities Manager performance was out of this acceptable range, the Fund's current approach to Securities Manager monitoring could be enhanced by the adoption of a more codified and structured Monitoring Escalation Protocol. A suggested draft Monitoring Escalation Protocol was detailed in **Appendix B** to the report.

The Board were informed that the Fund had long acknowledged that Active Managers could legitimately experience relatively long periods of underperformance as the nature of investment cycles varied over time. The suggested Monitoring Escalation Protocol reflected a balance between identifying when an Active Manager's performance was becoming a cause for concern, and the Fund's approach of taking a longer term perspective to investing. The intention was to provide a framework of regular review in order to ensure the Fund had an audit trail for the decisions it made.

It was also reported that the Fund had very recently appointed Portfolio Evaluation Limited as a new provider of performance measurement services. This followed the announcement earlier this year, by the Fund's longstanding performance measurement provider WM (now part of State Street) of its decision to exit the market in respect of third party clients such as the Fund. It was envisioned that Portfolio Evaluation would provide an enhanced service to that of WM, potentially offering the opportunity to develop significant elements of the 'dashboard' approach (as detailed in the report) to enhancing the Management Information presented to Panel. It was explained that migrating from WM to Portfolio Evaluation was not a trivial exercise, obtaining and checking the large volumes of long term data received from WM, ensuring it fulfilled the requirements of Portfolio Evaluation, checking that the data was then taken on board correctly, and subsequently developing a 'dashboard' were tasks that Officers would be working on over the coming months with a view to bringing proposals to the March meeting of the Panel.

The report concluded that the suggested enhancements to the Fund's arrangements, as outlined above and detailed in the report, represented a work in progress. When finalised, it was the intention to share the details of the ongoing Manager monitoring arrangements and the Monitoring Escalation Protocol, with the relevant Managers. It was also noted that the Fund's approach to Manager Monitoring and Management Information may need to change over the next 12 – 18 months in light of developments in relation to pooling and experience of any revised arrangements implemented.

It was explained that under the proposed arrangements whilst the managers would probably still have the same quarterly attendances the intention would be that they may only come formally to Panel twice a year whilst more in depth analysis would take place at Working Groups that would allow for more time to be allocated.

Additionally, assurances were provided that mechanisms would remain in place to deal with any major issues, which may occur at any time. The Assistant Executive Director explained that Fund

Managers could be ‘called in’ at any time and, if necessary, an Urgent Matters Meeting of the Panel/Policy and Development Working Group could be arranged. He further explained that the proposals had been put forward to improve on existing processes and procedures.

The Chair thanked officers for a very informative presentation and requested that a report be submitted to a future meeting of the Board to monitor progress of the proposals.

RESOLVED
That the content of the report be noted and the changes to be progressed from the next meeting.

13. ACTUARIAL VALUATION

The Assistant Executive Director of Pensions – Funding and Business Development, submitted a report providing an update on the 2016 actuarial valuation and the issues that would arise therefrom, as reported to the last meeting of the Management Panel (Meeting of 23 September 2016, Minute 36 refers).

It was reported that there had been a significant change in the membership of GMPF over the inter-valuation period. Over 40,000 members transferred to GMPF as a result of the changes to the Probation Service. The number of employee members had also been supported by the implementation of auto-enrolment, which was likely to have offset much of the impact of employers reducing their workforce due to the continuing austerity in public sector spending. In 2015/16 alone, GMPF processed over 15,000 new joiners and the total membership of GMPF now stood at over 350,000.

A summary of the GMPF membership at the current and previous valuation dates was provided in the report.

It was explained that provisional valuation assumptions were recommended by the April meeting of the Employer Funding Viability Working Group. The financial assumptions used in the 2013 valuation and the assumptions proposed for the 2016 valuation were also summarised in the report.

It was further explained that the Funding Strategy Statement provided guidance to the Actuary in undertaking the actuarial valuation. CIPFA had updated their guidance on preparing the Funding Strategy Statement and this was released in early September. Officers would be reviewing what updates were required and a revised Funding Strategy Statement would be tabled for review at the meeting of the Employer Funding Viability Working Group in October. The Employer Funding Viability Working Group would review the responses to the Funding Strategy Statement consultation and bring a final version to Panel for approval in early 2017. The Funding Strategy Statement needed to be considered in tandem with the results of the actuarial valuation.

In respect of the outlook for Employer Contributions, the Panel were informed that the Actuary and the Panel needed to consider the risks and protect the Fund, but would also need to balance this with the affordability challenge for employers. Contribution rates should reflect the creditworthiness of the employer and the ‘security’ provided to the Fund, e.g. the provision of a guarantee or a bond or the taking of security such as a charge on property. Early dialogue with employers in this area was essential and some external support and advice was likely to be required in dealing with employers, (e.g. legal, accountancy and actuarial). The measures that employers could take to help improve the funding position included; pay restraint, controlling early retirements, understanding the impact of transfers and making additional employer contributions.

It was concluded that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers’ average employer contribution rate would again be at the lower end of the range.

The expectation of further material reductions in public expenditure would affect many of the Fund's employers. Further reductions in the public sector workforce were expected over the next 3 to 5 years, and the impact of auto-enrolment on increasing employee members would decline as most employers pass their auto-enrolment staging dates. Some employers would cease to be viable and some employers would be abolished. This was a very challenging environment for employers and raised complex matters for the Fund where issues of prudence, stewardship, affordability and stability would need to be considered.

The Actuary was aiming to have more clarity on individual employer results ready for detailed discussion at the Employer Funding Viability Working Group in October and a summary of the results would be brought to the November Panel meeting.

Board members were informed that Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, had also delivered a presentation to the Panel, which gave details of the timeline of the valuation and progress to date. A copy of the presentation was appended to the report.

RESOLVED
(i) That the Actuary's current estimated funding position of the fund as a whole be noted; and
(ii) That the projected timescales and actions required to finalise the valuation process be noted.

14. SECTION 13 VALUATION

Consideration was given to a report of the Assistant Executive Director – Funding and Business Development, which provided a summary of the Section 13 valuation which would be undertaken by the Government Actuary's Department (GAD) as part of the 2016 actuarial valuation process for LGPS funds in England and Wales.

The report also provided a summary of the 'dry-run' that GAD had undertaken using the 2013 LGPS valuations.

RESOLVED
That the content of the report be noted.

15. MEMBER COMMUNICATIONS

A report was submitted by the Assistant Executive Director of Pensions, Funding and Business Development, and a presentation delivered by the Pensions Policy Manager, providing the Board with an overview of the regular communications issued to GMPF members, including:

- Annual Benefits Statement;
- Pension Power newsletter;
- Email alerts;
- Additional Voluntary Contributions mailings;
- Deferred Bulletins/updates;
- P60;
- Pensions Grapevine Annual newsletter; and
- Information available on the GMPF website.

Members raised concerns in respect of scrutinising the effectiveness of communications and highlighted the importance of gathering feedback in order to improve the quality of information and monitor the level of understanding.

RESOLVED

(i) **That the content of the report be noted;**
(ii) **That it be noted that the Executive Director, Governance, Resources and Pensions would be arranging for a review/audit of communications taking into account best practice and what other funds do, both within and outside LGPS to ensure that the Fund remains award winning and a leader in this field.**

16. COMPLIANCE WITH THE PENSIONS REGULATOR CODE OF PRACTICE 14 – GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICE PENSION SCHEMES

The Assistant Executive Director, Funding and Business Development, submitted a report informing Members of the recommendations of the Pensions Regulator that all public service pension funds should assess their compliance against its Code of Practice number 14.

It was explained that Code of Practice number 14 covered the governance and administration of Public Service Pension Schemes. The Code was divided into the following four sections:

- Governing your Scheme;
- Managing Risks;
- Administration; and
- Resolving Issues.

Each section detailed the legal requirements, which must be complied with, and also Pension Regulator's guidance, which was practical guidance and the standards expected by the Regulator.

It was further explained that LGPS administering authorities had been strongly encouraged by the Pensions Regulator to undertake a review of their compliance with the Code of Practice and undertaking such a review was also likely to be a Key Performance Indicator used by the Scheme Advisory Board.

An analysis of GMPF's compliance with each of the sections of the Code was appended to the report. In general, GMPF was fully compliant with all of its legal requirements and operated in accordance with the Regulator's guidance. There were a small number of actions or enhancements which could be made to existing processes to ensure the guidance continued to be met in full and these were detailed in the Appendix and it was explained that work was already in progress on many of these actions.

RESOLVED
That the content of the report and the actions highlighted in Appendix 1 to the report, be noted.

17. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2015-2016

Consideration was given to a report of the Assistant Executive Director, Local Investment and Property, (which had also been submitted to the Management Panel on 23 September 2016, Minute 42 refers), providing details of:

- Governance arrangements for the approval of the accounts;
- Audit Findings report;
- Simplified summary of the accounts for this year; and
- Annual Report.

It was further noted that the Auditors had given a clean bill of health, the accounts were unqualified and this was a testament to the work undertaken by the Panel.

RESOLVED
(i) **That the completion of governance arrangements for approval of GMPF accounts be noted;**

(ii) That the Audit Findings report from Grant Thornton be noted; and
(iii) That the Annual Report be noted.

18. RISK MANAGEMENT AND AUDIT SERVICES 2016/17

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the period July – September 2016.

Details were given of final and draft reports issued during the period. Details were also given of audits in progress as follows:

- Unitisation;
- Visit to the Property Fund Manager ;
- Visits to Contributing Bodies;
- Risk Management Review; and
- Post Audit Review.

Information was provided of other work carried out in the period, including:

- Advice – Verification of Valuation Data and Service Charge; and
- Irregularities – none in this quarter.

In respect of the Internal Audit Plan 2016/17, details of the days spent against the plan to date, were appended to the report.

In respect of an issue raised at the last meeting of the Local Pensions Board (Meeting of 1 August 2016, Minute 9 refers) regarding Visits to Contributing Bodies and instances of the incorrect calculation and application of Assumed Pensionable Pay (APP), identified at employers visited, it was confirmed that work was ongoing to address this issue with colleagues at a Greater Manchester wide level and also involved the Pensions Policy Manager and the Communications Team.

RESOLVED
That the content of the report be noted.

19. ANNUAL GOVERNANCE STATEMENT 2015/16

The Head of Risk Management and Audit Services submitted a report which presented the Annual Governance Statement for 2015/16 to the Board, for information.

RESOLVED
That the Annual Governance Statement for 2015/16 be noted.

20. IMPLICATIONS OF CHANGES IN SERVICE DELIVERY

A report was submitted by the Assistant Executive Director, Funding and Business Development, which explained that the numbers of participating employers in GMPF was continuing to increase rapidly. Further cutbacks in local authority budgets were likely to result in further outsourcing and an increase in applications for admitted body status. This rapid increase in the number of employers presented both administrative and funding challenges. The report set out some of these challenges and the mechanisms available to tackle them.

RESOLVED
That the content of the report be noted.

CHAIR

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

Friday, 14 October 2016

Commenced: 10.30 am **Terminated:** 12.30 pm

Present: Councillors Taylor (Chair), Ricci, Brett, Grimshaw, Mitchell, Pantall, Stogia and Mr Llewellyn

Apologies for Absence: Councillor Middleton and Mr Allsop

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The minutes of the meeting of the Investment Monitoring and ESG Working Group held on 15 July 2016 were approved as a correct record.

11. INVESTEC PORTFOLIO MONITORING

The Working Group welcomed James Hand, Stephen Lee and Jonathan Parker of Investec who attended the meeting to present Greater Manchester Pension Fund's (GMPF) investment activity for periods to 30 June 2016. An extract of Investec's latest quarterly report and their Global Core Equity Strategy Performance Review as at Quarter Two 2016 were appended to the report.

The Working Group were informed that Investec had been appointed by the Fund as a specialist external investment manager with a Global Equity Mandate in February 2015 and were expected to exceed a global equity benchmark by 2-3% per annum on a three year rolling average basis. Their stated approach was "*to achieve long term capital growth primarily through investment in a focused portfolio of equities issued by companies established in the larger, more liquid equity markets of the USA, Continental Europe and Japan*."

Investec adopted a '4Factor' investment philosophy and process to managing GMPF's portfolio. Companies were scored against the four factors of; Strategy, Earnings, Technicals and Value. Those companies who scored highly against these were subject to detailed fundamental, bottom-up research by an experienced team of analysts and portfolio managers and reviewed on a weekly basis for possible purchase, which should drive portfolio outperformance in the long term.

It was reported that Investec's relative performance for Quarter Two was - 2.2%. The key driver of the portfolio's underperformance was stock selection partially related to the effects of the UK's decision to leave the EU following the referendum in June 2016, which would continue to dominate market sentiment and risk appetite. Despite the markets being presented with frequent challenges, Investec believed that their disciplined process and ability to select individual investments according to key long-term growth drivers would withstand the current financial climate.
A performance review for 2015-2016 was also provided. For the 12 months to 30 June 2016, the Strategy had underperformed its benchmark by 7.9%, however, over the longer term the Strategy had achieved an outperformance of 2.1% per annum, within the target of 2-3% per annum over a three year rolling period. Investec had experienced underperformance previously between 2010

and 2011 in addition to the last two quarters and Mr Hand was confident that the team had the skills and knowledge to turn the position around.

A performance analysis of the top five positive and top five negative stock contributions over the three month period and the 12 month period to 30 June 2016 were outlined to the group and details of significant transactions over these periods were provided. Sector positions and regional allocations alongside the portfolio's tracking error were also outlined.

The struggling environment and currency had been key drivers for returns over the past year. Stable businesses had performed well but the financial sector had struggled. With regards to the '4Factor' process, 'Earnings' and 'Technicals' had been less effective as they worked less well during downturns and at economic turning points, 'Value' had been a drag on performance and had underperformed in the second half of 2015 and in the second quarter of 2016.

It was confirmed that team performance was constantly monitored and changes were made where necessary to research and portfolio management procedures. This ensured the efficacy of stock selection and portfolio construction and value would continue to be added over the long term through fundamental research and stock selection. This strong, focused philosophy should enable the generation of stable outperformance over time.

RECOMMENDED:
That the report be noted.

12. CAPITAL INTERNATIONAL CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Richard Carlyle, Alison Fletcher, Rob Beale and Becky Sinclair of Capital International who attended the meeting to report on corporate governance activity (non-UK) for the past 12 months.

The case for shareholder dividends was outlined to the group. It was explained that dividends were distributions of cash to investors by owners of a company; they had become increasingly attractive to investors due to historically low bond yields. Their use sent a positive signal to investors and helped to instil financial discipline. Capital International regularly discussed the importance of dividends with senior company management.

Share buybacks were a form of distribution to investors where a company bought its own shares in the secondary market, which reduced the number of shares in issue and increased the stakes held by remaining shareholders. This option had become increasingly popular with corporate management. Although it sent a positive signal to investors and supported the share price, value was only created if shares were purchased below their intrinsic value.

Despite market volatility dividends had provided a respectable 4% return over a 115 year period in global equities. Since December 1979, across the S&P 500 stocks, dividend-growing companies tended to be better allocators of cash with an 11% return as of 30 June 2016 compared to 9.1% those companies undertaking share buybacks.

A summary of proxy voting activity for the 12 months to September 2016 for the Greater Manchester Pension Fund (GMPF) and Capital International Emerging Markets Fund was provided. For GMPF, there had been 3159 proposals at 245 worldwide company meetings; Capital had voted with management on 93.8% of occasions with 23 abstentions and 172 votes against management recommendations.

Two engagement examples were outlined to the group, which highlighted the consistent message given to companies around Capital International's voting policy.

RECOMMENDED:
That the report be noted.

13. CAPITAL INTERNATIONAL REPORT ON TRADING COSTS

The Assistant Executive Director of Pensions (Investments) submitted a report to facilitate Members' scrutiny of Capital International's approach to, and practice with regard to, trading costs by considering their 'level one' and 'level two' disclosure reports for the year to 30 June 2016.

It was reported that the 'level one' report detailed the fund managers' policies and procedures for the management and monitoring of total trading costs in order to achieve best execution for clients. The 'level two' report provided an analysis of Greater Manchester Pension Fund's (GMPF) trading volumes and commissions, which could be compared with Capital International's average client commission rates.

The Working Group were notified that Capital expected to review and update their 'level one' report by the end of 2016 and a copy of the report would be presented to a future meeting of the Working Group in 2017. A copy of the December 2014 'level one' disclosure was appended to the report and had been considered by the Working Group at its meeting on 16 October 2015.

Alison Fletcher of Capital International presented GMPF's 'level two' report for the 12 month period ending 30 June 2016, a copy of which was appended to the report. In order to increase transparency and give investment managers greater flexibility when acquiring broker or research providers, there had been a recent move away from bundled brokerage arrangements towards using commission sharing agreements.

The comparative disclosure table was outlined and detailed the value of trades, total commission paid, split between execution and research, for the 12 months to 30 June for the three years 2014, 2015 and 2016. The average commission rate had decreased between 2014 and 2016, which was in line with expectations.

It was confirmed that officers of the Fund had reviewed the report and any questions had been satisfactorily answered by Capital International.

RECOMMENDED:
That the report be noted.

14. UPDATE ON ACTIVE PARTICIPATION IN CLASS ACTIONS

The Assistant Executive Director of Pensions (Investments) submitted a report, which provided Members with an update on litigation in which Greater Manchester Pension Fund (GMPF) sought to actively recover losses in the value of its shareholdings in various companies as a result of actions taken by those companies.

A summary of active Class Action recommendations, which remained outstanding and recent developments of each action was provided.

RECOMMENDED:
That the report be noted.

15. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

The Assistant Executive Director of Pensions (Investments) submitted a report advising Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the quarter ending June 2016.

It was reported that Capital International did not participate in underwriting activity and the Fund did not participate in any sub-underwriting via UBS in the quarter ended June 2016. Stocklending income during the quarter was £394,603 and Commission 'recaptured' was £26,171.

The report outlined that income generated from these activities were very sensitive to market conditions, therefore the amounts generated were expected to vary from one quarter to another, and from one year to another.

RECOMMENDED:
That the report be noted.

16. UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT REPORTING FRAMEWORK

The Assistant Executive Director of Pensions (Investments) submitted a report detailing the 2015 results for the United Nations Principles for Responsible Investment (PRI) reporting framework. The PRI's 'Summary Assessment Report' for the Fund was appended to the report.

It was reported that in October 2011, the Chairman of the Local Authority Pension Fund Forum (LAPFF) wrote to all Member Funds encouraging them to become direct signatories to the PRI. GMPF became a direct signatory in late 2013 and were required to publicly report on responsible investment activity through the PRI's reporting framework.

In June 2016, the Fund received feedback on its responses to the PRI's 'Reporting Framework' for 2015. The assessment results were broadly in line with the Fund's expectations, with scores matching or outperforming the PRI median scores in all areas where they were required to report. In particular, the Fund outperformed the PRI median scores for both the 'Direct Listed Equity – Active Ownership', and 'Strategy and Governance' modules.

RECOMMENDED:
That the report be noted.

17. ROUTINE PIRC UPDATE

The Working Group welcomed Tim Bush and Tessa Younger of PIRC Ltd who attended the meeting to present an update on PIRC's role in corporate governance reform.

The Working Group heard that PIRC had been involved in the following areas of director election and their independence since 1992:-

- Separation of Chairman and Chief Executive Officer (CEO) role
- CEO not to become Chairman in the same company
- Regular director re-election
- Annual election of directors
- Sufficient biographical information on directors
- Definition of independent director

PIRC had also suggested independent remuneration committees, votes on executive pay, one year contracts and disclosure of below-board pay. With regards to audit and accounts, wholly independent audit committees were included in the Combined Code 2003 and the accountability for corporate donations had been included in the Political Parties, Elections and Referendums Act 2000.

The key structural milestones were highlighted and included The Cadbury Committee 1992 and Hampel Committee 1998. It was reported that work was progressing with regards to share buybacks, equal pay and gender balance on boards.

RECOMMENDED:
That the report be noted.

18. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

Friday, 14 October 2016

Commenced: 9.00 am **Terminated:** 9.45 am

Present: Councillors J Lane (Chair), Middleton, Patrick, Brett, Grimshaw and Stogia

Apologies for Absence: Councillor S Quinn

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The minutes of the meeting of the Pensions Administration Working Group held on 15 July 2016 were approved as a correct record.

10. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pensions Operations Manager submitted a report, which provided information about scheme member's additional voluntary contributions (AVC's) investments with the Prudential as at 31 March 2016.

It was reported that the Prudential was the AVC provider for the Fund and contributors could elect to pay up to 50% of their pay into the AVC arrangement, which benefitted from tax relief. There were three investment options; 'with-profits', 'deposit' and 'unit-linked'.

As at 31 March 2016, the AVC scheme had 8,863 members with over £69 million invested, mainly in the 'with-profits' fund, which aimed to achieve higher returns whilst maintaining security and stability. The Prudential 'with-profits' account had achieved a yield of 2.95% over one year and 5.40% over five years.

AVC Deposit Returns were available for those members for whom certainty of return was important. The current practice was to set the interest rate on the first day of each month in line with the Bank of England base rate at that time. This option had achieved a return of 0.5% over the last one, three and five years.

There was a variety of 'unit-linked' funds on offer to scheme members, which were outlined to the Working Group. In 12 out of 17 funds the Prudential either matched or bettered the benchmark over three and five years. Due to the relatively satisfactory performance of the Prudential it remained a good choice for the scheme.

It was reported that the decision was taken to close the UK Specialist Equity unit-linked fund to new AVC payers from the 1 October 2016 as a result of consistent poor performance when compared with the relevant benchmark.

RECOMMENDED:
That the report be noted.

11. INTERNAL DISPUTE RESOLUTION PROCEDURE AND COMPLAINTS RECEIVED BY THE PENSIONS ADMINISTRATION SECTION

The Pensions Operation Manager submitted a report outlining the Internal Dispute Resolution Procedure (IDRP) process and the number of stage 1 and 2 cases that had been received during the period July 2015 to June 2016. It also confirmed that the area of IDRP's and complaints in general had been identified for review and enhancement.

It was reported that the IDRP was a statutory part of the scheme and applied to both employers and the administering authority with two procedural stages and a final right of appeal to the Pension Ombudsman.

The Working Group heard that the data for stage 1 cases related to disputes with the administering authority. There had been 23 stage 1 appeals received during the July 2015 to June 2016 period and to date 17 cases had been rejected, 3 resolved, 2 upheld and 1 appeal. The main causes of concern for members were outlined and included death grant disputes, conflicting advice regarding benefits, transfer requests and additional voluntary contribution queries.

Stage 2 cases related to appeals against both employer decisions and decisions made by the administering authority at stage 1. There had been a slight increase in the number of stage 2 cases with 25 appeals being received in 2015/16 and 23 in the previous year. Of the 25, 19 had been rejected and 6 referred back to the employer at stage 1 as the process had not been undertaken satisfactorily. There had been three new appeals to the Ombudsman.

Whilst the number of Stage 2 cases is few in comparison with overall membership numbers, it was reported that for a number of years, the majority of cases referred back to the employer are related to ill health retirements.

The approximate number of other informal complaints received during the same period was six. On reviewing the data, several areas had been identified where additional information would assist to make better and more informed decisions. By conducting a wider scale review, more informal grievances could be captured which in turn could ascertain possible enhancements to current systems and processes. The three main objectives of the review would be to ensure that:

- The systems put in place for identifying and investigating complaints were effective and facilitated continuous feedback and learning opportunities;
- Complainants felt that their complaint had been dealt with effectively, whatever the outcome; and
- Any changes to procedures or processes that were made because of a complaint were regularly tested to ensure the intended aim of the change was actually being achieved.

The Executive Director for Governance, Resources and Pensions suggested that the amounts of compensation currently paid should also be reviewed in addition to the response timescales of employers.

RECOMMENDED:
(i) That the report be noted; and
(ii) The proposal to review and enhance current systems and processes should be undertaken.

12. PERFORMANCE STANDARDS

The Pensions Operations Manager submitted a report, which provided information about adherence to the performance standards set by the Pensions Fund Management Panel. It also provided further information regarding the number and age of outstanding tasks for the ten Local Authorities and highlighted scope for further improvements in this area.

The record of performance for the 12 months ending August 2016 was appended to the report, which showed that 17 of the 28 standards had met or exceeded the expected level of 90%. In areas where the standard had not been met, further analysis had been undertaken to assess whether changes to procedures were required to try to ensure adherence to the standards going forward. For 19 of the 28 standards assessed, the 2015/16 statistics showed that performance had either been maintained or improved compared with the 2014/15 statistics.

The performance of the ten Local Authorities in respect of notifying the Pensions Office of new starters and early leavers and details of outstanding tasks for the 12 months ending August 2016 were also appended to the report. The standard was that these tasks should be reported to the Pensions Office within two months of members joining or leaving the Greater Manchester Pension Fund (GMPF) at a level of 90% or better. Since the last report was presented to the Working Group, only one Local Authority had achieved this target for new starter submissions with none achieving the target for leavers.

With regards to outstanding tasks, it was reported that since the last report to the Working Group, four Local Authorities had seen a net decrease in the number of outstanding tasks. Details were provided on the age of the tasks in relation to their completion date and the average age of the outstanding tasks for each of the employers had been calculated. It was confirmed that this analysis had been provided to employers and would continue to be provided on a regular basis alongside the usual performance statistics in order to help GMPF and employers monitor progress.

It was reported that the older the task the more difficult it was to resolve but by highlighting the age of the tasks and regularly monitoring progress Local Authorities could consider focussing resources on out-of-date tasks in order to resolve them as soon as possible. If required, GMPF officers would provide assistance to Local Authorities officers to assist them in resolving the cases and making best estimates where actual information could not be provided. The performance data for both GMPF and employers had indicated scope for review and improvement therefore work would be undertaken over the next 12 months to achieve this.

The Executive Director for Governance, Resources and Pensions commented that the data would be shared with the Local Authorities S151 Officers for action.

RECOMMENDED:
(i) That the report be noted; and
(ii) Further work be undertaken to make improvements in this area over the next twelve months.

13. LOCAL AUTHORITY MEMBERSHIP LEVELS

The Pensions Operations Manager submitted a report, which provided information about membership levels amongst the ten Local Authorities of the Greater Manchester Pension Fund (GMPF) across a three year period, as at September 2016, with comparisons to 2015 and 2014.

It was reported that membership amongst full time staff had remained broadly similar to 2015 with a small upward trend over the last three years for most Local Authorities with figures ranging from 74% up to 95%. Membership amongst part time staff was similar although slightly more variable with figures ranging from 73% up to 93%. Auto-enrolment had affected the upward trend, however, some Local Authorities had opted to defer auto-enrolment staging until 2017 so the increases in membership cannot solely be attributed to auto-enrolment. It was noted that the figures had not been tested therefore there could be some inconsistencies between the data collected from each employer.

The figures had highlighted that there could be scope for GMPF to carry out some further work; by collecting and analysing more data around membership questions could be answered around membership take-up, awareness of the 50:50 scheme and could also help to identify groups of employees where membership was lowest.

If further information was gathered, GMPF could take this into account when reviewing literature and determining future communication strategies to encourage employees to join.

RECOMMENDED:
(i) That the report be noted; and
(ii) Further analysis be undertaken with a view to ensure that GMPF is doing all it can to encourage employees to save for retirement.

14. INTERNAL AUDIT - EMPLOYER AUDITS AND FINDINGS

The Pensions Operations Manager submitted a report, which outlined the employer audit process used by the Greater Manchester Pensions Fund (GMPF) and gave details of the employer audits undertaken during the period April 2015 to March 2016 with a summary of the findings. The report also highlighted where enhancements to internal processes could be made.

It was reported that GMPF monitored the performance of its employers by using Tameside MBC's internal audit department to undertake employer audits to assess compliance with a number of relevant regulations, legislative requirements and administrative processes. A risk based approach was adopted with the largest employers being audited as part of a rolling programme. Other employers who had a significant number of members and those where issues had been separately identified were audited on an ad-hoc basis.

Four employer audits had been undertaken during the period April 2015 to March 2016. High priority recommendations made by the auditors as a result of their findings covered the following areas:

- Auto-enrolment
- Assumed Pensionable Pay
- Final pay figures
- Errors in documenting differences in pay
- Year End Return for 2014/15

Common findings with medium priority recommendations included the late submission of new starters and leavers, failure to apply the correct contribution rate bandings to members and the late submission of year-end returns. Management responses to the recommendations had been received alongside target dates for when they expected issues to be addressed with post audit reviews being scheduled if necessary.

Several possible enhancements to GMPF procedures had been identified and included; investigating if providing immediate support to the employer after the audit report had been issued would be productive, considering if holding follow-up discussions with the employer is viable and effective and exploring if discussing employer audit reports amongst a wider group of officers might lead to improvement.

RECOMMENDED:
(i) That the report be noted; and
(ii) Current practices following the issue of audit reports be reviewed and enhanced.

15. URGENT ITEMS

There were no urgent items.

FGGREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

Friday, 21 October 2016

Commenced: 9.30 am **Terminated:** 11.00 am

Present: Councillors Cooney (Chair), Ward, Halliwell, Hamilton, Mr Drury and Mr Thompson

Apologies for Absence: Councillor Ricci

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 22 July 2016 were approved as a correct record.

10. PRIVATE EQUITY INVESTING IN ASIA - PROPOSED CHANGE TO IMPLEMENTATION

The Assistant Executive Director of Pensions (Investments) submitted a report seeking the Working Group's approval for a change to the implementation of Greater Manchester Pension Fund's (GMPF) Asian Private Equity allocation to include direct fund commitments.

It was reported that the current approach consisted of the use of Fund of Funds (Fund of Funds), which GMPF had been committing to since 2010. A recent review of Strategy and Implementation recommended that "*officers continue to assess the viability of a direct approach giving due consideration to risk, diversification and resource availability*". This needed to be considered within the context of GMPF's pooling submission, which had identified reducing the use of Private Equity Fund of Funds as a source of cost savings.

The benefits of changing the approach were outlined and included, reducing fees and expenses, increased transparency, improved governance and increasing officer's knowledge of the Asian market. Various considerations had been taken into account such as security of GMPF's investment, diversification, level of access to managers and fund performance.

The Fund's current Asian Fund of Funds performance was highlighted. It was noted that it was difficult to draw conclusions as the investments were relatively immature and benchmark data was not of the highest quality due to a small sample size. For GMPF's three "mature" Fund of Funds investments, the net internal rate of return and the average benchmark internal rate of return were shown. Two of the three investments were currently underperforming the benchmark.

It was confirmed that there may be occasions when a particular Fund of Funds investment may be considered appropriate and it was proposed that this option remained open going forward.

RECOMMENDED:
- **(i) That the report be noted; and**
- **(ii) That approval be given for a change to the implementation of GMPF's Asian Private Equity allocation to include direct fund commitments**.

11. HALF YEARLY REVIEW OF GMPF'S PRIVATE EQUITY PORTFOLIO

Angela Willetts of Capital Dynamics Ltd attended the meeting to present the half yearly report of Greater Manchester Pension Fund's (GMPF) Private Equity portfolio for the half-year period ending 30 June 2016.

Ms Willetts gave a brief overview of developments at Capital Dynamics. The first half of 2016 had been a successful fund raising period.

The private equity environment during the period under review, fundraising levels, investment activity and exit activity in Europe, the US and Asia were detailed and discussed. It was summarised that the overall outlook remained positive for both US and European private equity, although market uncertainty was expected to impact on exit activity, especially in Asia.

It was reported that five new funds and two follow-on commitments, totalling £181 million, were added to GMPF's portfolio in the period to 30 June 2016. Portfolio value appreciated by 12.1% during the period under review and the annual return was 19.4%. The long term return remained stable at 16.7% per annum.

The Working Group heard that during the period £66.1 million of GMPF's commitments were drawn down and distributions totalling £51 million were received. Net asset value of the portfolio was 2.7% of the Main Fund as at 30 June 2016.

It was anticipated that valuations would increase further on receipt of further underlying fund reports and, whilst the portfolio would continue to deliver attractive long-term returns, the 2006-2008 vintage year funds would prove the most challenging.

RECOMMENDED:
That the report be noted.

12. HALF YEARLY REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

Mark Drugan of Capital Dynamics Ltd attended the meeting to present the half yearly review of Greater Manchester Pension Fund's (GMPF) Infrastructure Portfolio as at 30 June 2016.

Mr Drugan began by summarising the infrastructure market for the first half of 2016. Deal activity was strong with high levels of institutional capital from around the globe. Deal supply had been far less global, with mature regulated core infrastructure concentrated in Europe. North America's infrastructure deal flow continued to be dominated by transactions in the energy sector. Infrastructure investment opportunities in Asia remained limited but deal activity had increased since 2015.

The growth of GMPF's portfolio during the period under review was outlined and, with two new fund commitments totalling £86.8 million made, total fund commitments were over £581.8 million at the period end. It was reported that during the period under review, £52 million of GMPF's commitments were drawn down and distributions totalling £13.7 million were received.

The Working Group heard that the portfolio value appreciated by 12.4% during the period. The net asset value of the portfolio was £300.2 million as at 30 June 2016 and represented 1.7% of Main Fund assets, compared to 1.4% as at 30 June 2015. Work would continue to achieve the 5% target.

Overall the infrastructure portfolio internal rate of return was 10.5% net per annum and the net multiple was 1.29 times, as at 30 June 2016.

RECOMMENDED:
That the report be noted.

13. SPECIAL OPPORTUNITIES PORTFOLIO - REVIEW OF ACTIVITY AND PERFORMANCE

The Assistant Executive Director of Pensions (Investments) submitted a report providing the Working Group with a routine annual update on the activity and performance of Greater Manchester Pension Fund's (GMPF) Special Opportunities Portfolio.

The key features of the Special Opportunities Portfolio were outlined and included; the portfolio would be developed over time, would consist of "good ideas" that were capable of generating returns in excess of the retail price index plus 5% per annum, any investment would be undertaken by an externally managed pooled vehicle and new types of investment would be discussed with the advisors.

The approach to portfolio construction and investment activity for the last 12 months were also outlined to the Working Group. It was reported that, as at 30 June 2016, the valuation of the portfolio was £249 million. New commitments/investments totalling £155 million were made in-between 1 July 2015 to 30 June 2016. To date, GMPF had made commitments/investments totalling £559 million to eleven funds, ten of which were active.

As at the period end, the net asset value of the portfolio represented 1.4% of Main Fund assets. It was noted that this was a very young portfolio and it would take time to work towards the 5% target allocation.

Descriptions were given of each type approval that had been granted alongside the relevant commitments and a brief commentary regarding future plans. Distressed Debt was for funds that bought loans in the secondary market, often with the expectation of profiting from a restructuring of the financing structure. The investment activity to 30 June 2016 was provided and the net asset value was £47.4 million. Absolute Return was for funds which aimed to achieve an absolute return relative to cash by making active asset allocation decisions across a range of asset classes. The investments to date were outlined and the net asset value was £69.1 million.

Commodity Related Real Assets were investments in commodity producing assets such as farmland and timberland. The investment activity to 30 June 2016 was provided and the net asset value was £24.5 million. Private Debt consisted of investments in non-publically traded debt of corporate entities. The investments to date were outlined and the net asset value was £108.3 million.

A performance update for mature investments was provided. The initial portfolio level return was 8.3% per annum and it was anticipated that over time the target return set for the portfolio of retail price index plus 5% would be achieved. The Special Opportunities Portfolio continued to provide a useful vehicle for achieving the key twin aims of increasing diversification and achieving good returns.

It was reported that officers received a large number of approaches each year covering a diverse range of potential investment opportunities, such as insurance capital, shipping finance and structure credit. Officers would continue to keep an open mind regarding future possible investment types but expected that the majority of investments would sit within existing approvals.

RECOMMENDED:
That the report be noted.

14. PRESENTATION BY PALATINE PRIVATE EQUITY LLP

Gary Tipper and Ed Fazakerley of Palatine Private Equity LLP attended the meeting to present on their investment activities and private equity in general.

Mr Tipper began by informing the Working Group that Palatine Private Equity LLP was founded in 2005 and was an owner-managed business with an experienced team of 13 investment professionals operating out of offices in Manchester, London and Birmingham who managed a total of £470 million across three funds. Palatine were a regionally focused, UK lower middle market private equity investor with a partner led approach and clear value enhancement channels.

It was reported that the team had experience over a wide range of industries including Financial Services, IT and Telecoms, Hotels and Leisure, Food Manufacture, Healthcare and Pharmaceuticals, Retail and Consumer and Environmental Services.

Palatine raised its first fund in 2007 and invested in a range of transactions including management buyouts, shareholder restructurings and 'buy & build' strategies. A further two funds had been raised since 2007. Since 2007, the team had invested approximately £260 million in 23 companies and over 50 bolt-on acquisitions in the IT and Telecoms, Consumer and Retail, Support Services and Financial Services sector. To date, Palatine's eight exits had achieved an internal rate of return of 31% gross.

The Working Group heard that GMPF had committed a total of £30 million to the three funds raised by Palatine and as at 30 June 2016 in excess of £19 million had been drawdown and over £8 million distributed.

RECOMMENDED:
That the presentation be noted.

15. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

Friday, 28 October 2016

Commenced: 9.30 am **Terminated:** 11.05 am

Present: Councillors J Fitzpatrick (Chair), Cooney, Patrick, Mr Allsop and Mr Llewellyn

Apologies for Absence: Councillors Reid, Mitchell and Ms Herbert

11. DECLARATIONS OF INTEREST

There were no declarations of interest.

12. MINUTES

The Minutes of the Employer Funding Viability Working Group meeting held on 29 July 2016 were approved as a correct record.

13. VALUATION HIGHLIGHT REPORT

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the 31 March 2016 Actuarial Valuation work streams highlight report and risk log.

It was reported that the triennial valuation of the Fund at 31 March 2016 required formal completion of the process no later than 31 March 2017. As agreed at a previous meeting of the Working Group, a project management and reporting framework had been used by the valuation team to ensure the project was delivered on time and to budget.

It was confirmed that several of the work streams were now largely complete therefore the six individual reports had been consolidated into a single report. The highlight report provided a brief summary of progress against key milestones and set out any issues that needed further consideration together with any actions required. The main outstanding task of the project was to finalise contribution rates and communicate these to employers.

RECOMMENDED:
That the report be noted.

14. EMPLOYER RISK MONITORING

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the process Greater Manchester Pension Fund (GMPF) was undertaking to implement a structured employer risk monitoring framework to go alongside the 2016 actuarial valuation. This would assess the funding risk for all employers and also support the Actuary's contribution setting approach as detailed in the Funding Strategy Statement.

The report outlined that all LGPS funds relied on employers to meet the balance of cost of providing benefits. Should experience be less favourable than assumed by the Actuary then a shortfall of assets was likely, which would need to be met by additional employer contributions. One of the key principles underpinning GMPF's funding strategy was to ensure that individual employers met their share of the cost and cross-subsidy between employers was minimised. The increasing diversity and maturity of the employer base was also likely to increase the incidence of employer terminations.

Analysis had been undertaken to tie-in with the 31 March 2016 actuarial valuation process where employer contribution rates for the three year period commencing 1 April 2017 were set. It was noted that employer risk was one factor that determined contribution rates therefore the report was considered in conjunction with the other actuarial related reports on the agenda.

It was reported that there were approximately 470 contributing employers, around half of which were scheduled bodies with the remainder falling under the 'admitted bodies' category, who required a guarantor from a scheduled body to join the Fund.

The Working Group heard that the risk monitoring process had been split into two parts: the assessment of the security provided to GMPF and the assessment of the funding risk. The security risk was only reviewed for admitted bodies and the analysis looked at factors such as the existence of a guarantee or bond, pooling, admitting new entrants and termination provision. A score was awarded to each employer with a low score indicating a low security risk and a high score indicating a high security risk. The views of the Actuary would be sought on appropriate weightings.

A funding risk was analysed for all GMPF employers covering two factors; the funding level of each employer and the cash flow of each employers' section of the Fund. A chart showing a plot of the scores for each employer based on the two factors was shown. Following discussion it was agreed that for future reports further detail on the risk of each employer based on the two factors be provided with a separate diagram focussing specifically on pooling. Those employers whom scored high on both the security risk and funding risk would undergo further detailed analysis.

RECOMMENDED:
(i) That the report be noted; and
(ii) A full analysis of the output of the employer risk review be brought to a future meeting of the Employer Funding Viability Working Group.

15. FUNDING STRATEGY STATEMENT

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the updates that had been proposed to the Greater Manchester Pension Fund (GMPF) Funding Strategy Statement (FSS).

It was reported that regulation 58 of the LGPS Regulations 2013 required each administering authority to prepare and maintain a FSS, the purpose of which was to "establish a clear and transparent fund specific funding strategy which would identify how employers' pension liabilities were best met going forward." The FSS was updated every three years and was done in conjunction with the actuarial valuation process.

CIPFA had produced guidance in order to support the FSS, which was periodically updated. The most recent update (September 2016) detailed the changes in which the LGPS operated, in particular the introduction of the 2014 Scheme, changes to the LGPS Investment Regulations, the changing maturity profile of the LGPS, the growth in the number of employers, the investment landscape and public sector austerity and the effects on fund membership, scheme maturity and cash flow.

In order to reflect the new CIPFA guidance and changes to the administration of GMPF an updated FSS had been produced, which was appended to the report. The main changes were highlighted and included amending the 'common contribution rate' to a 'primary rate' for active employers and a ‘secondary rate’ for individual employers, a ‘risk-based’ contribution setting approach, additional regulators and the calculation of cessation debts.

The Working Group were informed that the FSS would be issued to employers for consultation in November, at the same time as the notification of provisional contribution rates, with a two month period for comments. An updated FSS would be brought to the next meeting of the Working Group and a final version would be submitted to the GMPF Management Panel in March 2017 for formal approval.

RECOMMENDED:
(i) That the report be noted; and
(ii) That an updated version of the Funding Strategy Statement, following the consultation with employers, be brought to the next Employer Funding Viability Working Group meeting.

16. CONSIDERATION OF EMPLOYER CONTRIBUTION RATES

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report, which provided a detailed analysis of potential outcomes for individual employers and the factors that would influence employer contribution rates for the three year period beginning 1 April 2017.

Provisional valuation assumptions were recommended at the April meeting of the Working Group. The financial assumptions used in the 2013 valuation and the assumptions proposed for the 2016 valuation were summarised in the report. Whilst the funding level and deficit had improved since the previous valuation, the cost of providing future service benefits had increased largely due to falls in long-term interest rates which reduced the level of expected investment returns. It was explained that the Funding Strategy Statement provided guidance to the Actuary in undertaking the actuarial valuation.

In respect of the Outlook for Employer Contributions, the Working Group were informed that the contribution rate was comprised of two components; the estimated cost of providing future service benefits and an allowance towards repaying the deficit over a period of time. The Actuary and the Working Group needed to consider the risks to protect the Fund and balance this with the affordability challenge for employers.

With regards to setting contribution rates, the Actuary was looking to adopt a ‘risk-based’ approach, which allowed for thousands of possible future economic scenarios. Greater Manchester Pension Fund (GMPF) and the Actuary needed to consider the employers funding target, how long it would take the employer to reach this target and an appropriate likelihood of meeting the target. Due to the increase in active employers, they had been considered in groups, with focus on individual employers when necessary, and allocated a time horizon and risk category. The provisional valuation results were appended to the report and outlined to the Working Group.

Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, presented the whole fund valuation results. The headline was that the funding level had increased to 92.5% as at 31 March 2016, a 2% increase on the 31 March 2013 result, and there had been an increase in cash deficit. The risk based approach to setting contribution rates and its impact on contribution outcomes was detailed and discussed.

They also outlined individual employer results including risk profiling, funding levels and contribution rates for MBC’s, the effects of different time horizons and risk profiles for different employers. The next steps required to communicate contribution rates with employers was explained.

Mr McKay and Mr Law concluded that a prudent approach had been maintained during another challenging three year period. It was explained that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers' average contribution rate would again be at the lower end of the range. Careful consideration would need to be given to the proposed contribution rate for each employer to ensure it reflected the risk posed to the Fund whilst remaining affordable for the employer.

RECOMMENDED:
(i) That the report be noted; and
(ii) That the use of a risk-based approach to calculate employer contribution rates by the Actuary be approved.

17. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 5 MONTHS TO AUGUST 2016

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the five months to August 2016.

Actual expenditure was £1.241 million less than the estimate of £11,168 million for the same period. The main reasons for major variations were listed and included staff costs and managers and professional fees.

RECOMMENDED:
That the report be noted.

18. GMPF AGED DEBT AS AT 19 SEPTEMBER 2016

The Assistant Executive Director of Pensions (Local investments and Property) submitted a report summarising the aged debt for the Fund as at 19 September 2016. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which have not yet been repaid.

The report detailed all aged debt (31 days and over) alongside comparison to the previous quarter and explanations were provided for the main changes. Total aged debt had fallen in comparison to the previous quarter to £1.671 million as at 19 September 2016 from £2.292 million as at 19 June 2016.

A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. The largest component of Employer Related aged debt was unpaid contributions, much of which was in respect of strain costs associated with early retirement or member transfer.

The key trends were highlighted and included, property aged debt had increased from £0.315 million in June 2016 to £0.331 million at September 2016 and Employer and Overpaid Pension Aged Debt had decreased from £1.977 million to £1.339 million. For the 12 months to September 2016 2.7% of debt was outstanding, the risk of non-payment across total annual debts was 0.3%.

Tables which showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report.

RECOMMENDED:
That the report be noted.

19. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

Friday, 4 November 2016

Commenced: 9.30 am **Terminated:** 10.55 am

Present:	Councillors S Quinn (Chair), J Fitzpatrick, J Lane, Ward and Halliwell and also in attendance the Chair of the Pension Fund Cllr K Quinn
Apologies for Absence:	Councillors M Smith, Hamilton, Mr Allsop, Mr Drury and Mr Thompson

11. DECLARATIONS OF INTEREST

There were no declarations of interest.

12. MINUTES

The Minutes of the meeting of the Property Working Group held on 5 August 2016 were approved as a correct record.

13. MANAGEMENT SUMMARY

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report, which provided a commentary on issues and matters of interest arising over the last quarter. The quarter was dominated by the implications of the referendum of UK membership of the EU, the consequences of which were unclear.

With regard to 'Valuation, Performance and Allocation', the headlines from the Investment Property Databank report were that performance had reduced from 6.97% as at 30 June 2016 to 6.05% as at 30 September 2016 based on the estimated total value of the Fund at both dates. The allocations to property investments and their current weightings as at 30 September 2016 were outlined to the Group.

The Group were informed that the two year review of GVA's contract would be discussed at the meeting. GVA would also be reporting to the Group, and their presentation would focus on their progress over the past two years. La Salle would present their quarterly report and focus on the key issues relating to transactional and asset management activity over the last year, prospective purchases and the current state of the market with particular reference to how they were continuing to change the portfolio to improve performance.

RECOMMENDED:
That the report be noted.

14. PROPERTY RELATED AGED DEBT AS AT 19 SEPTEMBER 2016

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt (31 days and over) for the two property portfolios (Main Property Fund and Greater Manchester Property Venture Fund (GMPVF)) as at 19 September 2016.

An overview of the debt position was given by the Head of Pensions Accountancy including a summary of debt across the two areas and totals. The value of Property Aged Debt for the Fund as at 19 September 2016 was £0.332 million compared to £0.315 million at 19 June 2016.

It was noted that procedures for collection of debt were complied with and were working well, GMPVF debt remained very marginally within amber status but this was not material at present.

The highest value debts for each portfolio were detailed as per the appendices to the report. The policies for debt recovery were unchanged and there were currently no payment plans in place.

A risk profile was provided, which showed that across the two funds, raised debtor invoices totalled £39.5 million with £0.332 million (0.8%) of this outstanding at 19 September 2016. The estimated value of debt unlikely to be recovered was £121,000 (0.3%).

RECOMMENDED:
That the report be noted.

15. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report. The presentation focussed on the performance of the Greater Manchester Property Venture Fund (GMPVF), the progress to date on business plans of existing properties and identification of new investment opportunities. The report provided in advance setting out the progress against milestones of each of the current properties in the portfolio.

They opened by explaining that GVA had recently changed ownership but the client team acting on behalf of GMPVF would broadly remain the same. The investments were outlined to the Group and split into '*committed sites*', '*advanced due diligence*' and '*active review*'. It was highlighted that there was an increasing focus on larger scale investments with five projects and four potential investments all over £10 million. Details were provided of the active developers within the North West region and it was explained that GMPF were comparable.

Members enquired about the characteristics of an ideal GMPVF investment. It was explained that an ideal investment would be over £10 million, in an area of active growth within the market and they would also seek to concentrate on partnerships with a view to a deal flow rather than 'one off' transactions. Members were keen to explore 'one off' investment opportunities and in response GVA outlined that each opportunity was examined on a case by case basis and they would not be lost just because an ongoing relationship not feasible/achievable.

A risk profile was presented for all GMPVF investments, which showed that the overall return for 'committed sites' across the low, medium and high risk profiles was 7.8%. For 'advanced due diligence' the figure was 6.2% and for 'active review' the figure was 5.8% giving an overall total of 7%. Examples of recent completed and 'advanced due diligence' projects were provided, which detailed the completed value, the projected return, a timeline of the project and a risk profile for funding.

A two year business plan was outlined for the 'committed sites' and the future priorities were displayed on maps of Greater Manchester and Manchester city centre.

The Working Group was also provided with a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last three quarters to March, June and September 2016 and the current prediction on final viability.

RECOMMENDED:
That the report be noted.

16. REVIEW OF GVA APPOINTMENT AS FUND MANAGER

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report, which detailed the relevant information for the two year review of GVA. Members were notified that the appointment of GVA as the Greater Manchester Property Venture Fund (GMPVF) Fund Manager in September 214 was subject to a further review after two years.

A review of progress to date on business plans of existing properties, identification of new investment opportunities, reporting to Members and officers, the market environment, the future GMPF Strategy and alternatives to GVA were all outlined. A RAG analysis (Red, Amber and Green) was appended to the report showing GMPF officer's view of the progress made by GVA in achieving the targets set in the agreed business plans for the development sites held by the Fund. It was reported that the assessment was broadly positive overall with an appraisal of 75% on delivery.

The analysis showed that for the 13 development sites, GVA had achieved the objectives in ten cases with three sites having some actions outstanding and none showing significant underperformance. The majority of the sites should deliver the target returns with some risk associated with two sites.

With regards to the identification of new investment opportunities, the pace and completion compared favourably with the previous two year period and the reporting mechanism had improved. It was reported that GVA had engaged in significant market activity on behalf of GMPVF. Members also gave consideration to the agenda for pooling of assets within the LGPS, and in particular the plans for the Northern Pool, and GVA's competitor's based on the tender process carried out in summer 2014.

A detailed discussion took place on the various options available to the Working Group in terms of making a recommendation to the Management Panel. The advantages and disadvantages of each of the options were examined. It was noted that the Fund could seek other investment providers alongside GVA to deliver specific opportunities for local property investments in accordance with the investment guidelines, whilst ensuring that each individual activity was compliant with the procurement requirements.

The Executive Director for Governance, Resources and Pensions commented that clear objectives and milestones needed to be set to ensure that added value was being examined rather than the underlying value of property. Going forward, presentations should focus on the overall performance of the wider portfolio rather than focussing on individual sites in addition to opportunities which had been considered by GVA. It was agreed by all present that the previous presentation of GVA had set the tone for what was to be expected with emphasis on professional advice on what would add value and give good return together with opportunities out there with their written reports setting out progress. There was also a consensus that a good discussion had been undertaken on the performance and members welcomed more such discussions going forward.

RECOMMENDED:

(i) That the report be noted;

(ii) That GVA be retained and a rolling one year monitoring programme be commenced based on new business plans to be agreed;

(iii) That a review of the Portfolio investment principles and parameters be reviewed to ensure sufficiently wide enough to ensure opportunities to increase income are maximised; it being noted that a particular opportunity being considered which the Executive Director in conjunction with the Chair of the Fund and the Working Group would be authorised to bid at auction at a price that would provide the Fund with returns in line with the benchmark.

(iv) That the use of other service providers for local property investments be agreed in principle subject to a further report setting out the detail.

17. LA SALLE INVESTMENT MANAGEMENT QUARTERLY REPORT

The Working Group welcomed Tom Rose and Rebecca Gates, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for quarter three 2016.

It was reported that the market remained uncertain four months post the EU Referendum result. This uncertainty had affected property transactions but the occupational market had remained robust. It was anticipated that returns for 2016 and 2017 would be in-between -2% and 2% with a total return of up to 5%.

Mr Rose and Ms Gates highlighted the following areas:-
- Portfolio Performance
- Portfolio Composition
- Transactional Activity (completed and planned)
- Key Estate Management Issues, including rent reviews and lease renewals

It was reported that for the one year period to December 2015 the portfolio had produced a total return of 10.5%, compared to the benchmark of 13.3%. The total return for directly held assets was 11.7%, indirects had underperformed the benchmark returning 7%, four sales throughout the year contributed 0.3% to the return and three purchases dragged returns by 1%.

The structure and composition of the portfolio by sector was outlined to the Group. It was highlighted that the weighting for 'in town retail' had reduced significantly since October 2014 and now represented 26% of the portfolio composition. 'Alternatives' had increased from 6.3% as at October 2014 to 16.6% as at 30 September 2016.

An activity update for the quarter focussing on acquisitions, sales and asset management in addition to a progress on the annual strategy was provided. Details of completed purchases, purchases under offer, completed sales and sales under offer were given alongside information relating to lettings and lease renewals, rent reviews and vacancies. It was reported that five outstanding renewals had been completed, one unit had been sold, two tenants had vacated with one relocating and four new renewals arose.

The Chair thanked Mr Rose and Ms Gates for their presentation.

RECOMMENDED:
That the report be noted.

18. URGENT ITEMS

There were no urgent items.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 7

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Agenda Item 9

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Report To:	**Pension Fund Management/Advisory Panel**
Date:	18 November 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall, Assistant Executive Director of Pensions – Local Investments and Property.
Subject:	**LGPS POOLING AND INFRASTRUCTURE INVESTMENT**
Report Summary	This report provides an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area
Recommendations:	The Panel is recommended to consider and comment on the developments which have taken place since the July Panel meeting.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	The aim of pooling of assets is to improve net investment returns in the long term. GMPF is working with other like-minded funds to make pooled investments which facilitate this aim.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The revised LGPS Investment Regulations have recently been issued. The revisions are in part designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments and deliver Government ambitions in respect of less costly public sector pensions.
Risk Management:	The Fund has been seeking legal advice where required on its pooling options.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	For further information please contact Paddy Dowdall, Assistant Executive Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1 INTRODUCTION

1.1 The Chancellor announced in the summer 2015 budget that he would be seeking proposals for LGPS funds to pool their assets in order to create improvements in the following four areas:

(i) Scale
(ii) Value for money
(iii) Governance
(iv) Facilitating infrastructure investment

1.2 As reported at previous Panel meetings, GMPF, Merseyside Pension Fund ('MPF') and West Yorkshire Pension Fund ('WYPF'), have developed a pooling proposal and made a submission to Government in July setting out the operation of the 'Northern Pool'.

1.3 There are currently 8 proposed pools, which are made up as follows:

- Northern Pool
- London CIV (the 33 London Boroughs) – this has already been established
- South West Funds + Environment Agency ("Project Brunel")
- 'ACCESS' (Most of the South East County Council funds)
- Midlands
- 'Border to Coast' (The remaining northern funds + a small number of others)
- Wales
- LPFA/Lancashire ('the Local Pensions Partnership – LPP') + Berkshire

1.4 Government has previously stated that it was looking for around 6 pools, each of at least £25 billion. The Wales and LPFA/Lancashire/Berkshire pools do not currently meet the Government's scale criteria. However, it appears that the Welsh pool has been granted an exemption from the scale criteria.

1.5 The Northern Pool has links with the LPP pool via GMPF's joint infrastructure vehicle with LPFA ('GLIL'). The intention is for the Northern Pool to work alongside LPP on infrastructure investment going forwards.

1.6 This report provides an update on activity since the September Panel meeting and the next steps in developing the pool.

2. LGPS POOLING NATIONAL DEVELOPMENTS

2.1 At the time of preparing this report, no formal response has been provided to pools from Government on their July submissions. However, the DCLG Minister Marcus Jones MP has arranged meetings with pools to respond to their proposals and to set out his expectations for the rest of the programme. The Northern Pool's meeting is due to take place next week.

2.2 The Autumn Statement, due to be delivered on 23 November, may also provide some indications of the Government's direction of travel, particularly with regard to the desire for further UK infrastructure investment by the LGPS.

2.3 The new LGPS Investment Regulations came into force on 1 November. The Regulations dispense with the current explicit limits on specified types of investment and, instead, charge administering authorities with determining the appropriate mix of investments for their Funds. This will allow funds to transfer the bulk of their assets into the pools, once created.

2.4 The Regulations also provide a power of intervention for the Secretary of State, should the Secretary of State believe an administering authority is not paying due regard to the guidance on preparing an Investment Strategy Statement which has been issued alongside the Regulations. Amongst other things, this guidance sets out the Government's expectation of funds in respect of investing via the pools. This Guidance can be accessed via the link below:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf

3 NORTHERN POOL UPDATE

3.1 Pending formal feedback from Government on the Northern Pool's submission, the funds are focussing on developing closer working relationships, particularly with regards to investments in alternative assets.

3.2 Due diligence is progressing on GMPF's pooling partners joining the GLIL infrastructure vehicle. Work is also underway to increase the alignment of private equity strategies across the funds in the Northern Pool. This will help the funds to make collective investments in private equity funds in future which can help improve cost effectiveness.

4 NATIONAL INFRASTRUCTURE UPDATE

4.1 GMPF continues to participate in the cross pool working group on infrastructure on behalf of Northern Pool. The Northern Pool and LPP are further ahead with development of capability and capacity to invest in infrastructure and have made it a higher priority than the other pools.

4.2 The Northern Pool and LPP are leading in terms of setting definitions for what a national approach to infrastructure investment on behalf of all pools should look like.

4.3 GMPF is also putting forward the benefits of a GLIL style approach to direct infrastructure investment to other LGPS funds and is preparing a range of alternative structures to build on GLIL where other pools could participate with differing levels of governance according to their own internal capability, capacity and preference.

5 GLIL UPDATE

5.1 A presentation will be made at the meeting to update on progress. Recent achievements include

- Expansion of overall committed capital
- A £45m investment into railway rolling stock
- Development of investment procedures for debt investment

6 RECOMMENDATION

6.1 To note the report.

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18 November 2016

LGPS
Asset Pooling

Background

"up to 6 British Wealth Funds …
at least £25 billion of Scheme assets each"

"reduce costs while maintaining overall investment performance"

"wider ambition of matching the infrastructure investment levels of the top global pension funds"

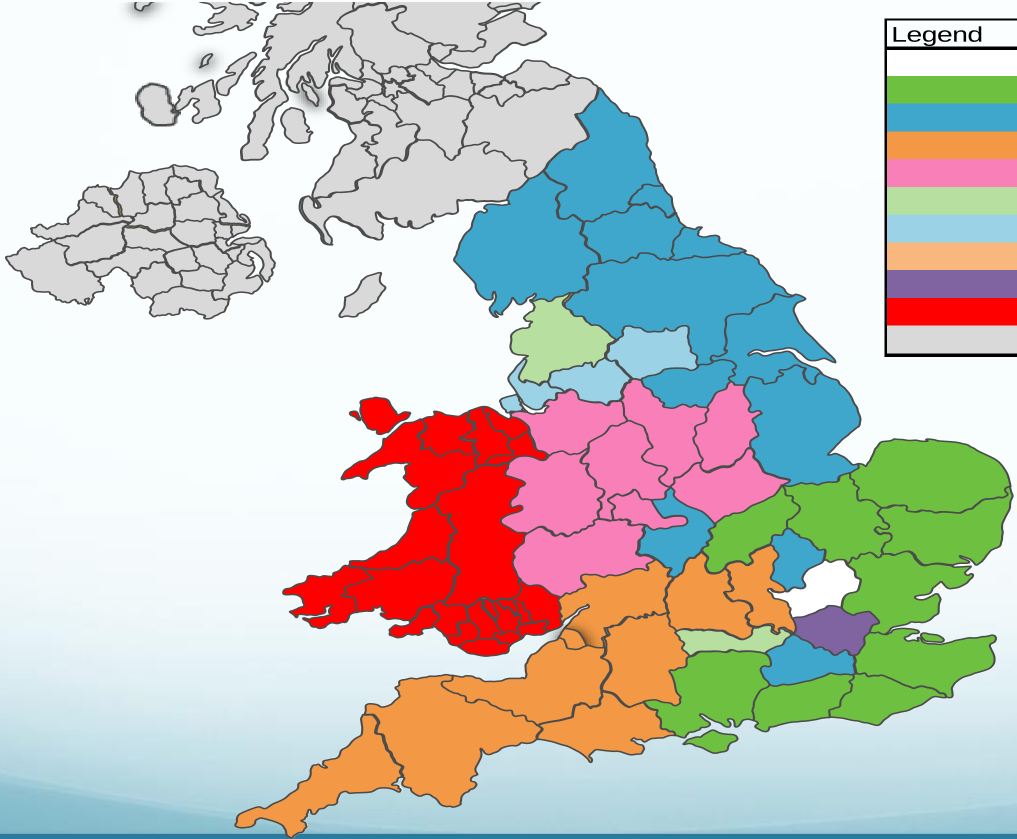
Criteria for pooling

Criterion	
Scale	• Up to 6 pools, at least £25bn each
Governance	• Accountability between pool and councillors • Local authority holding pool to account • Resources and skills in pool
Savings & Value for Money	• Fees, hidden costs, transparency • Benchmark to 2013 and now • Estimate savings over next 15 years • “At least” maintain performance • Active only where can evidence value • Report performance vs passive
Infrastructure	• Improved capacity and capability to invest • State proportion now and “ambition”

Submissions to Government

Deadline	What is required
INITIAL **19th Feb**	• Initial proposals • Include commitment to pooling • Describe "progress towards formalising arrangements" • **Individual or joint** submissions or both
FINAL **15th July**	• Refined and completed • Fully address the criteria set out • Information for evaluation of proposal **For each pool:** • Joint proposals • Governance, structure, implementation plan **For each authority:** • *Individual return* • Profile of costs and savings • Transition profile for your assets • Rationale for your assets held outside of the pool in long term

Pooling map



Legend
Unknown
ACCESS
Border to Coast
Brunel / SW+
Central
Lancs/LPFA
Northern Powerhouse / M62
West Mids
London
Wales
Scotland/NI/IoM

WARNING: Based on information in public domain at time of writing. Subject to change.

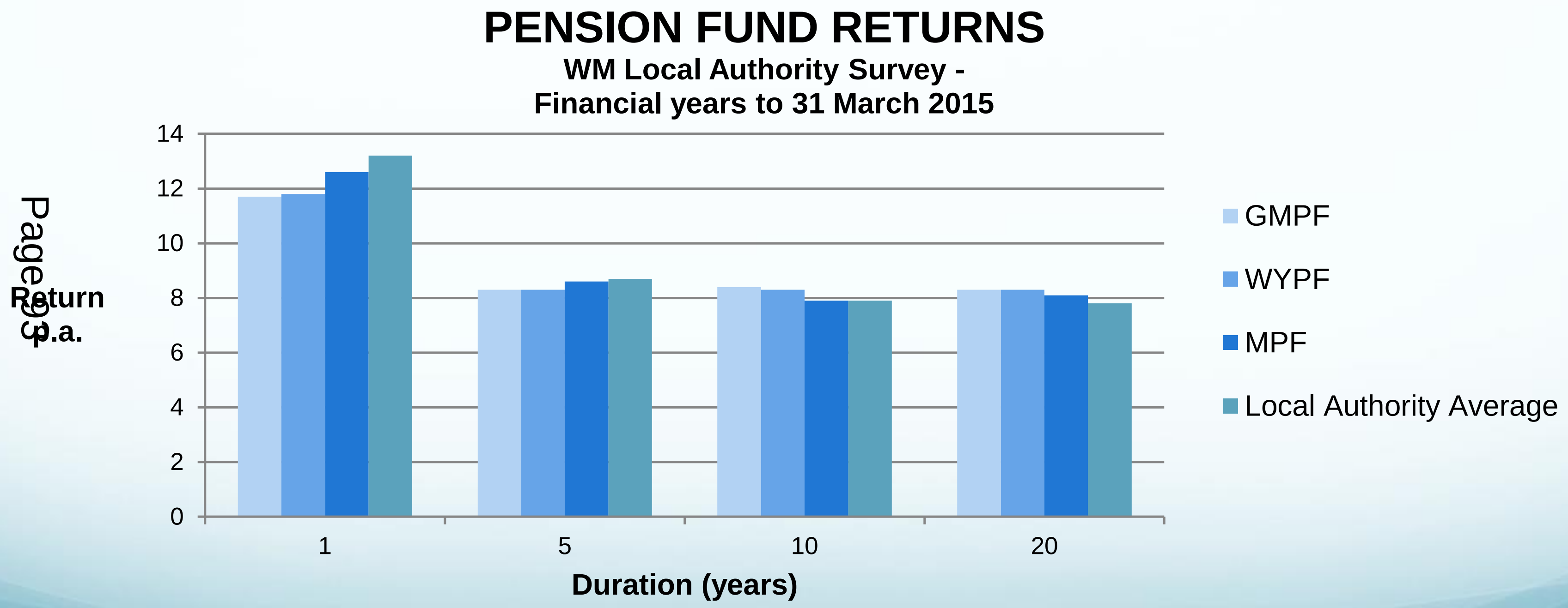
Northern Powerhouse Pool

- Assets under management at 31 March 2015

Fund	Assets
GMPF	£17.6bn
West Yorkshire	£11.3bn
Merseyside	£6.9bn
Total	**£35.8bn**

Fund	Rank (out of 89)	Investment cost - £ per member 2014/15
West Yorkshire	1	11.49
Greater Manchester	3	39.01
Merseyside	28	105.41
All England		142.28

Northern Powerhouse Pool



Long-term vision

- Access to a range of internal and external management for listed assets at low cost
- Increase internal management over time
- Collective investing in alternatives
  - Build capacity & skills
  - Becoming increasingly direct
  - Increase scale and reduce risk in infrastructure
- Open mind to working with other pools or on national basis for some alternative assets

Next steps

- There has been a delay in the government response to the submission. Minister wants to meet pools to discuss.
- Northern Pool is progressing certain areas in July submission but has paused any significant external expenditure in lieu of government response
- Northern Pool is due to meet minister on 13th December
- Internal Northern Pool Meeting on 1st December for preparation

Any questions?

GMPF & LFA Infrastructure LLP –

An update on GLIL

Paddy Dowdall

Assistant Executive Director

Building an identity

- Having been active in the UK Infrastructure market for over 18 months, GLIL is now ready to step forward with its own identity
- Our new logo is part of this identity and encompasses our boldness, unity as a partnership and environmental consciousness

Building an identity

OGLIL

INFRASTRUCTURE

Building a portfolio

- Having made our first 2 investments in the renewable energy sector, GLIL was pleased to complete its third transaction in October, this time in the transport sector

GLIL

Building a portfolio –

Rock Rail East Anglia

- GLIL has invested £45 million as part of a partnership with Standard Life and Rock Infrastructure.
- The Partnership will deliver £600 million of investment into the UK Rail Network.
- The Investment will see the introduction of a new fleet of trains onto the East Anglia Network, including major transport arteries such as the Stansted Express and London-Norwich InterCity Line.
- The new fleet will make journeys faster & greener, whilst generating a 10% return for GLIL for the next 35 years

Building a partnership

- GMPF and LPFA look forward to welcoming further LGPS partners in the near future, with discussions at an advanced stage with Lancashire County Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund.
- The further aggregation of resources, both financial and human, will allow GLIL to build a diversified portfolio of investments

gmpf

LPFA your pension our world

West Yorkshire Pension Fund

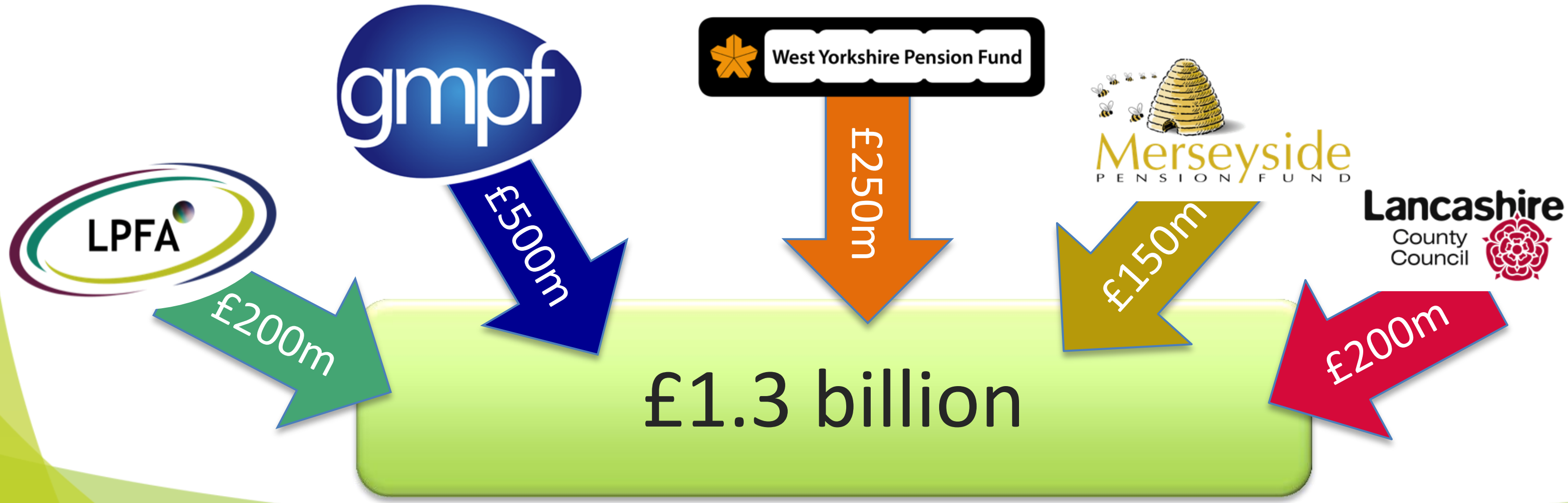
Merseyside PENSION FUND

Lancashire County Council

GLIL

Building a partnership

- The additional commitments made to GLIL, up from £500 million, unlock advantages for the partnership in terms of investment size achievable, governance secured and fees paid



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Agenda Item 12b

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Agenda Item 13

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Report To:	**Pension Fund Management Panel/Advisory Panel**
Date:	18 November 2016
Reporting Officers:	Sandra Stewart, Executive Director – Governance, Resources and Pensions Euan Miller, Assistant Executive Director – Pensions (Funding and Business Development)
Subject:	**PENSIONS UPDATE**
Report Summary:	The report provides a summary of items of note in respect of both the LGPS and the wider pensions environment since the last meeting of the Panel.
Recommendations:	That the Panel note the report.
Financial Implications: **(Authorised by the Section 151 Officer)**	There are no material implications for GMPF.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	Any amendments to the Scheme's regulations will be implemented by GMPF.
Risk Management:	The changes to Fair Deal, if enacted as proposed, will compel firms who take on outsourcing contracts to be members of the Scheme. Current admission agreements allow agreements to be terminated by the administering authority, in the event of an employer failing to comply with their duties under the agreement. This ultimate sanction will be removed, which may need recourse to the Pensions Regulator, in the event of an employer not fulfilling their duties.
Access to Information:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	The background papers relating to this report can be inspected by contacting Euan Miller, Assistant Executive Director – Funding and Business Development Telephone: 0161 301 7141 e-mail: euan.miller@tameside.gov.uk

1. INDEPENDENT REVIEW OF STATE PENSION AGE

1.1 An independent review of State Pensionable Age has begun with an interim report by John Cridland CBE and an invitation to comment.

1.2 The review of State Pensionable Age was announced in March, and is in line with a statutory requirement for the Government to reappraise the position every six years. The scope of the review is limited to those reaching State Pensionable Age after April 2028, by which time existing legislation will have increased State Pensionable Age to age 67.

1.3 The report looks at whether a universal State Pensionable Age rising in line with life expectancy increases is appropriate and, if not, how State Pensionable Age could be better structured. It considers the effects that increases in State Pensionable Age would have on particularly vulnerable groups within society and asks whether these groups could be protected by allowing early access to the State pension or by enhancing working-age benefits.

1.4 Responses should be submitted by 31 December 2016. John Cridland will report to Secretary of State for Work and Pensions by May 2017. Any changes to State Pensionable Age would likely have implications for the Normal Pension Age in the LGPS.

2. SECONDARY ANNUITY MARKET PLANS SCRAPPED

2.1 Her Majesty's Treasury, and Revenue and Customs, have announced that the Government is not going ahead with plans to create a secondary market for annuities (which was due for launch in April 2017). It has concluded that '*creating the conditions to allow a vibrant and competitive market to emerge, with multiple buyers and sellers of annuities, could not be balanced with sufficient consumer protections*'.

2.2 Whilst the creation of a secondary annuity market would have had no direct on the LGPS, it may have led to some potentially interesting investment opportunities for long-term providers of capital such as open defined benefit pension schemes.

3. MORE CLARITY ON PUBLIC SECTOR EXIT PAYMENT REFORMS

3.1 At the start of the year the Government issued a consultation on possible reforms to early exit payments across the public sector. It has recently responded to the consultation to confirm the Government's commitment to restrict public sector exit costs, establish guidelines for a common framework and set a timeline for reform up to the end of June 2017.

3.2 Consistent with the government's view that it remains appropriate for the detail of exit arrangements to be negotiated at workforce level, departments responsible for the workforces will take forward the detailed design and analysis of proposals for exit payment reform, within the overall framework and principles for reform.

3.3 The government expects departments to put forward proposals for reform within three months of the publication of the government response (September 2016). Departments should then consult on proposals as appropriate and should follow the normal process of discussions and negotiations with Trade Unions and other workforce representatives in order to seek agreement to their reform proposals. The government expects this discussion process to be concluded, agreement reached and the necessary changes made to compensation schemes and other arrangements within nine months.

4. LIFETIME ISA - DRAFT LEGISLATION

4.1 The *Savings (Government Contributions) Bill 2016*, which would allow for the introduction of new '*lifetime individual savings accounts*' (LISAs) from April 2017, was presented to Parliament on 6 September 2016.

4.2 As announced in the 2016 Budget, it is intended that anyone aged between 18 and 40 years old will be able to open a LISA, to which they can invest up to £4,000 a year, and receive a 25 per cent government bonus, until they reach the age of 50. They will be able to withdraw their savings without losing the Government bonus, so long as they are put towards the purchase of a first home worth up to £450,000; or they can be used at any time from the age of 60 onwards for retirement purposes.

4.3 The Bill provides the basic legislative framework for lifetime ISAs. However, many of the details, including known features such as the government bonus and the implications of withdrawals, will be set out in regulations to be made by the Treasury at a later date.

4.4 Concern has been expressed, particularly within the pensions industry, that LISAs could be an attempt to introduce reforms to pensions taxation 'via the backdoor'. It remains to be seen what the take-up of LISAs is and whether there is any change to the maximum permitted investment amounts in LISAs in future (and further reductions to the Annual Allowance and Lifetime Allowance applying to pension schemes).

5. GREATER MANCHESTER PENSION FUND RECOGNISED AS LEADING THE WAY ON INFRASTRUCTURE

5.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:

- the proposed Government intervention power in scheme investments,
- the requirement for an improved capacity for investment in infrastructure, and
- ensuring that investments be made in the interests of scheme members.

As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available here.

5.2 On 25 October, MPs from the Labour Party submitted an Early Day Motion praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion has been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above). Historically, it is very rare that an EDM to annul a statutory instrument is successful, but it is possible that the date the regulations come into force (currently planned for 1 November 2016) may be delayed slightly.

5.3 The transcript of the debate, which occurred between 4.30 and 5.48 on 24/10/16 covered various issues inclusing Trade Union representation on pools / interests of members, ethical investment, contravening EU law, undemocratic process which should be debated in Parliament two extracts below give some "local" references - highlighted in yellow below:

Jack Dromey 5.09pm

I have been personally involved not just in the negotiations. I have, for example, addressed two conferences for the scheme at national level on the issues of collaboration to ensure ethical investment, which is absolutely a legitimate concern, and infrastructure investment. The then national chair of the local government pension scheme, Kieran Quinn, said, “Why are we investing in light transport in Taiwan when we should be investing more in developing infrastructure here in Britain?” Of course, that is absolutely right.

The hon. Member for Ross, Skye and Lochaber (Ian Blackford) referred to housing. I remember opening a housing development with the leader of Manchester City Council, where local government pension scheme investment was key to building hundreds of affordable homes. The objectives of having an ethical approach and greater investment in infrastructure are absolutely legitimate—so, too, is the move towards pooling. We have got to get it right, but in my time we used to argue for pooling and greater collaboration to make more effective investments.

What is fundamentally wrong about the proposal is that the Government are elbowing to one side the world of local government and telling millions of pensioners how their pensions might best be delivered.

Marcus Jones (Under SoS) ≈ 5.40pm

I assure hon. Members that there is an opportunity for trade union representation on pools. That is a matter for the individual pools themselves and depends on their governance arrangements, but the individual local authority members that support each scheme will have the right to be part of setting up those pooling governance arrangements, and it will therefore be their decision on whether union representatives are on the pools.

There have been extremely good examples of investment in local housing in England, as well as in Scotland, which the hon. Member for Ross, Skye and Lochaber mentioned. There is a good example in Greater Manchester, where funds have been used from the Greater Manchester pension scheme. As I said, a relatively small amount of funding has gone into that type of investment hitherto, and we want to encourage pension funds and pools to increase such investment.

6. RECOMMENDATION

5.1 That the Panel note the report.