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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day:	**Friday**
Date:	**22 September 2017**
Time:	**10.00 am**
Place:	**Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF**

Item No.	AGENDA	Page No

GENERAL BUSINESS

1.	**10.00AM 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** To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 21 July 2017.	1 - 18
b)	**MINUTES OF THE PENSION FUND MANAGEMENT PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 21 July 2017.	19 - 24
c)	**MINUTES OF THE URGENT MATTERS PANEL** To approve as a correct record the Minutes of the meeting of the Urgent Matters Panel held on 23 August 2017.	25 - 26
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	

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

Schedule 12A to the Local Government Act 1972.

Items	Paragraphs	Justification
8,9,10,11,12,13, 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.

6. **10.10AM PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES**

a) **LOCAL PENSIONS BOARD** 27 - 32

To note the Minutes of the meeting held on 24 July 2017.

b) **INVESTMENT MONITORING AND ESG WORKING GROUP** 33 - 36

To consider the Minutes of the meeting held on 14 July 2017.

c) **PENSIONS ADMINISTRATION WORKING GROUP** 37 - 44

To consider the Minutes of the meeting held on 14 July 2017.

d) **ALTERNATIVE INVESTMENTS WORKING GROUP** 45 - 48

To consider the Minutes of the meeting held on 20 July 2017.

e) **EMPLOYER FUNDING VIABILITY WORKING GROUP** 49 - 52

To consider the Minutes of the meeting held on 28 July 2017.

f) **PROPERTY WORKING GROUP** 53 - 56

To consider the Minutes of the meeting held on 28 July 2017.

ITEMS FOR DISCUSSION/DECISION

7. **10.20AM MANAGEMENT SUMMARY** 57 - 60

Report of the Director of Pensions attached.

8. **10.25AM LGPS POOLING UPDATE** 61 - 76

Report of the Assistant Director of Pensions, Funding and Business Development, attached.

9. **10.30AM REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS** 77 - 114

Report of the Assistant Director of Pensions, Investments, attached.

10. **11.05AM PERFORMANCE DASHBOARD** 115 - 134

Report of the Assistant Director of Pensions, Investments, attached.

11. **11.15AM UPDATE ON GMPF'S RESPONSE TO RESPONSIBLE INVESTMENT** 135 - 142

Report of the Assistant Director of Pensions, Investments, attached.

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Item No.	AGENDA	Page No
12.	**11.25AM REPORT OF THE MANAGER** To receive a presentation from representatives of Stone Harbor Investment Partners LP.	143 - 170
13.	**ADVISOR COMMENTS AND QUESTIONS**	
14.	**12.10PM LASALLE INVESTMENT MANAGEMENT ANNUAL STRATEGY REPORT ON THE MAIN UK PROPERTY PORTFOLIO** Report of the Assistant Director of Pensions, Local Investments and Property, attached.	171 - 222
	12.25PM ***ITEMS FOR INFORMATION***	
15.	**PENSIONS ADMINISTRATION UPDATE** Report of the Pensions Policy Manager attached.	223 - 232
16.	**FUTURE TRAINING DATES** Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.	

Fundamentals Training Day 1 **Park Plaza Hotel, Leeds**	**4 October 2017**
Fundamentals Training Day 2 **Park Plaza Hotel, Leeds**	**1 November 2017**
Fundamentals Training Day 3 **Park Plaza Hotel, Leeds**	**5 December 2017**
PLSA Annual Conference **Manchester Central**	**18–20 October 2017**
GMPF Stakeholder Event **Gorton Monastery**	**19 October 2017**
Capital International Training Day **Doubletree, Manchester Piccadilly**	**4 December 2017**
LAPFF Annual Conference **Highcliffe Marriott, Bournemouth**	**6-8 December 2017**

17. DATES OF FUTURE MEETINGS

Management/Advisory Panel	17 November 2017 23 March 2018
Local Pensions Board	19 October 2017 14 December 2017 29 March 2018
Pensions Administration Working Group	13 October 2017 19 January 2018 6 April 2018
Investment Monitoring and ESG Working Group	13 October 2017 19 January 2018 6 April 2018
Alternative Investments Working Group	20 October 2017

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

	26 January 2018 13 April 2018
Property Working Group	27 October 2017 2 February 2018 20 April 2018
Policy and Development Working Group	5 October 2017 1 February 2018 22 March 2018
Employer Funding Viability Working Group	27 October 2017 2 February 2018 20 April 2018

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

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

21 July 2017

Commenced:	**10.00am**	**Terminated: 12.30pm**
Present:	**Councillor K Quinn (Chair)** **Councillors: Andrews (Manchester), Brett (Rochdale), Grimshaw (Bury), Halliwell (Wigan), Mitchell (Trafford), Pantall (Stockport)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE), Mr Flatley (GMB) and Mr Llewellyn (UNITE)** **Local Pensions Board Members (in attendance as observers):** **Councillor Cooper** **Advisors:** **Mr Bowie, Mr Moizer, Mr Powers and Ms Brown**	
Apologies for absence:	**Councillors Barnes (Salford) and Jabbar (Oldham) and Ms Baines (UNISON)**	

1. CHAIR'S OPENING REMARKS

The Chair welcomed new Members to the Panel, Councillor Andrews (Manchester), Councillor Barnes (Salford) and Councillor Jabbar (Oldham). He further extended his gratitude to departing Members, for all their hard work and commitment to the Fund during 2016/17.

2. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 10 March 2017 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 10 March 2017 were signed as a correct record.

4. 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**
8, 9, 10, 11, 12, 13, 14a, 14b, 15a, 15b, 15c, 16, 17	**3&10, 3&10, 3&10, 3&10, 3&10, 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.**

5. LOCAL PENSIONS BOARD

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 30 March 2017 be noted.

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 7 April 2017 were considered.

RECOMMENDED
That the Minutes be received as a correct record.

7. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 7 April 2017 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Aquila Heywood Update, that further update reports be brought to future meetings of the Working Group;
(iii) In respect of Communication Activities, that a draft Communication Strategy be brought to a future meeting of the Working Group;
(iv) In respect of Death Grant Procedure Review, that an update report be brought to a future meeting of the Working Group; and
(v) In respect of Guaranteed Minimum Pension Reconciliation, that an update report be brought to a future meeting of the Working Group.

8. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 13 April 2017 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Private Equity – Review of Strategy and Implementation;

That:

(a) The medium term strategic allocation for private equity remains at 5% value of the total Main Fund assets.

(b) The target geographical diversification of the private equity portfolio remains as:-

Geography	Percentage of portfolio Total Value*
EUROPE, inc UK	40% to 50%
USA	40% to 50%
ASIA	10% to 15%

**** Total Value = Net Asset Value + Undrawn Commitments***

(c) The investment stage diversification of the private equity portfolio remains as:-

<table>
<tr><th rowspan="2">Geography</th><th colspan="3">Stage as a percentage of Regional Total Value</th></tr>
<tr><th>Large Buyout</th><th>Mid-Market Buyout</th><th>Venture</th></tr>
<tr><td>EUROPE, inc UK</td><td rowspan="2">40% to 50%</td><td>40% to 50%</td><td rowspan="3">5-15%</td></tr>
<tr><td>USA</td><td>40% to 50%</td></tr>
<tr><td>ASIA</td><td>40% to 50%</td><td>40% to 50%</td></tr>
</table>

**** Total Value = Net Asset Value + Undrawn Commitments***

(d) The scale of commitment to funds be £280 million per annum, to work towards achievement of the strategy allocation over the next 3/4 years.

(e) The Private Markets team continue to implement the private equity strategy via 3 year programmes of commitments with a target number of commitments over that period of 24 funds. Each commitment to be of the average size of £35 million, in the absence of exceptional factors.

(f) Commitments to European, US and Asian primary buyout funds to be made directly to partnership vehicles. Secondary investments and Venture Capital to be accessed via Fund of Funds but officers to continue to assess the viability of a direct approach giving due consideration to risk, diversification and resource availability.

(g) It continues to be recognised that the portfolio may not fall within the target ranges at (b) and (c) above from time to time to reflect portfolio repositioning.

(iii) In respect of Infrastructure – Review of Strategy and Implementation,
That:

(a) The medium term strategic allocation to Infrastructure funds remains at 5% value of total Main Fund assets.

(b) The target geographical diversification of the infrastructure portfolio remains as:-

Geography	Target Range
EUROPE, inc UK	50% to 70%
N AMERICA	20% to 30%
ASIA-PACIFIC/OTHER	0% to 20%

(c) The target stage diversification of the infrastructure portfolio remains as:-

Investment Stage	Relative Risk	Target Range
CORE & LT CONTRACTED	LOW	30% to 40%

VALUE ADDED	**MEDIUM**	**40% to 60%**
OPPORTUNISTIC	**HIGH**	**0% to 20%**

(d) The scale of fund commitments be £210 million per annum to work towards achievement of the strategy over the coming years.

(e) The Private Markets team continue to implement the Infrastructure strategy via 3 year programmes of commitments, across between 2 and 4 new funds per annum (averaging 3 new funds per annum).

(f) Commitments to primary funds be made directly to partnership vehicles.

(g) It is recognised that the portfolio may not fall within the target ranges at (b) and (c) from time to time to reflect portfolio repositioning.

9. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 21 April 2017 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of GMPF Aged Debt as at 19 March 2017, that a report be brought back to the Working Group detailing the review of escalation procedures for employer related debt; and
(iii) In respect of the Business Plan 2017/18, that further update reports be brought to future meetings of the Working Group.

10. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 13 April 2017 were considered.

RECOMMENDED
That the Minutes be received as a correct record.

11. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 18 July 2017 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Investment Strategy and Tactical Positioning 2017/18:
(a) That there be no material change to asset allocations;
(b) That a 'factor based investment ' portfolio be implemented via the Special Opportunities Portfolio; and
(c) That the Hedging liability risk highlighted in the report be noted for future consideration.
(iii) In respect of Global Trigger Update:
(a) That the updated Fair Value estimate, the associated updated trigger points, and the updated 'size' of the maximum asset switch to be targeted, as contained within the report, be adopted; and

(b) **That a further report be received before the end of the year setting out the process that would be followed and outcomes that would be achieved should a trigger be hit.**

(iv) In respect of the Housing Investment Update:

(a) **That the progression of the three schemes by the Property and Local Investment Team be approved; and**

(b) **That details of the Fund's housing investment and level of returns be circulated to Members of the Working Group and Advisors.**

(v) In respect of Investment Initiatives, that the content of the report be noted, including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair.

12. WORKING GROUP APPOINTMENTS

Consideration was given to a report of the Director of Pensions detailing the appointments to the Working Groups.

RECOMMENDED
That the appointments to the Working Groups be noted.

13. MANAGEMENT SUMMARY

Consideration was given to a report and presentation of the Director of Pensions, which provided a summary of issues and matters of interest arising during the last quarter.

The Director began by explaining that, in 2016, with assets of £17 billion, GMPF was the 9th largest pension fund in the UK. GMPF was also the largest LGPS fund. With a further year of strong returns, GMPF's assets had subsequently risen to over £21 billion.

It was reported that GMPF's returns were particularly strong in 2016/17 (+23.8%). In addition to large market rises, the Fund also significantly outperformed both its benchmark (+20.7%), and Local Authority peers (+21.4%). GMPF was ranked 7th in the Local Authority universe in 2016/17. GMPF was ranked in the top 10 Local Authority funds over the medium to long term, and was second over 30 years.

The latest funding estimates provided by the actuary gave a ratio of asset to liabilities of 97% at 31 March 2017 and 98% at 8 June 2017 using GMPF's ongoing funding basis. GMPF had a funding level of 105.5% using the standardised assumptions set by the Scheme Advisory Board at 31 March 2016. GMPF was ranked joint 14th best funded out of the 89 LGPS funds to submit results. GMPF's relative funding position was likely to have improved over the period since the valuation date due to the Fund's asset out-performance in 2016/17.

The Director informed Members that following the Grenfell Tower tragedy, a review of all existing fire safety arrangements in properties owned by the Fund, was currently being undertaken.

With regard to Pooling, it was reported that officers from the three Northern Pool funds were jointly undertaking a procurement exercise for a common custodian for the Pool, with a view to having selected a preferred supplier by 1 April 2018.

It was further reported that officers from the three Northern Pool funds had been meeting to discuss all aspects of how Private Equity investment activities could be managed on a joint venture basis. Specialist external legal advice was in the process of being procured with a view to designing and implementing an appropriate legal framework for these activities. A broad investment strategy proposal had been outlined and officers were now turning to the operational aspects of how a pooled approach to Private Equity would work.

In December 2016, GLIL was expanded to include the pooling partners of LPFA and GMPF. Together with an additional £250 million commitment from GMPF, total commitments to GLIL increased from £500 million to £1.3 billion. GLIL and its members were working on a revised structure that would facilitate the admission of additional LGPS funds. This structure would need to be FCA registered and a number of options to achieve that were being evaluated.

It was explained that GMPF had long been committed to investments in housing which met its twin aims of commercial returns and positive local impact. The extension of investment in housing was a key part of pooling proposals and had been well received by Government. The Minister was considering an invitation to the Fund offices and sites to see how GMPF and Northern Pool were leading the way in this sector. Work continued on housing investment through the Matrix model and through mezzanine financing to private sector developers.

In respect of LGPS Investment Regulations, Members were informed that in June 2017, the Government suffered a defeat in the High Court after its regulations on Local Government Pension Scheme (LGPS) investments were deemed unlawful. Statutory guidance referred to by the regulations came into force on 1 November 2016. The guidance permitted ethical and social objections to a particular investment to be taken into account. However, the guidance also stated that administering authorities must not:

'…..*(Use) Pension policies to pursue boycotts, divestment and sanctions ('BDS') against foreign nations and UK defence industries…other than where formal legal sanctions, embargoes and restrictions had been put in place by the Government'.*

or

'pursue policies that were contrary to UK foreign policy or UK defence policy'.

The guidance was subsequently challenged in the High Court by the Palestine Solidarity Campaign (PSC) to overturn the regulations via a judicial review, where it argued the government had acted outside of its powers, and it was 'lacking in certainty'.

It was explained that the High Court judgement supported the Fund's position and the considered way in which the Fund applied social, ethical or environmental factors to investment decisions.

In respect of Financial Conduct Authority (FCA) Asset Management Market Study, it was reported that the findings of the FCA asset management market study were published on 28 June 2017. The final report confirmed the findings set out in the interim report published last year, noting:-

- That despite a large number of firms operating in the market, there was evidence of 'sustained, high profits over a number of years'.
- Investors were not always clear what the objectives of funds were, and fund performance was not always reported against an appropriate benchmark;
- The FCA found concerns about the way the investment consultant market operated.

The remedies the FCA were taking forward were outlined in the report.

Members were given further information with regard to Project Magpie, which concerned one of GMPF's largest private-sector employers, who had proposed to consolidate its two other LGPS arrangements into GMPF. This proposal was considered by the Policy and Development Working Group in February 2017, with the Working Group recommending to Panel at its March meeting that this be approved in principle, subject to certain conditions being met. The consolidation would be effected by a Direction from the Secretary of State and the signing of admission agreements with the two operating companies. A final draft of the Direction was currently out for consultation with the three funds and the employer, with the effective date of the Direction being 1 November 2017.

With regard to the Business Plan, it was reported that Senior Managers of the Fund had been reflecting on what priority projects needed to be focused on to achieve the best outcome for the Fund and to ensure returns were maximised and long term financial sustainability acheived, in order to meet it liabilities in the interests of taxpayers, employers and members alike and the appropriate resources to do this.

A draft Business Plan was set out in an Appendix to the report and the relevant priorities were being discussed at the appropriate working groups.

Mr Bowie made reference to the extensive list of tasks detailed in the Business Plan and encouraged officers to prioritise these tasks.

The Director of Pensions concurred with Mr Bowie and emphasised the importance of setting out clear timescales and the need to understand the Team's capacity. She further explained it had been identified that not all work could be undertaken in-house and, therefore, some external support had been sought.

The Chair thanked the Director and the Team for all their hard work and echoed the importance of prioritising the workload.

RECOMMENDED
That the content of the report and progress on matters raised be noted.

14. LGPS POOLING UPDATE

The Assistant Director of Pensions, Funding and Business Development, submitted a report providing 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.

It was explained that there were several differences between the Northern Pool and the other LGPS pools, in particular:-

- The Pool consisted of 3 large funds with relatively simple and distinct management arrangements, which meant that the scope for generating further economies of scale in respect of the management of listed assets was limited; and
- The number of participants in the Pool was small enough to allow collective investments to be made in alternative assets via joint ventures, as each fund could be directly involved in the investment decision making process (this approach had worked well to date on the GLIL infrastructure partnership).

It was further explained that the vice-chairs and independent advisors of each of the funds had taken part in a half-day workshop on 28 March 2017, with the benefit of external legal and financial advice at which they considered in detail the Government's pooling requirements and how the funds could operate most effectively in this environment. It was agreed that the majority of the benefits of pooling for the funds in the Northern Pool were in respect of alternative assets where there was greatest scope to generate further economies of scale to combine resources to make increasingly direct investments. It therefore made sense for the Northern Pool to continue focusing resource in this area.

The main on-going areas of work in the Pool were set out in the report.

Members were informed that the Northern Pool had set itself the challenging ambition of financing the construction of 10,000 new homes over the next 3 years, using a wide range of funding approaches. As previously advised (Minute 13 above, refers), the pool had offered to facilitate a meeting with the Minister to demonstrate some of the ongoing work on housing. This would include the Matrix Homes initiative and the provision of mezzanine finance to commercial developers. This demonstration could include site visits to existing and future sites.

RECOMMENDED
That the national pooling developments and the progress of the Northern Pool be noted.

15. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2017/18

A report was submitted by the Assistant Director of Pensions, Investments, and a presentation delivered, reviewing the benchmark asset allocations for the Main Fund and Investment Managers and considered changes to the investment restrictions.

It was reported that the Investment Managers and Advisors believed that the current investment strategy was broadly capable of delivering the required returns over the long term (albeit there were short/medium term caveats). Economic uncertainties remained, with a medium term outlook which could potentially encompass a number of unattractive scenarios. In such circumstances, it was not apparent that any significant changes to the Fund’s approach would prove beneficial.

The increasing maturity profile of Fund employers as public sector spending reductions continued, was likely to reduce the tolerance of the Fund to its volatility of returns between years. Hymans Robertson were currently undertaking work with officers on this issue.

Attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers as issues raised during the 2016 Actuarial Valuation continued to be followed up.

Members were informed that, historically, the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to just over 5.5% of Main Fund assets. It was not considered reasonable to expect La Salle to be able to move too rapidly towards the 10% benchmark allocation. In light of this, it was recommended that, following the approach used for some time for Alternative Assets, a ‘realistic benchmark’ allocation was used in respect of Property which would rise from 7% to 10% over the coming three years. Separately, ‘realistic’ benchmarks for Private Equity, Infrastructure funds and Direct UK Infrastructure would be maintained.

One immediate implication of the increasing maturity of the fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund’s investment managers.

The assimilation of Probation Assets substantially increased the amount of assets managed by L&G, and over the course of the year the bulk of the aggregate cash requirements would come from that Manager following the July 2016 Panel decision. This would continue to reduce somewhat the post assimilation concentration of assets with L&G to around a quarter of the Fund.

It was concluded that the Fund was now facing a range of strategic and tactical investment related issues, each having their own ‘research agenda’ in terms of background work, policy formulation and practical implementation. How the Fund addressed these issues and implemented suitable changes would be a critical determinant of its standing in 5 or 10 years time. Members were advised that the Advisors had been consulted initially for their comments on the Managers’ submissions, and also through their attendance at the Policy and Development Working Group on 18 July 2017, where detailed discussion on the key relevant points of an initial draft of the report had taken place. They were supportive of the recommendations.

RECOMMENDED
That:

1. **Any requirements for cash to be withdrawn from the securities managers (with the exception of the 10% reduction in Capital's assets under management to partially fund the Multi-Asset Credit manager) to be taken from L&G, until L&G's share of assets is reduced from approximately 30% to approximately 25% of the Main Fund. Any further cash requirements to be withdrawn from UBS.**

2. **Main Fund Overall Asset Allocation**
   (a) **Adjust the Public Equity and Bond weightings pro-rata to take account of the changes in 'realistic benchmark' allocations to Property and Local Investments.** ***[see 6. (b) and 7. (e) below]***

3. **Public Equity Allocation**
   (a) **Maintain the Public Equity split at 35% UK and 65% Overseas.**
   (b) **Maintain the Overseas equity split at : North America 32.5%; Europe (ex UK) 27.5%; Japan 15%; Pacific 10% and Emerging Markets 15%.**

4. **Debt Related Investments (inc Bonds)/Cash Allocation**
   (a) **No immediate change to current individual bond benchmark allocations.**
   (b) **No change to the 3.2% allocation to Strategic Cash.**

5. **Alternative Investments**
   (a) **Private Equity: The recommendations of the Alternative Investments Working Group be adopted (minute 24 refers).**
   (b) **Infrastructure: The recommendations of the Alternative Investments Working Group be adopted (minute 26 refers).**
   (c) **Special Opportunities Portfolio: The recommendations of the Alternative Investments Working Group be adopted (minute 13 refers).**

6. **Property**
   (a) **Maintain the long term target allocation to property at 10% of total Main Fund assets, broadening the range of approaches to obtaining the target 10% exposure.**
   (b) **Phase in 'realistic benchmark' allocations to reflect the forecast investment programmes and movement towards the 10% target, as follows :**

	31 March 2017 Actual Position	2017/18 Realistic% Range% Cash flow	2018/19 Realistic% Range% Cash flow	2019/20 Realistic% Range% Cash flow
Main Portfolio External	3.25%	4 3-5 £150m-£250m	5 4-6 £150m-£250m	6 5-7 £150m-£250m
Indirect	1.51%	1 0-2 (£0m)-(£25m)	1 0-2 (£0m)-(£25m)	1 0-2 (£0m)-(£25m)
Overseas	0.52%	1 0-2 £50m-£150m	1.5 1-3 £50m-£150m	2 1-3 £50m-£150m
Other	0.26%	0.5 0-1 £25m-£75m	0.75 0-2 £25m-£75m	1 0-2 £25m-£75m
Total	5.54%	7 6-14 £225m-£450m	8 6-14 £225m-£450m	10 6-14 £225m-£450m

7. Local Investment

(a) Maintain the overall limit on those assets which are locally invested at 5% of Main Fund as agreed at the July 2011 Panel whilst recognising the new collaborative initiatives of the North West Impact Portfolio.

(b) Recognise that whilst the strategic allocation to Direct UK Infrastructure of 5% previously agreed is managed by the local team it forms part of the overall allocation to infrastructure.

(c) Reflect the changes in the way in which the GMPVF is being managed and the priority given to housing investment by combining the two previous allocations.

(d) Reflect the consolidation of I4G and impact portfolios and recognise opportunities for increased deployment to be overseen by the Policy and Development Working Group.

(e) Continue to phase in 'realistic benchmark' allocations to reflect the re-set investment programmes and movement towards the respective targets, as follows:

	2017/18 Realistic% Range% Cash flow	2018/19 Realistic% Range% Cash flow	2019/20 Realistic% Range% Cash flow
GMPVF and housing	1.5 1-2 £100m	2 1-3 £100m	2.5 2-3 £100m
Impact Portfolio and legacy I4G	1 0.5-1.5 £50m	1.25 0.75-1.75 £50m	1.5 1-2 £50m
Total	2.5 1.5-3.5 £150m	3.25 1.75-4.75 £150m	4 3-5 £150m

8. Implementation
The nature, timing and detailed implementation of any benchmark changes necessary to reflect the decisions of the Panel be settled by the Executive Director of Pensions following consultation with the Advisors and/or managers where appropriate.

16. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions, Investments, submitted a report in relation to the Fund's consideration of Investment Management arrangements and the appointments of the Fund's external active Securities Managers.

It was explained that the contracts with both the Fund's active multi-asset Securities Managers (Capital International and UBS) contained fee arrangements which covered the three year period ending 31 March 2017. The end of the three year fee cycle provided a natural break-point for the initiation of a review of the Investment Management arrangements of the Fund.

However, at the meeting of the Panel on 11 March 2016, it was resolved to extend the fee arrangements with Capital and UBS by twelve months to 31 March 2018, given the uncertainty at the time in relation to LGPS pooling. It was now necessary to commence the review of Investment Management arrangements in order that an agreed way forward would be in place with effect from 1 April 2018. The roles of Capital and UBS for the Fund would need to be considered in parallel with the more fundamental review of Investment Management arrangements.

It was further explained that Hymans Robertson, Actuary to the Fund, were assisting with the review of Investment Management arrangements and it was anticipated that, as part of the review, reports would also be brought to the September and November Panel meetings.

Mr Marshall of Hymans Robertson then delivered a presentation which set out an introduction to the structural review in the following three main sections:

The ‘Helicopter View’
Mr Marshall began by explaining that there would be many ways for the Fund to achieve ‘success’, with the preferred way being guided by a combination of regulation, investment principles and the beliefs of the organisation responsible for delivering success.

The Fund’s strategic evolution would depend largely upon the funding basis that could be targeted as ‘steady state’ (i.e. when the Fund was fully funded on an acceptable basis, contributions were at an affordable level and Fund’s assets expected returns were sufficient to deliver the benefits accrued).

The Fund’s strategy was expected to evolve over time, reducing its exposure to equity markets with a greater allocation to higher ‘yielding’ assets; this was a trend that the fund had already been following over recent years. Any structural decision should take into account this anticipated strategic evolution.

Current investment arrangements and focus
Members were informed that the Fund’s current asset allocation (based on strategic ‘building blocks’) was 61% equities, 20% enhanced yield, 6% credit and 13% protection. Using these building blocks gave clarity on the roles that different asset classes performed in the Fund’s investment arrangements.

The majority of the Fund’s assets, including all the equities and fixed income assets, were managed externally. It was these externally managed mandates that would be the main focus of the review.

Investment beliefs
It was explained that investment beliefs helped set out the Fund’s long-term objectives as well as the strategic and structural decisions relating to these objectives. Given their importance, it was recommended that, over the next 12-24 months, the Fund’s Beliefs Statement be reviewed and updated to reflect the current position of the Fund.

Mr Marshall also focused on the strategic direction of travel and the aim to be fully funded on a basis that offered the ability to run a lower risk portfolio but also on a funding basis that maintained an affordable level of future service contributions.

The Advisors commented on the notion of ‘steady state’ and sought clarification in respect of aims and objectives going forward now that the Fund was nearly 100% funded and asked if the funding target should not now be higher, given the maturing nature of the Fund and the risks associated with this.

RECOMMENDED
That the content of the report and presentation be noted.

17. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing three illustrative high level reports generated by Portfolio Evaluation.

The first report gave a high level overview of Main Fund performance measured against overall benchmark performance over various time periods extending up to 10 years. The second report provided a Main Fund analysis by Securities Manager, and the third report provided a Main Fund analysis by Asset class. Portfolio Evaluation produced a large number of further reports which allowed officers to 'drill down' into much more detailed analysis of performance.

The illustrative reports provided the performance of all investment areas of the Main Fund including a single page view of performance, giving a sense of the fund as a whole and highlighting important drivers of Main Fund return.

It was further reported that Hymans Robertson were assisting officers in the development of the Performance Dashboard, and a draft version was attached to the report for consultation with the Panel.

RECOMMENDED
That the content of the report be noted.

18. QUARTERLY REPORTS OF THE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 December 2016 and 31 March 2017

A report of the Assistant Director of Pensions, Investments, was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 31 December 2016 and 31 March 2017.

RECOMMENDED
That the report be noted.

(b) External Managers' Performance

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

It was noted that in the quarter to 31 March 2017, Capital had outperformed by 1.4% against their benchmark index of 5.8%. UBS had underperformed by 0.1% against their benchmark index of 3.9%, and Legal & General had broadly succeeded in tracking their benchmark.

Performance figures for the twelve months to 31 March 2017 were detailed which showed that Capital had underperformed their benchmark by 0.4% and UBS had significantly outperformed their benchmark by 5.2%. Legal & General had broadly succeeded in tracking their benchmark.

RECOMMENDED
That the content of the report be noted.

19. ANNUAL PERFORMANCE REPORTS

(a) Long Term Performance 2016/17 – Main Fund & Active Multi-Asset Managers

Consideration was given to a report of the Assistant Director of Pensions, Investments, which advised Members of the recent and longer term performance of the Main Fund as a whole and of the external active multi-asset Fund Managers. Detailed results covering periods up to 30 years were given.

It was reported that the Main Fund was in the top 10% of the Local Authority Pension Funds surveyed over 30 years and was the second best performing Local Authority Fund over the 30 year period.

The performance of UBS over their time as a Manager for the Fund had been excellent. Capital International had, however, underperformed their benchmark over 3, 5, 10 and 15 years.

(b) Cash Management

A report was submitted by the Assistant Director of Pensions, Investments, which explained that the Fund adopted a relatively prudent approach to its cash management. The report outlined the constraints in place to ensure an appropriate level of prudence, focusing primarily on capital preservation and secondly on higher returns. It also detailed the performance achieved last year and over the last three years.

The report concluded that the Pension Fund's cash had been generally well managed. Performance in 2016/17 exceeded market returns and total interest received was £3.0 million.

(c) Long Term Property Performance (Including IPD Review of the Main UK Property Portfolio for 2016)

The Assistant Director of Pensions, Local Investments and Property, submitted a report, which advised Members of the recent and longer term investment performance of:

(i) the 'LaSalle Managed Portfolio' (comprising directly-owned properties and 'specialist' indirect property funds now managed externally by LaSalle Investment Management); and Direct Property Portfolio (comprising directly owned properties and 'Specialist' Indirect Funds now managed externally by LaSalle Investment Management); and

(ii) the 'UK Balanced Property Pooled Vehicle Portfolio' and 'Overseas Property Portfolio' (both managed by the Director of Pensions.

It was reported that, after several years of good relative performance against other asset classes, returns for UK commercial property dipped in 2016, with concerns over pricing levels and future occupational demand as the current real estate cycle moved towards its later stages, having peaked in 2014. These concerns were exacerbated by the UK's decision to leave the European Union (EU). Therefore, caution was being taken with regard to current investment activity.

The longer term under-investment to property by GMPF had been generally detrimental to the Fund's overall performance and the main portfolio had lagged its IPD benchmark over all timeframes. La Salle was now in its third year of managing the main portfolio and had made steady progress in turning performance around, with performance this year more or less matching the benchmark overall. The Fund's directly held properties had outperformed the benchmark, but the specialist indirect funds had dragged performance and remained a concern for both LaSalle and the in-house property team. The internally managed UK balanced portfolio had done well in recent years, although overall it slightly underperformed its benchmark in 2016, with two of the retail funds, managed by Aviva and Standard Life fairing the worst. It was too early to monitor performance for the overseas portfolio.

RECOMMENDED
(i) That the content of the report be noted; and
(ii) That LaSalle present to the next meeting of the Panel in September, on their past performance and future strategy.

20. REPORTS OF THE MANAGERS

The Assistant Director of Pensions, Investments, submitted a report giving details of the Management reports of Capital International, UBS Asset Management and Legal & General for the latest quarter.

The Chair then introduced Malcolm Gordon, Jonathan Davies and Steve Magill of UBS Asset Management, who would be presenting before Panel today.

Mr Davies began by reporting on a positive 12 months with the portfolio outperforming the benchmark by over 5%.

In respect of the market background, it was explained that most asset classes had performed very strongly over the last 12 months, and that a large part of this was due to exchange rate changes, triggered by Brexit.

In respect of multi asset performance, a strong outperformance from UK equities was reported, with a mixed relative performance from overseas equities. Concerns were expressed that Europe ex UK should have performed better.

The long-term return objective examined the efficiency of the main fund portfolio and its ability to meet its objective.

Mr Davies commented that the long-term return objective should be achievable particularly if managers outperformed their benchmarks.

Mr Davies further commented on interest rates and that UBS was underweight bonds and awaiting opportunities to buy once interest rate expectations have risen.. The possible causes of abnormally low interest rates were explored.

In respect of a Global Equity Valuation, it was explained that, prices were estimated as close to fair value, with a strong price/value discrepancy signal between the US and the rest of the world.

It was summarised:-

- that the current low rate environment was a challenge but long-term targets were still achievable;
- It was not expected that low interest rates would persist indefinitely;
- Avoid assets which were likely to underperform when interest rates normalised; and
- Concentrate exposures where relative value lies.

Mr Magill then commented on UK Equity performance, which had performed very well over the 12 month period. He added that performance was expected to continue to be cyclical in the future.

Stock attribution for the 12 months to 31 March 2017 was detailed and discussed. It was explained that UK banks were the largest overweight in the portfolio and that banks were, in general, in better shape with stronger balance sheets post financial crisis, better cost control and more shareholder focused management.
The top 5 overweight and underweight sector positions were also outlined.

Mr Moizer disagreed with UBS's stance on interest rates and expressed his view that the prospect of a chaotic Brexit was high.

Members sought further clarification with regard to the changing business model of banks amid competition from the internet and the greater risk of a divergence from their traditional way of working.

Mr Magill, in his response, explained that the banking sector was a highly regulated industry and that, on the whole, people were quite careful about moving their bank accounts and, generally, they wanted the stability of a well-established bank.

Mr Gordon then advised Members of a European Equity proposal, where the responsibilities of the UK Value Team were expanded to include management of European equity strategy. This was believed to be in the best interests of the Fund.

The implementation process was explained and key risks and questions were addressed.

Clarification was sought that this would not dilute the 'value' approach. Mr Magill assured Members that investment philosophy and process would not change.

Ms Brown sought reassurance that the UK Team knew the European Market as well as they needed to.
Mr Magill advised that, the UK Team aimed to ensure that shares were bought very cheaply, so that there was a significant 'margin of safety'. He added that there was a belief that the strategy would be successful in Europe.

Mr Moizer enquired as to the position of the European Team going forward.

Mr Magill explained that the analysts would continue as they had always done and be used as a resource, with the UK Team assuming the Portfolio Manager role.

RECOMMENDED
(i) That the content of the presentation be noted; and
(ii) That the European Equity Proposal, as detailed in the presentation and above, be agreed.

21. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2016/17

The Assistant 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; and
(iii) That the Annual Report be approved.

22. PENSIONS ADMINISTRATION UPDATE

Consideration was given to a report of the Pensions Policy Manager providing an update on recent administration activities, in particular:

- Key work and projects progressed over the last quarter;
- Work planned for the next quarter;
- Comments on current workload and performance; and
- Relevant regulatory and legislative updates.

RECOMMENDED
That the content of the report be noted.

23. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

UBS Trustee Training Day Hilton Hotel, Deansgate, Manchester	9 August 2017
LGC Investment Summit Celtic Manor, Newport	7-8 September 2017
Fundamentals Training Park Plaza Hotel, Leeds	
Day 1	4 October 2017
Day 2	1 November 2017
Day 3	5 December 2017
PLSA Annual Conference Manchester Central	18-20 October 2017
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	6-8 December 2017

Special Event for note – GMPF Stakeholder Event – 19 October 2017 at Gorton Monastery

24. 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	22 September 2017 17 November 2017 23 March 2018
Local Pensions Board	24 July 2017 19 October 2017 14 December 2017 29 March 2018
Pensions Administration Working Group	13 October 2017 19 January 2018 6 April 2018

Investment Monitoring & ESG Working Group	13 October 2017 19 January 2018 6 April 2018
Alternative Investments Working Group	20 October 2017 26 January 2018 13 April 2018
Property Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018
Policy and Development Working Group	5 October 2017 1 February 2018 22 March 2018
Employer Funding Viability Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018

CHAIR

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GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

21 July 2017

Commenced:	**10.00am**	**Terminated:12.30pm**
Present:	**Councillor K Quinn (Chair)**	
	Councillors: Councillors: Andrews (Manchester), Brett (Rochdale), Cooney, J. Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), J Lane, Mitchell (Trafford), Pantall (Stockport), Patrick, Ricci, S Quinn, M Smith and Ward	
Apologies for Absence:	**Councillors: Middleton and Taylor and Ms Herbert (MoJ)**	

1. CHAIR'S OPENING REMARKS

The Chair welcomed new Members to the Panel, Councillor Andrews (Manchester), Councillor Barnes (Salford) and Councillor Jabbar (Oldham). He further extended his gratitude to departing Members, for all their hard work and commitment to the Fund during 2016/17.

2. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 10 March 2017 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 10 March 2017 were signed as a correct record.

4. 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
8, 9, 10, 11, 12, 13, 14a, 14b, 15a, 15b, 15c, 16, 17	**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.**

5. LOCAL PENSIONS BOARD

RESOLVED
That the Minutes of the proceedings of the Local Pensions Board held on 30 March 2017 be noted.

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 7 April 2017 were considered.

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

7. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 7 April 2017 were considered.

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

8. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 13 April 2017 were considered.

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

9. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 21 April 2017 were considered.

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

10. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 13 April 2017 were considered.

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

11. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 18 July 2017 were considered.

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

12. WORKING GROUP APPOINTMENTS

A report of the Director of Pensions was submitted.

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

13. MANAGEMENT SUMMARY

A report of the Director of Pensions was submitted and a presentation delivered.

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

14. LGPS POOLING UPDATE

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

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

15. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2017/18

A report of the Assistant Director of Pension, Investments, was submitted and a presentation delivered.

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

16. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions, Investments, was submitted.

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

17. PERFORMANCE DASHBOARD

A report of the Assistant Director of Pensions, Investments, was submitted.

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

18. QUARTERLY REPORTS OF THE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 December 2016 and 31 March 2017

A report of the Assistant Director of Pensions, 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 Director of Pensions, Investments, was submitted.

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

19. ANNUAL PERFORMANCE REPORTS

(a) Long Term Performance 2016/17 – Main Fund & Active Multi-Asset Managers

A report of the Assistant Director of Pensions, Investments, was submitted.

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

(b) Cash Management

A report of the Assistant Director of Pensions, Investments, was submitted.

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

(c) Long Term Property Performance (Including IPD Review of the Main UK Property Portfolio for 2016)

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

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

20. REPORTS OF THE MANAGERS

A report of the Assistant Director of Pensions, Investments, was submitted and a presentation of UBS Global Asset Management was delivered.

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

21. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2016/17

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

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

22. PENSIONS ADMINISTRATION UPDATE

A report of the Pensions Policy Manager was submitted.

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

23. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

UBS Trustee Training Day Hilton Hotel, Deansgate, Manchester	9 August 2017
LGC Investment Summit Celtic Manor, Newport	7-8 September 2017
Fundamentals Training Park Plaza Hotel, Leeds	
Day 1	4 October 2017
Day 2	1 November 2017
Day 3	5 December 2017
PLSA Annual Conference Manchester Central	18 – 20 October 2017
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	6 – 8 December 2017

Special Event for note – GMPF Stakeholder Event – 19 October 2017 at Gorton Monastery

24. 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	22 September 2017 17 November 2017 23 March 2017
Local Pensions Board	24 July 2017 19 October 2017 14 December 2017 29 March 2018
Pensions Administration Working Group	14 July 2017 13 October 2017 19 January 2018 6 April 2018
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Alternative Investments Working Group	20 October 2017 26 January 2018 13 April 2018
Property Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018
Policy and Development Working Group	5 October 2017 1 February 2018 22 March 2018
Employer Funding Viability Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018

CHAIR

GREATER MANCHESTER PENSION FUND URGENT MATTERS PANEL

23 August 2017

Commenced: 9.30am **Terminated: 9.45am**

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

Councillors Cooney, JM Fitzpatrick and Pantall

Apologies for Absence **Councillor M Smith**

1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

2. MIFID II: CLIENT CATEGORISATION

Consideration was given to the Assistant Director of Pensions, Investments, which explained that the Financial Conduct Authority's implementation of MiFID II would categorise Local Authorities as Retail Clients, a change from the current Professional Client status and a one which would severely hamper the Fund's ability to implement its Investment Strategy.

It was explained that 'Opting-up' to Professional Client status would enable the Fund to continue to operate in the way that it had done to date and to continue to access the full range of investment products and services necessary to implement the Investment Strategy.

The implications for GMPF of not 'Opting up' were detailed and the implementation process was outlined, (and appended to the report). It was explained that the fund would need to 'Opt-up' by requesting Professional Client status of each firm with which it intended to conduct investment business or from which it wished to receive information in respect of investment products and services.

It was expected that firms would require confirmation and evidence that a decision to opt-up had been approved at the appropriate level within the Fund's governance structure and that there was clear delegation to appropriate officers of the fund to implement such a decision.

Discussion ensued with regard to the above and the Director of Pensions explained the urgent nature of the large volume of work required to be completed before the change in client categorisation came into force on 3 January 2018 and in particular how everyone would be undertaking at the same time the need to get ahead.

Chair highlighted the importance of 'Opting-up' and agreed that officers should commence the work required to achieve this, expediently. He further gave assurances that any additional resources required to complete this process would be made available to the Director of Pensions.

RESOLVED

(i) That GMPF would look to 'Opt-up' to elective Professional Client status wherever required in pursuit of implementing its Investment Strategy; and

(ii) That the Director of Pensions be authorised to implement the 'Opt-up', as necessary.

CHAIR

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GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

24 July 2017

Commenced: 2.00pm **Terminated: 3.55pm**

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

1. DECLARATIONS OF INTEREST

In noting that reports and minutes of Local Board meetings were submitted for information only and that no decisions were made, Board members declared their interests as follows, for transparency:

Member	**Subject Matter**	**Type of Interest**	**Nature of Interest**
Richard Paver	Agenda Item 4	Personal	Chair of a Multi-Academy Trust in Manchester and a member of the Finance Committee at MMU
Mark Rayner	Agenda Item 4	Personal	Spouse of Shadow Secretary of State for Education

2. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 30 March 2017, having been circulated, were signed by the Chair as a correct record.

Mr Paver made reference to Minute 37, Internal Audit Visits to Contributing Bodies – Outcomes and Learning, and the most appropriate way forward to address issues found at the visits, to ensure the correct contributions were being sent to the Pension Fund.

The Director of Pensions assured Board Members that the Pensions Administration Team would continue to work with Internal Audit to identify ‘themes’ and agreed that a more systematic approach was required. She added that the Greater Manchester Authorities were giving consideration to designating a shared resource to work specifically with GMPF.

3. EDUCATION SECTOR EMPLOYERS

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, which explained that, over recent years, changes in the education sector had increased administrative complexity for Local Government Pension Scheme (LGPS) Administering Authorities and increased resource requirements.

The report provided the Board with an update on national developments relating to education sector employers and recent initiatives designed to improve how academy schools and their contractors interacted with LGPS Administering Authorities. The report also provided an overview of Greater Manchester Pension Fund's current administration and funding arrangements in relation to education sector employers.

Discussion ensued with regard to the above and in particular, the difficulties arising from the outsourcing of contracts by schools and Academies and the impact this has on the Pensions Administration team in respect of the quality of data received.

RESOLVED
That the content of the report be noted.

4. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Management Panel at its meeting on 21 July 2017 and the recommendations made by the six GMPF working groups.

It was explained that Tameside MBC delegated its decision making in respect of GMPF to the Management Panel which in turn permitted the Director of Pensions to implement its strategy via delegated powers. The Pension Fund Advisory Panel worked closely with the Management Panel, and advised them in all areas. Each local authority was represented on the Advisory Panel, and there were five employee representatives nominated by the North West TUC.

Four external advisors assisted the Advisory Panel, in particular regarding investment related issues. A key element was helping it to question the Fund's investment managers on their activities. GMPF also had six permanent working groups, which considered particular areas of its activities and made recommendations to the Management Panel. The Working Groups covered:-

- Alternative Investments;
- Policy and Development;
- Employer Funding Viability;
- Investment Monitoring and Environmental, Social and Governance (ESG);
- Pensions Administration; and
- Property.

The Panels and Working Groups met quarterly and the recommendations of each of the working groups from the meetings that had taken place since the last meeting of the Local Board, were set out in the report.

Members sought further information in respect of the Employer Funding Viability Working Group and the review of escalation procedures for employer related debt.

The Assistant Director explained that this would be discussed further at the next meeting of the Working Group on Friday 28 July 2017.

RESOLVED
That the content of the report be noted.

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

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted explaining that the GMPF Statement of Accounts and Annual Report had been submitted to the GMPF Management Panel on 21 July 2017.

The report provided details of the governance arrangements for approval of GMPF accounts and a simplified accounts summary.

A copy of the Audit Findings report was appended to the report and a link was also provided to the Annual Report, as published on the GMPF website.

It was noted that the Auditors had given a clean bill of health and the accounts were unqualified.

Members were also asked to note the Local Board Annual Report contained within the GMPF Annual Report, which summarised the activity of the Board over the past year.

RESOLVED
(i) That the governance arrangement for approval of GMPF accounts be noted;
(ii) That the Audit Findings Report from Grant Thornton be noted; and
(iii) That the Annual Report and specifically the section on Local Board activities, be noted.

6. ASSESSMENT OF LOCAL BOARD TRAINING NEEDS

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, which explained that the 2015 Governance Regulations required employer and Member representatives to have the 'capacity' to represent employers and Members respectively. Board members were also required to acquire appropriate 'knowledge and understanding' of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be 'appropriate for the purposes of enabling the individual to properly exercise the functions of a member of a Local Board'.

Shortly after its inception, each member of the Board undertook an individual assessment of their knowledge and understanding in order to identify the training needs of the Board as a whole. The results of the assessment were appended to the report.

The agreed areas for improvement of collective knowledge and understanding were identified as follows:-

- Internal Controls;
- Resolving disputes; and
- Funding and Investment.

These areas were the focus of the training programme during 2016.

Details of forthcoming Trustee training opportunities were also detailed.

Board members were further informed that the Pensions Regulator had developed an online learning programme specifically to help meet the needs of Pension Board members. The programme was broken down into 7 different modules and an individual completion of the individual models was automatically logged. A link for the Pension's Regulator's Toolkit was provided.

Discussion ensued with regard to training needs.

RESOLVED
That all Board members sign up for the Pension's Regulator's Toolkit and complete the learning programme, in order to define training needs going forward.

7. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

A report was submitted by the Assistant Director of Pensions, Investments, explaining that, in 2016, the Fund's approach to Manager Monitoring, and the Management Information that was presented to the Panel, was identified as areas for review and enhancement.

Members were informed that the broad intention 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, through the use of a 'dashboard' approach.

At the September 2016 meeting of the Management Panel, the Panel accepted the recommendations made regarding the changes to the arrangements for Securities Manager attendance at Panels and Working Groups and the Monitoring Escalation Protocol.

The report set out the basis upon which Securities Managers would attend future Panels and Working Groups and summarised the results from the Monitoring Escalation Protocol as at 31 March 2017.

It was 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.

RECOMMENDED
That the content of the report be noted.

8. RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2016/17

The Head of Risk Management and Audit Services submitted a report summarising the work performed by the Service Unit and provided assurances as to the adequacy of the Pension Fund's systems of internal control.

Key achievements of the service provided to the Pension Fund for 2016/17 were detailed.

The full year position of the audit plan was appended to the report. Actual days spent as at 31 March 2017 were 267.91 which equated to 93% and 89% of planned audits were completed in those days.

It was reported that audits were undertaken on a number of the financial systems used by the Pension Fund. Where issues were identified as part of the systems audit work, action plans were agreed with management and where not already done, these would be followed up in due course:-

- Pensions Benefits Payable; and
- Debtors.

Details were also given of post audit reviews carried out and it was reported that assurance had been given that systems were now operating more effectively and that where recommendations made had not yet been implemented, Internal Audit was satisfied with the reasons put forward to management.

With regard to anti-fraud work and irregularity investigations, Board members were informed that there had been no fraud cases notified to the Internal Audit team during the year, in relation to the Pension Fund.

In respect of the National Fraud Initiative, it was reported that work was ongoing in relation to the NFI 2016 Data Matching Exercise, which became available from January/February 2017. Updates would be provided to future meetings of the Local Board as the investigations were progressed.

With regard to Information Governance, a number of the Information Governance Framework documents were refreshed during the year and presented to the Tameside Audit Panel in November 2016 for approval.

Progress was delayed in terms of reviewing the risk management and business continuity processes for the Council as the Risk and Insurance Manager, who transferred to Greater Manchester Connect on secondment in October 2015 had his secondment extended and the Risk and Insurance Officer was on Maternity Leave from November 2016. This would be carried forward as a high priority for 2017/18.

Key Performance Indicators for 2016/17 applicable to the Pension Fund were detailed in the report and it was reported that performance indicators had been achieved.

The report concluded that, overall, the Head of Risk Management and Audit provided reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, were suitably designed and applied effectively.

RESOLVED
That the content of the report and the performance of the Service Unit during 2016/17, be noted.

9. ANNUAL GOVERNANCE REPORT 2016/17

The Head of Risk Management and Audit Services submitted a report which presented the Annual Governance Statement for 2016/17 to the Board, for information.

RESOLVED
That the Annual Governance Statement for 2016/17 be noted.

10. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2017/18

A report was submitted by the Head of Risk Management and Audit Services presenting the planned work for the Risk Management and Audit Service for 2017/18.

RESOLVED
(i) That the Internal Audit Plan for 2017/18 be noted;
(ii) That the Internal Audit Strategy for 2017/18 be noted;
(iii) That the Internal Audit Charter for 2017/18 be noted; and
(iv) That the Quality Assurance and Improvement Programme for 2017/18 be noted.

11. RISK MANAGEMENT AND AUDIT SERVICES 2017/2018

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the work of the work of the Risk Management and Audit Service for the 13 weeks to 30 June 2017.

Details were given of final reports issued during the period as follows:

- Debtors;
- Application Review of the Altair system;
- Review of the Management of Assets by LaSalle investment Management; and
- Pension Benefits Payable.

Draft reports were also issued as follows:

- Review of Fund Manager – Investec; and
- Advance Contributions Scheme.

Details were also given of audits in progress as follows:

- Visits to Contributing Bodies – National Probation Service;
- VAT;
- GM Property Venture Fund – Review of First Street Development;
- Transfer of Assets to Stone Harbor;
- Private Equity;
- Transfer of First Bus to GMPF; and
- National Fraud Initiative (NFI)

RESOLVED
That the content of the report be noted.

12. DATE OF NEXT MEETING

The Director of Pensions explained that, due to the scheduling of the Stakeholder event, which was to take place on 19 October 2017, the next meeting of the Local Board would be re-arranged and Members would be notified of the new date in due course.

CHAIR

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

14 July 2017

Commenced: 10.00 am **Terminated:** 12.00 pm

Present:	Councillors Taylor (Chair), Ricci, Brett, Grimshaw, Mitchell, Pantall, Mr Allsop and Mr Llewellyn	
In Attendance:	Steven Taylor	Assistant Director of Pensions (Investments)
	Tom Harrington	Senior Investments Manager
	Michael Ashworth	Investments Manager
	Abdul Bashir	Investments Manager
	Raymond Holdsworth	Investments Manager
Apologies for Absence:	Councillor Middleton	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group held on 7 April 2017 were approved as a correct record.

3. UBS CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Malcolm Gordon and Paul Clark of UBS who attended the meeting to present Corporate Governance activity over the past 12 months. There had been some structural changes to the team, such as the appointment of Michael Baldinger as Head of Sustainable and Impact Investing.

The role of Sustainable Investing at UBS Investment Management was outlined to the Group. UBS defined Sustainable Investing as a set of investment strategies that incorporated material environmental, social and governance (ESG) considerations into investment decisions. These strategies typically sought to reach one or more of the following objectives:-

- Improving portfolio risk/return characteristics
- Achieving a positive environmental or social impact alongside financial returns
- Aligning investments with stated values

It was explained that regulatory requirements were increasing with an increased focus on shareholder responsibility. Voting was an important part of the oversight process and UBS had been engaging with companies and voting on behalf of clients for over 20 years. The mechanisms of active engagement were listed and explained to the Group.

The most important governance factors for UBS were confirmed as strategy, quality and skillset of the Board and Management, succession planning, operational performance, risk management, reputation and remuneration.

The Working Group was provided with information on annual global voting activity up to 30 June 2017 and examples of key votes were discussed with the group.

RECOMMENDED:
That the report be noted.

4. UBS REVIEW OF TRADING COSTS

The Assistant Director of Pensions (Investments) submitted a report to facilitate Member's scrutiny of UBS's approach and practice to trading costs. UBS's 'level one' and the Fund's 'level two' disclosure reports for the period 1 January 2016 to 31 December 2016, were appended to the report and considered by the Group.

Malcolm Gordon, UBS, presented GMPF's trading costs report for the 12 month period ending 31 December 2016. It was reported that the 'level two' report had been reviewed by officers of the Fund and questions arising from the review had been satisfactorily answered by UBS.

RECOMMENDED:
That the report be noted.

5. UPDATE ON ACTIVE PARTICIPATION IN CLASS ACTIONS

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

A quarterly update explaining active Class Actions, which remain outstanding, was presented to Members and recent developments relating to each action was provided.

It was reported that the Fund had joined an international litigation; a report outlining the lawsuit was appended to the report and considered by the Group. Due to the short deadline for participation, approval to join the litigation was given by the Director of Pensions who had delegated authority under the Constitution. It was explained that the key contact and team who were dealing with this litigation had moved from the current global monitoring service provider (SRKW) to Labaton Sucharow and officers recommended that the Fund appoint Labaton Sucharow to provide portfolio monitoring services of shareholder litigation to replace the current appointment of SRKW.

The Working Group were informed that where possible decisions as to whether to take an active role in future class action litigation would be brought to the Investment Monitoring and ESG Working Group meeting and/or Panel dependent on the particular timeframes. In exceptional circumstances future decisions in relation to the Fund taking an active role in litigation would be at the discretion of the Director of Pensions who has delegated authority to bring proceedings or to authorise the same, in consultation with the Chair of the Fund.

RECOMMENDED:
(i) That the report be noted;
(ii) That the Fund appoints the specialist law firm Labaton Sucharow to provide portfolio monitoring services in relation to shareholder litigation to replace the current appointment of SRKW; and

(iii) That where time permits, decisions as to whether to take an active role in litigation be brought to the Investment Monitoring and ESG Working Group, and/or Panel, and in exceptional circumstances, such decisions be at the discretion of the Executive Director of Pensions, in her capacity as Solicitor to the Fund, who has delegated authority to bring proceedings or to authorise the same, in consultation with the Chair of the Fund.

6. ROUTINE PIRC UPDATE

The Working Group welcomed Alan MacDougall and Janice Hayward of PIRC Ltd, who attended the meeting to present PIRC's report, entitled 'Administering Authorities, Pooling and ESG Matters', a copy of which was appended to the report.

Mr MacDougall listed the LGPS Responsible Investment milestones, which included:-

- The Environmental Investor Code 1990
- Yorkshire Water 1991
- British Gas 1995
- Shell & Brent Spar 1997
- LGPS funds advocate for shareholder vote on Executive Pay 1999
- Political Donations 2000
- LGPS Funds Active on the Micro-Agenda 2002-08
- LAPFF Trustee Guide on Asset Managers' Engagement 2006
- LAPFF Reviews Audit Committee Practices 2007
- First Group USA Employees Dispute 2008
- Marks and Spencer Chairman 2009
- LAPFF Tackles IFRS Failures on Bank Liabilities 2011

The responsibilities and approaches towards Responsible Investment and the LGPS Regulations were outlined to the Group. There were three levels of administering authority approaches; compliance, good practice and high conviction. Flow diagrams showing the investment process and decision track, including the related ESG process, were detailed in the report and explained to the Group.

It was reported that a pension fund adopting a High Conviction strategy for Responsible Investment would need appropriate expert advice and third party support to facilitate their ESG policies, the extent of which would vary according to the depth and extent of the ESG strategy and the impact they were trying to achieve. Policy development, determination of operational practices, ESG research, bespoke voting and reporting services and engagement support and facilitation were of particular importance.

RECOMMENDED:
(i) That the report be noted; and
(ii) A further report be sent to Panel proposing a strategy and timescales for the Fund to achieve the highest standards

7. STOCKLENDING, COMMISSION RECAPTURE AND UNDERWRITING

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

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 March 2017. Stocklending income during the quarter was £127,940, compared to £92,666 in the same quarter of 2016, and Commission 'recaptured' was £24,153, compared to £26,570 in the same quarter of 2016.

The report outlined that income generated from these activities was 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.

8. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

14 July 2017

Commenced: 9.00 am **Terminated:** 9.40 am

Present:	Councillors J Lane (Chair), Patrick, S Quinn, Brett and Grimshaw	
In Attendance:	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Emma Mayall	Pensions Policy Manager
	Victoria Plackett	Pensions Operations Manager
	Christine Weston	Principal Auditor
Apologies for Absence:	Councillor Middleton and Mr Flatley	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Pensions Administration Working Group held on 7 April 2017 were approved as a correct record.

3. ADMINISTRATION BUSINESS & PROJECT PLANS

The Pensions Policy Manager submitted a report, which provided a summary on the progress made on the 2017/18 business planning objectives, other strategic or service improvement projects currently being worked on and regular or topical items of work currently being undertaken by the section.

It was reported that in March 2017 six key business plan items were established for the administration section as follows:-

1. Guaranteed Minimum Pension Reconciliation
2. Year-end processes
3. Employer support
4. Business continuity plan and disaster recovery provision
5. Data cleansing
6. Member communication

During the first quarter of the year work had focussed on objectives 1 and 2 (Guaranteed Minimum Pension Reconciliation and Year-end processes). Various improvements had been made to the year-end pay and contribution such as, producing regular newsletters for employers in the lead-up to the year-end deadline; providing training and support for employers via webinar sessions; making internal software enhancements to enable information to be recorded more quickly and accurately; and applying the new escalation policy to the year-end work.

The Working Group was notified that with regards to year-end processes there had been a significant improvement in responses to queries and the vast majority of the annual benefit statements would be sent out on time, although Officers were still chasing 12 employers for their data. For the forthcoming quarter, Officers would be focussing on objectives 3 and 4 (Employer support and Business continuity plan and disaster recovery provision).

The Working Group was informed that the section was also working on other strategic and service improvement projects as follows:- Assumed Pensionable Pay Strategy, Trivial Commutation, Death Grant Process Review, Data Cleansing, Induction and Training Review, Payroll Sign-off, Benchmarking and Key Performance Indicators, GAD Transactional Data, Java Payroll and First Bus Transfer. The Induction and Training Review project was now complete and the induction process had been reviewed and documentation redesigned. It had also been agreed with Metropolitan Fund colleagues to design a new benchmarking framework.

With regards to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending April 2017, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks, which detailed the age of the tasks in relation to their completion date. It was reported that officers had held positive meetings with certain employers to discuss issues with performance and further meetings were planned.

RECOMMENDED:
That the report be noted.

4. AQUILA HEYWOOD UPDATE

The Pensions Policy Manager submitted a report, which provided the Working Group with an update from the Fund's main pension software supplier, Aquila Heywood, for the period April 2017 to June 2017, a copy of the report was appended.

It was reported that the Fund had been involved in a Testing Working Party and had assisted with the testing of the next software release, Altair 8, which was due to be received into the Altair LIVE service throughout August 2017. In response to feedback on system performance, Aquila Heywood had made changes to the hardware used to run Altair and although there had been some improvement, some issues remained, which were being closely monitored by Officers and Aquila Heywood.

It was further reported that the Fund had commenced testing of the new Java Payroll module in May 2017. The initial testing had highlighted some problems that Aquila Heywood were working to resolve. This had impacted on the original timetable but testing was expected to recommence imminently.

RECOMMENDED:
That the report be noted.

5. COMMUNICATION ACTIVITIES

The Pensions Policy Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter. Website statistics, data on emails and telephone calls to the Helpline, Twitter statistics and information on roadshows and presentations over the period were appended to the report.

The Working Group were informed that 118,063 P60s had been sent to pension members during March and April alongside a Grapevine magazine, 100,033 annual benefit statements were issued to deferred members during May and the annual report and accounts for 2016/17 had been prepared during May and June. The main communications related tasks for the next quarter would be the issuing of annual benefit statements for active members, preparation for which was already underway. It was intended to increase the use of the Fund's Twitter account and telephone software used by the Helpline to get clear messages to members about where they can access further information.

With regards to a new communications strategy it was confirmed that preliminary work had commenced on forming a new strategy with an initial focus on how an effective and clear strategy could be developed and what support was required to produce this for the future. The Fund had been working with the Council's Policy and Communications Team and a draft communications strategy was appended to the report alongside the existing communications policy.

RECOMMENDED:
That the report be noted.

6. FIRST BUS TRANSFER

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the First Bus Transfer, specifically in respect of the key tasks currently being undertaken for the implementation and communication work streams.

It was reported that First Bus Group, which operated a significant proportion of the bus services in Greater Manchester, participated in three LGPS Funds and wished to move the pension's liabilities from two other LGPS Funds into GMPF. Hymans Robertson had been appointed to carry out the project management tasks for the transfer and had formed four project work streams as follows:-

- Governance and regulatory
- Implementation
- Communications
- Asset transfer

The implementation work stream primarily concerned the transfer of member and payroll data and the reallocation of additional voluntary contribution pots from the other two funds over to GMPF. The communication work stream covered all tasks that needed to be completed in order to communicate information and messages to key stakeholders involved in the implementation work stream. An internal project team had been established to manage and carry out the tasks relating to both work streams and project plans had been drawn up, which were appended to the report.

The Working Group was informed that a number of initial tasks had been carried out and a risk log had been created in conjunction with the auditors with regular follow-up meetings scheduled to update the log as necessary. The largest risk was the transfer of payroll data and there was a significant number of pensioner records to be transferred. Steps had been built into the planning process to ensure that learning points from previous transfers were applied to this project. Work would continue through to the end of the year and progress updates would be brought to future Working Group meetings.

Members enquired about the staffing impact of the project. It was confirmed that the number of active members was low with reasonable pensioner numbers therefore there was no requirement for additional resources.

RECOMMENDED:
(i) That the report be noted; and
(ii) That update reports on the progress of the project be brought to future Working Group meetings.

7. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project that would reconcile guaranteed minimum pension information held by Her Majesty's Revenue and Customs against data held on its own records over the next 18 months.

It was reported that a project team had been formed, initial testing had been carried out to identify the scale of the project and officers had attended a training seminar on how to best deal with queries. Due to the scale and complexity of the project a detailed plan would be created to include setting priorities, making decisions and allocating resources. An initial milestone plan and risk log was appended to the report in addition to a decisions log and draft approach document.

The Working Group was informed that the scale of the task was significant and progress against the target and deadline dates would require close monitoring. Work on the leaver file had identified:-

- 347,191 records on Altair to be reconciled against the Her Majesty's Revenue and Customs leaver file;
- 178,325 entries on Her Majesty's Revenue and Customs leaver file;
- 70,387 records had returned a 100% match;
- 133,185 Altair records were not listed on the Her Majesty's Revenue and Customs leaver file;
- 21,871 deceased members with linked dependents were not found on the Her Majesty's Revenue and Customs leaver file; and
- 10,949 Her Majesty's Revenue and Customs entries could not be matched to Altair records.

Once work on the first milestone was complete (data analysis and planning) work would commence on the second stage of the project (tackling mismatches created through analysis and sending queries to Her Majesty's Revenue and Customs); work would commence on analysing the closure scan once the Aquila Heywood tool had been delivered.

RECOMMENDED:
That the report be noted.

8. INTERNAL AUDIT UPDATE

The Assistant Director of Finance submitted a report, which provided the Working Group with details of the Internal Audit Reports finalised in the period April to June 2017 in relation to pension's administration systems.

It was reported that two final reports had been issued during the period:-

1. Altair Application Review
2. Pension Benefits Payable

The Altair Application Review was an ICT Audit carried out by Salford Computer Audit Services, who provided ICT Audit Services to the Council. The objective of the audit was to ascertain that the risks relating to the management of the system were well controlled to ensure the confidentiality, integrity and availability of the system. The audit examined policies surrounding application use; processes for account creation/deletion/changes; access controls for users and administrators; system logging and reviews for data quality; contractual performance indicators relating to system availability; and upgrade process.

The audit was given a high level of assurance on the adequacy and the operational effectiveness of controls in place within the system. Two recommendations were made, both with a medium level of priority, that had been accepted by the Fund and action was being taken to address the issues in consultation with Aquila Heywood. A Post Audit Review would be undertaken in approximately six months.

In relation to Pension Benefits Payable, the audit examined the processing and payment of all pensioners/dependants including the payment of death grants. The overall objective of the audit was to ensure that adequate systems and controls were in place to ensure that the key risks were controlled and minimised.

The audit was given a high level of assurance on the adequacy and the operational effectiveness of controls in place within the system. Seven recommendations were made, five with a medium level of priority and two with a low level of priority. All recommendations had been accepted and action was being taken to address them. A Post Audit Review would be undertaken in approximately six months.

RECOMMENDED:
That the report be noted.

9. LGPS REGULATORY AND LEGISLATIVE UPDATE

The Pensions Policy Manager submitted a report, which summarised regulatory and legislative items that were currently being monitored by the administration section. Some items of legislation/guidance had been delayed by the general election held on 8 June 2017. These included the Government's exit payment review, State pension age review and the Brewster Judgement. The proposed reduction in the money purchase annual allowance and changes to the pension's advice allowance payment had been delayed.

Exit payment recovery draft legislation proposed that when an individual with a salary of £80,000 or more left public sector employment and returned to the public sector within 12 months, they would be required to pay back some or all exit payments received. The Exit Cap referred to the £95,000 cap to be placed on payments made to an individual leaving the public sector. It was uncertain whether the Government would pursue these policies.

With regards to the independent review of state pension age, two reports had been published by the Department for Work and Pensions. The first report recommended a timetable for increasing state pension age to 68 over a two-year period starting in 2037 with the age not increasing by more than one year in any ten-year period. The second report considered how state pension age timetables may need to change beyond 2028 based on projections of future life expectancy. It was uncertain whether the Government would pursue this policy.

In relation to the Brewster Judgement, LGPS funds in England and Wales were awaiting notification from the Department of Communities and Local Government as to the steps they should take in respect of claims arising from the Brewster Judgement.

Reference was made to the 2016 LGPS annual report, the 2016 governance and administration survey findings and surveys currently being undertaken by the Scheme Advisory Board for the LGPS in England and Wales.

RECOMMENDED:
That the report be noted.

10. UPDATE ON DEATH GRANT PROCEDURE REVIEW

The Pensions Operations Manager submitted a report, which provided an update on the death grant procedure review. The report detailed a new decision-making framework and provided additional analysis and information regarding the number and type of death grant decision cases that the Fund processed each year.

It was reported that the Fund's approach to determining the beneficiaries of death grant payments had been identified as an area for review and enhancement. The intentions of the review were to ensure that any decisions taken were done so by a properly authorised person; decisions complied with the law and were taken at the proper time with appropriate steps taken to implement the decision; internal processes were in place and any correspondence sent to potential beneficiaries supported the principles and minimised the risk of challenge.

An analysis of the number of death grants paid during 2015, 2016 and 2017 (to 20 June 2017) was outlined in the report. The number and amounts of payments made each month varied considerably. There had been an increase in the complexity of cases including a number of cases where deceased members had children from more than one relationship, which prolonged the decision making process. Detailed data was provided on 42 cases that had been reviewed over a five week period; five cases had been referred to the Pensions Operation Manager for a decision to be made on the beneficiaries due to the unusual circumstances.

The Working Group was informed that the death grant project was due for completion by 30 September 2017 and the death grant discretions board would be operational from the start of September. The project plan was appended to the report and detailed the items to be covered under the review, current progress and items to be progressed. The majority of work stream 1 (project data gathering and compliance) had been achieved and work had commenced on work stream 2 (member data-gathering and decision making), and items of work stream 3 (correspondence) and work stream 4 (reporting and workflow). Documents that supported the framework had been drafted and work would commence on reviewing and updating letters and forms.

RECOMMENDED:
That the report be noted.

11. ACADEMIES UPDATE

The Assistant Director of Pensions (Funding and Business Development) submitted a report that updated the Working Group on national initiatives to improve how academy schools and their contractors interacted with LGPS administering authorities and an overview was provided of the Fund's current administration arrangements in relation to academy schools.

It was reported that in Greater Manchester less than 30% of approximately 1,000 schools had converted to academies since the Academies Act 2010 was established. There were currently 215 academies participating in the Fund as scheme employers with 54 academy applications logged with GMPF. A significant amount of work could be created if academies chose to outsource groups of non-teaching support staff, which would increase the number of admitted bodies within the Fund, many of which had very small member numbers and joined for a short period of time.

In April 2017 the Local Government Association, in conjunction with the Department for Education and Department of Communities and Local Government, published a document providing information for academies participating in the LGPS (a copy of which was appended to the report). Funds had voiced their concerns over the accuracy of the document and had therefore only given it limited publicity. Feedback had been provided to the Local Government Association with a number of recommendations for improvement.

In May 2017 the Scheme Advisory Board published a report "Options for Academies in the LGPS". The report set out three approaches agreed with the Board Secretariat to handling pension provision. Three key themes had emerged as follows:-

- Policy, governance and outsourcing
- Administration and operations
- Contributions and finance

The Fund's actuary, Hymans Robertson, had provided a commentary on the report (a copy of which was appended to the report), which was considered by the Working Group.

RECOMMENDED:
That the report be noted.

12. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

20 July 2017

Commenced: 9.00 am **Terminated:** 10.30 am

Present:	Councillors Cooney (Chair), Ricci, Ward, Barnes, Halliwell and Jabbar	
In Attendance:	Steven Taylor	Assistant Director of Pensions (Investments)
	Neil Cooper	Senior Investments Manager
	Nigel Frisby	Investments Manager
	Raymond Holdsworth	Investments Manager
	Nick Livingstone	Investments Manager
Apologies for Absence:	Mr Drury and Mr Thompson	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Alternative Investments Working Group meeting held on 13 April 2017 were approved as a correct record.

3. INFRASTRUCTURE FUNDS PORTFOLIO - REVIEW OF PERFORMANCE

The Assistant Director of Pensions (Investments) submitted a report updating the Working Group on the returns achieved by the Fund's infrastructure portfolio.

It was reported that the role of performance measurement was twofold:-

1. It provided information to stakeholders if the performance objectives had been met.

2. It provided an insight into how any over or under-performance had been achieved relative to appropriate comparators.

Long term measures, such as the internal rate of return and money multiple, were the most appropriate means of evaluating the performance of the infrastructure portfolio. The infrastructure report used since inception performance measures and only included infrastructure funds that were mature (i.e. more than four years old). The first infrastructure investment was made in 2001 with regular investing not commencing until 2004. The large majority (90%) of commitments had been made from 2010 onwards.

In conjunction with the 2016 review of strategy and implementation of the infrastructure funds portfolio (Minute 21 refers) the portfolio had been re-categorised, as follows:-

- Core and Long-Term Contracted
- Value Added
- Opportunistic

The Working Group were informed that 27 fund commitments had been made, 14 of which were mature – six in the Core and Long-Term Contracted category and eight in the Value Added category. There were no mature Opportunistic funds. The 14 mature funds represented 24% of total fund commitments. The ‘since inception’ return of the mature portfolio had increased to 10.8% as at 31 December 2016 (8.3% as at 31 December 2015).

It was noted that, unlike for Private Equity, there was no obvious, single, widely accepted metric to capture a Public Market Equivalent for private infrastructure, nor a “universe” of funds that could provide meaningful comparisons via a Portfolio Replication exercise. It was confirmed that Officers would continue to monitor developments in terms of benchmarking of infrastructure investments.

RECOMMENDED:
That the report be noted.

4. PRIVATE EQUITY PORTFOLIO - REVIEW OF PERFORMANCE

The Assistant Director of Pensions (Investments) submitted a report updating the Working Group on the returns achieved by the Fund’s private equity portfolio versus equity markets and a number of private equity comparators.

It was reported that the role of performance measurement was twofold:-

1. It provided information to stakeholders if the performance objectives had been met.

2. It provided an insight into how any over or under-performance had been achieved relative to appropriate comparators.

Long term measures, such as the internal rate of return and money multiple, were the most appropriate means of evaluating the performance of the private equity portfolio. The Fund had adopted a vintage decade approach and only included private equity funds that were mature (i.e. more than four years old).

The Working Group was informed that 2016 had been another positive year for the performance of private equity assets. Economic growth in developed economies continued to be positive, interest rates remained at very low levels and credit markets were providing plentiful capital.

GMPF’s private equity portfolio returns were presented for each of the vintage decades with detailed analysis of each decade outlined in the report alongside comparisons to public equity markets. Overall, since inception, the mature funds within GMPF’s private equity programme had achieved a return of 17.0% per annum as at 31 December 2015 (16.9% per annum as at 31 December 2015), a return that was good in absolute terms and when compared to appropriate public and private market comparators.

RECOMMENDED:
That the report be noted.

5. PERMIRA

The Working Group welcomed Cheryl Potter and Rebecca Zimmerman of Permira, who attended the meeting to present an overview of their firm’s investment activities and of the private equity industry generally.

The Working Group was informed that Permira was founded in 1985, under the Schroder Ventures brand, and raised its first pan-European fund in 1997. The firm had 240 people in 14 offices in Europe, North America and Asia and had a core private equity strategy and a private debt affiliated manager. It had a well-developed approach to responsible investment and a strong commitment to ESG best practice.

It was reported that GMPF had been an investor with Permira for over 30 years and had committed a total of £51 million to two funds raised by the firm in 2014 and 2016.
The firm's recent strong investment pace was emphasised and performance statistics were highlighted including commitments by sector and region.

With regard to ESG, there had been substantial progress at Permira over the last 12 months through improved engagement, training and awareness and increased monitoring and reporting. A comprehensive report, detailing ESG activity throughout 2016, was under construction and a holistic training module had been developed, which had been completed by all Permira's investment professionals. The value of ESG had been promoted to external companies, the firm had become a signatory to Principles for Responsible Investment and had shared knowledge through attendance at international forums. Ms Potter was pleased to report that Permira had recently won two awards for its ESG practices.

Two case studies relating to Dr. Martens and Magento were outlined and discussed with the Working Group.

RECOMMENDED:
That the information provided be noted.

6. SPECIAL OPPORTUNITIES PORTFOLIO: APPROVAL OF AN INVESTMENT TYPE

The Assistant Director of Pensions (Investments) submitted a report seeking approval for a new type of investment for the Fund's Special Opportunities Portfolio.

It was reported that the 2017/18 Investment Strategy report suggested that Factor Based Investing could be an appropriate investment for the Special Opportunities Portfolio given that it would offer a means to achieve the key twin aims of both increasing diversification and achieving enhanced long term returns for the Fund.

Officers had recommended that support from a minimum of three of the four advisors was needed for any new type of investment for the Fund's Special Opportunities Portfolio. The report had been circulated to the four Advisors for comment and to seek their support for the new investment type approval. Support had now been received from all four Advisors. In addition to the Advisors support, Hymans Robertson, Investec and L&G were also supportive of a Factor Based Investing approach in their responses to the Investment Strategy consultation process.

It was explained that Factor Based Investing was a 'catch-all' phrase for funds that used techniques developed by passive index funds to make active attempts to beat market returns. It cost less than active management but it involved higher trading costs than traditional passive management and could provide the Fund with superior long-term performance at a lower cost. The following key risks/issues would be considered prior to any commitment being made to a Factor Based Investing fund:-

(i) Factor Based Investing indices could significantly underperform capitalisation weighted indices for considerable periods;

(ii) The legal structure and governance arrangements of the fund within which GMPF may participate; and

(iii) Management fees and other charges that would be charged to investors in the fund.

Members were reminded that on 17 April 2015 the Working Group agreed that the value any single investment within the Special Opportunities Portfolio would be around 0.25% to 0.5% of Main Fund assets (around £52 million to £105 million). However, to reflect the nature and scale of the perceived opportunity this request for type approval was for an investment size which, whilst within the original design envelope of the Special Opportunities Portfolio, was somewhat higher than the current norm. Such an approach, involving an investment size of between 0.5% and 1% of Main Fund (currently between £105 million and £210 million), would allow a relatively rapid path to achieving a significant initial exposure to a 'factor' based strategy and would provide an opportunity to scale up the exposure should the initial experience prove to be positive.

RECOMMENDED:

(i) That the report be noted;

(ii) That the support of a minimum of three of the four Advisors would constitute 'Advisor support' for any new type of investment for the Fund's 'Special Opportunities Portfolio'; and

(iii) That approval be given for a new type of investment for the Fund's 'Special Opportunities Portfolio' (Factor Based Investing), with an investment size of between 0.5% and 1% of Main Fund.

7. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

28 July 2017

Commenced: 10.30 am **Terminated:** 11.05 am

Present:	Councillors J Fitzpatrick (Chair), Patrick, Jabbar, Mitchell, Mr Flatley and Mr Llewellyn	
In Attendance:	Sandra Stewart	Director of Pensions
	Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Tracey Boyle	Head of Pensions Accountancy
	Emma Mayall	Pensions Policy Manager
Apologies for Absence:	Councillor Cooney, Mr Allsop and Ms Herbert	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Employer Funding Viability Working Group meeting held on 21 April 2017 were approved as a correct record.

3. GMPF AGED DEBT AS AT 19 JUNE 2017

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt for the Fund as at 19 June 2017. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which had not yet been repaid.

A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. A 'red' status was currently in place for Employer Related aged debt as the outstanding amount was above the agreed threshold of £100,000. 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. It also included fees for the production of actuarial work and administration fees charged to newly admitted bodies to the fund.

The report detailed all aged debt (31 days and over) as at 19 June 2017 alongside comparison to the previous quarter; total aged debt was £3.301 million compared to £3.867 million at 19 March 2017. The key trends were highlighted; property aged debt had decreased from £0.316 million in March 2017 to £0.309 million at June 2017 and Employer and Overpaid Pension Aged Debt had decreased from £3.552 million to £2.992 million. The bulk of Employer debt related to invoices that had been issued in respect of early retirement strain costs.

For the 12 months to June 2017 4.6% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.4%. Tables which showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and were discussed with the Group.

RECOMMENDED:
That the report be noted.

4. BUS SERVICES ACT AND RELATED MATTERS

The Assistant Director of Pensions (Funding and Business Development) submitted a report providing an overview of the Bus Services Act 2017 and its potential implications for GMPF.

It was reported that the 2014 Greater Manchester Agreement between the Greater Manchester Combined Authority and Government contained a commitment from the Government to introduce a Buses Bill in order to enable the directly elected Greater Manchester Mayor to decide whether to use the bus franchising powers. The Bus Services Act 2017 came into force on 27 June 2017 and enabled the Greater Manchester Mayor to decide whether, following consultation, to use the bus franchising powers in the Act. Franchising was intended to increase competition, improve standards and provide greater value for money.

The legislation changes could have an impact on GMPF as two bus companies, who currently operated most of the bus services in Greater Manchester, were two of the Fund's largest private-sector employers. It was important that the pensions implications arising on any transfer of employees, which may occur, was considered when defining the terms of the franchise agreements and officers would raise this with officers at Transport for Greater Manchester.

It was further reported that discussions were ongoing to admit two further employers, along with accrued assets and liabilities, into the Fund (Project Magpie). The arrangements were summarised in Table 1 of the report and detailed the estimated assets and liabilities' as at 31 March 2016. It was anticipated that the date of the transfer would be 1 November 2017 and the assets transferred in tranches thereafter.

RECOMMENDED:
That the report be noted.

5. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 2 MONTHS TO MAY 2017

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the two months to May 2017.

It was reported that there was an under-spend of £875,000 against the budget of £5,237,000. Over 80% of the variation related to professional fees set side that had not been incurred and lower than budgeted staffing costs.

RECOMMENDED:
That the report be noted.

6. ACCOUNTING FOR PENSION COSTS - IAS 19

The Assistant Director of Pensions (Funding and Business Development) submitted a report detailing the outcome of this year's Local Authority pensions accounting reports, which showed a small increase in funding levels assessed in accordance with the accounting standard IAS 19 and explained the reasons for the changes in deficit levels.

It was reported that the Fund submitted data to the Actuary who produced a formal IAS 19 report for each employer that requested a report on its LGPS liabilities. All Local Authority employers had experienced a positive impact on their reported funding level between 2016 and 2017. The increase was due to excellent asset returns generated during the period that had outweighed the increase in the value of the liabilities due to the negative change in the discount factor as a result of lower interest rates and falling bond yields.

There had been positive returns in equity markets for the 12 months to 31 March 2017, with the Main Fund actual returns confirmed at 23.8%, which was significantly higher than the Actuary's long term assumed real rate of 3.5% at the start of the accounting period. Whilst funding levels had improved the typical 'cash deficit' for Local Authorities had increased, however, as the value of both assets and liabilities had increased during the period.

The report detailed a comparison table of assumptions as at 31 March 2016 and 31 March 2017 and a chart comparing the 2016 and 2017 IAS 19 funding level for the 10 Local Authorities. The range of funding levels as at 31 March 2017 was 75% - 81%, which was an improvement on 2016 levels.

RECOMMENDED:
That the report be noted.

7. EDUCATION SECTOR EMPLOYERS

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which provided the Working Group with an update on national developments relating to education sector employers and recent initiatives designed to improve how academy schools and their contractors interacted with LGPS Administering Authorities. It also provided an overview of the Fund's current administration and funding arrangements in relation to education sector employers.

It was reported that education sector employers in the LGPS could be broadly categorised into four groups, as follows:-

- Academy Schools
- Sixth-Form Colleges
- Further Education Colleges
- Universities

It was noted that Local Authority schools were viewed as part of the Local Authority rather than employers in their own right, however, they could outsource functions and those contractors could apply for admitted body status in the Scheme. Over recent years, changes in the education sector had increased administrative complexity for LGPS Administering Authorities and increased resource requirements.

In relation to Academy Schools, it was reported that less than 30% of approximately 1,000 Greater Manchester schools had converted to academies since the Academies Act 2010 was established. There were currently 215 academies participating in the Fund as scheme employers with 54 academy applications logged with GMPF. A significant amount of work could be created if academies chose to outsource groups of non-teaching support staff, which would increase the number of admitted bodies within the Fund, many of which had very small member numbers and joined for a short period of time.

In April 2017 the Local Government Association, in conjunction with the Department for Education and Department of Communities and Local Government, published a document providing information for academies participating in the LGPS (a copy of which was appended to the report). Some funds had voiced their concerns over the accuracy of the document and had therefore only given it limited publicity. Feedback had been provided to the Local Government Association with a number of recommendations for improvement.

In May 2017 the Scheme Advisory Board published a report “Options for Academies in the LGPS”. The report examined the issues associated with the participation of academies in the LGPS and the agreed approaches to handling pension provision. Three key themes had emerged, as follows:-

- Policy, governance and outsourcing
- Administration and operations
- Contributions and finance

The Fund’s actuary, Hymans Robertson, had provided a commentary on the report (a copy of which was appended to the report), which was considered by the Working Group.

With regard to sixth-form colleges, most had been pooled together for the purposes of calculating contribution rates and for funding ill-health retirement strain costs. Due to some sixth-form colleges converting to academy status, the pool had been broken up with effect from 1 April 2016. The pool was relatively well funded therefore most contribution rates were towards the lower end of the range for Fund employers and total liabilities at the valuation date was approximately 0.3% of GMPF liabilities.

In relation to Further Education Colleges, it was reported that over the past two years the Government had undertaken a review of post-16 education with recommendations to merge. Although no Greater Manchester colleges had merged GMPF had received notification that one college was due to merge with a University. The Government considered Further Education Colleges to be commercial entities therefore they could not be covered by guarantees of the type that covered Academies’ LGPS liabilities. As at 31 March 2016 there were ten Further Education Colleges participating in the Fund. The total value of the liabilities was around 2.5% of the Fund’s liabilities.

With regard to Universities, the Government view was that Universities were also commercial entities (albeit with charitable status). The following participated in the Fund:-

- Salford University
- Manchester Metropolitan University
- The University of Manchester
- The University of Bolton
- Liverpool Hope University

Manchester Metropolitan University and The University of Bolton were Scheme Employers whereas the other three were listed as admission bodies. As at the 2016 valuation the total liabilities of the five Universities was around 3.5% of the Fund’s total liabilities.

RECOMMENDED:
That the report be noted.

8. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

Friday, 28 July 2017

Commenced: 9.00 am **Terminated:** 9.50 am

Present:	Councillors S Quinn (Chair), J Fitzpatrick, J Lane, Ward, Halliwell and Mr Drury	
In Attendance:	Sandra Stewart	Director of Pensions
	Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
	Tracey Boyle	Head of Pensions Accountancy
	Nigel Driver	Investment Manager (Property)
	Andrew Hall	Investment Manager (Local Investments)
Apologies for Absence:	Councillors M Smith, Barnes, Grimshaw and Mr Allsop	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Property Working Group held on 13 April 2017 were approved as a correct record.

3. MANAGEMENT SUMMARY

The Assistant Director of Pensions (Local Investments and Property) submitted a report, which provided an overview of property investments and a commentary on issues and matters of interest arising over the last quarter in relation to the Fund's property investments.

The allocations to property investments and their current weightings as at 30 June 2017 were outlined to the Group. It was noted that the Fund were slightly under their allocation due to the strong performance of the Fund over recent years. This had proved to have had a positive impact for 2016/17 and steady progress had been made.

It was reported that the Management Panel had considered an investment strategy for the whole Fund at their meeting in July. The allocation of the Fund to property investments was aiming for 4% for 2017/18 rising to 5-6% in subsequent years.

Reference was made to the recent tragic events at Grenfell Tower in Kensington and Chelsea and the associated health and safety issues. The ongoing enquiry would likely have recommendations that would have long term implications for health and safety requirements in multi occupation buildings. The Fund would take steps to ensure that its portfolio met not only current standards but best practice in this area and the external managers had been given clear instructions to undertake a review of the portfolios.

RECOMMENDED:
That the report be noted.

4. PROPERTY RELATED AGED DEBT AS AT 19 JUNE 2017

The Assistant 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) as at 19 June 2017.

An overview of the debt position was given including a summary of debt across the two areas and totals. Total debt had decreased slightly from £0.316 million at March 2017 to £0.309 million as at 19 June 2017.

It was noted that procedures for collection of debt were complied with and were working well, Greater Manchester Property Venture Fund 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 £39.6 million with £0.309 million (0.78%) of this outstanding at 19 June 2017.

RECOMMENDED:
That the report be noted.

5. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake of GVA who attended the meeting to present the GVA quarterly report for Quarter 2 2017. The report summarised the financial allocation to the committed projects and the indicative allocation required for projects currently undergoing due diligence.

The presentation focussed on the performance of the Greater Manchester Property Venture Fund, the progress to date on business plans of existing properties and identification of new investment opportunities. The investments were outlined to the Working Group and split into ‘committed sites’ ‘advanced due diligence’ and ‘active review’. It was reported that there had been a significant increase in sites under ‘active review’ and ‘committed sites’ when compared to quarter 4 2016.

Charts detailing the portfolio overview by sector showed greater diversification over the four sectors (office, suburban residential, city centre residential and other) with a substantial increase in committed and pipeline sites. A year by year portfolio investment projection was shown, which detailed a steady increase in capital deployed.

Priorities for the forthcoming year were outlined and included converting existing deals in advanced due diligence status, continuing to balance the portfolio, increasing residential development and addressing market challenges and opportunities. An example of a rejected opportunity was provided and the reasons for that rejection were outlined.

New and progressing opportunities were presented and included Soapworks, Broadfield Business Park, Irwell Riverside, Chorlton shopping centre, First Street Manchester, Owen Street Manchester, Island Site, Matrix Homes Manchester, Wilmslow Road Didsbury, Circle Square and Princess Street Manchester.

Financial performance information was provided for each site to show the current market valuation when compared to the cost value to the Fund, together with the Internal Rate of Return from the date of acquisition, taking into account all income and expenditure to date. It was expected that sites would not show a positive return until development had been completed.

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 June 2017 and the current prediction on final viability.

Mr Stanlake informed the Group that fire safety of sites was of utmost importance and GVA were working with GMPF on a risk analysis of the Fund's portfolio commencing September 2017.

RECOMMENDED:
That the report be noted.

6. LASALLE QUARTERLY REPORT

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for quarter 2 2017. An update was provided on portfolio composition and value, transactional activity, key estate management issues and a general market overview.

With regards to portfolio performance, it was reported that the value of the portfolio had increased. The vacancy rate had increased by 1% since the previous quarter, mainly due to an acquisition, and the net initial yield was in-line with the market at 4.7%.

The structure and composition of the portfolio by sector was outlined to the Working Group. It was highlighted that the weighting for retail and industrial were below the benchmark and alternatives and offices were above the benchmark. An overview of the UK property market was provided. With no political party achieving a majority in the general election held on 8 June 2017, there was an element of uncertainty and the UK's departure from the EU was associated with higher than anticipated GDP growth over the next five years.

An activity update for the quarter focussing on purchases and sales was provided. There had been one acquisition and one sale during the quarter, with one sale currently under offer. Key asset management initiatives were outlined and progress on indirects was detailed, which had reduced in-line with the portfolio.

It was reported that a systematic review of the portfolio was underway in light of the tragic events at Grenfell Tower. Immediate priority had been given to residential and student accommodation buildings and buildings that had recently been retrofitted. Ms Gates was pleased to report that all buildings complied with building regulations and were insured at normal premium levels. LaSalle were working with specialist advisors and responding to government guidance and would review properties to identify similar characteristics to those that contributed to the Grenfell Tower tragedy.

RECOMMENDED:
That the report be noted.

7. URGENT ITEMS

There were no urgent items.

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Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	22 September 2017
Reporting Officer:	Sandra Stewart - Director of Pensions
Subject:	**MANAGEMENT SUMMARY**
Report Summary	The aim of this report is to provide a short commentary on issues and matters of interest arising during the last quarter. The Fund value at 30 June 2017 was £21.3 billion compared to £21.0 billion at 31 March 2017. The performance of the Fund during the quarter was 1.2% compared to 1.0% for the strategic benchmark. Work continues on a number of key projects for the Fund, which are the subject of specific reports later in the agenda:- •Review of Investment Strategy •Investment Pooling This report also gives an update on the funding of Stone Harbour, Project Magpie and Housing Investment.
Recommendations:	To note the progress on matters and issues raised in the Management Summary.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	These are set out in the report.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	Legal advice needs to be taken expediently on each of the individual projects referenced in the report as required.
Risk Management:	The report is primarily for information only.
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 Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk

1. MULTI-ASSET CREDIT MANDATE – FUNDING OF STONE HARBOR

1.1 At the July 2016 meeting of the Panel, it was resolved to institute a benchmark exposure of 5% points (£1.050 billion as at July 2017) to a Multi-Asset Credit Investments 'asset class' in line with a concomitant reduction in the weighting of public equity. Stone Harbor were selected as the preferred supplier.

1.2 Funding of the Stone Harbor Multi-Asset Credit mandate began in July 2017, following in depth due diligence and completion of the necessary legal documentation. The mandate is to be funded over seven fortnightly tranches of £150 million, with the final tranche scheduled to take place in October 2017.

1.3 The mandate will be funded by reducing the equity element of Capital's investment mandate by 10% of their assets under management (£287 million), as resolved at the September 2016 meeting of the Panel. The remainder (£763 million) will be taken from L&G equities. There is scope to adjust the final tranche amount to ensure that the mandate is funded with 5% of Main Fund assets. Representatives of Stone Harbor are scheduled to present to the Panel later on this agenda.

2. PROJECT MAGPIE

2.1 As reported at previous Panel meetings, First Bus Group, one of GMPF's largest private-sector employers, has proposed to consolidate its two other LGPS arrangements (currently in the West Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund) into GMPF. This proposal was approved by the Panel at its March meeting, subject to certain conditions being met.

2.2 The consolidation will be effected by a Direction from the Secretary of State, which was received last month, and the signing of admission agreements with the two Yorkshire operating companies. The effective date of the Direction is 1 November 2017.

2.3 Assuming the consolidation proceeds as planned there will be approximately 5,000 members and £600 million of assets transferring to GMPF. Work is ongoing to implement the transfer of member data and assets and regular updates will continue to be provided to the relevant working groups and the Management Panel as appropriate.

3. HOUSING INVESTMENT

3.1 Following the successful outcome of the initial Matrix Homes development with Manchester City Council (MCC), the Fund is keen to develop the model to be a catalyst for the building of new homes whilst generating strong risk adjusted returns for GMPF. To this aim, the team have explored options for working in partnership with other LGPS Funds, other GM authorities and alternative financial models to devise further investments opportunities.

3.2 The results are that the Fund will seek to commit to build 750 homes, over the next 12 to 18 months. This should involve capital commitments of around £50-£75 million and a projected return of at least 7.5%. There are currently 3 schemes with early visibility to deliver this:-

- A joint venture with Tameside focusing on funding arrangements with 3rd parties
- A follow on joint venture with MCC
- A development in Merseyside with MPF

Tameside Matrix

3.3 Officers from GMPF and Tameside Place department have been working on the feasibility of a Tameside Matrix deal along the lines of the original partnership with Manchester City Council. There have been various iterations of prospective portfolios of sites aimed at meeting financial viability for both parties. This has run into difficulties including, legal structuring and the financial viability of the package of sites available and consequently it is clear that a Matrix model is not optimal so other options are being considered for housing development.

3.4 GMPF has experience of providing development finance and has been successful in providing both senior and mezzanine debt to a range of residential developments. This type of funding is viewed as lower risk, as it usually secured against the value of the site and the development being undertaken.

3.5 The Fund is currently providing £8 million of mezzanine lending on a residential development being undertaken by Rowlinsons close to the City Centre, known as Pomona Island. The 2 apartment blocks of 164 apartments, have been purchased in advance by Hermes to operate as a private rental model. The GM Housing Investment Fund is also supporting this development, by providing £10 million of senior debt. Rowlinsons are an established North West based developer and contractor, with a long track record of working with end users such as Housing Associations and Property Funds. Currently, Rowlinsons are very active in the market, seeking land and property suitable for residential use and appointed as a main contractor building for a number of Housing Associations.

3.6 As previously mentioned, Rowlinsons has extensive contacts with end users such as Housing Associations. Using their knowledge of end users requirement, Rowlinsons has devised developments on the following sites in Tameside under Council ownership, which they believe to be viable and of interest to Housing Associations:-

- Arnside Drive, Hyde – 70 unit extra care facility (New Charter)
- Fern Lodge, Ashton – 36 semi-detached homes (Great Places)
- Morningside, Droylsden – 7 3 bed homes, 6 1 bed apartments (Adactus Housing)

3.7 A deal is being brokered whereby there is a land sale from the Council together with funding from GMPF to Rowlinsons to build the 119 units constituting an investment of £15 million for the Fund.

3.8 There are 2 other sites available for housing development in Tameside in council ownership at Mossley Hollins and Greenside Lane. From the Council perspective, there is a need for a capital receipt and to demonstrate a competitive process for the sale of these sites. Therefore a tender process similar to an exercise recently done by GMPF for Wilmslow Road in Chorlton on land owned by the Fund used for housing development, is proposed. This involved bidders being asked to buy the land and enter into partnership with the Fund for development through an overage agreement, and the Fund providing debt finance. Development of these two sites using this method would facilitate the building of 135 homes and an investment of £20 million from GMPF.

3.9 Whilst the precise terms of the funding agreement are yet to be determined, based on past experience and current market conditions the return for the Fund is in the region of 7%-10% on an IRR basis.

3.10 The key next steps are:-

Deadline	**Action Point**
30 September 2017	TMBC Agree Deal with Rowlinsons for sale of 3 sites
31 October 2017	GMPF Negotiate debt funding package with Rawlinson
31 October 2017	TMBC and GMPF to place advert for sale of other sites and development

Manchester City Council (Matrix 2)

3.11 Manchester City Council (MCC) has identified and has given formal approval to release 5 sites, which they believe are suitable for development using the Matrix Homes model. GVA has reviewed the sites and the updated financial model prepared by MCC, following which GVA has recommended that GMPF enters into the Memorandum of Understanding (MoU) to progress development. Both GMPF and MCC have now signed the MoU.

3.12 It is proposed to develop 341 homes for both sale and rent, with a total value of £53 million, the gross development costs are anticipated to be £42 million (excluding finance cost and land value), requiring a funding requirement of £27 million. This funding requirement will be met through a combination of senior debt to be provided by the GM Housing Investment Fund, GMPF Equity and recycling of sales receipts. As the joint venture will be 50/50 in nature, it is proposed that the GMPF equity will match the MCC equity contribution of land value (estimated at £4.9 million).

3.13 GMPF has committed up front capital of £798,000 to meet the costs of the project team assembled by MCC to progress the development. A soft market testing exercise has been carried out with a range of potential delivery partners, who provided comments that substantiated the assumptions made to date in the financial model on costs, sales values and the suitability of developments for each site. The quarterly Matrix Homes Board will consider the results from the project team, to ensure that viability is achievable before allowing work to proceed to the next stage of implementation. The MCC project team has recently appointed a technical advisor to Matrix 2 and an Employer's Agent, following which procurement packages for the construction and long leasehold partners will commence.

Partnership With Merseyside Pension Fund

3.14 The Fund is formalising arrangements for pooling with Merseyside and West Yorkshire Pension Funds. The political leadership of MPF has expressed a desire to engage in a joint venture along the lines of Matrix Homes with GMPF.

3.15 Officers from GMPF Property and Local Investments team, together with a representative from GVA, attended MPF offices in early April 17 to brief colleagues from MPF and Wirral MBC on the Matrix model. The steps required in delivering a successful development were explained in detail to MPF, together with the learning points from Matrix 1. It was proposed that GMPF would be able to provide further assistance in investment management alongside a capital investment.

3.16 The action following the meeting, was for MPF to consider the information provided and to determine the level of interest from the Merseyside Councils in implementing a Matrix Homes type model. The option of GMPF to include MPF investment into a future Matrix investment in Greater Manchester was also discussed, which may have wider benefits.

3.17 There have been subsequent meetings with Merseyside Councils organised by MPF and there is interest in these projects but there may be some delays as the working arrangements with MPF, the new Liverpool City Region authority and the Councils are established.

4. RECOMMENDATIONS

4.1 That the report be noted.

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of the Local Government Act 1972.

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Agenda Item 9

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Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	22 September 2017
Reporting Officer:	Sandra Stewart - Director of Pensions Emma Mayall - Pensions Policy Manager
Subject:	**PENSIONS ADMINISTRATION UPDATE**
Report Summary:	This report provides an update on recent administration activities, in particular:- - Key work and projects progressed over the last quarter - Work planned for the next quarter - Comments on current workloads and performance - Relevant regulatory and legislative updates
Recommendation:	It is recommended that the Panel note the report.
Financial Implications: **(Authorised by the Section 151 Officer)**	There are no direct financial implications arising from this report.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	There are no direct legal implications to consider.
Risk Management:	There are no key risks to highlight.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information that warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7242 e-mail: emma.mayall@gmpf.org.uk

1. BACKGROUND AND INTRODUCTION

1.1 This report provides a brief update on the work and projects being undertaken within the administration section over the second quarter of the year and those expected over the next quarter. It also provides some information about current workloads and performance levels, together with a brief summary of relevant legislative items.

2. WORK AND PROJECTS UNDERTAKEN OVER THE SECOND QUARTER

Year-end processing

2.1 The annual project of collecting and processing year-end pay and pension contribution information from all GMPF employers who have contributed during the year began in March.

2.2 A total of 541 year-end returns have been received from GMPF employers, with less than 10 still to be submitted. 65% of the returns submitted were received prior to the deadline of 8 May 2017. GMPF aim to process returns within 5 working days of receiving all the relevant information from employers and this target was achieved in 95% of cases.

2.3 A total of 6463 queries were raised with 324 employers following the submission of year-end returns. 2125 of these were relating to the submission of outstanding new starter information, 2733 of these were relating to the submission of outstanding leaver information with the remaining 1605 queries relating to pay and multiple job roles. There are currently 1348 queries outstanding with 95 employers.

2.4 A final year-end bulletin was issued in August along with a link to a questionnaire requesting feedback to enable further improvements to be considered for next year.

Annual Benefit Statements for Contributing Members

2.5 101,844 annual benefit statements for contributing members were also issued before the end of August. Around 3000 statements were unable to be produced in time due to unresolved queries with employers. The members concerned were sent a letter to explain why we were unable to provide them with a statement before the end of August deadline.

2.6 This means that the Fund issued 97% of statements before the tPR deadline of 31 August. Our inability to issue 100% of statements has been recorded on the internal breaches log.

2.7 A small number of employers informed the Fund that they had made errors in the calculation of pay for some members and that therefore some annual statements issued were incorrect. Work is being done with these employers to rectify the errors and issue revised statements to members.

Death Grant procedures - review project

2.8 An operational review of the procedures in place for processing casework where a death grant payment is due began in April. Work has continued during this second quarter and the first meeting of the Death Grant Decisions Board is due to be held in early October.

2.9 This project is expected to be completed during the next quarter and the Pensions Administration Working Group will receive an update report at their October meeting.

First Bus Transfer

2.10 Work on this project, which involves the transfer of members from West Yorkshire and South Yorkshire Pensions Funds to GMPF, has also continued over the last quarter.

2.11 The Secretary of State made his Direction Order in August to effect the transfer of responsibility for First Bus members to GMPF with effect from 1 November 2017. The two work streams that are being managed by the administration section are 'implementation' and 'communication'.

2.12 Test data was taken from both transferring funds in August and used by our software provider, Aquila Heywood, to recreate records that can be added to the GMPF Altair database. Testing of this data transfer process is currently underway and is due to be completed by early October.

2.13 Letters and bulletins were sent to First Bus contributing members and pensioner members in August and September to inform them that the transfer of responsibility will be taking place. Deferred members will be written to in November once the transfer to GMPF has taken place.

Guaranteed Minimum Pension Reconciliation

2.14 This large-scale project involves comparing and reconciling Guaranteed Minimum Pension data that HMRC holds against the data that GMPF holds.

2.15 A project team to manage and carry out the work involved was set up in July and work began on reconciling data, creating mismatch lists and sending queries to HMRC in August.

2.16 This long-term project is expected to run until December 2018. Regular progress updates will continue to be provided to the Pensions Administration Working Group.

Communications Strategy

2.17 A review of the whole area of communications is a business plan item for the administration section for this year.

2.18 Work on developing a communications strategy in order to set out a vision of what the Fund wishes to achieve with its communications to members and other stakeholders is continuing and is expected to progress further during the next quarter.

Pension Savings Statements

2.19 Work began in August on providing pension savings statements to all those members who have exceeded the annual allowance during 2016/17.

2.20 Approximately 650 fund members exceeded the annual allowance limits in 2016/17 and statements need to be issued to these members by 6 October 2017. Members will need to self-assess if they are required to pay a tax charge in accordance with HMRC rules.

General Data Protection Regulations

2.21 These new regulations will come into effect in May 2018. Preparation and planning work for this project began in August, with the main aim being to ensure the Fund is compliant with these regulations before they come into force.

2.22 A core project team has been formed and initial work stream and milestone plans have been put together.

Business Continuity and Disaster Recovery Review

2.23 Initial meetings with colleagues in the Tameside MBC IT section are to be scheduled shortly in order to progress work on a review of the Business Continuity and Disaster Recovery provision in place. Work on this project is expected to progress over the coming months and regular progress updates will be provided to the Pensions Administration Working Group.

3. WORKED PLANNED FOR THE NEXT QUARTER

3.1 The main projects and key items of work for the next quarter are expected to be as follows:-

- Issue of any late or revised annual benefit statements to contributing members
- Issue of pension saving statements to those exceeding or close to exceeding the annual allowance
- Completion of the First Bus transfer
- Completion of the death grant procedural review
- Continuation of Guaranteed Minimum Pension reconciliation work
- Progress on the General Data Protection Regulations project
- Review of business continuity and disaster recovery arrangements
- Communications work
- Upgrade of Altair payroll module

4. COMMENTS ON CURRENT WORKLOADS AND PERFORMANCE

4.1 The volumes of casework received and performance against in-house targets during June and July has remained consistent.

4.2 The section continues to meet the majority of target standard times with all but four KPIs being within the 90% standard or higher in July (**Appendix 1**).

4.3 However, despite improvements, there are some areas where targets are not being met. This will be an area of focus for the next six months.

5. RELEVANT REGULATORY AND LEGISLATIVE UPDATES

Government to bring forward rise to State Pension Age

5.1 The Department for Work and Pensions confirmed that it intends to increase State pensionable age to 68 between 2037 and 2039, seven years earlier than was currently scheduled. The change will affect those born on or after 5 April 1970.

5.2 The Government has said that the next review of the State pensionable age, due to conclude in July 2023, will confirm the exact date of the increase to 68 so that the latest life expectancy projections can be taken into account.

5.3 As the LGPS retirement age is linked to State pensionable age, this will affect GMPF members' LGPS pension as well as their State pension entitlements.

Expected Finance Bill

5.4 It is expected that a new Finance Bill will be brought forward soon after the summer recess has ended. The Bill will reintroduce the tax measures that were excluded from the draft legislation when the general election was announced. This includes a reduction to the money purchase annual allowance, which is expected to reduce from £10,000 to £4,000. As drafted, these provisions are due to have retrospective effect to 6 April 2017.

5.5 This measure will affect those members who pay Additional Voluntary Contributions in the LGPS.

Ruling on same-sex survivor benefits

5.6 The Supreme Court has declared that UK legislation allowing the restriction of same sex survivors' benefits to those in respect of service since 5 December 2005 only is incompatible with EU law and must be dis-applied.

5.7 The Government will need to consider public-service pension scheme rules, including the LGPS, to determine what action needs to be taken because of this ruling.

Letter from DCLG on Brewster cases

5.8 DCLG recently circulated a letter to LGPS funds in England and Wales regarding the implications of the Brewster judgement. In this judgement, the Supreme Court found that the requirement of the LGPS in Northern Ireland for members to have completed a nomination form in order for a cohabiting partner to be entitled to payment of a survivor's pension constituted unlawful discrimination and was a breach of the European Convention on Human Rights.

5.9 The LGPS in England and Wales previously included a similar requirement meaning that:-

- Where a member had active membership in the 2008 Scheme, and
- That member died on or after 1 April 2008 and prior to 1 April 2014, and
- At the time of their death the member was in a relationship where their partner would have met the definition of a 'nominated cohabiting partner' under regulation 25 of the LGPS Regulations 2007, but
- No nomination had been made, then
- No survivor's pension would have been payable to that partner.

5.10 The letter from DCLG states that it is for LGPS funds to determine their approach in respect of claims arising from the judgement. It also states that DCLG's view is that it would be 'reasonable' for funds to rely on the judgement and section 3 of the Human Rights Act 1998 when dealing with any claims received.

5.11 Separately, DCLG have confirmed that they have sought legal advice and concluded that there is no requirement to amend the Benefits Regulations 2007 to reflect the Brewster Judgement and therefore have no plans to do so.

Update on exit payments

5.12 A fresh consultation on draft regulations governing the exit payment cap and exit payment recovery is expected to take place in the autumn. This would potentially mean an implementation for both reforms in the first half of 2018, subject to sufficient parliamentary time being found.

5.13 No update has been given on the third part (proposals looking at overall severance packages) of the Government's programme of public sector payment reforms, about which a DCLG consultation is still awaited.

6 RECOMMENDATION

6.1 It is recommended that the Panel note the report.

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1. Written queries answered or acknowledged

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	600	770	559	523	360	658	663	615	525	645	644	517	7,079	7,006	6,863	5,068
Processed in time	567	720	542	495	334	636	641	587	511	618	623	505	6,779	6,585	6,463	4,727
Percentage on time	**95%**	**94%**	**97%**	**95%**	**93%**	**97%**	**97%**	**95%**	**97%**	**96%**	**97%**	**98%**	**95.8%**	**94.0%**	**94.2%**	**93.3%**

2. New starters processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	1,178	1,508	1,982	2,164	1,047	1,824	1,407	1,274	1,083	1,257	1,613	1,456	17,793	18,990	18,619	15,098
Processed in time	1,178	1,506	1,964	2,134	1,046	1,815	1,405	1,257	1,082	1,256	1,612	1,433	17,688	18,846	17,034	12,990
Percentage on time	**100%**	**100%**	**99%**	**99%**	**100%**	**100%**	**100%**	**99%**	**100%**	**100%**	**100%**	**98%**	**99.4%**	**99.2%**	**91.5%**	**86.0%**

3. Changes in details processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	1,814	1,911	1,341	1,782	1,108	1,551	1,484	1,666	1,410	177	1,445	2,172	17,861	21,683	25,326	23,750
Processed in time	1,808	1,905	1,337	1,775	1,102	1,547	1,481	1,658	1,408	177	1,441	2,165	17,804	21,479	24,733	23,148
Percentage on time	**100%**	**100%**	**100%**	**100%**	**99%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**99.7%**	**99.1%**	**97.7%**	**97.5%**

4. Helpline telephone calls answered in office hours

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Offered	5,293	6,057	4,983	4,271	2,660	5,173	4,853	5,692	5,027	5,800	4,974	4,451	59,234	66,692	59,074	72,508
Answered	4,508	5,146	4,386	3,884	2,446	4,819	4,475	5,165	4,385	5,031	4,295	3,968	52,508	56,421	51,666	58,769
Percentage answered	**85%**	**85%**	**88%**	**91%**	**92%**	**93%**	**92%**	**91%**	**87%**	**87%**	**86%**	**89%**	**88.6%**	**84.6%**	**87.5%**	**81.1%**

5. Pensions forecasts for deferred members

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	0	0	0	0	0	0	0	0	0	100,033	0	0	100,033	91,816	90,290	87,739
Processed in time	0	0	0	0	0	0	0	0	0	100,033	0	0	100,033	91,794	90,290	79,137
Percentage on time										**100%**			**100.0%**	**100.0%**	**100.0%**	**90.2%**

6. Pensions forecasts for active members

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	97,516	1,076	1,214	836	261	102	264	216	0	0	0	0	101,485	107,222	106,357	105,471
Processed in time	97,516	0	0	0	0	0	0	0	0	0	0	0	97,516	103,253	73,668	7,373
Percentage on time	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**					**96.1%**	**96.3%**	**69.3%**	**7.0%**

7. Postings queries for employers issued

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	1,765	396	0	0	0	0	0	10	317	2,199	3,501	448	8,636	4,590	2,996	
Processed in time	531	26	0	0	0	0	0	10	317	2,199	3,495	436	7,014	1,619	1,276	
Percentage on time	**30%**	**7%**						**100%**	**100%**	**100%**	**100%**	**97%**	**81.2%**	**35.3%**	**42.6%**	

8. Technical guidance issued to employers

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	2	3	0	3	1	2	3	0	1	1	0	1	17	18	7	7
Processed in time	2	3	0	3	1	2	3	0	1	1	0	1	17	18	6	7
Percentage on time	**100%**	**100%**		**100%**	**100%**	**100%**	**100%**		**100%**	**100%**		**100%**	**100.0%**	**100.0%**	**85.7%**	**100.0%**

9. Pension savings statements

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	23	23	138	40	14	7	1	3	1	5	0	3	258	274	453	148
Processed in time	23	23	138	40	14	7	1	3	1	5	0	3	258	274	378	148
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**		**100%**	**100.0%**	**100.0%**	**83.4%**	**100.0%**

10. Estimates for divorce purposes

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	47	32	36	66	19	36	43	70	36	46	53	63	547	538	539	464
Processed in time	42	30	35	60	19	33	42	69	32	46	53	63	524	506	523	452
Percentage on time	**89%**	**94%**	**97%**	**91%**	**100%**	**92%**	**98%**	**99%**	**89%**	**100%**	**100%**	**100%**	**95.8%**	**94.1%**	**97.0%**	**97.4%**

11. Non LGPS transfers in processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	5	9	9	6	2	9	9	5	5	2	2	3	66	66	135	84
Processed in time	5	8	9	6	2	9	9	5	5	2	2	3	65	65	133	77
Percentage on time	**100%**	**89%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**98.5%**	**98.5%**	**98.5%**	**91.7%**

12. Non LGPS transfer out quotations processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	101	68	123	116	101	93	150	115	110	151	130	130	1,388	1,215	1,048	875
Processed in time	81	64	108	116	94	93	150	115	110	148	127	129	1,335	1,014	1,015	845
Percentage on time	**80%**	**94%**	**88%**	**100%**	**93%**	**100%**	**100%**	**100%**	**100%**	**98%**	**98%**	**99%**	**96.2%**	**83.5%**	**96.9%**	**96.6%**

13. Non LGPS transfer out payments processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	33	18	17	19	9	21	20	41	26	35	14	36	289	260	216	248
Processed in time	32	18	17	19	9	21	20	41	26	35	14	34	286	250	212	240
Percentage on time	**97%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**94%**	**99.0%**	**96.2%**	**98.1%**	**96.8%**

14. Internal and concurrent transfers processed

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	154	280	414	435	235	233	422	276	341	424	399	340	3,953	3,264	848	346
Processed in time	128	198	309	354	224	210	355	187	303	320	284	231	3,103	2,227	508	273
Percentage on time	**83%**	**71%**	**75%**	**81%**	**95%**	**90%**	**84%**	**68%**	**89%**	**75%**	**71%**	**68%**	**78.5%**	**68.2%**	**59.9%**	**78.9%**

15. Refund payments made

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	107	118	144	165	186	386	195	212	189	169	148	175	2,194	1,804	1,328	470
Processed in time	100	116	141	158	175	366	166	195	176	145	129	171	2,038	1,522	1,138	409
Percentage on time	**93%**	**98%**	**98%**	**96%**	**94%**	**95%**	**85%**	**92%**	**93%**	**86%**	**87%**	**98%**	**92.9%**	**84.4%**	**85.7%**	**87.0%**

16. Deferred benefits calculated

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	1,019	839	937	957	872	1,091	951	935	867	692	947	834	10,941	11,470	10,010	5,145
Processed in time	391	470	603	566	380	611	494	488	541	436	563	455	5,998	4,088	667	3,196
Percentage on time	**38%**	**56%**	**64%**	**59%**	**44%**	**56%**	**52%**	**52%**	**62%**	**63%**	**59%**	**55%**	**54.8%**	**35.6%**	**6.7%**	**62.1%**

17. Annuity quotations calculated

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	15	8	10	12	6	6	2	6	3	4	7	7	86	108	125	114
Processed in time	15	8	10	12	6	6	2	6	3	4	7	7	86	108	124	112
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100.0%**	**100.0%**	**99.2%**	**98.2%**

18. APC illustrations calculated

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	21	40	14	18	10	21	21	28	14	16	13	17	233	230	192	209
Processed in time	21	40	14	18	10	21	21	28	14	16	12	16	231	229	186	180
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**92%**	**94%**	**99.1%**	**99.6%**	**96.9%**	**86.1%**

19. AVC amendments noted on ALTAIR

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	172	48	96	94	78	73	36	209	56	46	17	116	1,041	1,480	1,324	2,051
Processed in time	171	48	96	94	78	72	35	89	56	45	17	116	917	1,357	1,080	1,841
Percentage on time	**99%**	**100%**	**100%**	**100%**	**100%**	**99%**	**97%**	**43%**	**100%**	**98%**	**100%**	**100%**	**88.1%**	**91.7%**	**81.6%**	**89.8%**

20. New retirements benefit options sent

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	294	296	218	326	175	251	194	258	217	239	226	279	2,973	3,086	3,189	2,540
Processed in time	252	216	217	326	173	251	193	246	115	212	182	265	2,648	2,736	2,934	1,846
Percentage on time	**86%**	**73%**	**100%**	**100%**	**99%**	**100%**	**99%**	**95%**	**53%**	**89%**	**81%**	**95%**	**89.1%**	**88.7%**	**92.0%**	**72.7%**

21. New retirements processed for payment

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
Processed	365	314	233	270	238	177	183	259	234	221	211	204	2,909	3,035	2,956	2,488
Processed in time	365	314	233	270	235	176	181	249	228	201	207	192	2,851	3,016	2,941	2,342
Percentage on time	**100%**	**100%**	**100%**	**100%**	**99%**	**99%**	**99%**	**96%**	**97%**	**91%**	**98%**	**94%**	**98.0%**	**99.4%**	**99.5%**	**94.1%**

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total	2016-17	2015-16	2014-15
22. Deferred benefits processed for payment																
Processed	395	298	348	393	287	379	345	414	287	357	424	400	4,327	4,334	3,379	2,720
Processed in time	389	295	348	387	286	377	341	408	279	355	421	399	4,285	4,282	3,246	2,582
Percentage on time	**98%**	**99%**	**100%**	**98%**	**100%**	**99%**	**99%**	**99%**	**97%**	**99%**	**99%**	**100%**	**99.0%**	**98.8%**	**96.1%**	**94.9%**
23. Notifications of death processed																
Processed	202	340	272	306	221	465	417	367	297	293	364	333	3,877	3,882	3,820	3,166
Processed in time	196	285	238	193	126	348	383	329	269	271	302	278	3,218	3,184	3,442	3,032
Percentage on time	**97%**	**84%**	**88%**	**63%**	**57%**	**75%**	**92%**	**90%**	**91%**	**92%**	**83%**	**83%**	**83.0%**	**82.0%**	**90.1%**	**95.8%**
24. Dependant's pensions processed for payment																
Processed	122	113	102	133	92	112	150	147	122	122	144	125	1,484	1,441	1,358	1,184
Processed in time	120	90	101	117	91	111	150	145	120	120	144	124	1,433	1,386	1,337	1,142
Percentage on time	**98%**	**80%**	**99%**	**88%**	**99%**	**99%**	**100%**	**99%**	**98%**	**98%**	**100%**	**99%**	**96.6%**	**96.2%**	**98.5%**	**96.5%**
25. Death grants processed for payment																
Processed	46	48	47	48	49	39	48	66	64	34	48	46	583	608	592	440
Processed in time	40	41	41	38	46	39	48	63	60	33	45	43	537	543	566	399
Percentage on time	**87%**	**85%**	**87%**	**79%**	**94%**	**100%**	**100%**	**95%**	**94%**	**97%**	**94%**	**93%**	**92.1%**	**89.3%**	**95.6%**	**90.7%**
26. Retirement lump sum processed by payroll																
Processed	485	622	505	519	459	451	409	456	509	541	511	471	5,938	6,063	5,542	4,603
Processed in time	485	621	503	519	458	451	409	456	509	540	511	471	5,933	6,047	5,542	4,603
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**99.9%**	**99.7%**	**100.0%**	**100.0%**
27. Payments recalled due to death																
Processed	252	311	292	294	248	472	326	349	253	315	319	274	3,705	3,725	3,790	3,153
Processed in time	252	311	292	294	248	472	326	349	253	315	319	274	3,705	3,725	3,790	3,153
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
28. Changes to bank details made																
Processed	168	136	140	140	80	130	144	143	185	216	158	143	1,783	1,847	1,963	1,938
Processed in time	168	136	140	140	80	130	144	143	185	216	158	143	1,783	1,847	1,963	1,938
Percentage on time	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**