Tameside Metropolitan Borough

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

GREATER MANCHESTER PENSION FUND MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 11 December 2015
Time: 10.00 am
Place: Guardsman Tony Downes House, 5, Manchester Road, Droylsden, M43 6SF

Item No.	AGENDA	Page No
1.	**CHAIR'S OPENING REMARKS**	
2.	**APOLOGIES FOR ABSENCE**	
	To receive any apologies for the meeting from Members of the Panel.	
3.	**DECLARATIONS OF INTEREST**	
	To receive any declarations of interest from Members of the Panel.	
4.	**MINUTES**	
a)	**MINUTES OF THE PENSION FUND ADVISORY PANEL**	1 - 12
	To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 2 October 2015.	
b)	**MINUTES OF THE PENSION FUND MANAGEMENT PANEL**	13 - 18
	To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 2 October 2015.	
c)	**MINUTES OF THE ANNUAL GENERAL MEETING**	19 - 22
	To approve the Minutes of the Annual General Meeting held on 2 October 2015.	
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 Schedule 12A to the Local Government Act 1972.	

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

Items	Paragraphs	Justification
7, 8, 10, 12, 13,	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.

Item No.	AGENDA	Page No
12.	**SCENARIO PLANNING** Report of the Executive Director of Pensions attached.	95 - 124
13.	**COLLABORATION WITH OTHER LGPS FUNDS ON INVESTMENTS** Report of the Executive Director of Pensions attached.	125 - 168
14.	**STATEMENT OF INVESTMENT PRINCIPLES** Report of the Executive Director of Pensions attached.	169 - 186
15.	**MEMBER TRAINING** Report of the Executive Director of Pensions attached.	187 - 194
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.

330 Consulting elected Member Educational Event The Members Dining Room, Palace of Westminster, London This event is of particular relevance to those members of the Pensions Committees and Boards who are relatively new to their roles, but is also appropriate for other, more experienced individuals who would like a refresher on some key investment concepts and issues	**27 February 2016**
LGS Investment Summit Carden Park, Chester	**3 – 4 March 2016**
NAPF Investment Conference Edinburgh Conference Centre	**9 – 11 March 2016**
Legal and General Trustee Education Seminars Introductory Seminar (08.30 – 12.30) Advanced Seminar (12.30 – 17.00) Risk Management (08.30 – 12.30)	**21 April 2016** **21 April 2016** **22 April 2016**

17. DATES OF FUTURE MEETINGS

Management/Advisory Panel	11 March 2016
Local Pensions Board	19 January 2016 30 March 2016
Pensions Administration Working Group	29 January 2016 8 April 2016
Investment Monitoring and ESG Working Group	29 January 2016

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

	8 April 2016
Alternative Investments Working Group	5 February 2016 15 April 2016
Property Working Group	19 February 2016 1 April 2016
Policy and Development Working Group	6 January 2016 4 February 2016 24 March 2016
Employer Funding Viability Working Group	12 February 2016 22 April 2016

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

2 October 2015

Commenced: 9.45am **Terminated: 12.15pm**

Present:	**Councillor K Quinn (Chair)**
	Councillors: Akbar (Manchester), Brett (Rochdale), Dennett (Salford), Francis (Bolton), Grimshaw (Bury), Halliwell (Wigan), Mitchell (Trafford), Pantall (Stockport) and Ms Herbert (MoJ)
	Employee Representatives:
	Mr Allsop (UNISON), Mr Drury (UNITE), Mr Flatley (GMB) and Mr Llewellyn (UNITE),
	Advisors:
	Mr Bowie, Mr Moizer and Mr Powers
Apologies for Absence:	**Councillor Dean (Oldham) and Mr Thompson**

24. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the first meeting of the Panel in the new Pensions' building, Guardsman Tony Downes House. He added that the building would be formally opened later that afternoon.

The Chair announced, with great sadness, the recent sudden death of Russell Page, Compliance Officer in Pension Fund Legal. He added that Russell had worked for the Fund for 31 years and was a much respected friend and colleague and would be sadly missed. On behalf of the Fund, he extended condolences to Russell's family, friends and colleagues and those present stood and observed a few moments silence as a mark of respect and in memory of Russell.

The Chair further informed the Panel of the forthcoming retirement of Peter Morris, Executive Director of Pensions, on 1 May 2016. In terms of succession planning, he informed Members that Sandra Stewart, Solicitor to the Fund, would take on the Executive Director role going forward and a recruitment process for a Director of Pensions to support her and the other assistant directors, would be undertaken.

He thanked Peter for his hard work over the years, leading the Fund to its current position of £17 billion and being the largest LGPS Fund in the UK and recently recognised as the 'LGPS Fund of the Decade.'.

25. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

26. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 3 July 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 3 July 2015 were signed as a correct record.

The Minutes of the meeting of the GMPF Urgent Matters panel held on 2 September 2015 were signed as a correct record.

27. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:
(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	Paragraphs	Justification
9, 10, 11, 13	3&10, 1&10, 3&10, 3&10	Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.

28. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 16 July 2015 were considered.

The Chair of the Working Group, Councillor Taylor, explained that Investec gave their first presentation to the Working Group with a reminder of their approach and process, and an update on their strong relative performance over the short period since they had been appointed by the Fund.

The Chair also made reference to a debate held by members of the Working Group, on Climate Risk. A representative from Carbon Tracker, a climate change think tank, had attended the meeting and presented his research, which covered one possible scenario in which carbon emissions were limited in order to minimize global temperature rises. He had also outlined the potential impact on fossil fuel companies if they could not use all their reserves of coal, oil or gas.

Representatives from UBS had then presented their views on Climate Risk in the GMPF portfolio. They had informed the Working Group that they monitored the risk of ‘stranded carbon’ assets closely, and highlighted the impact on the wider economy that a limit on carbon emissions might have.

Since the meeting, prompted by Friends of the Earth and other pressure groups, the Fund had received wide press coverage and a small demonstration had taken place outside the new office, regarding its holdings in fossil fuel companies. A pamphlet setting out the debate at the Working Group would be published shortly by GMPF, as a further step in the Fund developing its approach to this very complex issue.

The Chair concluded that, in line with many other investors, and the view of Unison, the Fund had no plans to divest from fossil fuel companies in the medium term.

RECOMMENDED
That the Minutes be received as a correct record.

29. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 17 July 2015 were considered.

RECOMMENDED
That the Minutes be received as a correct record;

30. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 24 July 2015 were considered.

RECOMMENDED
That the Minutes be received as a correct record.

31. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 24 July 2015 were considered.

The Chair of the Working Group, Councillor S Quinn, commented on a disappointing performance for 2014 and added that La Salle were working towards turning this around over the next few years and, so far, were doing a satisfactory job.

The Chair also made reference to the presentation by GVA, who had focussed on the need to drive forward housing development sites. They had also commented on sales and a development opportunity.

The Executive Director of Pensions also gave an update on progress at 1 St Peters Square.

RECOMMENDED
That the Minutes be received as a correct record.

32. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 7 August 2015 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the GMPF Statement of Accounts 2014/15 Governance Arrangements and Update, that the assumptions for estimates used in the Statement of Accounts 2014/15 be approved.

33. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report updating Members on issues and matters of interest arising during the last quarter, as follows:

LAPF Fund of the Decade
The Fund had won two awards at the 2015 LAPF Investment Awards:
- LGPS Fund of the Decade; and
- Infrastructure Project of the Year (LPFA)

New Offices
It was reported that the development of the Fund's new offices, Guardsman Tony Downes House, had been delivered in line with the timetable with staff moving in on 14 September 2015.

Local Pensions Board – New Members
Four new members of the Board had been approved by Tameside Council as follows:
- Councillor Janet Cooper – Tameside MBC;
- Chris Goodwin (UNITE);
- Catherine Lloyd (UNISON); and
- Jayne Hammond – Monitoring Officer, Bury MBC.

The remaining positions would be filled by:
- A non-local authority employer; nominations had been sought on the Fund's website; and
- A pensioner representative with the process to start at the Pensioner Forum on 9 October 2015.

The next meeting of the Local Pensions Board would be held on 6 October 2015.

Public Sector Cap on Exit Payments
It was reported that in late July, the Government started a short consultation on a proposal to limit the aggregate exit payments payable by public sector boards in England to £95,000. This included employer 'strain payments' arising from early retirements, redundancy, severance payments and any other payment relating to the employee leaving their employment.

The Fund's response was from an administering authority's perspective and thus focussed on the practical issues of implementing such a policy.
The Government had considered and responded to the consultation responses. It will be broadly progressing proposals as set out in the original consultation document.

Probation (MoJ) Transfer
Virtually all assets due had been received and nearly all the membership records were on the Fund's administration system. There were still some exceptional matters outstanding and data cleansing continued to be progressed.

During the week commencing 24 August 2015, there were significant falls in equity markets. Following discussions with the Advisors and the Chair, it was decided to take the opportunity to switch approximately £60m from Cash to UK equity within the MoJ portfolio, at advantageous prices compared to those obtained during the past 12 months. The MoJ Portfolio was thereby moved closer to the current Main Fund asset allocation, in preparation for the assimilation of MoJ assets into the Main Fund.

LPFA Joint Venture
Since the last meeting of the Panel, the Joint Transaction Team had been busy evaluating deals and at present had three prospective deals which were in final due diligence. These included a stake in a privately owned regulated utility as previously reported to Panel, funding of anaerobic digestion plants and a transport infrastructure investment. The JV were also looking at participation in a club bid for a transportation asset.

North West Impact Fund
The team were progressing a number of investments, including renewable energy, lending to SME's and the supported living sector and completed investments with Enterprise Ventures (lending to small businesses) and Albion (renewable energy).

Efforts to collaborate with other LGPS Funds were also progressing.

GMPVF – One St Peter's Square
Agreements for lease were being progressed with two tenants.

Annual Benefit Statements 2015
LGPS funds had a disclosure requirement to issue Annual Benefit Statements by 31 August i.e. the 2014/2015 statement had to be issued by 31 August 2015.

This had been a very challenging timetable for most funds and most had failed to meet this deadline in whole or in part. Under the new regulations, this would normally require a letter to be sent to the Pensions Regulator from funds that had failed to comply. However, for this year, the Regulator was aware of the exceptional issues and individual funds had not been required to write to the Regulator.

For GMPF's members, approximately 70% of employee members received their illustration before the deadline. The main reason was no data and incorrect data from employers. Data was still awaited from a small number of employers.

Guaranteed Minimum Pension
Members were reminded that, as part of the State Pension Reforms, contracting out ended in 2016. This necessitated a reconciliation between the records of pension funds and HMRC. Work had started on the reconciliation process with records obtained from HMRC and compared to the Fund's records.

Annual Allowance and Lifetime Allowance
With effect from 6 April 2016, the lifetime allowance would reduce from £1.25m to £1m. For most members the Annual Allowance remained at £40k but for a small number of members a taper limited to pay had been introduced that could result in an Annual Allowance of £10k. Most members' pension savings were not affected by these changes. Where members were affected, they tended to be well paid and had long service for lifetime allowance calculations and an additional factor of increase in pay would apply for the Annual Allowance.

Fossil Fuels
An article had been published in the Guardian newspaper regarding LGPS exposure to fossil fuels. The Fund's response to the Guardian, in advance of the article being published, had been circulated to Members.

The Executive Director of Pensions made reference to the complex nature of the issues relating to investing in companies that generated a significant proportion of their sales and profits from fossil fuels. He reiterated the Panel's responsibilities in safeguarding the pension promise of more than 340,000 members, and the fiduciary duty to look after members' interests and the assets in the Fund. The Executive Director further stated that it was critical that all financial risks to the Fund were assessed, including those posed by fossil fuels.

The Advisors were then asked to comment on the Fund's exposure to fossil fuels.

Mr Powers explained that he did not feel that the Fund was over exposed to fossil fuels and added that current exposure was within the risk framework set by the Fund.

Mr Moizer concurred with Mr Powers comments.

Mr Bowie also concurred and added that the Fund Managers had followed due process and governance and made tactical investment decisions. He further made reference to alternatives to fossil fuels such as nuclear power, which posed significant but different risks to those posed by fossil fuels.

RECOMMENDED
That the report be noted.

34. LGPS UPDATE

A report was submitted by the Executive Director of Pensions outlining two major pieces of work currently being undertaken that could have a very significant impact on the structure and delivery of the LGPS:

- Options for Separation of duties between funds and their host authority – a report commissioned by the Scheme Advisory Board; and
- Pooling of Assets – a process introduced by the Chancellor in his Summer Budget.

Options for Separation were detailed as follows:

- Option 1 – Stronger role for S151 Officer/Pension Manager within a distinct entity of the host authority;
- Option 2 – Joint committee of two or more administering authorities; and
- Option 3 – Complete separation of the Pension Fund from the host authority.

The report explained that the review centred around issues of conflicts in the LGPS and how they could be managed.

As part of the review, a number of stakeholders had been interviewed including GMPF. It was reported that the Fund's representation was strongly in support of Option 1.

With regard to pooled investments, it was reported that, further to the announcement by the Chancellor in the summer budget seeking proposals for pooling of assets by funds, the Scheme Advisory Board considered a progress report on this matter at its meeting on 21 September 2015. The paper included key messages, a brief note of the meetings held and a description of the options for pooling.

It was further reported that meetings had been held by the LGA with funds and investment managers. Funds were starting to give consideration to the issues and the scale of change being sought by DCLG in the governance of their funds.

The investment managers' views were that the greatest cost savings would be obtained from funds presenting themselves as one client with decision making placed within the pools.

Criteria for evaluating pooling options were also detailed and discussed and the following were suggested as potential criteria:

- The improvement in net investment returns. This would be a function of investment cost and return on investment;
- The suitability for meeting individual employer needs where maturity of liabilities and funding level would vary materially between employers (and funds). The challenges facing funds and employers had been frequently discussed at the Panel and how a fund delivered stable and affordable employer contributions on a prudent and transparent basis was key; and
- From the GMPF perspective, the scope to invest locally with the twin aims of commercial returns. This could be extended to include supporting UK infrastructure again with the twin aims and having the capacity in the medium term to compete with large foreign funds; and
- The ability to undertake corporate governance activities.

Actions to date were reported with Fund representatives having attended meetings held by LGA and DCLG. GMPF was also collaborating with a number of funds supported by Hymans Robertson to evaluate a number of options. Informal discussions had also been held with a number of other large funds.

In summary, it was concluded that the interaction of the austerity programme and the economic environment meant that funds were rapidly maturing and funding levels were at historical low levels. The potential outcomes from managing deficits, the options for separation and pooling of assets could lead to fundamental reform of the structure of the LGPS and its governance arrangement. It was likely that there would be no exemptions from pooling for the vast majority of Fund assets and an end to local decision making on manager selection.

The scale of GMPF, its long term track record and the experience gained from the take on of probation liabilities placed it in an excellent position to contribute to the debate. This could take varying forms, such as responding to government consultations, trying to develop an effective consensus view with others; e.g. through the holding of an event for LGPS funds to develop views, commissioning research and obtaining legal advice. This may also incur additional costs outside the existing budget. Given the exceptional circumstances, approval of additional spend may be needed at short notice.

The collaboration of funds supported by Hymans Robertson to evaluate options was likely to be influential in future decisions. GMPF would have a significant input into this work. Structured discussions with other funds also needed to be progressed.

RECOMMENDED
(i) That the position on Options for Separation be noted;
(ii) That the Chair of the Fund, Executive Director of Pensions, Assistant Director (Funding and Business Development) and Fund Solicitor progress discussions with other potential collaboration partners and other relevant stakeholders;
(iii) That updates be given on discussions held to the Management Panel or Policy and Development Working Group;
(iv) That no commitments on governance be entered into without the approval of the Management Panel; and
(v) That the Executive Director of Pensions following consultations with the Chair has the delegated power to incur relevant expenditure in support of activities in respect of developing the Fund's position on pooling, e.g. commissioning research, seeking legal advice, hosting meetings and events.

35. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 March 2015 and 30 June 2015

A report of the Executive Director of Pensions was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 31 March 2015 and 30 June 2015.

RECOMMENDED
That the report be noted.

(b) Underwriting, Stocklending and Commission Recapture

Consideration was given to a report of the Executive Director of Pensions detailing the activity and income generated on Underwriting, Stocklending and Commission Recapture during the quarter.

It was reported that income from the Fund's Underwriting, Stocklending and Commission Recapture activities was 'opportunistic' in nature and very sensitive to market conditions. The amounts generated were therefore expected to vary, potentially significantly, from one quarter to another and from one year to another.

RECOMMENDED
That the report be noted.

(c) External Managers' Performance

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

It was noted that in the quarter to 30 June 2015, Capital had outperformed by 0.3% against their benchmark index of -5.0%. UBS had also outperformed by 0.2% against their benchmark index of -3.3% and Legal and General had succeeded in tracking their benchmark for the Main Fund and for MoJ.

Performance figures for the twelve months to 30 June 2015 were detailed which showed that Capital had outperformed their benchmark by 0.2% and UBS had tracked their benchmark at 5.4%. Legal and General had broadly succeeded in tracking their benchmark for the Main Fund and for MoJ.

RECOMMENDED
That the content of the reports be noted.

36. MAIN PROPERTY PORTFOLIO – REVIEW AND STRATEGY PRESENTATION

Consideration was given to a report of the Executive Director of Pensions and a presentation delivered by La Salle, Investment Manager of the main property portfolio. Tom Rose, Fund Manager, and Rebecca Gates, Head of UK Asset Management at La Salle Investment Management, gave details of their performance and portfolio changes since their appointment in October 2014 and provided an update on their investment strategy for the Fund's property investments.

RECOMMENDED
That the content of the presentation be noted.

37. REPORTS OF THE MANAGERS

The Chair welcomed representatives of Capital International and UBS Global Asset Management to the meeting and asked them each to comment on the Fund's exposure to fossil fuels, in addition to providing their quarterly report.

(a) Capital International

Stephen Gosztony, President, Capital International, in response to the Chair's question on fossil fuel investment, made reference to Capital's current underweight exposure to the sector and also commented on very weak oil prices and added that Capital could be inclined to add to the sector in the short to medium term.

Mr Gosztony then commented on portfolio returns for the quarter and an outperformance against the benchmark.

He further commented on emerging and developed markets with the two strongly coming together to deliver better results for the portfolio.

Mr Gosztony made reference to the Greek debt crisis and added that amid this, stock selection across sectors helped the portfolio on a relative basis.

Richard Carlyle, Investment Specialist, Capital International, reported that growth in the US was set to recover amid a strong employment picture and that it was likely that the federal reserve was on track to gradually raise interest rates in 2015/16.

The mid-year outlook was detailed in the US, Europe and Asia and Emerging Markets and it was explained that economic crosscurrents called for selectivity.

The Advisors were then asked to comment.

Mr Bowie made references to Capital's changes in their approach to emerging markets and sought clarification as to when this was likely to reflect in performance improvements.

Mr Gosztony, in his response, explained that he expected this to be reflected in 3 – 5 years.

Mr Moizer sought Capital International's views on currency hedging and environmental issues.

Mr Carlyle explained that a portfolio wide currency overlay strategy was not something Capital engaged in, however it was a possibility for consideration. In respect of environmental issues he explained that analysts were increasing their efforts to understand these.

Mr Powers made reference to an expensive US market and asked for Capital's comments regarding their overweighting in the US.

Mr Carlyle, in his response commented on the latter stages of a bullish US market and explained that there were big opportunities short term, in emerging markets.

Mr Powers expressed concern regarding debt levels in emerging markets.

Mr Carlyle whilst acknowledging the concerns raised, commented that this high level of debt was concentrated in a relatively small number of companies in China.

(b) UBS Global Asset Management

Jonathan Davies, Head of UK Balanced Portfolio, UBS Global Asset Management, detailed asset allocation and commented on a modest overweighting in equities, mainly in Japan and Europe and a weak quarter generally for equities.

Steve Magill, Head of UK Value Equities, UBS Global Asset Management, commented on a flat performance for the portfolio during a difficult quarter.

He further commented on performance attribution and positioning at sector level for the quarter to 30 June 2015, and advised that this positioning would be similar in the quarter to 30 September 2015.

Particular reference was made to the mining sector and weak commodity prices, which were generally volatile in nature, and UBS considered that these prices were being further affected by the weakening demand from China.
In respect of the question put by the Chair with regard to investment in fossil fuels, Mr Magill responded that within diversified mining companies, fossil fuels often represented a fraction of the overall operations. He referred to a current overweighting in the mining sector within the UBS portfolio, however added that over the long term he would not expect to be overweight in the sector.

RECOMMENDED
That the content of the Fund Manager presentations be noted.

38. EMPLOYER UPDATE

The Executive Director of Pensions submitted a report providing the Panel with a brief update on employer related events which had recently occurred as follows:

- The termination of an admission agreement following a change of ownership;
- Potential consolidation of an employer's LGPS liabilities in a single fund;
- Admission body with Local Authority Guarantee ceasing to participate in the Fund; and
- The closure of a free school.

He added the above events and the Fund's response had either been discussed, or were due to be discussed in further detail at the Employer Funding Viability Working Group.

RECOMMENDED
That the report be noted.

39. AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

Consideration was given to a report of the Executive Director of Pensions explaining that the Employer Funding Viability Working Group gave detailed consideration to the accounts at its meeting on 7 August 2015. The Working Group (as required by International Standards on Auditing) reviewed the reasonableness of significant assumptions for estimates to be used in the accounts and approved the bases applied. An Urgent Matters meeting of the Panel was held on 2 September 2015 to approve the accounts.

It was reported that the Fund's Auditors Grant Thornton also attended the Urgent Matters meeting. Mark Heap of Grant Thornton presented his draft report. He also presented his report to the Overview (Audit) Panel, a copy of which was circulated with the agenda papers.

It was further reported that the Auditor's report was very positive for the Fund with no significant findings or required amendments to the statements.

Grant Thornton had issued two reports on the financial statement of the Fund covering:

(i) The Fund's financial statements as covered in the Fund's Annual Report; and
(ii) The Fund's financial statements included within the administering authority's accounts.

As part of the Audit process Grant Thornton wrote to the Executive Director of Pensions and the Chair of the Management Panel requesting:

(i) Detail on the management processes to prevent and detect fraud and to ensure compliance with law and regulation relating to operational issues as well as the financial statements;
(ii) Details on how the Governing Body, (Pensions Management Panel) maintains oversight of these management processes.

The Urgent Matters Panel on 2 September approved the letter of representation (a copy of which was attached to the report), to be signed by the Executive Director on behalf of the Pension Fund on 21 September 2015 following the meeting of the Overview (Audit) Panel.

A copy of the management letter to Grant Thornton and Chair's response to the schedule of questions was attached to the report for information.

The Chair announced that this was the last meeting of Mark Heap. He thanked Mark for all his hard work for the Fund.

RECOMMENDED
(i) That the report of Grant Thornton be noted; and
(ii) That the Letter of Representation and the Management Letter be noted.

40. THE PENSIONS REGULATOR'S PUBLIC SERVICE GOVERNANCE AND ADMINISTRATION SURVEY

A report was submitted by the Executive Director of Pensions giving information about the Scheme of Delegation to officers relating to pension benefits and contributions, and included a summary of actions taken by the Executive Director of Pensions during 2014 – 2015.

RECOMMENDED
That the report be noted.

41. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

Free E-Learning for Public Service Schemes
Sign up at: https://education.thepensionsregulator.gov.uk/login/signup.php

330 Consulting Elected Member Educational Event New Armouries Banqueting Suite, Tower of London	7 October 2015
NAPF Annual Conference Manchester Central http://www.napf.co.uk/Conferences_and_Seminars/Annual_Conference_And_Exhibition.aspx	14 – 16 October 2015
SPS Current Investment Issues for Pension Funds Le Meridien Piccadilly, London	5 November 2015
Capital International Member Training Day Venue: TBA	12 November 2015
Fundamentals Training for New Members	
Day 1	21 October 2015
Day 2	17 November 2015
Day 3	8 December 2015
Marriott Hotel Leeds	
LAPFF Annual Conference Bournemouth Highcliff Marriott Hotel	2 – 4 December 2015

42. 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	11 December 2015 11 March 2016
Local Pensions Board	6 October 2015

Pensions Administration Working Group	16 October 2015 29 January 2016 8 April 2016 16 April 2015
Investment Monitoring & ESG Working Group	16 October 2015 29 January 2016 8 April 2016
Alternative Investments/Property Working Groups	23 October 2015 5 February 2016 15 April 2016
Policy and Development Working Group	8 October 2015 4 February 2016 24 March 2016
Employer Funding Viability Working Group	30 October 2015 12 February 2016 22 April 2016

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

2 October 2015

Commenced: 9.45am **Terminated:12.15pm**

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

Councillors: Akbar (Manchester), Brett (Rochdale), Cooney, Cooper, Dean (Oldham), Dennett (Salford), J Fitzpatrick, M Francis (Bolton), Grimshaw (Bury), J Lane, Mitchell (Trafford), Pantall (Stockport), Patrick, S Quinn, Ricci, M Smith, Taylor, Ward and Ms Herbert (MoJ).

Apologies for Absence: **Councillors C Francis, Halliwell (Wigan), and R Miah**

24. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the first meeting of the Panel in the new Pensions' building, Guardsman Tony Downes House. He added that the building would be formally opened later that afternoon.

The Chair announced, with great sadness, the recent sudden death of Russell Page, Compliance Officer in Pension Fund Legal. He added that Russell had worked for the Fund for 31 years and was a much respected friend and colleague and would be sadly missed. On behalf of the Fund, he extended condolences to Russell's family, friends and colleagues and those present stood and observed a few moments silence as a mark of respect and in memory of Russell.

The Chair further informed the Panel of the forthcoming retirement of Peter Morris, Executive Director of Pensions, on 1 May 2016. In terms of succession planning, he informed Members that Sandra Stewart, Solicitor to the Fund, would take on the Executive Director role going forward and a recruitment process for a Director of Pensions to support her and the other assistant directors, would be undertaken.

He thanked Peter for his hard work over the years, leading the Fund to its current position of £17 billion and being the largest LGPS Fund in the UK and recently recognised as the 'LGPS Fund of the Decade.'.

25. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

26. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 3 July 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 3 July 2015 were signed as a correct record.

The Minutes of the meeting of the GMPF Urgent Matters panel held on 2 September 2015 were signed as a correct record.

27. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:
(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	Paragraphs	Justification
9, 10, 11, 13	**3&10, 1&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

28. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 16 July 2015 were considered.

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

29. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 17 July 2015 were considered.

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

30. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 24 July 2015 were considered.

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

31. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 24 July 2015 were considered.

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

32. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 7 August 2015 were considered.

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

33. MANAGEMENT SUMMARY

A report of the Executive Director of Pensions was submitted.

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

34. LGPS UPDATE

A report of the Executive Director of Pensions was submitted.

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

35. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 March and 30 June 2015

A report of the Executive Director of Pensions was submitted.

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

(b) Underwriting, Stocklending and Commission Recapture

A report of the Executive Director of Pensions was submitted.

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

(c) External Managers’ Performance

A report of the Executive Director of Pensions was submitted.

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

36. MAIN PROPERTY PORTFOLIO – REVIEW AND STRATEGY PRESENTATION

A report of the Executive Director of Pensions and a Presentation of LaSalle were submitted.

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

37. REPORTS OF THE MANAGERS

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

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

38. EMPLOYER UPDATE

A report of the Executive Director of Pensions was submitted.

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

39. AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

A report of the Executive Director of Pensions was submitted.

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

40. THE PENSIONS REGULATOR'S PUBLIC SERVICE GOVERNANCE AND ADMINISTRATION SURVEY

A report of the Executive Director of Pensions was submitted.

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

41. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

Free E-Learning for Public Service Schemes
Sign up at: https://education.thepensionsregulator.gov.uk/login/signup.php

330 Consulting Elected Member Educational Event 7 October 2015
New Armouries Banqueting Suite, Tower of London

NAPF Annual Conference 14 – 16 October 2015
Manchester Central
http://www.napf.co.uk/Conferences_and_Seminars/Annual_Conference_And_Exhibition.aspx

SPS Current Investment Issues for Pension Funds Le Meridien Piccadilly, London	5 November 2015
Capital International Member Training Day Venue: TBA	12 November 2015
Fundamentals Training for New Members Day 1 Day 2 Day 3 Marriott Hotel Leeds	 21 October 2015 17 November 2015 8 December 2015
LAPFF Annual Conference Bournemouth Highcliff Marriott Hotel	2 – 4 December 2015

42. 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	11 December 2015 11 March 2016
Local Pensions Board	6 October 2015
Pensions Administration Working Group	16 October 2015 29 January 2016 8 April 2016 16 April 2015
Investment Monitoring & ESG Working Group	16 October 2015 29 January 2016 8 April 2016
Alternative Investments/Property Working Groups	23 October 2015 5 February 2016 15 April 2016
Policy and Development Working Group	8 October 2015 4 February 2016 24 March 2016
Employer Funding Viability Working Group	30 October 2015 12 February 2016 22 April 2016

CHAIR

GREATER MANCHESTER PENSION FUND

ANNUAL GENERAL MEETING

2 October 2015

Commenced: 1.00pm		**Terminated: 2.20pm**
Present:	**Councillor K Quinn (Chair)**	
	Councillors: Akbar (Manchester), Brett (Rochdale), Cooney, Cooper, Dean (Oldham), Dennett (Salford), J Fitzpatrick, M Francis (Bolton), Grimshaw (Bury), J Lane, Mitchell (Trafford), Pantall (Stockport), Patrick, S Quinn, Ricci, M Smith, Taylor, Ward and Ms Herbert (MoJ).	
Apologies for absence:	**Councillors C Francis, Halliwell (Wigan) and R Miah**	

Other Representatives:	**Organisation:**
Shirley Gallagher	**City West Housing Trust and City West Works Ltd**
James Bell	**New Charter Group**
Carl O'Donnell	**New Charter Group**
Craig Garner	**New Charter Group**
Andrew Tonge	**Salford City Council**
Claire Cohen	**Science Museum Group**
Paula McDonald	**Stockport MBC**
Nigel Rose	**Greater Manchester Imigration Aid Unit**
Matthew Thorley	**Greater Manchester Police**
Theresa Mahoney	**Greater Manchester Police**
Nigel Carr	**Bolton at Home**
Sharon Adams	**Six Town Housing**
Claire Hey	**Greater Manchester Fire and Rescue Service**
Penny Wright	**Greater Manchester Fire and Rescue Service**
Martin Evans	**University of Bolton**
Amilia Fernandez	**Safeguard Solutions Ltd**
Carol McBurnie	**Trafford MBC**
Tracy Kitchingman	**Bolton College**
Gareth Davies	**Rochdale MBC**
Nina McGlashan	**Rochdale MBC**
Simon Hawker	**Thames Valley and London CRC's**
John Rakestraw	**Trafford College**
Helen Spencer	**Together Housing Group**
David Emerson	**Inspira**
Emma O'Connor	**Sodexo**
Andrew Taylor	**University of Manchester**

Steven Holden	**Oldham Community Leisure**
Debbie Thomas	**Manchester City Council**
Jeanette Brew	**Wigan and Leigh College**
Julie Hardy	**Royal Northern College of Music**
Lindsey Keech	**Greater Manchester Waste Disposal Authority**
Anna Patra	**Manchester Metropolitan University**
Stephan Van Arendsen	**Manchester Metropolitan University**

1. MINUTES

The Minutes of the annual meeting held on 12 September 2014 were noted.

2. CHAIR'S INTRODUCTION

The Chair welcomed the representatives of the various participating organisations to the meeting and to the new Pensions building – Guardsman Tony Downes House.

He began by stating that the Fund had had a very successful last 12 months; it had:

- achieved an investment return of 11.7%;
- maintained a funding level amongst the best funded of LGPS funds, meaning that employer contribution rates were, on average, at the lower end of the range;
- taken on the membership data and assets arising from GMPF becoming the one administering authority for probation staff. This increased the membership of GMPF by around 46,000 and increased assets by £3 billion following the regulatory changes that took effect from 1 June 2014; and
- experienced an increase in fund membership to over 340,000 members and assets had increased by £4.3 billion to £17.6 billion.

He added, however, that the challenges of running a pension fund in the current environment continued. The structural changes in membership and employers and the impact on maturity profiles was adding to complexity, and this complexity would continue to grow because of austerity measures and Government policies. The management of the short and long term needs of employers and scheme members with an appropriate level of prudence in managing and recovering deficits was the biggest challenge the Fund faced.

With regard to funding issues, the Chair reported that GMPF remained amongst the best funded of LGPS funds with relatively low employer contributions.

In respect of investment performance, the Fund's return of 11.7% was below the local authority average of 13.2%. This was disappointing relative performance for the year but GMPF had an excellent long term track record.

GMPF had strengthened its investment management arrangements this year with the aim of improving performance and broadening the options for the future with the appointment of LaSalle as property manager, taking over from the in-house team, and Investec appointed to a global equity mandate.

The Chair commented on Membership changes and the recent announcements by the Chancellor and the expectation of a further reduction in local authority spending in the Autumn Statement made this an exceptionally testing period for employers and employees. Last year, 67 new employers were welcomed to GMPF, meaning that there were now 431 contributing employers.

With regard to Regulation and Legislative change, 2014 Scheme was up and running and further wide ranging changes were being considered.

Looking forward, local investment opportunities continued to progress with the twin aims of commercial returns and supporting the area.

In conclusion, the Chair stressed that it was an exceptional time to be managing a Pension Fund. The issues outlined together with a continued expectation of improving life expectancy highlighted the complexity and challenge of offering a good, affordable pension scheme to employees and employers.

GMPF had a long term successful track record reflected in its funding level and reputation. Its track record and innovation was reflected in its recognition at national awards, such as Large Scheme of the Year, 2014 (LGC).

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

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

3. REVIEW OF THE YEAR

The Executive Director of Pensions gave a presentation on the Fund's performance over the past year and outlined the key events, both financial and administrative.

He began by reiterating that these continued to be challenging times, both economic and financial and that there were pressures on public expenditure versus funding the pension promise.

He explained that the Pension Fund Management Team had been extended and invited each of the four Assistant Executive Director's to present an overview of the work/key tasks undertaken over the past year by each service area as follows:

Steven Taylor – Investments;
Paddy Dowdall – Property and Local Investments;
Euan Miller – Funding and Business Development; and
Ged Dale – Pensions Administration.

The Executive Director detailed investment performance during 2015 and also made reference to the forthcoming 2016 Actuarial Valuation.

He also reported on the Main Fund's management arrangements, benchmark asset allocation, Pension Fund returns and GMPF values over the short, medium and long term.

He made particular reference to the investment strategy, the objectives of GMPF funding, the accounts, investment performance and the contributions received and benefits paid during the year ending 31 March 2015.

In conclusion, the Executive Director of Pensions summarised by stressing that these continued to be challenging and uncertain times. He stated that GMPF compared favourably with other local authority funds and he reminded members that the main aim of the fund was to provide secure pensions, effectively administered at an affordable and stable cost to employers.

Questions were then invited from the floor.

4. ACTUARIAL UPDATE

Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, gave a presentation focussing on the Valuation Outlook for 2016.

Mr Law detailed the outlook on funding levels and explained how this impacted on contribution rates. He also outlined the process for and various factors involved in, setting employer rates.

He concluded by clarifying that a likely fall in funding levels and in increase in deficits was predicted, putting upward pressure on employer rates.

Mr Law added that the current economic climate was extremely volatile and that things could change very quickly.

Questions were then invited from the floor.

CHAIR

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

16 October 2015

Commenced: 10.30 am **Terminated:** 12.10 pm

Present:	Councillors Taylor (Chair), Akbar, Pantall, Grimshaw and Mitchell
Apologies for Absence:	Councillors Ricci, R Miah, Brett and M Francis

7. DECLARATIONS OF INTEREST

There were no declarations submitted by Members of the Working Group.

8. MINUTES

The Minutes of the meeting of Investment Monitoring and ESG held on 16 July 2015 were approved as a correct record.

9. UBS REPORT ON TRADING COSTS

RECOMMENDED:
That the item be deferred to a future meeting.

10. STATEMENT OF INVESTMENT PRINCIPLES

The Executive Director of Pensions submitted a report advising Members that the Statement of Investment Principles (SIP), adopted by the Panel in June 2010, needed to be updated to reflect various changes in the management arrangements of the Fund.

It was reported that an updated SIP had been drafted and placed on the Fund's website with an alert in the 'News and Updates' section and each employer had been alerted. The consultation ran from Tuesday 11 August 2015 to Friday 4 September 2015 and received 406 responses, 400 of which had been as a result of an organised petition based on an automated email template produced by Manchester Friends of the Earth.

Following the consultation period, and after considering the comments made, it had been proposed to incorporate one change to the draft version of the SIP relating to paragraph 8.1 in order to respond to the weight of comments received. The proposed change was consistent with the legal position and did not require any change to the Fund's policy.

RECOMMENDED:
That the Working Group supported the adoption of the revised Statement of Investment Principles by the Management Panel.

11. CLIMATE RISK PAMPHLET

The Executive Director of Pensions submitted a report summarising the debate that had taken place on climate risk at the previous meeting of the Working Group held on 16 July 2015.

Representatives from "Carbon Tracker" and UBS presented to the Working Group followed by an open 'question and answer' session moderated by Alan MacDougall of PIRC.

It had been suggested that a pamphlet summarising the debate be drafted for publication, which could be used to communicate the Fund's approach to climate change and act as a useful contribution to the ongoing debate within this area.

It was reported that the draft pamphlet included opening remarks from the Chair of the Management Panel, an introduction and conclusion from Alan MacDougall and summaries of the Carbon Tracker and UBS presentation.

RECOMMENDED:
(1) That the report be noted.
(2) That the Climate Risk Pamphlet be published following consultation with the Chair of the Management Panel.

12. CAPITAL INTERNATIONAL CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Rob Beale, Richard Carlyle, Alison Fletcher and Stephen Gosztony from Capital Group to report on corporate governance activity (non-UK) in the last 12 months. Proxy voting was an activity taken on the Fund's behalf to vote at shareholder meetings and decisions were made according to the best interests of the Fund and the voting policy.

A summary of proxy voting activity for the 12 months to September 2015 for the Greater Manchester Pension Fund and Capital International Emerging Markets Fund was outlined to the group. A case study of nominating directors in US companies was provided alongside a detailed analysis of the automotive industry.

A wide ranging discussion took place on the content of Capital's report.

RECOMMENDED:
That the report be noted.

13. CAPITAL INTERNATIONAL REPORT ON TRADING COSTS

The Executive Director of Pensions submitted a report to facilitate Members' scrutiny of Capital International's approach to, and practice with regard to, trading costs.

The Panel considered the Greater Manchester Pension Fund's (GMPF) 'level one' and 'level two' disclosure reports for the year to 30 June 2015. It was reported that in relation to the reports, Capital had adopted the use of Commission Sharing Agreements (CSA) from 1 January 2015.

Stephen Gosztony of Capital Group presented the 'level two' report, which provided an analysis of GMPF's trading volumes and commissions and compared it to Capital's average client commission rates.

Clarification was sought on the comparative disclosure table for the 12 months to 30 June 2014 and the 12 months to 30 June 2015. Ms Fletcher confirmed that it was not possible to combine the pre and post CSA methodology due to 2014 figures being 'bundled' and 2015 figures being 'unbundled'.

RECOMMENDED:
That the report be noted.

14. UPDATE ON SHAREHOLDER LITIGATION

It was explained that two specialist law firms had been appointed by the Fund to provide portfolio monitoring services in relation to shareholder litigation. A representative of Spector Roseman Kodroff and Willis will present to the next meeting of the Working Group.

The Working Group welcomed Mark Solomon and Roy Jones of Robbins Geller Rudman & Dowd LLP who attended the meeting to present their portfolio monitoring services in relation to shareholder litigation to the Working Group.

The Working Group heard that the firm had a United States focus with global reach. The portfolio monitoring program provided details of investments losses attributable to alleged misconduct. The Working Group received information on the Fund's portfolio monitoring report including preliminary loss amounts in new securities class actions; international securities class actions; and upcoming claim deadlines.

The Working Group also received information on the claims filing and settlement report, which provided details about securities class actions in various stages of the claims process. The routine recoveries received by GMPF to date via the Custodian were outlined to the Group.

Clarification was sought on the proportion of Class Action cases in general which were successful. Mr Soloman confirmed that approximately 40%-50% of cases were rejected by the courts at the motion to dismiss stage and that over 90% of cases that succeeded past the motion to dismiss stage settled out of court.

RECOMMENDED:
That the report and presentation be noted.

15. ROUTINE PIRC UPDATE

The Executive Director of Pensions submitted a report on International Financial Reporting Standards and the associated press coverage for the Working Group's information.

RECOMMENDED:
That the report be noted.

16. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at the meeting.

CHAIR

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GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

16 October 2015

Commenced: 9.00 am **Terminated:** 9.55 am

Present: Councillors J Lane (Chair), Cooper, Patrick, S Quinn, Akbar, Brett, Grimshaw, Allsop and Mr Flatley

Apologies for Absence: Councillors M Francis

6. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Working Group.

7. MINUTES

The Minutes of the meeting of the Pensions Administration Working Group held on 17 July 2015 were approved as a correct record.

8. PENSIONS ADMINISTRATION UPDATE

The Executive Director of Pensions submitted a report, providing an update on two important development areas. The first looked at the service provided to members that were affected by the revisions to the tax regime for pension saving. The second looked to improve the efficiency and effectiveness of the Pension Office through the introduction of a secure portal.

It was reported that in recent years the HMRC's annual and lifetime allowance had been reducing. Various protections had been provided by HMRC regarding the lifetime allowance so that members with pension savings that exceeded a new lower limit were not penalised.

The Working Group heard that a three stage approach had been proposed following pilot discussions with three chief officers which complied with the Pension Regulator's code of practice. This included a newsletter which would provide generic information, seminars to be run at each local authority and Guardsman Tony Downes House and one to one sessions with a Hymans-Robertson consultant to those aged 52 or over.

It was reported that the Pension Office was keen to receive as much data as possible electronically with scope to extend and improve current electronic data flows. Improvements had been made; however, many events were still notified by paper. Some Funds had moved to extracting data automatically from monthly payrolls which was checked for errors and then sent to the administering authority via a secure portal to be loaded into the administering authority's pension's administration system.

Clarification was sought and provided on who would provide the system and how many employers were in the Fund. It was confirmed that Heywood and Hymans-Robertson had developed employer portals and there were currently 450 employers.

RECOMMENDED:

(1) That the Working Group support the three stage approach for those with larger pension savings; and

(2) That the Working Group note the evaluation of the options for an employer portal to be undertaken.

9. PERFORMANCE STANDARDS, ARREARS AND PENSIONS REGULATOR

The Executive Director of Pensions submitted a report, which provided information about adherence to the performance standards set by the Pension Fund Management Panel, current workloads and arrears. The report was the half-yearly review of the Pensions Office's performance compared to the performance standards established by the Pension Fund Management Panel.

It was reported that the general standard for Pension Administration was 90% or better; this had been achieved for 19 of the 28 standards with 24 of the 28 standards achieving 80% or above. There had been a slight decline on 2013/14 figures due to a number of factors, which included a change in the pensions administration system in February 2014, the new Local Government Pension Scheme (LGPS), Greater Manchester Pension Fund (GMPF) becoming the one fund for all Probation members, new releases of Altair (the GMPF database) and several large voluntary retirement exercises.

The Working Group was notified that there were approximately 5,000 deferred benefits at various stages of production. Procedures had been streamlined regarding the processing of deferred benefits with further work planned to examine other possible improvements. The work needed to be completed by mid-July 2016 in order for data to be extracted for the 2016 valuation. Year-end postings also needed to be processed by this date to enable annual benefit statements (ABSs) to be produced by the statutory deadline of 31 August 2016.

The key performance statistics over a rolling 12 month period were outlined to the Working Group along with employer performance against targets detailed in the Pension Administration Strategy for new starter and early leaver notifications. It was highlighted that many year-end reports had been late, in part due to it being the first year for producing ABSs under the career averaging regime.

It was reported that many Funds had failed to adhere to this year's 31 August deadline resulting in the Local Government Association approaching the Pensions Regulator on behalf of the LGPS. The GMPF would continue to assist and educate employers in submitting accurate, timely information for 2016 in addition to carrying out a review within pensions administration with a view to deliver more efficiency improvements across the service.

RECOMMENDED:
That the report be noted.

10. INTERNAL DISPUTE RESOLUTION PROCEDURE

The Executive Director of Pensions submitted a report outlining the Internal Dispute Resolution Procedure (IDRP) process, the number of stage 1 and 2 cases and the outcomes that had been received during the period July 2014 to June 2015.

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

The Working Group heard that 12 stage 1 appeals had been received during the July 2014 to June 2015 period and all had been rejected. Reasons outlined included members seeking a refund of contributions, conflicting advice regarding benefits and members wishing to receive their benefit early.

It was reported that there had been a slight increase in the number of stage 2 cases with 23 appeals. Of these, 17 had been rejected, 1 upheld and 5 referred back to the employer. There had been no new appeals to the Ombudsman.

Clarification was sought on comparison to other Funds. It was confirmed that benchmarking data would be released later that day and a report would be brought back to the next meeting.

RECOMMENDED:
That the report be noted.

11. COMPLAINTS AND COMPLIMENTS

The Executive Director of Pensions submitted a report, providing information on complaints and compliments received by Pensions Administration over the 12 months ending August 2015.

The report had been requested by the Chair of the Working Group to provide information on the sort of complaints and compliments received whilst providing a good insight into the work undertaken by the Pensions Office. It was reported that both were considered at the fortnightly meeting of the management team and used to reinforce good behaviour and help to identify where improvements could be made.

A selection of complaints and compliments were highlighted from the report.

RECOMMENDED:
That the report be noted.

12. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Executive Director of Pensions submitted a report, providing information about scheme member's additional voluntary contributions (AVC's) investments with the Prudential as at 31 March 2015.

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

The Working Group was informed that the AVC scheme had 10,342 members with over £69million invested, mainly in the 'with-profits' fund, which aimed to achieve higher returns whilst maintaining security and stability. The Prudential 'with-profits' account had achieved a yield of 5.25% over one year and 6.05% over five years.

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

There was a variety of 'unit-linked' funds on offer to scheme members, which were outlined to the Working Group. In 15 out of 17 funds the Prudential either matched or bettered the benchmark over three years. Due to the satisfactory performance of the Prudential it remained a good choice for the scheme.

RECOMMENDED:
That the report be noted.

13. EMPLOYER AND NEW MEMBER INFORMATION

The Executive Director of Pensions submitted a report, providing details about how employer information was recorded and the number of employers in the Fund. It also provided statistics regarding the number of new member admissions over recent years.

It was reported that when new people joined the scheme a member record was created on the GMPF's pension database, Altair, which held personal information, employment history and the current employer. There were 752 employers of the Fund categorised as 'terminated employers', 'closed employers', 'open employers' or 'open with restrictions'.

The Working Group heard that 29,161 new members were admitted to the Fund during 22 March 2013 to 17 February 2015, 6887 of which were admitted under auto enrolment. The Fund had 6252 members opting out during this period, 3203 of which had been admitted to the Fund under auto enrolment.

RECOMMENDED:
That the report be noted.

14. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at the meeting.

CHAIR

GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

23 October 2015

Commenced: 9.30 am **Terminated:** 10.40 am

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

Apologies for Absence: Councillors Reid, Ricci, Ward, Dean and Dennett

6. DECLARATIONS OF INTEREST

There were no declarations of interest.

7. MINUTES

The Minutes of the previous meeting held on 24 July 2015 were approved as a correct record.

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

John Gripton of Capital Dynamics Ltd (CapDyn) attended the meeting to present the half yearly report of Greater Manchester Pension Fund's (GMPF) Private Equity portfolio for the half-year period ended 30 June 2015.

Mr Gripton gave a brief overview of developments at CapDyn, including an upgrade to the client portal, and that joint heads had been appointed to CapDyn's global private equity team.

The Private Equity environment during the period under review, fundraising levels, investment activity and exit activity in Europe, the US and Asia were detailed and discussed. It was summarised that CapDyn's overall outlook remained positive for both US and European private equity, although market volatility was expected to impact on exit activity, especially in Asia, and on short-term performance.

It was reported that new fund commitments made during the period under review increased GMPF's total active commitments to £938 million. Since the period end, four further fund commitments, totalling £75 million, had been made.

The working group heard that during the period under review £47.3 million of GMPF's commitments were drawn down and distributions totalling £52 million were received. Net asset value of the portfolio had remained at 2.9% of the Main Fund as at 30 June 2015.

Portfolio value appreciated by 2.7% during the period under review and the annual return since inception had remained stable at 16.7%. It was anticipated that valuations would increase further on receipt of further underlying fund reports and, whilst the portfolio would continue to deliver attractive long-term returns, the 2006-2008 vintage year funds would prove the most challenging.

RECOMMENDED:
That the report be noted.

9. HALF YEARLY REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

Victoria McQueston of Capital Dynamics Ltd (CapDyn) presented the half yearly review of GMPF's Infrastructure Portfolio as at 30 June 2015.

Ms McQueston detailed the growth of the portfolio during the period under review and, with three new fund commitments totalling £87 million made, total fund commitments were over £382 million at the period end. One further new fund commitment of around £40 million was made subsequent to the period end.

It was reported that during the period under review, £46.2 million of GMPF's commitments were drawn down and distributions totalling £9.1 million were received. As at 30 June 2015, the return since inception of the portfolio was 7.1% and further increases were anticipated as the portfolio matured.

The working group heard that the net asset value of the portfolio was around £194 million as at 30 June 2015 and represented 1.4% of Main Fund assets, compared to 1.1% as at 31 December 2014. It was envisaged by CapDyn that the target 4% allocation could be achieved by approximately 2019.

RECOMMENDED:
That the report be noted.

10. SPECIAL OPPORTUNITIES PORTFOLIO - REVIEW OF ACTIVITY AND PERFORMANCE

The Executive Director of Pensions submitted a report, which provided the working group with a routine annual update on the activity and performance of GMPF's Special Opportunities Portfolio.

The key features of the Special Opportunities Portfolio, the approach to portfolio construction, and the Type Approvals granted/implemented were outlined.

It was reported that, as at 30 June 2015, GMPF had made commitments/investments totalling £404 million to eight active funds. Activity figures for each of the portfolio commitments were detailed in the report.

As at the period end, the net asset value of the portfolio represented 1.2% of Main Fund assets. It was noted that this was a young portfolio and it would take time to work towards the 5% target allocation.

It was reported that officers continued to receive and review, a large number of approaches each year which covered a diverse range of potential investment opportunities. Officers would continue to invest under current and future Type Approvals but would have due regard for the enlarged Main Fund (post MoJ assimilation) asset base when sizing potential investments.

RECOMMENDED:
That the report be noted.

11. PRESENTATION BY TIAA-CREF

The working group welcomed Stephane Marguier of TIAA-CREF Asset Management (TCAM) to the meeting. The presentation provided an overview of TCAM, its investment activities and investment activity in the global agricultural and timberland sectors.

Mr Marguier explained that TCAM was the asset management subsidiary of TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund), the leading retirement provider in the US for people who worked in the academic, research, medical and cultural fields. TIAA-CREF had assets under management in excess of $650 billion.

The working group heard that TCAM had been investing in agriculture since 2007 and had assets worth in excess of $5billion in that sector. TCAM was differentiated by its global scale and approach to investment through its majority ownership of a leading farmland asset manager in America and Australia and its joint venture with a Brazilian publicly-traded company with a primary focus on sugar and ethanol production.

Members enquired about the effects of different weather types on American and Australian row crops. Mr Marguier advised that the availability and management of water on land owned and leased by TCAM was an important consideration.

The working group was informed that TCAM had invested in timberland since 1998 and had over $1.8billion invested in timber assets. Timber plantations in North America, Latin America, Europe and Asia were actively managed by a specialist developer and manager of plantation forestry, in which TCAM had a majority interest.

Mr Marguier outlined TCAM's globally diversified approach to timberland, which targeted a mix of greenfield and existing plantations producing timber for biomass and traditional markets. TCAM had the largest dedicated biomass plantation in Europe.

RECOMMENDED:
That the presentation be noted

12. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at the meeting but made mention of the recent and untimely death of Russell Page of GMPF's legal team, and whose past service to the Working Group was recognised and appreciated.

CHAIR

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GREATER MANCHESTER PENSION FUND

PROPERTY WORKING GROUP

30 October 15

Commenced: 9.30am **Terminated: 11.25pm**

Present:	**Councillors S Quinn (Chair), J Fitzpatrick, Dennett, Halliwell, Ward, J Lane and Mr Drury**
Apologies for absence:	**Councillor M Smith**

8. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Working Group.

9. MINUTES

The Minutes of the proceedings of the meeting of the Property Working Group held on 24 July 2015 were approved as a correct record.

10. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report highlighting key current issues in the management of property portfolios within the Greater Manchester Pension Fund (GMPF).

It was reported that travellers had entered the Fund's site in Stalybridge in September 2015 and that legal action was taken at the earliest opportunity to ensure the travellers left the site as soon as possible.

With regard to valuation, performance and allocation, it was explained that there had been a valuation of the direct portfolio as at the end of September as part of the requirements for MoJ assimilation into the main fund. Initial results showed a capital uplift of 4.12% (£12.82 million equivalent on standing properties) over the last quarter and 4.8% (£14.83 million equivalent) over the 9 months from the last external valuation in December 2014.

It was explained that LaSalle would be presenting their quarterly report to the Working Group and highlights from their report were outlined, in particular the recent purchase of 3 – 8 Whitehall Place, London.

GVA would also be reporting to the Working Group and it was explained that the presentation would concentrate on activity at two key sites showing the progress achieved during the last quarter and the actions to be carried out over the coming quarter.

The Assistant Executive Director commented on ways in which GVA could work more effectively on the mandate were being addressed and to this aim a draft set of Investment Mandate Guidelines had been produced for Members approval. The document would regulate the activity of the manager and act as a guide for staff at GMPF in overseeing the portfolio and as a reference point for Panel/Working Group Members when reviewing the management of GMPVF. A copy of the guidelines was appended to the report.

Discussion ensued with regard to the GVA portfolio and Members raised concerns with the lack of progress on some sites within the portfolio. The Assistant Executive Director, agreed that progress on some sites had been disappointing, however made reference to the proposed guidelines and explained that officers had been working with GVA to establish new terms of engagement as part of this contract.

With regard to overseas investment, Members were reminded that the original investment strategy and investment guidelines for investing in overseas property had been agreed by the Working Group on 30 January 2015. It was reported that investments were being made in accordance with these guidelines and commitments made and draw downs to date were detailed in the report.

A report would be submitted to the next meeting of the Working Group on 19 January 2016, reviewing the strategy for overseas investments alongside other property investments. The Working Group recommendations would then feed into the overall Fund Investment Strategy Review.

In respect of Aged Debt, it was reported that the write off of debts owed by tenants that were in administration were reported and Members were informed that the Fund would pursue what it was owed through the administration process.

RECOMMENDED
(i) That the content of the report be noted; and
(ii) That the Investment Guidelines for GVA be approved.

11. PROPERTY RELATED AGED DEBT AS AT 19 SEPTEMBER 2015

The Executive Director of Pensions submitted a report summarising the aged debt for the two property portfolios (Main Property Fund and Greater Manchester Property Venture fund (GMPVF) as at 19 September 2015. The procedure for the collection of debt and the reminder process was explained to the Working Group.

It was reported that the value of Property Aged Debt for the fund as at 19 September 2015 was £0.757 million, compared to £0.833 million at 19 June 2015. An overview of the debt position was given including a summary of debt across the two areas and totals. GMPVF debt had moved very marginally in amber status, and no new material issues had arisen.

The highest value debts for each area were detailed in the appendices to the report. The key trends were that total and net debt had decreased from June to September.

RECOMMENDED
That the content of the report be noted.

12. LASALLE QUARTERLY REPORT

The Working Group welcomed Tom Rose, Fund Manager, and Rebecca Gates, Head of UK Asset Management, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for quarter three 2015.

Mr Rose and Ms Gates highlighted the following areas:
- Portfolio summary;
- Performance to December 2014;
- Structure and Composition of the Portfolio by Sector;
- Activity Update and Annual Strategy Progress;
- Purchases and Sales; and
- Asset Management Summary.

It was reported that during the quarter, the purchase of a government-let office investment in Whitehall, London had been completed and the terms were reported to the Working Group. Contracts had also been exchanged for the club deal acquisition with 4 other investors of an office campus in East India Dock, London.

The Working Group was informed that two further direct property sales had been completed during the quarter with a combined price of £14.7 million; £2.9 million above valuation.

The structure and composition of the portfolio by sector was outlined and an update was provided on activity and purchases and sales were listed and discussed in detail.

Members expressed concern with regard to the letting of student accommodation at The Hive, Bethnal Green, London. Mr Rose and Ms Gates concurred and explained that there had been problems with the company undertaking the management and letting of the building , but they were confident that by replacing the managing agent and improving the booking system these had been resolved and that there was a positive outlook for lettings going forward.

The Chair thanked Mr Rose and Ms Gates for their presentation and also thanked them for the recent tour of the Whitehall Building, which had been very informative.

13. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report. The report focussed on activity at two sites, the Island Site, Manchester City Centre and a potential loan in respect of a residential development in Trafford. A brief update was also given on the progress at the other GMPVF sites.

Island Site, Manchester City Centre – it was reported that the planning position had been confirmed with Manchester City Council and fee proposals had been received from design architects and heritage architects and practices appointed.

Soft market testing with potential development partners was ongoing and heads of terms for a new lease had been agreed with a restaurant and details of other management activity were given.

Residential Property Development, Trafford – it was reported that terms had been agreed for GMPVF loan of £8 million to a developer alongside a loan from GM Housing Fund. Members were advised of the terms of the loan. It was further reported that there was a future pipeline of GMPVF opportunities both with the developer and GM Housing Fund.

Financial performance information was provided for each site to show the current market valuation when compared to the cost to GMPVF, together with the return to the fund from the date of acquisition taking into account all income and expenditure to date. It was explained that sites would generally not show a positive internal rate of return until development had been completed which would be at the end of the project lifecycle.

The report also gave an update on existing assets at:

- Calver Park, Warrington;
- Stalybridge West, Tameside;
- Former Sorting Office, Stockport;
- Preston East, J31 M6;
- Wilmslow Road, Didsbury;
- Old Haymarket, Liverpool City Centre;
- Chorlton Shopping Centre, South Manchester;
- Martland Park, Wigan;
- Unity House, Wigan;
- Globe Park, Rochdale; and

- One St Peter's Square, Manchester City Centre.

The Working Group was also provided with a schedule of fee expenditure incurred on development activity during the previous quarter for each site and a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last two quarters to March and June 2015 respectively and the current prediction on final viability.

Mr Stanlake and Mr Conroy also presented proposals for another housing opportunity in a partnership between GMPF and Tameside Council and plans for possible sites were circulated and discussed.

RECOMMENDED
That the content of the report be noted.

GREATER MANCHESTER PENSION FUND

EMPLOYER FUNDING VIABILITY WORKING GROUP

30 October 2015

Commenced: **9.30am** **Terminated:** **11.40pm**

Present: **Councillors J Fitzpatrick (Chair), Cooney, Mitchell and Patrick. Mr Llewellyn, Mr Flatley and Mr Allsop**

Apologies for absence: **Councillors Cooper, Dean and Reid and Ms Herbert**

12. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Working Group.

13. MINUTES

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 7 August 2015 were approved as a correct record.

14. LGPS ASSET POOLING AND IMPLICATIONS FOR EMPLOYER FUNDING

Consideration was given to a report of the Executive Director of Pensions providing an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales, with a particular focus on the potential implications for employer funding.

It was reported that DCLG/HMT had been looking at options to reduce investment management costs and improve investment returns across the LGPS for a number of years. A recent example was consideration being given to the case for all LGPS funds to adopt a passive investment management approach to reduce investment management costs. The case for fewer funds had also been considered in the past.

The Chancellor announced in the summer budget that he would be seeking proposals for pooling of assets by funds. Details were given of the key messages emerging since the budget announcement.

At the Conservative Party Conference on 5 October the Chancellor provided a further statement, making reference to the creation of 'British Wealth Funds'. DCLG subsequently issued a letter to all LGPS funds providing reassurance that the Chancellor's latest comments were not a departure from the original proposals. However, there was a strong suggestion that Government saw a desirable outcome being groups of funds working together across all asset classes and that the ability to invest in large scale infrastructure was now one of the criteria upon which proposals will be assessed.

It was explained that there were two ways in which assets could be pooled;

(i) By funds working together and pooling their collective assets, and
(ii) By creating individual asset class pools, e.g. a UK equity pool.

An initial evaluation of these options was presented to the Working Group. It was further explained that the Government was currently looking to determine the criteria by which the options are evaluated.

GMPF was collaborating with a number of funds supported by Hymans Robertson to evaluate a number of pooling options against the Government's criteria and all LGPS funds had been asked to provide data on investment returns and investment management costs to assist in this work.

It was summarised that the interaction of the austerity programme and the economic environment meant that funds were rapidly maturing and funding levels were at historical low levels. The potential outcomes from pooling assets could lead to fundamental reform of the structure of the LGPS and its governance arrangements. It was likely that there would be no exemptions from pooling for the vast majority of Fund assets and an end to local decision making on manager selection.

The scale of GMPF, its long term track record and the experience gained from the take on of probation liabilities placed it in an excellent position to contribute to the debate. This could take varying forms, such as responding to government consultations, trying to develop an effective consensus view with others, commissioning research and obtaining legal advice.

RECOMMENDED
That the content of the report be noted.

15. GMPF ADMINISTRATION EXPENDITURE MONITORING FOR THE FIVE MONTHS TO AUGUST 2015

The Executive Director of Pensions submitted a report, comparing the administration expenses budget against the actual results for the 5 months to August 2015.

It was reported that there had been an under-spend of £3,000 against the budget of £9,509,000 for that period. It was explained that this was due to underspend in recruitment implementation, recovery of Management and Legal Fees: income from investment joint venture initiatives and higher than expected commission recapture.

RECOMMENDED:
That the report be noted.

16. GMPF AGED DEBT AS AT 19 SEPTEMBER 2015

The Executive Director of Pensions submitted a report, summarising the employer and pensions overpayment related aged debt for the Fund as at 19 September 2015.

It was reported that actual debt outstanding was £4.309 million, compared to £8.156 million as at 19 June 2015. The ten highest value invoices within the Employer debt, Property Main Fund and Property Venture Fund category were outlined and discussed as per Appendices A, B & C of the report.

It was noted that a schedule of write-offs of debts that will not be recoverable had been approved by the Chair of the Working Group. These write-offs totalled £0.483m and bring the debt-outstanding at 19 September down to £3.827m.

RECOMMENDED:
That the content of the report be noted.

17. EMPLOYER CESSATIONS UPDATE

The Executive Director of Pensions submitted a report giving details of recent cessation events.

It was reported that, for admission bodies, an admission agreement was required to be entered into in order for them to become an employer in the Fund. There was an expectation that the admission agreement would at some point terminate and the process to be followed in the event of a termination was clearly laid out in the admission agreement. This ensured that the cessation was smoothly managed and, where relevant, the liabilities reverted to the guarantor.

However, when a cessation event was unexpected, perhaps as a result of employer failure or where there was no guarantor, administrative complexity increased and there was the potential for scheme funding to be adversely impacted.

It was expected that the number of employer failures would increase; particularly for those relying on financial support from the Government, as spending continued to reduce.

The report concluded that these cases continued to highlight the importance of ensuring appropriate protections were in place when employers were admitted to the Fund and any existing risks were closely monitored.

RECOMMENDED
That the content of the report be noted.

18. TfGM INVESTMENT STRATEGY

A report was submitted by the Executive Director of Pensions, which explained that one of the Fund's key tasks for the year was to develop the capability and capacity to implement employer specific investment strategies.

The Fund had been working with some of the larger employers with mature liability profiles to assess whether an investment strategy different to the Main Fund was appropriate and explored the practical ways of achieving this.

The report provided a summary of the discussions which have been held with one such employer, Transport for Greater Manchester (TfGM) and the issues that required further consideration.

One element of a potential investment strategy for TfGM involves investing in pooled funds which protect the employer's funding position against inflation being higher than expected in future (Fund benefits are directly linked to CPI inflation). The working group discussed how such inflation only funds work and some of the potential risks in making such an investment.

RECOMMENDED
(i) That the content of the report be noted; and
(ii) That approval be given to officers to continue in their discussions with Transport for Greater Manchester.

19. 31 MARCH 2016 ACTUARIAL VALUATION

Consideration was given to a report of the Executive Director of Pensions and a presentation of Steven Law and Barry McKay of Hymans Robertson, the Actuary to the Fund, explaining that the next triennial valuation of the fund was due as at 31 March 2016, with formal completion of the process required no later than 31 March 2017.

The presentation summarised the steps involved in the valuation process and provided details on the actions requiring attention prior to the effective date of the valuation.

RECOMMENDED

(i) That the content of the report and presentation be noted; and

(ii) That the proposed timeline and workplan for undertaking the valuation process be agreed.

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

6 October 2015

Commenced: 2.00pm **Terminated: 3.30pm**

Present:	**Councillor Middleton (Chair)**	**Employer Representative**
	Councillor Cooper	**Employer Representative**
	Richard Paver	**Employer Representative**
	Jayne Hammond	**Employer Representative**
	Catherine Lloyd	**Employee Representative**
	Mark Rayner	**Employee Representative**
	Chris Goodwin	**Employee Representative**
Apologies for absence:	**David Schofield – Employee Representative**	

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 16 April 2015 were approved as a correct record.

10. EXPANSION OF GMPF LOCAL BOARD

The Executive Director of Pensions submitted a report informing members that revisions to the GMPF Local Board Terms of Reference had been approved by Full Council of Tameside MBC. The revised Terms of Reference increased the size of the Board to comprise 5 scheme member representatives and 5 employer representatives. A copy of the revised Terms of Reference was appended to the report.

The new Scheme member representatives are:
- Catherine Lloyd (UNISON)
- Chris Goodwin (UNITE)

The new Employer representatives are:
- Councillor Cooper (Tameside MBC)
- Jayne Hammond (Monitoring Officer, Bury Council)

The remaining seats on the Local Board would be filled by a pensioner member of the Fund and a representative of the Fund's non Local Authority employers. A process was underway to seek nominations for these positions, which was expected to be completed later this year.

RESOLVED
That the content of the report be noted.

11. GMPF MANAGEMENT PANEL UPDATE

The Executive Director of Pensions submitted a report providing an update for Board members on some of the key agenda items from the meeting of the GMPF Management Panel on 2 October 2015 as follows:

LAPF Investment Awards
The Fund won two awards at the 2015 LAPF Investments Awards:
- LGPS Fund of the Decade; and
- Infrastructure Project of the Year (with LPFA)

New Offices
The development of the fund's new offices, Guardsman Tony Downes House had been delivered in line with the timetable with staff moving in on 14 September 2015. The offices provided the capacity for future growth in the service. The facilities were designed to support working differently and flexibly as service delivery and service demands changed. Future meetings of Panel, Working Groups and Local Pensions Board would be held at Guardsman Tony Downes House.

Public Sector Cap on Exit Payments
In late July, the Government started a short consultation on a proposal to limit the aggregate exit payments payable by public sector boards in England to £95,000. This included employer 'strain payments' arising from early retirements, redundancy, severance payments and any other payments relating to the employee leaving their employment.

The Fund's response was from an administering authority's perspective and thus it focussed on the practical issues of implementing such a policy.

The Government had considered and responded to the consultation responses. It would be broadly progressing proposals as set out in the original consultation document.

Probation (MoJ) Transfer
Virtually all assets due had been received and nearly all the membership records were on the Fund's administration system.

There were still some exceptional matters outstanding and data cleansing continued to be progressed.

During the week commencing 24 August 2015, there were significant falls in equity markets. After discussions with the Advisors and after consulting the Chair, it was decided to take the opportunity to switch approximately £60m from Cash to UK equity within the MoJ portfolio, at advantageous prices compared to those prevailing during the past 12 months. The MoJ Portfolio was thereby moved closer to the current Main Fund asset allocation, in preparation for the assimilation of MoJ assets into the Main Fund.

LPFA Joint Venture
Since the last Panel meeting the joint transaction team had been busy evaluating deals and at present had three prospective deals, which were in final due diligence. These included a stake in privately owned regulated utility as previously reported to Panel, funding of anaerobic digestion plants and a transport infrastructure investment. The JV was also looking at participation in a club bid for a transportation asset. The team had also been establishing processes and resources for back office functions. This platform had the potential to play a part in the move towards LGPS funds pooling investments.

North West Impact Fund
The team were progressing a number of investments, including renewable energy, lending to SMEs and the supported living sector and completed investments with Enterprise Ventures (lending to small businesses) and Albion (renewable energy). Efforts to collaborate with other LGPS funds were also progressing.

GMPVF – One St Peter's Square

Agreements for lease were being progressed with two tenants.

Annual Benefits Statement
LGPS funds have a disclosure requirement to issue Annual Benefit Statements by 31 August. This had been a very challenging timetable for most funds and most had failed to meet this deadline in whole or in part. Under the new rules, this would normally require a letter to be sent to the Pensions Regulator from funds that had failed to comply. However, for this year, the Regulator was aware of the exceptional issues and individual funds had not been required to write to the Regulator.

For GMPF's members, approximately 70% of employee members received their illustration before the deadline. The main reason was no data and incorrect data from employers. Data was still awaited from a small number of employers.

Guaranteed Minimum Pension
Members were reminded that, as part of the State Pension reforms, contracting-out of the Second State Pension was due to end in 2016. This necessitated a reconciliation between the records of pension funds and HMRC. Sorting out the differences was a major administrative task and substantial progress needed to be made by both funds and HMRC in 2016.

Annual Allowance and Lifetime Allowance
With effect from 6 April 2016, the lifetime allowance would reduce form £1.25m to £1.m. For most members the Annual Allowance remained at £40k but for a small number of members a taper limited to pay had been introduced that could result in an Annual Allowance of £10k.

Fossil Fuels
An article was published in the Guardian regarding LGPS exposure to fossil fuels.

It was reported that at the Panel meeting, the Executive Director of Pensions made reference to the complex nature of the issues relating to investing in companies that generated a significant proportion of their sales and profits from fossil fuels. He reiterated the Panel's responsibilities in safeguarding the pension promise of more than 340,000 members, and the fiduciary duty to look after members' interests and the assets in the Fund. The Executive Director had further stated that it was critical that all financial risks to the fund were assessed, including those posed by fossil fuels.

The Advisers had also commented on this issue at the Panel meeting and had agreed that current exposure to Fossil Fuels was within the risk framework and that they were content that due process and governance had been followed.

Discussion ensued with regard to investment in and the Fund's exposure to Fossil Fuels.

RESOLVED
That the content of the report be noted.

12. AUDIT OF 31 MARCH 2015 FINANCIAL STATEMENTS

Consideration was given to a report of the Executive Director of Pensions explaining that the Employer Funding Working Group had given detailed consideration to the accounts at its meeting on 7 August 2015. The Working Group (as required by International Standards on Auditing) reviewed the reasonableness of significant assumptions for estimates to be used in the accounts and approved the bases applied. A copy of the submission was appended to the report.

The Fund's Auditor's Grant Thornton had attended that meeting and provided a revised Audit Plan for consideration. Due to the next scheduled meeting of the GMPF Management Panel not being until 2nd October, the revised plan included the convening of an Urgent Matters Panel meeting to review amongst other matters the Audit Findings report prior to the statutory deadline of 30 September. Mark Heap of Grant Thornton had presented his report to the Panel (a copy of which was appended to the report). The Panel had considered the matters raised in and in particular noted the disclosure changes to the financial statement before approving the Fund's financial statements. The report had also included the management responses.

As part of the Audit process, Grant Thornton write to the Executive Director of Pensions and the chair of the Management panel requesting:

(i) Detail on the management processes to prevent and detect fraud and to ensure compliance with law and regulation relating to operational issues as well as the financial statements; and

(ii) Details on how the governing Body, (Pensions Management Panel) maintained oversight of these management processes.

A copy of the Fund's letter of representation, management letter to Grant Thornton and the Chair of the Fund's response to the schedule of questions were attached to the report.

RESOLVED
That the matters raised in the report by the District Auditor, be noted.

13. RISK MANAGEMENT AND AUDIT SERVICES

A report was submitted by the Executive Director of Pensions summarising the work of the internal risk Management and Audit Service for the period April to September 2015.

Details were given of final and draft reports issued during the period April to September 2015.

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

- Ministry of Justice – "Orphan" liability transfers;
- Updating the Audit Programme for the visits to Contributing Bodies;
- Post Audit Review; and
- Liaison with the National Fraud Initiative

With regard to the National Fraud Initiative, it was reported that this work was now undertaken by the Cabinet Office, every two years. Results received this year were currently being investigated. It was reported that there were five reports for the Pension Fund and the number of matches for each report was detailed.

Work in progress was also detailed as follows:

- Review of Expenditure re: No1 St Peters Square;
- Transfers to Defined Contribution Schemes; and
- Review of Administration Processes.

It was further reported that a detailed review of the internal audit plan was currently underway in conjunction with senior management, to ensure that the plan was still relevant and that audits did not need to be deferred or replaced to take account of actual days spent on audits, revised priorities and reduced resources in Internal; Audit. The consultations being held with management also provided the opportunity to review the work completed to date and ensured that the audit 'universe' was up to date and that any emerging risk or new request for assistance were taken into account. Any significant changes to the plan would be detailed in the next progress report to the Board.

RESOLVED
That the content of the report be noted.

14. MANAGING POTENTIAL CONFLICTS OF INTEREST

The Executive Director of Pensions submitted a report explaining that the LGPS Governance Regulations 2015 required each administering authority to be satisfied that members of their local board did not have a conflict of interest.

A policy for managing potential conflicts of interest on the Board had been drafted and was provided as an appendix to the report for consideration.

The Board agreed that the would like to receive some further training on their requirements regarding managing potential conflicts of interest at the next meeting. The draft conflicts policy would therefore be considered further at the next meeting.

RESOLVED
That the draft policy for managing potential conflicts of interest (as appended to the report) be considered further at the next meeting of the Board.

15. LOCAL BOARD TRAINING

The Assistant Executive Director of Pensions explained that the Pension Regulator's Code of Practice #14 set out the Regulator's expectations with regard to knowledge and understanding requirements and ongoing training for Board Members and further required that a training policy be established and maintained.

He further explained that details of a number of training opportunities were reported to each meeting of the Management/Advisory Panel and added that these opportunities were also open to Board members.

Discussion ensued with regard to the above and the following areas for training were identified:
- Managing conflicts of interest;
- Assessing employer covenant strength; and
- Internal Dispute Resolution Procedure.

The new Board members were asked to complete a self-assessment of their current knowledge and understanding which will be incorporated in the draft training plan for discussion at the next meeting.

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of the Local Government Act 1972.

Agenda Item 7a

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Agenda Item 8

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Report To:	**Pension Fund Management/Advisory Panel**
Date:	11 December 2015
Reporting Officer:	Peter Morris, Executive 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.
Recommendations:	To note the report.
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	There are no material direct financial implications arising from this 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 Peter Morris, Executive Director of Pensions tel 0161 301 7150, email peter.morris@tameside.gov.uk.

1 INTRODUCTION

1.1 The aim of this report is to provide a short commentary on issues and matters of interest arising over the last quarter.

2. POOLING OF ASSETS

2.1 The progression of the Government's proposals for pooling of assets is a key area of work for the Panel, Chair of the Fund and officers. This item will feature on all Panel agendas for the forseeable future.

2.2 Euan Miller will give an update on progress over the last 2 months as a separate item on this agenda and the relevant matters published as part of the Chancellor's Autumn Statement that sets out the criteria against which fund proposals will be judged and the timetable for submissions from funds.

3. LOCAL BOARD – NEW MEMBERS

3.1 The Council approved a move to 5 employee and 5 employer membership for the Local Board chaired by Cllr Middleton and the appointment of 2 of the additional employee and employer representatives.

3.2 Progress is being made on filling the remaining positions as follows

(i) a non-local authority employer, nominations were sought on the Fund's website and expression of interest were received from 15 potential employer representatives. A shortlist has now been drawn up and interviews are being programmed for December.

(ii) Similarly 5 expressions of interest have been received from potential pensioner representatives and again interviews are planned for December.

4. ACTUARIAL VALUATION 2016

4.1 The next actuarial valuation is due to be undertaken as at 31 March 2016 with revised employer contribution rates to take effective from 1 April 2014. This is a major task for all areas of the Pension Service and it is time critical for both employers and the administering authority. Progress will be monitored by the Employer Funding and Viability Working Group with updates presented to Panel meetings throughout next year.

4.2 Discussions have been held with the Actuary regarding the timetable for the valuation process and this is attached at **Appendix 1** to this report and the key dates on the critical path will be discussed at the meeting.

5. GMPVF - ONE ST PETER'S SQUARE

5.1 An update will be given at the meeting on the progress of the lettings and the possible sale of ONE St Peter's Square.

6. AIRPORT CITY

6.1 The President of China's visit to Manchester Airport and Airport City attracted considerable publicity for the planned developments and this coincided with the resolution of a number of technical issues. The pace of development is now expected to accelerate.

7. ANNUAL BENEFIT STATEMENTS 2015

7.1 The LGPS Regulations 2013 require that annual benefit statements (ABSs) be sent to those who were active members and deferred members on 31 March, by 31 August.

7.2 89,976 ABSs for deferred members were sent in May.

7.3 4,395 ABSs for active members were sent in July (being a pilot run), followed by 69,277 in August. The statutory deadline for ABSs was met when complete, accurate and timely year-end returns (which contain the pay data required to calculate ABSs) were received from employers. Many were received late, leading to a further 29,870 ABSs being sent in November.

7.4 Many employers had difficulties in providing complete, accurate and timely year-end information for active members. An important factor for 2014/15 returns was that this was the first year when both final salary and career average information was required. These difficulties applied nationally, with the Local Government Association (the LGA) writing to the Pensions Regulator (the Regulator) highlighting the problem, and the effect this was having on the production of ABSs, on behalf of all English and Welsh LGPS funds. The Regulator's response is attached as **Appendix 2**.

7.5 Where an ABS can reasonably be produced, it has been produced. There remain however approximately 7000 cases that have not yet been sent for one of the following reasons:

- pay and contributions have been provided, but not the starting details of when new members joined the Fund;
- members have changed employer during the year, with pay and contributions in respect of only one employer being received; or
- the year-end return provides leaving dates, but no other information has been received, not least the final pays that would allow deferred benefits to be calculated.

7.6 All the missing data is being sought from employers, in part for the benefit of members, but also to prevent year-end problems repeating next year, and to have complete and accurate information present for next year's valuation of the Fund. However, and as stated in the Regulator's letter, it remains to be considered whether the failures to provide all ABSs by 31 August are such that they should be reported to the Regulator. This is currently being considered with the Solicitor to the Fund.

7.7 As part of the preparations for the 2015/16 year-end returns, a questionnaire has been sent to all employers to gauge what will help improve matters, such as more training or changes to the year-end specification. Where employers have had particular problems, or have many queries outstanding, direct contact will be made.

8. 2016 PENSIONS INCREASE AND REVALUATION

8.1 Pensions in payment and deferred pensions are increased in line with Pension Increase (Review) Orders. These are made when there is an increase in the September value of the Consumer Prices Index (CPI) as compared to the previous September's CPI. This year the change to September 2015 was a negative 0.1%, meaning that no Pensions Increase (Review) Order will be made. Pensions and deferred pensions will therefore not change in value.

8.2 Career average pensions being built up by active members are revalued to take account of changes in prices, by Treasury Orders. Regarding the 2016 revaluation, the LGA report as follows:

*"**Negative CPI – revaluation of CARE benefits***
On 13 October 2015 it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Service Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be approved by both the House of Commons and the House of Lords for it to become law; this is called the affirmative procedure. This is different to the negative procedure which is applied when the percentage is zero or an increase. In the negative procedure the Treasury Order will automatically become law without debate unless there is an objection from either the House of Commons or the House of Lords.

As yet, nothing has been confirmed concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law."

8.3 It therefore remains to be seen for active members whether career average pensions built up thus far will reduce in value or remain the same.

9. SCOTTISH PARLIAMENT REPORT ON PENSION FUND INVESTMENT IN INFRASTRUCTURE

9.1 The Local Government Government and Regeneration Committee of the Scottish Parliament published its report on pension fund investment in infrastructure and city deal spend on 30 November 2015.

9.2 A submission was made to the Committee by the Fund and members of the Committee subsequently visited Manchester to look in more detail at GMPF's approach to local investment and infrastructure.

9.3 An extract from the report re GMPF's contribution is set out below.

Other approaches to investment in infrastructure

Greater Manchester Pension Fund

31. GMPF is the largest local government fund in the UK. It has assets of £17.5bn and more than 350,000 members with 100,000 employee, pensioner and deferred members. GMPF has invested in its local area for more than 20 years. The fund's local investment programme has the twin aims of commercial returns and supporting the area.

32. Having heard from Peter Morris, Executive Director of the GMPF, in Committee we were keen to find out more about how the GMPF reconciles its fiduciary duty with achieving suitable financial return from investment in infrastructure in its area.

33. Housing was an important part of the fund's investment portfolio providing strong income generation and a secure collateral base. It also explained to us a recent project in building affordable homes with Manchester City Council – Matrix Homes- which met its strategy for social responsibility. GMPF provided the capital to fund the developments, while Manchester City Council and the Homes and Community Agency provided the five sites. Half of the 500 homes were being built for sale, half for market rent, a mix determined by commercial factors. Financial viability was determined in aggregate across the five sites – good sites balancing more challenging sites. We also learned that crucial to the success of the project was appropriate governance structures.

34. Learning from experience and following its involvement with the Investing for *Growth Initiative30*, the fund is developing a local impact portfolio, with five other pension funds where the aim is to deliver commercial returns and have social impact. GMPF has also invested in targeted loans to SMEs, property and social impact bonds.

35. GMPF is now considering further collaborative work with other funds. It indicated that the pooling of resources has the benefit of economies of scale while also reducing management fees and costs.

36. One of the lasting impressions from our Manchester visit was the level of enthusiasm, proactivity and vision shown by the staff and the political leaders involved with the Fund. GMPF has a dynamic team supporting the Fund to achieve the best returns for its members while identifying new innovative investment vehicles and ways of working. We had a strong sense they were driving the Fund's investment strategy with a clear view of their short, medium and long-term goals, whether these were to increase in-house expertise, diversify the Fund's portfolio, tackle social need, or grow the local economy.

10. RECOMMENDATION

10.1 To note the report.

APPENDIX 1

Draft detailed timetable

	Action	Projected Date
1	Initial meeting regarding employer treatment (officers)	Sep-15
2	Initial meeting with ECT re Data Portal (officers)	Sep-15
3	Initial meeting with Employer Working Group (EWG)	Oct-15
4	Pre-valuation meeting (officers)	Dec-15
5	Universal data extract – testing (ECT)	Jan-16
6	Employer updates re prospective outcome for 2017 and options	Feb-16 and ongoing
7	Reasonability checks for employer asset values	May-16
8	HEAT sign off 2015/16	May-16
9	Employer pools – Review of ongoing suitability	May-16
10	Employer Covenant Reviews	Jun-16
11	Discussion with other funds re prospective outcomes	Jun-16
12	Review of Alternative Security options to help manage deficit recovery	Jun-16
13	Sign-off data	Jul-16
14	ALM and Scenario testing – scoping email	Jul-16
15	Agreement on categorisation criteria	Jul-16
16	Whole fund results	Aug-16
17	Issue SAB results	Sep-16
18	ALM and Scenario testing – results meeting	Sep-16
19	Review of FSS	Sep-16
20	Employer results – draft	Oct-16
21	Employer forum	Oct-16
22	Agreed employer rates	Feb-17
23	Final report	Mar-17

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The Pensions Regulator

9 October 2015

Dear Jeff,

Thank you for outlining the issues faced by Local Government Pension Scheme (LGPS) funds for England and Wales in meeting the legislative deadline for providing annual benefit information statements to members.

The Pensions Regulator recognises the significance of the public service pension reforms, including the requirement to redesign benefits and new requirements about governance and administration.

We are aware that LGPS Funds, like all public service schemes, face a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements while maintaining and integrating their legacy systems.

However, as you are aware, all public service schemes must be governed and administered in accordance with the requirements of the law. We therefore expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members. It is vital that members are provided with information on their pension benefits so that they have a clear understanding of their financial position and can make informed decisions.

Where a legal duty relevant to the administration of the scheme has not been, or is not being complied with, certain people (including scheme managers, pension board members and those involved with administering the Funds) are under a duty to report breaches of the law to us if they consider that the breach is likely to be of material significance to us.

Some LGPS Funds have already contacted us to report a breach of the requirement to issue benefit information statements in accordance with the deadline stipulated in the Public Service Pensions Act 2013 (31 August 2015). Where the cause of the breach is explained as being due to significant data and IT system issues faced by Funds and Fund employers, we are minded to advise those Funds that we expect them to issue the statements as soon as possible and by the 30 November 2015 at the latest. As a matter of best practice, we also expect LGPS funds to take steps to inform affected members of the delay and when they can expect to receive their benefit statement.

Where these Funds are unable to meet this timeframe, they will need to provide us with further information, including their plan of action for remedying the breach. Plans will be considered on a case by case basis and we will consider what action to take if satisfactory plans are not in place.

Napier House
Trafalgar Place
Brighton
BN1 4DW

Customer support: 0845 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

However, where the breach arises for other reasons, or in conjunction with other issues, we will consider whether a different response is appropriate in accordance with our Compliance and Enforcement Policy.

Where other Funds are in breach of the requirement and have not yet considered whether or not the breach must be reported to us, scheme managers, pension board members and those involved with administering the Funds will need to consider whether they must do so, whether or not they anticipate that benefit information statements will be issued by 30 November 2015.

Our Public Service Code of practice provides guidance on judging whether a breach needs to be reported, and if so, how to report a breach of law, and our compliance and enforcement strategy outlines our approach in response to any breach that is reported to us or of which we otherwise become aware.

If LGPS Funds decide that they need to report to us, they should explain the reasons for the breach occurring and their plan to remedy it, including the timeframe, which we will take into account in determining our response.

We would welcome the opportunity to engage with you further in relation to public service pensions schemes and to better understand how LGPS funds are addressing issues they face in complying with the legal requirements. Please do not hesitate to contact me if you wish to arrange.

Yours Sincerely
Joey

Joey Patel
Policy Lead
Public Service Pensions Regulation Team

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of the Local Government Act 1972.

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Report to:	**Pension Fund Management/Advisory Panel**
Date:	11 December 2015
Reporting Officer:	Peter Morris, Executive Director of Pensions
Subject:	**STATEMENT OF INVESTMENT PRINCIPLES**
Report Summary:	The report advises Members of the proposed changes to the Statement of Investment Principles (SIP) required as a result of an accumulation of various changes in the investment management arrangements of the Fund and a commitment made in response to a consultation exercise undertaken.
Recommendation(s):	That the draft Statement of Investment Principles appended to the Annexed report and amended as set out within this report, be approved and adopted by the Fund.
Links to Community Strategy:	The Pension Fund aims to facilitate low, stable contribution rates for employers, thus enabling a higher level of services to be delivered across the County.
Policy Implications:	None
Financial Implications: (Authorised by the Section 151 Officer)	Maintaining a low, stable employer contribution rate is dependent upon good absolute and relative performance from the Fund's investments. The SIP documents how GMPF addresses achieving this objective.
Legal Implications: (Authorised by the Solicitor to the Fund)	The Fund has a duty to review the SIP when necessary and to consult as appropriate on the content thereof. This report assists in fulfilling that duty. The proposed SIP reflects the current legal position and does not require any change to Fund policy.
Risk Management:	Routine investment monitoring and consideration of investment issues facilitates timely action to address investment under-performance and changes in the world economic environment.
ACCESS TO INFORMATION:	**NON CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	The background papers to this report may be inspected by contacting: Michael Ashworth, Investments Officer, on 0161 301 7257 (email: michael.ashworth@gmpf.org.uk).

1. BACKGROUND

1.1 A report was submitted to the 16 October 2015 meeting of the Investment Monitoring and ESG Working Group, which advised Members that an updated Statement of Investment Principles (SIP) was required to reflect various changes in the investment management arrangements of the Fund since it was last adopted by Panel on 11 June 2010.

1.2 A copy of the report to the Working Group is attached as an **Annexe** to this report. A draft of the revised SIP was attached as an **Appendix** to the Working Group Report. The changes drafted into the revised SIP simply reflect changes in the investment management arrangements of the Fund that have occurred in the past five years.

1.3 Prior to the 16 October 2015 meeting of the Investment Monitoring and ESG Working Group, a period of consultation was undertaken. The draft of the revised SIP was placed on the Fund's website, with an alert in the 'News and Updates' section. In addition, each employer was directly alerted to the consultation.

1.4 The consultation ran from Tuesday 11 August 2015 to Friday 4 September 2015.

2. CONSULTATION RESPONSES

2.1 The report to the 16 October 2015 meeting of the Investment Monitoring and ESG Working Group outlines the responses to the consultation.

2.2 After consulting with the Borough Solicitor, it is proposed to incorporate only one change to the draft version of the SIP on which the Fund consulted. The proposed change relates to paragraph 8.1 and reflects the wording requested by Manchester Friends of the Earth, who had responded to the consultation. This proposed change is consistent with the legal position, and does not require any change to Fund policy.

2.3 The proposed revised wording for paragraph 8.1 is:

> *"The Fund holds a general policy of not interfering in the day to day investment decisions of its investment managers. However, the Fund may choose to actively invest in or disinvest from companies for social, ethical or environmental reasons, so long as that does not risk material financial detriment to the Fund."*

2.4 The proposed changes received the support of the Working Group.

3. RECOMMENDATION

3.1 That the draft Statement of Investment Principles appended to the Annexed report and amended as set out within this report, be approved and adopted by the Fund.

ANNEXE

Report to:	**Investment Monitoring and ESG Working Group**
Date:	16 October 2015
Reporting Officer:	Peter Morris, Executive Director of Pensions
Subject:	**STATEMENT OF INVESTMENT PRINCIPLES**
Report Summary:	The report advises Members that the Statement of Investment Principles (SIP) needs to be updated to reflect various changes in the management arrangements of the Fund. The report considers comments received on a draft SIP following a consultation period.
Recommendation(s):	That the Working Group support the adoption of the revised Statement of Investment Principles (as Appended to this Report, and further amended within the Report) by the Management Panel.
Links to Community Strategy:	The Pension Fund aims to facilitate low, stable contribution rates for employers, thus enabling a higher level of services to be delivered across the County.
Policy Implications:	None
Financial Implications: **(Authorised by the Section 151 Officer)**	Maintaining a low, stable employer contribution rate is dependent upon good absolute and relative performance from the Fund's investments. The SIP documents how GMPF addresses achieving this objective.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The Fund has a duty to review the SIP when necessary and to consult as appropriate on the content thereof. This report assists in fulfilling that duty. The proposed SIP reflects the current legal position and does not require any change to Fund policy.
Risk Management:	The SIP document has at its heart an in-depth consideration of risk faced by the Fund.
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:	Any enquiries should be directed to: Lorraine Peart, Investments Officer, on 0161-301 7143 (email: Lorraine.Peart@gmpf.org.uk).

1. INTRODUCTION

1.1 The current Statement of Investment Principles (SIP) was adopted by the Panel on 11 June 2010 and needs to be updated to reflect various changes in the management arrangements of the Fund since then.

1.2 An updated SIP was drafted, and is attached at **Appendix A**. The Fund is obliged to consult on the draft, and has done so by placing the draft on the Fund's website, with an alert in the 'News and Updates' section, and has supplemented this by directly alerting each employer to the consultation.

1.3 The consultation ran from Tuesday 11 August 2015 to Friday 4 September 2015.

2. CONSULTATION RESPONSES

2.1 The Fund was pleased to receive 406 responses to the consultation, which was an excellent response rate.

2.2 Of the 406 responses, 400 were the result of an organised petition based on an automated email template produced by Manchester Friends of the Earth (FoE). These 400 responses were either identical, or contained only very minor variations.

2.3 Manchester FoE also submitted a separate, more detailed consultation response, attached at **Appendix B**. Its response requested a change to the SIP and this request is considered at Section 3. Manchester FoE also requested that the Fund amend its policies to exclude investments in fossil fuel companies and to invest in a carbon reduction programme for Greater Manchester. **It is important to note that the SIP <u>records</u> Fund policy, it does not <u>set</u> Fund policy.** Divestment from fossil fuel companies, as a policy option, is considered elsewhere on this Agenda.

2.4 The main focus of the five other consultation responses was that the Fund reduce or divest its holdings in fossil fuel companies.

3. UPDATED SIP

3.1 After consulting with the Borough Solicitor, it is proposed to incorporate only one change to the draft version of the SIP on which the Fund consulted. The proposed change relates to paragraph 8.1 and reflects the wording requested by Manchester FoE. This proposed change is consistent with the legal position, and does not require any change to Fund policy.

3.3 The proposed revised wording for paragraph 8.1 is :

> *"The Fund holds a general policy of not interfering in the day to day investment decisions of its investment managers. However, the Fund may choose to actively invest in or disinvest from companies for social, ethical or environmental reasons, so long as that does not risk material financial detriment to the Fund."*

4. RECOMMENDATION

4.1 That the Working Group support the adoption of the revised Statement of Investment Principles (as Appended to this Report, and further amended within the Report) by the Management Panel.

APPENDIX A

DRAFT FOR CONSULTATION

TAMESIDE MBC

ADMINISTERING AUTHORITY OF THE GREATER MANCHESTER PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

1) Background

1.1 This Statement has been prepared in accordance with the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009* as amended ("the Regulations"). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

1.2 The terms of appointments of any external investment managers are required to include a provision that the investment manager must take account of, and shall not contravene, this Statement in undertaking its management role.

1.3 The Local Government Pension Scheme ("the Scheme") was established by statute to provide death and retirement benefits for all eligible employees. The Scheme is a contributory, defined benefit occupational pension scheme.

1.4 Tameside MBC ("the Council") became the administering authority of the Greater Manchester Pension Fund ("the Pension Fund" or "the Fund") in 1987 after the abolition of the Greater Manchester County Council in 1986. The Fund covers all ten district councils of Greater Manchester, the National Probation Service and numerous other smaller employers.

1.5 The Statement outlines the broad investment principles governing the investment policy of the Pension Fund. In preparing the Statement, the Council has consulted those persons it considered appropriate.

2) Organisation and Management Arrangements of the Fund

2.1 The investment powers of the Council under the Scheme are given in the Regulations. Amongst other matters, the Regulations require the Council to have regard to both the suitability and diversification of its investments and to take proper advice in making decisions regarding the investment matters of the Fund.

2.2 The Council has delegated all its functions as administering authority of the Pension Fund to the Pension Fund Management Panel ("the Management Panel" or "the Panel") which routinely meets on a quarterly basis and whose Terms of Reference are detailed in the Council's "Constitution". Amongst other matters, the Panel decides on the investment policy most suitable to meet the liabilities under the Scheme and has ultimate responsibility for the investment strategy.

2.3 The Management Panel has in turn appointed a Pension Fund Advisory Panel and external professional Advisors, and has dedicated internal Officers of the Fund to advise it on the exercise of its delegated powers. There are also a number of Working Groups which report quarterly to the Panel on specialist matters.

2.4 The Executive Director of Pensions exercises certain delegated powers as specified in the Constitution and provides the link between the Panel, the external professional Advisors and the Fund's investment managers. Each year a Fund "Business Plan" is submitted by the Executive Director of Pensions to the Management Panel for consideration.

2.5 A primary objective of the Council is to maintain a low and stable employer contribution rate. This is to be achieved by attempting to maximise the long-term investment return whilst not exceeding an acceptable degree of risk.

2.6 The assets of the Fund are separated into two distinct parts – a Main Fund and a Designated Fund. This separation has been made in order to reflect a major difference in liability profiles between most of the employers of the Fund and that of a small number of other employers of the Fund.

2.7 Having taken appropriate advice, the Management Panel has decided that a bespoke benchmark, which is biased towards equity is a suitable investment benchmark for the management of the Main Fund. Detail on the Main Fund's bespoke benchmark is included in the Fund's Annual Report and Accounts. This benchmark will be reviewed annually and when appropriate in response to significant changes in the investment environment. The Designated Fund has a bespoke benchmark which is heavily orientated towards UK index linked stock.

2.8 The Management Panel has delegated the management of the majority of the Main Fund's securities portfolio, and the management of the Main Fund's direct property portfolio, to regulated, external, professional investment managers whose activities are defined and constrained by detailed Investment Management Agreements. The remainder of the Main Fund (including private equity, infrastructure, local investments, elements of the Special Opportunities Portfolio and UK cash), together with the Designated Fund, is managed internally by Officers of the Fund. The 'Treasury Management' of all UK cash is undertaken by Officers of Tameside MBC.

2.9 The Main Fund is largely actively managed but has a significant element, which is passively managed on a pooled basis. Three of the appointed external securities managers have been given individual differing active multi-asset (ex property) discretionary benchmarks reflecting their perceived skills and the relative efficiency of markets. The fourth appointed external securities manager has a single broad equity market benchmark reflecting its specialist mandate. These individual benchmarks are detailed in the Investment Management Agreements and have been chosen so as to be consistent with the overall bespoke benchmark determined for the Main Fund.

2.10 Each of the Main Fund's external active securities managers has been set the target of achieving a rolling three year average performance which exceeds the average performance of their individual benchmark by at least 1% per annum. The Fund anticipates that in two years out of three the external active multi-asset securities managers' annual performance will be within 4½% of the annual performance of their individual benchmark. The equivalent range for the specialist securities manager is +/-7%.

2.11 The fees of two of the three external active securities managers consist of two elements: an ad-valorem base fee together with a performance element which is capped at a prudent level of outperformance. The fees of the third external active securities manager consists of a fixed base fee with no performance element. The fees of the Main Fund's external passive securities manager consists of an ad-valorem base fee with no performance element. The fees of the external property manager comprise of a combination of a fixed and ad-valorem base fee with no performance element.

2.12 The Designated Fund is passively managed on a segregated basis.

2.13 The investment returns of the Main Fund, its underlying component portfolios and the Designated Fund are calculated quarterly by an external, third party professional performance measurement company appointed directly by the Council.

2.14 The Management Panel monitors the performance of the appointed external investments managers at each of its quarterly meetings. The performance of the specialist portfolios managed internally by Officers of the Fund is monitored annually by the Panel.

3) The Types of Investments to be Held

3.1 The Regulations require the Council to have regard to the suitability of investments and define the types of investments which the Fund is permitted to hold. The Fund operates with the lower limits on investments as defined by Regulation 14(2), except for "contributions to partnerships" and "any single insurance contract" where it has resolved to work to limits of 10% and 35% respectively under regulation 14(3). The former decision was taken in order to facilitate the Fund implementing its strategic allocation to private equity, infrastructure, property and other investments where pooled vehicles offer the preferred access. The latter decision was taken as a contingency arrangement, so that the Fund would be able to act quickly and have the option of effecting any restructuring of investment management arrangements via an approach involving the external passive securities manager. Both decisions comply with the Regulations and will remain in place until revoked.

3.2 In addition to the Regulations, the Council has decided to further restrict the types of investment which the appointed external securities managers may hold and to restrict the type and extent of investment activity which they are permitted to undertake. These further detailed restrictions are extensive and are documented in a Schedule to each of the Investment Management Agreements.

3.3 Fund assets currently include a UK and overseas spread of equity, fixed interest bonds (including those issued by Governments, companies and other entities), index linked bonds, private equity, infrastructure and property. The Main Fund's external active multi-asset securities managers are permitted limited use of certain derivatives. The Fund supplements its investment income by participating in a Commission Recapture program.

4) The Balance between different Types of Investments

4.1 The Regulations require the Council to have regard to the diversification of its investments.

4.2 The overall bespoke benchmark of the Main Fund comprises a mix of different assets (broadly 75% real assets and 25% monetary assets) which is sufficient to provide adequate diversification for the Main Fund. The Fund's Annual Report and Accounts contains more detail on the overall Main Fund benchmark.

4.3 The strategic balance of investments takes account of the risk/return characteristics of each asset class and in particular the potential for enhanced long term returns from equity and the higher level of short term volatility associated with that asset class. In this context, risk in relation to any asset class is considered 'in the round' rather than being analysed into the specific components of risk (eg liquidity, foreign exchange, interest rate sensitivity etc). Allowance is also made for the benefits of diversification across the asset class mix within the Main Fund. The overall bespoke benchmark provides a reasonable long-term balance appropriate to the liabilities relevant to the Main Fund and its funding position.

4.4 For the Main Fund, tactical asset allocation is delegated to the appointed external multi-asset securities managers who must operate within asset class and country restrictions which are documented in a Schedule to the Investment Management Agreements.

4.5 The bespoke benchmark of the Designated Fund has also been specifically chosen in the context of the relevant liabilities and funding position.

5) Risk : Measurement and Management

5.1 The Management Panel recognises that risk is inherent in any investment activity. The overall approach is to seek to reduce risk to a minimum where it is possible to do so without compromising returns (eg in operational matters), and to limit risk to prudently acceptable levels otherwise (eg in investment matters).

5.2 Operational risk is minimised by :

- Having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian appointed directly by the Council with control and liability issues thoroughly addressed in a Global Custody Agreement;
- Having the deeds of direct property investments held securely by the Fund's Legal Section;

- Documenting control and liability issues relating to the relationships with the appointed external investment managers in the Investment Management Agreements;
- Having an external, third party, accounting provider independently maintain complete accounting records relating to the investment activity of the appointed external securities managers and to the entitlements (eg income) arising from the Fund's securities portfolios;
- Officers of the Council's Internal Audit and of the Fund's Investments Group receiving reports on and reviewing the internal operating procedures of the appointed external custodian, securities managers and accounting provider; and
- Subjecting internal investment management activity to close Internal Audit scrutiny.

5.3 Investment risk is constrained by :

- Diversifying across investment managers;
- Diversifying across types of investment;
- Restricting external appointed investment manager activity as documented in a Schedule to or in relevant Clauses of the Investment Management Agreements;
- Selecting appropriate investment benchmarks in order to control the risk that the assets will not be sufficient to meet the liabilities whilst also having a strong likelihood of achieving a good return;
- Taking appropriate internal and external professional advice on the investment activity of both the externally managed securities portfolios and of the internally managed portfolios;
- Quarterly, formal, Management Panel monitoring of asset allocation against the investment benchmarks and asset class restrictions; and
- Quarterly, formal, Management Panel monitoring of investment manager and overall Fund activity and performance.

5.4 Some risks lend themselves to being measured (eg using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, the Fund employs the relevant approach to measurement. The Fund reviews new approaches to measurement as these continue to be developed.

6) The Expected Return on Investments

6.1 There is a broad expectation that in the longer term the return on equity will be greater than on other assets.

6.2 The overall Main Fund return is expected to be broadly in line with the overall bespoke benchmark. Over the last twenty years this benchmark has averaged a return which is comfortably ahead of both price and earnings inflation over the same period. However over any shorter period, such as one or five years, actual Main Fund returns may vary significantly from the benchmark and indeed benchmark returns may vary significantly from their long-term averages.

6.3 Over the long term appropriate to the liabilities of the Scheme it is expected that the investment returns of both the Main Fund and the Designated Fund will be at least in line with the assumptions underlying the actuarial valuations.

7) The Realisation of Investments

7.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. Pension payments are expected to exceed employer and employee contributions by around £200m per year over the coming three years. During this period, investment income, outwith that which is automatically reinvested within pooled vehicles, is anticipated to generate around £300m per year of receipts to the Fund. Thus it is not expected that there will be any material need to realise investments in the near future other than to seek higher returns.

7.2 The vast majority of the Pension Fund's assets are readily marketable. However some investments, such as property, and more so private market assets, are less easy to realise in a timely manner. Such relative illiquidity is not considered to have any significant adverse consequences for the Fund. However, over the coming couple of years, Officers of the Fund will be investigating options for dealing with the deteriorating cash-flow position of the Fund.

7.3 The Council informs the appointed external investment managers of any projected need to withdraw funds in order to enable the investment managers to plan an orderly realisation of assets when this proves necessary.

8) Socially Responsible Investment

8.1 The Fund holds a general policy of not interfering in the day to day investment decisions of its investment managers and does not actively invest in nor permanently disinvest from companies solely or largely for social or ethical or environmental reasons.

8.2 As a responsible investor, the Fund wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. On environmental issues, the Fund wishes to promote and encourage compliance with its own "UK Environmental Investment Code". The Fund's appointed external securities managers are encouraged to operate a policy of constructive shareholder engagement with companies.

8.3 The Fund endeavours to be a socially responsible investor wherever possible but does so within the duties placed upon it under statute and under general trust law principles to manage the Scheme in the best financial interests of the Scheme members and beneficiaries.

8.4 From time to time the Fund will pursue certain specific issues direct with investee companies, either individually or, more usually, collectively with other institutional investors via its membership of the 'Local Authority Pension Fund Forum', its membership of the 'Institutional Investors Group on Climate Change', as a signatory to the 'UN Principles for Responsible Investment' or by means of other ad-hoc groupings.

9) The Exercise of Investment Rights

9.1 The exercise of rights which are not voting rights (eg dividend entitlements, rights issues etc) are delegated by the Council to the investment managers of the Pension Fund as part of their normal investment responsibilities.

9.2 The Fund wishes to exercise the voting rights attaching to its investments to promote and support good corporate governance principles.

9.3 The Fund requires the appointed external active securities managers to vote on behalf of the Fund at every opportunity in the UK and when reasonably practicable and commercially prudent overseas.

9.4 In casting the Fund's votes in the UK, the appointed external active securities managers are mandated to implement the Fund's bespoke "UK Voting Guidelines". Any overseas votes exercised must be cast in line with the spirit of the Guidelines.

9.5 The appointed external passive securities manager votes in respect of the Fund at every opportunity in the UK and in respect of companies in the vast majority of overseas markets except where practicalities are a significant obstacle.

9.6 In casting votes in respect of the Fund in the UK, the appointed external passive securities manager normally implements its own 'Voting Policy'. However the passive securities manager will vote in respect of the Fund according to the Fund's instructions on a case by case basis should the Fund so require.

10) Stocklending

10.1 The Fund itself has participated in a prudently structured Stocklending program via its Custodian since March 2003. However, the Fund suspended its Stocklending program between September 2008 and May 2011 in the wake of the 2008 financial crisis.

10.2 The Fund does not lend UK and US Equities and does not take Cash as collateral. The maximum volumes of stock "on loan" are set at a lower level than the Regulations permit. All loans must be pre-collateralised and be subject to recall upon demand.

10.3 Certain pooled vehicles within which the Fund invests may undertake an amount of Stocklending on behalf of the pooled vehicle investors. Where this occurs, the extent of the activity is disclosed by the pooled vehicle. The Fund considers this aspect of the pooled vehicle when making investment decisions.

11) Compliance with the guidance given by the Secretary of State (Six CIPFA/Myners Principles)

11.1 The Appendix hereto states the extent to which the Fund complies with the guidance given by the Secretary of State and the six principles of investment practice set out in the CIPFA document : "Investment Decision Making and Disclosure in the Local Government Pensions Scheme : A Guide to the Application of the Myners Principles" (2009).

11.2 The Appendix also gives reasons for not complying where the Fund does not do so.

Version 2.1

Adopted by the Pension Fund Management Panel for Tameside MBC as administering authority of the Greater Manchester Pension Fund : 2 October, 2015

SJT/PFIG
August, 2015

The Secretary of State guidance (Six CIPFA/Myners Principles for Investment Decision Making and Disclosure in the LGPS)

PRINCIPLE	COMPLIANCE
Effective Decision Making	**The Fund considers that it is compliant with this principle.** See Section 2) [in particular 2.1 - 2.4]. The Management Panel has decided against a focused 'investment subcommittee' approach to investment decision-making in favour of maintaining the Fund's long-standing inclusive approach. The training needs of Panel members are periodically considered by the Panel and suitable training arrangements are made. The Fund is developing its approach to the CIPFA skills and knowledge framework for members of the Management Panel and to the adoption of training plans.
Clear Objectives	**The Fund considers that it is compliant with this principle.** See Sections 2) [in particular 2.5 - 2.12], 3), 4) and 5). The Management Panel is developing a performance measurement framework to measure the overall performance of its advisors.
Risk and Liabilities	**The Fund considers that it is compliant with this principle.** See Sections 2) [in particular 2.7], 3), 4) and 5). The Management Panel has an active risk management programme in place. The key risks and the measures to control them are detailed in the Fund's Funding Strategy Statement. The Fund is considering how to further develop its approach to assessing overall risk, mitigating unrewarded risk wherever possible, and identifying any residual risk.
Performance Assessment	**The Fund considers that it is not fully compliant with this principle.** See Sections 2) [in particular 2.10, 2.13, and 2.14] and 5.4. The Management Panel currently undertakes informal assessment of its own decisions and the advice of the advisors to, and officers of, the Fund and is developing its approach to formal assessment in these areas.
Responsible Ownership	**The Fund considers that it is not fully compliant with this principle.** See Sections 8) and 9). Each appointed external securities manager reports on its policy and activity in this area to the Fund's specialist "Investment Monitoring and ESG Working Group" on an annual basis. The Fund is developing its approach to measuring the effectiveness of its strategy. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which promotes the investment interests of local authority pension funds and seeks to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest. The Fund has adopted a Statement of Compliance with the Financial Reporting Council's UK Stewardship Code (the successor to the Institutional Shareholders Committee's Code on the Responsibilities of Institutional Investors), as have the Fund's external securities managers. The Fund is a signatory to the UN Principles for Responsible Investment.

Transparency and Reporting	**The Fund considers that it is fully compliant with this principle.** See Sections 2), 4) and, in particular, 6). The Fund's Statement of Investment Principles, Funding Strategy Statement, Core Belief Statement and Governance Compliance Statement are published on the Fund's website together with a full list of the Fund's holdings at year end. The results of monitoring the Fund's investment managers are contained in the Fund's Annual Report and Accounts which is also published on the website. The availability of all five documents is publicised widely amongst scheme members.

END OF APPENDIX (XX/XX/15)

APPENDIX B

Response to consultation on GMPF Statement of Investment Principles

1. Consideration of social, ethical and environmental impacts

We believe that the Statement of Investment Principles should be updated to include the principle that the Fund will actively consider social, ethical and environmental impacts when choosing what to invest in, following the precedent set by the decision to exclude direct holdings of tobacco companies last year.

In the report to the GMPF Advisory Panel meeting in September 2014 from the Executive Director of Pensions on Investment Restrictions [1], Nigel Giffin QC concluded that:

"...the precise choice of investments may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund."

As a result, the GMPF Advisory Panel made the following recommendations [2], which were adopted by the GMPF Management Panel in September 2014:

(i) That the investment restrictions on the Fund's investment managers be amended to exclude the direct holding of investments in tobacco companies; and

(ii) That the Fund's Statement of Investment Principles be amended to reflect this change.

The draft Statement of Investment Principles does not appear to have been amended as per point (ii) above.

We therefore suggest that paragraph 8.1 of the Statement of Investment Principles be updated to read:

"The Fund holds a general policy of not interfering in the day to day investment decisions of its investment managers. However, the Fund may choose to actively invest in or permanently disinvest from companies for social, ethical or environmental reasons, so long as that does not risk material financial detriment to the Fund."

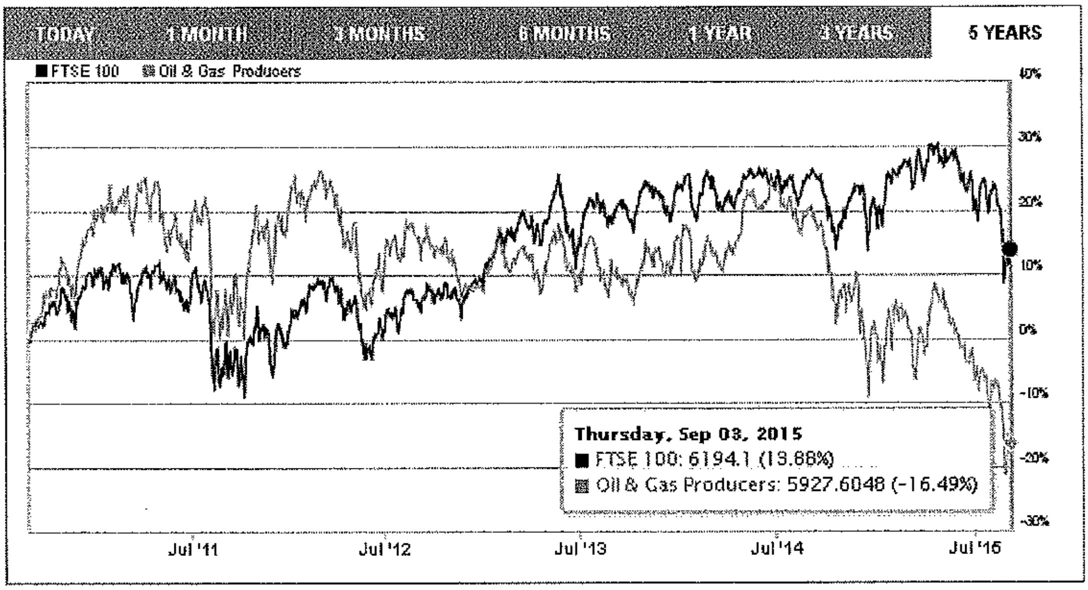
2. Exclusion of fossil fuel holdings

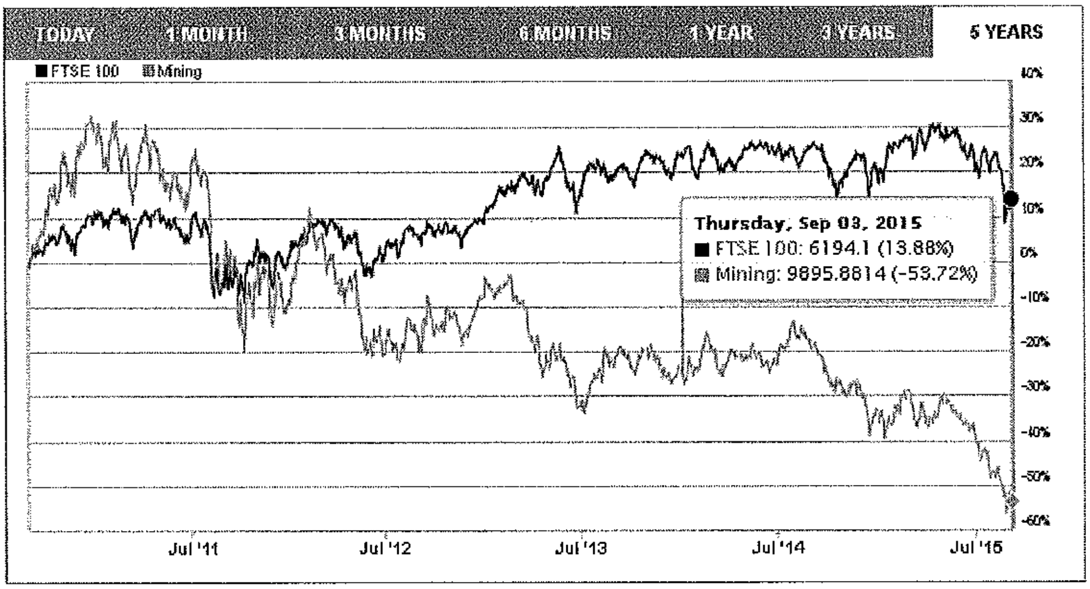
Following on from the decision to exclude the direct holding of tobacco companies last year, we would also like to call on the GMPF to put this principle into practice in relation to its holdings in fossil fuel companies.

A growing number of major investors, including the Rockefeller Brothers Trust, the Norwegian Sovereign Wealth Fund and the British Medical Association, have made the decision to divest from companies involved in the extraction of coal, oil and gas because of both the financial risks and the social, ethical and environmental impacts of their activities. [3]

According to a study by University College London, a third of all oil reserves, half of gas reserves and over 80% of current coal reserves need to remain in the ground to avoid catastrophic climate change. [4] Consequently, there have been growing concerns about the long-term financial risks of fossil fuel investments, a 'carbon bubble' that risks taxpayers being forced to bail out public pensions in the future. [5]

Not only that, fossil fuel companies have underperformed against the FTSE 100 over one, three and five year timeframes. For example, over the last five years, the FTSE 100 has increased by almost 14%, while over the same period oil & gas producers have fallen by over 16% and the mining sector has fallen by over 50%. [6]





Charts showing the relative performance of oil & gas producers (top) and mining companies against the FTSE 100 over a 5 year timeframe

Of course, as well as financial risk, investments in fossil fuel companies also pose serious social, ethical and environmental risks. Carbon dioxide released by the combustion of coal, oil and gas is the biggest driver of climate change, which the WHO estimates is already causing over 150,000 deaths annually [7] and is predicted to lead to the extinction of one in six of the world's species. [8]

Indeed, the 2015 UCL-Lancet Commission on Health and Climate Change concluded that "the effects of climate change threaten to undermine the last half-century of gains in development and global health" and that "future projections represent an unacceptably high and potentially catastrophic risk to human health." [9]

So not only are fossil fuel companies increasingly risky investments, the products they sell are seriously undermining the future health and wellbeing of pension scheme members and the wider community in Greater Manchester.

We therefore call on the GMPF to amend the investment restrictions on the Fund's investment managers to exclude the direct holding of investments in fossil fuel companies.

Positive investment

As well as divesting from the drivers of climate change, we believe that the GMPF can play a vital role in financing the solutions to climate change, such as renewables and energy efficiency.

We would also argue that the GMPF could provide even greater returns to its pension scheme members, their families and local communities by investing a greater proportion of its funds in Greater Manchester, creating jobs and boosting the local economy.

We therefore call on the GMPF to work the Greater Manchester Low Carbon Hub to develop an investment programme that will deliver the carbon reductions needed to meet the targets in the Greater Manchester Climate Change Strategy.

Manchester Friends of the Earth
September 2015

References:

1. http://www.gmpf.org.uk/documents/panels/2014/12092014/investment_restrictions.pdf
2. http://www.gmpf.org.uk/documents/panels/2014/11122014/item3a.pdf
3. http://gofossilfree.org/commitments/
4. http://www.ucl.ac.uk/news/news-articles/0115/070115-fossil-fuels
5. http://www.carbontracker.org/report/carbon-bubble/
6. Comparison of FTSE 100 vs. FTSE TM Sectors for Mining and Oil & Gas Producers on 3 Sep 2015 at: http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/indices/summary/summary-indices-chart.html?index=UKX
7. http://www.who.int/heli/risks/climate/climatechange/en/
8. http://www.sciencemag.org/content/348/6234/571
9. http://climatehealthcommission.org/

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APPENDIX 1

Current Member Training November 2014-2015

LGE Training	Panel Training	Fund Manager Training	Conferences and Seminars
Day 2 Fundamentals (Nov 2014)	**Economic Outlook (Mar 15)**	**Capital Annual Training (Nov 14)**	**LAPFF Annual Conference (Dec 2014)**
Councillor A Brett	Councillor K Quinn	Councillor K Quinn	Councillor K Quinn
Councillor C Reid	Councillor M Smith	Councillor S Quinn	Councillor S Quinn
Petula Herbert	Councillor A Brett	Councillor J Taylor	
Ken Drury	Councillor G Cooney	Councillor J Fitzpatrick	**330 Consulting Member Event (Feb 2015)**
	Councillor D Buckley	Councillor M Smith	Councillor C Reid
Day 3 Fundamentals (Dec 2014)	Councillor J Fitzpatrick	Councillor J Pantall	
Councillor S Quinn	Councillor C Reid	Councillor M Smith	**LGC Investment Seminar (Feb 2015)**
Councillor J Grimshaw	Councillor M Francis	Councillor G Cooney	Councillor C Reid
Councillor J Lane	Councillor J Grimshaw	Councillor V Ricci	
Councillor M Smith	Councillor T Halliwell	Councillor J Grimshaw	**NAPF Investment Conference (Mar 2015)**
Councillor A Brett	Councillor D Houle	Councillor D Houle	Councillor J Pantall
Petula Herbert	Councillor J Lane	Councillor D Ward	
	Councillor J Middleton	Councillor M Francis	**NAPF Local Authority Conference (May 2015)**
Day 1 Fundamentals (Oct 2015)	Councillor A Mitchell	Councillor R Akbar	Councillor J Pantall
Councillor A Brett	Councillor C Pantall	Councillor J Middleton	
Councillor P Dennett	Councillor V Ricci	Councillor A Brett	**NAPF Annual Conference (Oct 2015)**
Councillor J Cooper	Councillor M Smith	Councillor T Halliwell	Councillor K Quinn
Kevin Allsop	Councillor J Taylor	Councillor J Lane	Councillor S Quinn
Alan Flatley	Councillor D Ward	Councillor A Mitchell	Councillor J Lane
Ken Drury	Ken Drury	Mark Rayner	Councillor J Grimshaw
	Frank Llewellyn	Frank Llewellyn	Mark Rayner
Day 2 Fundamentals (Nov 2015)	Mark Rayner	John Thompson	
Councillor J Cooper	John Thompson		**330 Consulting Member Event (Oct 15)**
Councillor C Patrick		**UBS Annual Training (July 2015**)	Councillor M Smith
Councillor P Dennett	**October deferred due to**	Councillor K Quinn	Councillor D Ward
Alan Flatley	**AGM and official opening**	Councillor S Quinn	Councillor V Ricci
Kevin Allsop		Councillor G Cooney	Councillor G Cooney
		Councillor A Mitchell	
		Councillor J Pantall	

LGE Training	Panel Training	Fund Manager Training	Conferences and Seminars
		UBS Annual Training (cont)	**Engaged Investor Seminar (Nov)**
		Councillor J Fitzpatrick	Councillor J Pantall
		Councillor C Reid	
		Councillor A Brett	
		Councillor J Taylor	
		Councillor D Ward	
		Councillor R Akbar	
		Councillor M Smith	
		Councillor T Halliwell	
		Councillor V Ricci	
		Councillor J Lane	
		Councillor J Cooper	
		Councillor P Dennett	
		Councillor R Miah	
		Petula Herbert	
		Catherine Lloyd	
		John Thompson	
		Capital Annual Training (Nov 2015)	
		Councillor S Quinn	
		Councillor G Cooney	
		Councillor M Smith	
		Councillor J Cooper	
		Councillor R Miah	
		Councillor J Pantall	
		Councillor J Fitzpatrick	
		Councillor J Grimshaw	
		Councillor T Halliwell	
		Councillor P Dennett	
		Councillor J Lane	
		Councillor J Taylor	
		Councillor A Mitchell	

LGE Training	Panel Training	Fund Manager Training	Conferences and Seminars
		Capital Annual Training (Nov 2015)	
		Councillor M Francis	
		Councillor R Akbar	
		Councillor A Brett	
		Ken Drury	
		Frank Llewellyn	
		Alan Flatley	
		Richard Paver	
		Jayne Hammond	
		Petula Herbert	
		Chris Goodwin	

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Report To:	**Pension Fund Management/Advisory Panel**
Date:	11 December 2015
Reporting Officer:	Peter Morris, Executive Director of Pensions
Subject:	**MEMBER TRAINING**
Report Summary	The report sets out the Panel's current approach to developing knowledge and understanding and a report of individual members' participation in training and development is provided in line with prescribed good practice.
Recommendations:	(i) That the report be noted; (ii) That improvements in the recording of training be undertaken to ensure the collection of all relevant data; (iii) That a report be submitted to a future meeting reviewing existing practice and, where appropriate recommending improvements; and (iv) That the training undertaken by members be reported in the Fund's Annual Report and Accounts.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	The Fund has always met the costs of Panel members training and development. The demands on Panel members are growing and it is likely that this will lead to increasing needs.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The training programme delivered should be suitable for the demands placed on Panel members.
Risk Management:	An important element of training and development of Panel members is the support it provides to identification of risks that the Fund is exposed to and how they can be mitigated.
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 Peter Morris, Executive Director of Pensions tel 0161 301 7150, email peter.morris@tameside.gov.uk.

1 INTRODUCTION

1.1 The Panel are looking after the pension promises earned by 350,000 members. The decisions taken by the Panel have a material impact on the cost of the pension scheme to the Fund's employers. The decisions on investment strategy, the Fund's investment management arrangements and the managers appointed to undertake that role are the key drivers influencing the Fund's absolute and relative return. For illustrative purposes a 1% investment return is equivalent to approximately 8% of payroll. The Panel also has important decisions to take on funding strategy, securing value for money in administration and investment, the Fund delivering effective and efficient operations and encouraging and supporting innovative solutions.

1.2 GMPF is the largest LGPS fund and as such it has an important role in contributing to the development of the LGPS.

1.3 The growth in the number of employers, the breadth of maturity of liabilities albeit with an overall environment of rapidly increasing maturity of liabilities and an exceptional economic arrangement is making the management of a very large, multi employer defined benefit pension scheme increasingly complex.

1.4 Managing the increased complexity of administering a pension fund alongside increased regulations has led to a requirement for increased knowledge and understanding by Trustees, Panel Members and Board Members. The Scheme Advisory Board recommends annual reporting of training undertaken as part of good practice.

1.5 The Management Panel's members have demonstrated their long term commitment to training through their:

(i) learning on the job at the Panel and Working Groups;
(ii) attendance at the three day LGE Fundamentals training when they join the Panel and Local Board;
(iii) attendance at the training sessions prior to Panel twice a year;
(iv) attendance at two Fund Manager training sessions;
(v) attendance at seminars and conferences such as those provided by NAPF, LGC and LAPFF.

2. MEMBER TRAINING UNDERTAKEN IN THE LAST 12 MONTHS

2.1 An analysis of training undertaken by Panel members is attached at **Appendix 1**.

2.2 Where a member of the Panel has undertaken training not reflected in the analysis, Loretta Stowers should be notified of any omissions.

3. SUMMARY

3.1 The Fund has a long history of encouraging and supporting training. There is scope to make improvements in the way in which training is recorded, in particular training provided at Working Groups where attendance is opened to all Panel members (e.g. the fossil fuel debate).

3.2 The demand on Panel members continues to grow and this coincides with demands for improved governance of the LGPS by Government. The Pensions Regulator has recently set the bar at a high level for the level of knowledge and understanding of Local Board members. Given current and expected developments, it is an appropriate time to review the assessment of training needs and how those needs are satisfied.

4. RECOMMENDATIONS

4.1 That the report be noted.

4.2 That improvements in the recording of training be undertaken to ensure the collection of all relevant data.

4.3 That a report be submitted to a future meeting reviewing existing practice and where appropriate recommending improvements.

4.4 That the training undertaken by members be reported in the Fund’s Annual Report and Accounts.

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