

**GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY
PANEL**

Day: Friday
Date: 20 July 2018
Time: 10.00 am
**Place: Guardsman Tony Downes House, Manchester Road,
Droylsden, M43 6SF**

***NB – THE BASEMENT CAR PARK AT GUARDSMAN TONY
DOWNES HOUSE WILL BE AVAILABLE FOR YOUR USE
ON THE DAY***

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GENERAL BUSINESS

1. **CHAIR'S OPENING REMARKS**
2. **APOLOGIES FOR ABSENCE**
3. **DECLARATIONS OF INTEREST**
To receive any declarations of interest from Members of the Panel.
4. **MINUTES**
 - a) **MINUTES OF THE PENSION FUND ADVISORY PANEL** 1 - 12
To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 23 March 2018.
 - b) **MINUTES OF THE PENSION FUND MANAGEMENT PANEL** 13 - 18
To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 23 March 2018.
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

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.

therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.

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

6. PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES

- | | |
|---|---------|
| a) LOCAL PENSIONS BOARD | 19 - 26 |
| To note the Minutes of the meeting held on 29 March 2018. | |
| b) INVESTMENT MONITORING AND ESG WORKING GROUP | 27 - 30 |
| To consider the Minutes of the meeting held on 6 April 2018. | |
| c) PENSIONS ADMINISTRATION WORKING GROUP | 31 - 36 |
| To consider the Minutes of the meeting held on 6 April 2017. | |
| d) ALTERNATIVE INVESTMENTS WORKING GROUP | 37 - 40 |
| To consider the Minutes of the meeting held on 13 April 2018. | |
| e) EMPLOYER FUNDING VIABILITY WORKING GROUP | 41 - 46 |
| To consider the Minutes of the meeting held on 20 April 2018. | |
| f) PROPERTY WORKING GROUP | 47 - 50 |
| To consider the Minutes of the meeting held on 6 July 2018. | |
| g) POLICY AND DEVELOPMENT WORKING GROUP | 51 - 54 |
| To consider the Minutes of the meeting held on 14 June 2018. | |

ITEMS FOR DISCUSSION/DECISION

- | | |
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| 7. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2018/19 | 55 - 108 |
| Report of the Assistant Director of Pensions, Investments, attached. | |
| 8. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS | 109 - 156 |
| Report of the Assistant Director of Pensions, Investments, attached. | |
| 9. PERFORMANCE DASHBOARD | 157 - 176 |
| Report of the Assistant Director of Pensions, Investments, attached. | |
| 10. ANNUAL PERFORMANCE REPORTS | |
| a) LONG TERM PERFORMANCE 2017/18 - MAIN FUND AND ACTIVE MANAGERS | 177 - 180 |

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

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| | Report of the Assistant Director of Pensions, Investments, attached. | |
| b) | CASH MANAGEMENT | 181 - 186 |
| | Report of the Assistant Director of Pensions, Investments, attached. | |
| c) | PROPERTY INVESTMENT PERFORMANCE MONITORING | 187 - 214 |
| | Report of the Assistant Director, Local Investments and Property, attached. | |
| 11. | ADVISOR COMMENTS AND QUESTIONS | |
| 12. | NORTHERN POOL UPDATE | 215 - 238 |
| | Report of the Assistant Director of Pensions, Funding and Business Development, attached. | |
| 13. | PENSIONS ASPECTS OF WASTE RETENDERING | 239 - 242 |
| | Report of the Assistant Director of Pensions, Funding and Business Development. | |
| 14. | GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017/18 | 243 - 280 |
| | Report of the Assistant Director of Pensions, Local Investments and Property, attached. | |

ITEMS FOR INFORMATION

| | | |
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| 15. | REVISED TERMS OF REFERENCE FOR WORKING GROUPS | 281 - 292 |
| | Report of the Director of Pensions attached. | |
| 16. | PENSIONS ADMINISTRATION UPDATE | 293 - 296 |
| | Report of the Pensions Policy Manager attached. | |
| 17. | FUTURE TRAINING DATES | |
| | Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151. | |

| | |
|--|-----------------------|
| LGC Investment Summit – Celtic Manor | 6 -7 September 2018 |
| SPS Credit and Private Debt Investing for Pension Funds Conference London | 30 August 2018 |
| Sustainable and Responsible Investing Forum 2018 – Asset Owners Meet Portfolio Managers | 11 -12 September 2018 |

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| | |
|--|----------------------|
| London | |
| LGE Fundamentals Training | |
| Leeds | |
| Day 1 | 2 October 2018 |
| Day 2 | 6 November 2018 |
| Day 3 | 5 December 2018 |
| PLSA Annual Conference | 17 – 19 October 2018 |
| Liverpool | |
| Investec Trustee Training | 14 November 2018 |
| Venue tbc | |
| CIPFA Pensions Network Annual Conference | 22 November 2018 |
| The Leadenhall Building, London | |
| LAPFF Annual Conference | 5 – 7 December 2018 |
| Bournemouth | |
| UBS Trustee Training | 13 December 2018 |
| Venue tbc | |
| LGS Governance Conference | 17 – 18 January 2019 |
| Bristol | |

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

23 March 2018

Commenced: 10.00am

Terminated: 12.30pm

Present: Councillor Warrington (Chair)

Councillors: Barnes (Salford), Brett (Rochdale), Grimshaw (Bury), Halliwell (Wigan), Jabbar (Oldham), Mitchell (Trafford), Pantall (Stockport)

Employee Representatives:

Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UNITE)

Local Pensions Board Members (in attendance as observers):

Councillor Fairfoull

Advisors:

Mr Bowie, Mr Moizer, Mr Powers and Ms Brown

Apologies for absence: Councillors J Fitzpatrick and J Lane

63. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and stated that it was an honour to Chair her first meeting of the GMPF Management/Advisory Panel. This was, however, tinged with sadness at the very sad and untimely death of the former Chair of the Greater Manchester Pension Fund, Councillor Kieran Quinn. The Chair added that Kieran would be sadly missed by the Fund and the wider pensions' world.

The Chair further explained that Councillor Gerald Cooney had agreed to take up the position of Vice Deputy Chair on the Fund and also as a representative on LAPFF along with Councillor Pantall.

Following the recent circulation of a letter to Trustees highlighting the denial of basic rights to women in Saudi Arabia and also of the request to list shares of Saudi Aramco on the London Stock Exchange, the Chair explained that a motion had been put to the last meeting of Tameside Council, as follows:

'We call upon the Financial Conduct Authority not to adopt a proposed change in the rules that would enable Aramco shares to be listed on the London Stock Exchange in the first place for as long as this denial of basic rights to women in Saudi Arabia persists'.

Members were informed that the Fund's value was currently £23 billion, an increase of £1 billion over the quarter since the last meeting of the Panel. It was noted that in the last 30 years, the Fund had achieved £3.4 billion above what would have been achieved if it had operated at the level of performance of the average Local Government Fund.

The Chair outlined key issues on the agenda, as follows:

- An update on pooling including our infrastructure investments through GLIL;
- Two updated policy statements for adoption by the Panel – the Core Belief Statement and the Investment Strategy Statement;
- An update on the fund's Carbon Footprint, with a presentation from the Independent expert that undertook such an exercise for us;
- An update on investment management costs; and

- A presentation from UBS, Multi-Asset manager for the Fund.

63. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

64. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 November 2017 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 November 2017 were signed as a correct record.

65. 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:**

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

66. LOCAL PENSIONS BOARD

RECOMMENDED

That the Minutes of the proceedings of the Local Pensions Board held on 14 December 2017 be noted.

67. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 19 January 2018 were considered.

The Chair of the Working Group, Councillor Taylor, was pleased to report that Legal & General gave an interesting update on their corporate governance activity over the last 12 months. As well as outlining long term ESG topics including, remuneration, diversity and climate change, L&G confirmed their commitment in encouraging the transition to a low carbon economy for the long term benefit of all companies and their investors.

Members also endorsed an updated draft Investment Strategy Statement, which was on today's agenda for adoption by the Panel.

RECOMMENDED

- (i) That the Minutes be received as a correct record;**
- (ii) In respect of the Investment Strategy Statement, that the updated draft Investment Strategy Statement be endorsed and its adoption by the Panel be supported; and**
- (iii) In respect of the CDP (formerly the Carbon Disclosure Project), that the invitation to become a signatory subject to an annual administration fee of £745 plus VAT to the four Carbon Disclosure Project information requests outlined in the report, be accepted.**

68. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 19 January 2018 were considered.

The Chair of the Working Group, Councillor J Lane, was pleased to report that the CIPFA benchmarking exercise results showed that the Funds administration cost per member of £16.83 was below the average cost of £20.14. It was highlighted that the number of funds participating in the exercise continued to reduce with just 32 funds now taking part, making it increasingly difficult to assess the Funds position relative to other funds. Officers would therefore be working with colleagues from other Metropolitan funds to investigate other options for benchmarking going forward.

The Working Group heard that a project group had been established with a view to conducting an annual review of compliance with the Pensions Regulators Code of Practice and to take into account new guidance which was issued by the Pensions Regulator in September 2017.

The Working Group received a detailed update on the new General Data Protection Regulations which would come into force in May 2018. The Group heard how Officers have set up a project team to facilitate the review of all processes and data held within Pensions Administration to ensure compliance with the new Regulations. The LGA were facilitating guidance on some related matters in conjunction with the Legal firm Squire Patton Boggs which the project team were incorporating.

RECOMMENDED

- (i) That the Minutes be received as a correct record; and**
- (ii) In respect of CIPFA benchmarking, that GMPF work with colleagues from other metropolitan funds to investigate other options for benchmarking going forward.**

69. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 2 February 2018 were considered.

The Chair of the Working Group, Councillor Cooney, reported that GMPF had supported globally-focussed Infrastructure manager InfraRed and made commitments to a series of funds it has raised since 2001. InfraRed's representative attended the Working Group to present information

on the firm's strategy and processes, examples of investments and how it delivered capital returns to investors.

In addition, representatives of Standard Life addressed the Working Group on the firm's Global Absolute Return Strategies Fund (GARS), which was held within the Special Opportunities Portfolio. The presentation focussed on the firm's differentiated strategy and the reasons for its underperformance since GMPF invested.

RECOMMENDED

That the Minutes be received as a correct record.

70. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 2 February 2018 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported on the work ongoing to analyse the most effective way to deliver bespoke employer investment strategies. This was a significant project for the Fund and would be discussed further at future meetings, with the intention of implementing these strategies this time next year.

He further commented on a report seeking approval for the 2018/19 expenditure budget, which is incorporated into the Medium term Financial Plan being presented to this Panel. The vast majority of the changes from the prior year related to the implementation of policies approved by the Panel, such as changes to the investment management arrangements.

A response to a consultation on the insolvency regime for Further Education Colleges, was also reviewed. GMPF had several Further Education Colleges participating in the Fund.

RECOMMENDED

- (i) That the Minutes be received as a correct record;**
- (ii) In respect of the GMPF Expenditure Budget 2018/2019, that the 2018/2019 expenditure budget be approved;**
- (iii) That the medium term financial plan to presented at the Management Panel; and**
- (iv) With regard to Insolvency Regime for Further Education and Sixth-Form Colleges, that a response to the consultation be submitted.**

71. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 2 February 2018 were considered.

Councillor J Lane, who chaired the Working Group in Councillor Quinn's absence, reported that the Working Group considered a review of investment pacing across all of the property portfolios. The draft, four year pacing strategy report recommended redemption of the indirect balanced funds over the medium term and an increase to LaSalle's rate of deployment over the same period. It was proposed that the pacing strategy form part of the Asset Allocation report to be considered by Panel in June 2018.

La Salle presented to the meeting, expressing cautious optimism about market conditions. Updates were provided on two recent acquisitions in the retail sector, contributing to significant growth in the value of the portfolio, which now stood at over £970m. LaSalle also confirmed that all fire and safety assessments were up to date.

Updates were also received on the local investments, focusing on fire safety across the portfolio and specific investments including the Island Site, Circle Square, Chorlton and First Street.

RECOMMENDED

That the Minutes be received as a correct record.

72. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 22 March 2018, as circulated at the meeting, were considered.

The Chair of the Working Group, Councillor Warrington, explained that most of the items were covered separately on the agenda today and it was:

RECOMMENDED

- (i) That the Minutes be received as a correct record;**
- (ii) That the progress of the Northern Pool and the response received from the Minister to the Autumn progress update, be noted and that the presentation attached to the report setting out the intended operation of the Northern Pool and how it met the Government's Criteria and Guidance be noted, including the need to strengthen the Fund's legal position going forward;**
- (iii) In respect of Investment Initiatives, that the content of the report be noted, including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair of the Fund;**
- (iv) In respect of GLIL 2.0, that approval be given for GMPF to commit up to £1bn to GLIL 2.0, with phasing of commitments above £500m to be at the discretion of the Director of Pensions.**
- (v) With regard to the GMPF Core Belief Statement, that the updated Statement be adopted; and**
- (vi) With regard to the Northern Private Equity Pool, that the changes to the implementation of GMPF's private equity strategy and the consequential changes in diversification targets detailed in the report, be endorsed for adoption; and that appropriately sized commitments to the Northern Private Equity Pool LP be made on an annual basis, subject to the approval of GMPF's Director of Pensions, under delegated authority.**

73. PENSIONS ADMINISTRATION UPDATE

Consideration was given to a report and presentation of the Pensions Policy Manager and the Pensions Operations Manager providing a summary of the work of the administration section over the last twelve months and the key tasks planned for the next year, in particular:

- Achievements and key initiatives;
- Analysis and statistics; and
- Future objectives.

It was further reported that GMPF would be working towards obtaining Pensions Administration Standards Association (PASA) accreditation over the coming months in order to gain independent recognition for its high standards of administration.

It was concluded that, overall, administration performance continued to improve and this was reflected in the analysis against 28 key performance indicators.

Business Planning objectives had been set for the next twelve months with the aim of further improving and transforming GMPF's administration services.

The Chair thanked officers for a very informative presentation.

RECOMMENDED

That the content of the report and presentation be noted.

74. NORTHERN POOL UPDATE

The Assistant Director of Pensions, Funding and Business Development, provided an update on recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, as discussed at a previous Panel meeting, the Northern Pool submitted a formal progress update to DCLG on 9 November 2017. Rishi Sunak MP had recently provided a response to the Northern Pool's autumn progress update, a copy of which was appended to the report. The Minister had expressed his desire to meet with members of the Northern Pool Shadow Joint Committee to discuss plans for implementation. It was also understood that the Minister wished to see increased investment in housing from the LGPS and had reiterated his desire to visit some of the Northern Pool's housing developments in his letter.

The main ongoing work streams for the Northern Pool were set out in the report.

As also discussed previously, the plans for the Northern Pool had evolved since the July 2016 submission was made to Government in order to more effectively meet the Pooling Criteria and Guidance and deliver better outcomes for the funds and their stakeholders.

In particular, the vast majority of the benefits of pooling for the funds in the Northern Pool were in respect of alternative assets where there was greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions with each of the Fund's advisors and the professional advisors to the pool, it was agreed in March 2017 that in order to best meet the Reduced Costs and Excellent Value for Money criteria set by Government, the Northern Pool should focus resource on making collective investments in alternative assets (which would commence and start generating material cost savings from April 2018) rather than establishing an Investment Management Company established under the Alternative Investment Fund Managers Directive ('AIFM') as a pool operator in the short term.

However, as could be seen from the letter recently received from the Minister, the current structure of the Northern Pool may not necessarily be in line with what Government was envisaging when the pooling agenda was formed.

The Northern Pool's understanding of the relevant Regulations was that it is up to administering authorities, rather than Government, to determine that they meet the pooling Criteria and Guidance. As such, the Northern Pool administering authorities were being asked to confirm that they believed the criteria and guidance had been met when formalising the governing documentation of the pool.

A presentation was attached to the report, setting out how the Northern Pool would meet the requirements of the LGPS Investment Regulations and the Pooling Criteria and Guidance issued by Government.

With regard to formally establishing the Northern Pool Joint Committee, a draft of the inter-authority agreement which set out the operation of the Northern Pool Joint Committee, was also appended to the report.

Minutes of the Northern Pool Shadow Joint Committee meetings which had taken place on 24 October and 5 December were also attached to the report for information. The Shadow Joint

Committee also met on 26 February and the 22 March 2018, both sets of minutes of would be provided at a future Panel meeting, once finalised.

LGPS National Pooling developments were detailed and discussed.

In response to a query from Members, the Director of Pensions explained that each administering authority would need to agree the details of the formal establishment of the Pool at their upcoming Annual Council meetings. She further explained that a training session would be arranged for each Authority's Members, including Local Boards and Pensions bodies, to take place before the Annual Meetings of each Authority, in order to outline the pooling journey so far, primarily for the members to agree that the correct approach had been adopted.

Discussion ensued with regard to meeting the Pooling Criteria and Guidance and the Advisors commented on the strength of the Fund's legal position and the sanctions for non-compliance. The Director of Pensions made further reference to the meeting of the Policy and Development Working Group (Meeting of the 22 March 2018, Minute 19 refers) and the suggestion that QCs opinion may need to be sought in order to strengthen the Fund's position going forward.

RECOMMENDED

- (i) That the progress of the Northern Pool and the response received from the Minister to the autumn progress update be noted; and**
- (ii) That the inter-authority operating agreement setting out the operation of the Northern Pool Joint Committee, be recommended for adoption by the Administering Authority.**

75. CORE BELIEF STATEMENT

Consideration was given to a report of the Assistant Director of Pensions, Investments, explaining that the Fund had its own Core Belief Statement, which was developed after extensive consultation, and was now approaching ten years old. At the time it was first drafted, there were relatively few other models, and the Fund was the first LGPS fund to adopt such a statement.

Whilst it was recognised that the Statement had not been formally reviewed for some time, this reflected the nature of the content, which was not expected to change radically. In that context, there was consensus that the Statement had stood the test of time, and helped to guide and permeate the investment decisions that the Fund had taken.

Going forward, it was proposed that the Statement be reviewed at least every three years, in parallel with the Fund's legal requirement to review the separate Investment Strategy Statement, to ensure that it remained fit for purpose and appropriate.

Members were informed that the current Statement had been recently circulated to the Fund Managers, Investment Consultant and Advisors for feedback. This feedback had been incorporated into an updated draft Statement which was attached as an appendix to the report. The amendments proposed were relatively limited, and accorded with an overarching ambition to maintain a concise and highly focussed set of beliefs.

RECOMMENDED

That the updated Core Belief Statement, as appended to the report, be adopted.

76. UPDATE ON GMPF'S CARBON FOOTPRINTING ASSESSMENT

The Assistant Director of Pensions, Investments, submitted a report updating on the Fund's Carbon Footprinting Assessment of its active equity holdings.

Matyas Horak of Trucost then delivered a presentation and explained that Trucost had been commissioned by GMPF to conduct a carbon footprint analysis of three equity portfolios (with holding data as of 31 March 2017). The results were detailed and it was reported that all mandates were more carbon efficient than their benchmarks.

Conclusions drawn from the analysis were then outlined as follows:

- GMPF's portfolios were more carbon efficient than their respective benchmarks, indicating relatively lower carbon risk;
- The relative performance originated from the most carbon intensive industries: Utilities, Materials, Energy;
- Relatively higher risk due to stranded asset exposure than the benchmark at an aggregate level;
- Utility companies' energy mix was slightly positioned better than the benchmark when it was compared to a 2 degree World scenario;
- Key companies for direct or indirect engagement: challenge on strategy, capital investments in low carbon processes/products.

Discussion ensued with regard to the issue of the Fund's Carbon Footprint and the need to protect the Fund whilst also continuing to enhance its approach to responsible investment. Members further commented on the Green Summit recently launched by the Mayor of Greater Manchester, Andy Burnham, and the wider issue of climate change.

RECOMMENDED

- (i) That the content of the report be noted;**
- (ii) That the Fund publicly discloses the result of its carbon footprint on an annual basis;**
- (iii) That the Fund engages with the highest risk companies identified by the carbon footprint, by way of its Fund Managers and membership of the Local Authority Pension Fund Forum; and**
- (iv) That the carbon footprint be repeated by the Fund on an annual basis in order to track progress towards being carbon neutral by 2050 in line with the Paris Agreement, if not sooner.**

77. INVESTMENT STRATEGY STATEMENT

The Assistant Director of Pensions, Investments, informed Members that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016. The Regulations required that the Fund publish an Investment Strategy Statement by 1 April 2017.

An 'interim' Investment Strategy Statement was agreed and adopted following consideration by the Panel at their meeting of 10 March 2017. Following a detailed review, a draft Investment Strategy Statement was considered by the Investment Monitoring and ESG Working Group at their meetings in October 2017 and January 2018.

At its meeting on the 19 January 2018, the Working Group considered comments received on the draft Investment Strategy Statement following a public consultation period and subsequent changes proposed to the draft Investment Strategy Statement and endorsed the draft Investment Strategy Statement.

It was explained that a small number of additional minor amendments had subsequently been made to the draft Investment Strategy Statement to reflect recent changes in management arrangements. A copy of the draft Investment Strategy Statement was appended to the report.

RECOMMENDED

That the content of the report be noted, and the updated draft Investment Strategy Statement as appended to the report, be adopted.

78. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing Members with an update on investment management costs.

RECOMMENDED

- (i) That the content of the report and favourable cost position be noted; and**
- (ii) That the lack of uptake by other LGPS Funds in CEM cost benchmarking evaluation means that it doesn't give a complete LGPS picture and that this should be raised with the Government to ensure that their agenda on reduced investment costs and increased transparency is achieved.**

79. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing high level, investment performance information, including the value of the Pension Fund Investment Portfolio, the performance of the Main Fund, and the over/under performance of the external Fund Managers against benchmark.

The key information from the Quarter 4 Performance Dashboard was summarised. Global Equities ended the year with another rally and every region posted positive returns over the quarter, in dollar terms. Performance was bolstered by a continued positive global economic outlook and US corporate tax reforms. There was mixed performance from global bond markets. Yields on UK gilts fell back, having risen sharply towards the end of Q3 in anticipation of a BoE rate hike, whilst US Treasury yield rose on the back of anticipated fiscal stimulus from the proposed US tax reforms. Emerging market debt performed strongly over 2017. Total Main Fund assets had increased and continued to maintain an overweight position to equities and an underweight position to property.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS resulting in an additional £3.4 billion in assets and had outperformed its benchmark over the quarter and all periods (1, 3, 5 and 10 years) mainly due to stock selection. The active risk of the Main Fund was consistent at around 1% but risk in absolute terms (for both portfolio and benchmark) was lower than that observed historically. At the end of Quarter 4, each of the active managers had achieved positive performance on an absolute and relative basis over 1 year.

RECOMMENDED

That the content of the report be noted.

80. REPORT OF THE MANAGER

The Chair introduced Steve Magill, Malcolm Gordon, William Kennedy and Jonathan Davies from UBS, who would be presenting before Panel today.

Mr Kennedy began by paying tribute to Councillor Kieran Quinn and expressed his condolences to family, friends and colleagues.

Jonathan Davies then gave details of portfolio performance over the last quarter. He reported that during Quarter 4 2017, the portfolio returned +3.4%, 0.5% behind the benchmark. At a stock market sector level, the underperformance during the quarter was largely driven by the Fund's overweight positions in the retailing and outsourcing sectors. Elsewhere, the Fund had benefitted from the sector overweight position in the mining and transportation sectors. The Global ex UK equity portfolio performed broadly in line with the benchmark during the quarter. Asset allocation detracted from performance during the quarter with the underweight position in North America

relative to the overweight in European equities, contributing negatively to performance. Over the longer term, Fund performance continued to be ahead of the benchmark, as relative performance over 1, 3, 5 years and since inception, continued to remain strong.

Steve Magill then commented on the value based investment philosophy and explained that it was based on simple, enduring principles and that UBS had had a consistent disciplined value approach for over 30 years.

Mr Magill detailed UK Equity performance and UK Equity stock attribution for GMPF. European Equity stock attribution was also detailed and discussed.

He further outlined changes in the structure of the European ex UK equity portfolio since he had taken over as lead Portfolio Manager and added that the portfolio had outperformed the benchmark by +1.6% to the end of February 2018, since the new team took over.

In summary, Mr Magill reported that the value style of investing had been out of favour in the UK and Europe and it was believed a recovery had now started. There was a strong upside in the portfolio with a wide range of opportunities.

The Advisors were then asked to comment.

Mr Powers made reference to the relatively moderate level of risk in the Portfolio at present and encouraged UBS to use the full width of opportunities.

Mr Moizer commented on UBS investment philosophy and the timing of purchases including the skill in recognising when the market had changed.

Mr Bowie congratulated UBS on a wider base of outperformance.

The Chair made reference to exposure to the British High Street and asked how 'winners' and 'losers' were identified, as consumer spend was squeezed or transferred online.

Mr Magill, in his response, explained that share price, performance and valuation would be considered and also the detail of balance sheets etc. He further explained that there had been a long term trend away from the High Street and a number of retailers were transitioning to more popular shopping centres out of town and also on-line trade.

The Chair also made reference to the Fund's carbon footprint and explained that the two main contributors to this were aggregate investments made on behalf of the Fund by UBS.

Mr Gordon explained that divesting risked the possibility of selling shares to less ethical investors, which was not addressing the problem. It was more beneficial to use voting rights to encourage/engage companies to behave in the most environmentally responsible way.

The Chair thanked UBS for a very interesting and informative presentation.

RECOMMENDED

That the content of the presentation be noted.

81. GMPF BUDGET 2018/2019 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

Consideration was given to a report of the Assistant Executive Director of Pensions, Local Investments and Property, seeking approval of the Management Panel for the 2018/19 expenditure budget for GMPF with a medium term financial plan. (An updated version would be included in the Annual Report for 2017/18).

It was reported that the Fund, following approval on assumptions and process by the Management Panel, produced a medium term financial plan and medium term expenditure plan in its annual report and accounts for 2017/18, details of which were set out in the report.

Key observations were detailed as follows:

- Investment returns were the key determinant of the financial position;
- The Fund had a negative cash-flow from pensions paid, less contributions and the trend was for this to increase as the Fund matured; and
- The management costs were small relative to Fund size and annual cash flows and were assumed to remain constant in the medium term. (This was due to uncertainty over pooling arrangements and the fund's zero based budgeting approach).

The medium term financial plan was set out in the report and the key observations for consideration were:

- The maturity of the Fund continued and accelerated;
- Investment income was still higher than outflows to pensioners net of contributions; and
- Investment returns were key drivers of outcomes.

Budget changes 2018/19 from the 2017/18 budget were detailed with investment management arrangements making up the major part of the changes.

RECOMMENDED

- That the expenditure budget for 2018/19 be approved;**
- That the Medium Term Financial Plan be approved;**
- That it be noted that the Medium Term Financial Plan be updated from information available including Fund value at 31 March 2018 and included in the Annual Report for 2017/2018; and**
- That it be noted that the Director of Pensions intends to review all budgets annually undertake a zero based budget approach.**

82. 2017/18 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2017/18 audit.

It was noted that the estimated audit fee for 2017/2018 was £56,341.

RECOMMENDED

That the content of the report be noted.

83. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

| | |
|---|---------------------------|
| PIRC Spring Seminar London | 29 March 2018 |
| PLSA Local Authority Conference Cotswold Water Park Hotel, Gloucestershire | 21-23 May 2018 |
| CIPFA Barnett Waddingham Annual Event for Local Board Members London | 27 June 2018 |
| PLSA Annual Conference Liverpool | 17-19 October 2018 |

84. 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:

| | |
|---|---------------|
| Local Pensions Board | 29 March 2018 |
| Pensions Administration Working Group | 6 April 2018 |
| Investment Monitoring & ESG Working Group | 6 April 2018 |
| Alternative Investments Working Group | 13 April 2018 |
| Property Working Group | 20 April 2018 |
| Employer Funding Viability Working Group | 20 April 2018 |

85. CHAIR'S CLOSING REMARKS

The Chair informed Members that this would be the last meeting of Councillor Brett, who was stepping down from his role as Trustee on the Fund, which had spanned a 30 year period. She thanked Councillor Brett for his hard work for the Fund over the years, and wished him well for the future.

Councillor Brett thanked the Chair and Members and responded in kind.

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

23 March 2018

Commenced: 10.00am

Terminated:12.30pm

Present: Councillor Warrington (Chair)

Councillors: Barnes (Salford), Brett (Rochdale), Cooney, Grimshaw (Bury), Halliwell (Wigan), Jabbar (Oldham), Mitchell (Trafford), Pantall (Stockport), Patrick, S Quinn, Ricci, M Smith, Taylor, Ward and Ms Herbert (MoJ)

Apologies for Councillors J Fitzpatrick and J Lane

Absence:

63. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and explained that it was an honour to Chair her first meeting of the GMPF Management/Advisory Panel. This was, however, tinged with sadness at the very sad and untimely death of the former Chair of the Greater Manchester Pension Fund, Councillor Kieran Quinn. The Chair added that Kieran would be sadly missed by the Fund and the wider pensions' world.

The Chair further explained that Councillor Gerald Cooney had agreed to take up the position of Vice Deputy Chair on the Fund and also as a representative on LAPFF along with Councillor Pantall.

Following the recent circulation of a letter to Trustees highlighting the denial of basic rights to women in Saudi Arabia and also of the request to list shares of Saudi Aramco on the London Stock Exchange, the Chair explained that a motion had been put to the last meeting of Tameside Council, as follows:

'We call upon the Financial Conduct Authority not to adopt a proposed change in the rules that would enable Aramco shares to be listed on the London Stock Exchange in the first place for as long as this denial of basic rights to women in Saudi Arabia persists'.

Members were informed that the Fund's value was currently £23 billion, an increase of £1 billion over the quarter since the last meeting of the Panel. It was noted that in the last 30 years, the Fund had achieved £3.4 billion above what would have been achieved if it had operated at the level of performance of the average Local Government Fund.

The Chair outlined key issues on the agenda, as follows:

- An update on pooling including our infrastructure investments through GLIL;
- Two updated policy statements for adoption by the Panel – the Core Belief Statement and the Investment Strategy Statement;
- An update on the fund's Carbon Footprint, with a presentation from the Independent expert that undertook such an exercise for us;
- An update on investment management costs; and
- A presentation from UBS, Multi-Asset manager for the Fund.

64. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

65. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 November 2017 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 November 2017 were signed as a correct record.

66. 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:

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

67. LOCAL PENSIONS BOARD

RESOLVED

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

68. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 19 January 2018 were considered.

RESOLVED

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

69. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 19 January 2018 were considered.

RESOLVED

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

70. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 2 February 2018 were considered.

RESOLVED

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

71. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 2 February 2018 were considered.

RESOLVED

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

72. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 2 February 2018 were considered.

RESOLVED

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

73. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 22 March 2018, as circulated at the meeting, were considered.

RESOLVED

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

74. PENSIONS ADMINISTRATION UPDATE

A report of the Pensions Policy Manager and the Pensions Operations Manager was submitted and a presentation delivered.

RESOLVED

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

75. NORTHERN POOL UPDATE

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

RESOLVED

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

76. CORE BELIEF STATEMENT

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

RESOLVED

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

77. UPDATE ON GMPF'S CARBON FOOTPRINTING ASSESSMENT

A report of the Assistant Director of Pensions, Investments, was submitted and a presentation by a representative of Trucost, delivered.

RESOLVED

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

78. INVESTMENT STRATEGY STATEMENT

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

RESOLVED

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

79. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

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

RESOLVED

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

80. PERFORMANCE DASHBOARD

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

RESOLVED

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

81. REPORT OF THE MANAGER

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

RESOLVED

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

82. GMPF BUDGET 2018/2019 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

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

RESOLVED

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

83. 2017/18 EXTERNAL AUDIT PLAN

A report of the External Auditor, Grant Thornton, was submitted.

RESOLVED

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

84. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

| | |
|---|---------------------------|
| PIRC Spring Seminar London | 29 March 2018 |
| PLSA Local Authority Conference Cotswold Water Park Hotel, Gloucestershire | 21-23 May 2018 |
| CIPFA Barnett Waddingham Annual Event for Local Board Members London | 27 June 2018 |
| PLSA Annual Conference Liverpool | 17-19 October 2018 |

85. 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:

| | |
|---|---------------|
| Local Pensions Board | 29 March 2018 |
| Pensions Administration Working Group | 6 April 2018 |
| Investment Monitoring & ESG Working Group | 6 April 2018 |
| Alternative Investments Working Group | 13 April 2018 |
| Property Working Group | 20 April 2018 |
| Employer Funding Viability Working Group | 20 April 2018 |

86. CHAIR'S CLOSING REMARKS

The Chair informed Members that this would be the last meeting of Councillor Brett, who was stepping down from his role as Trustee on the Fund, which had spanned a 30 year period. She thanked Councillor Brett for his hard work for the Fund over the years, and wished him well for the future.

Councillor Brett thanked the Chair and Members and responded in kind.

CHAIR

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GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

29 March 2018

Commenced: 3.00pm

Terminated: 5.15pm

| | | |
|-----------------|-------------------------------------|--------------------------------|
| Present: | Councillor Fairfoull (Chair) | Employer Representative |
| | Jayne Hammond | Employer Representative |
| | Richard Paver | Employer Representative |
| | Paul Taylor | Employer Representative |
| | Chris Goodwin | Employee Representative |
| | Catherine Lloyd | Employee Representative |
| | Pat Catterall | Employee Representative |

Apologies for absence: Councillor Cooper, Mark Rayner and David Schofield

24. DECLARATIONS OF INTEREST

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

25. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 14 December 2017, having been circulated, were signed by the Chair as a correct record, with the inclusion of Jayne Hammond to the list of persons present.

26. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – 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:

| <u>Items</u> | <u>Paragraphs</u> | <u>Justification</u> |
|--------------|------------------------------|---|
| 5,7,9,12,14 | 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. |

27. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups during January and February 2018 and which were submitted for approval at the Management Panel meeting on 23 March 2018.

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

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

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

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

The Assistant Director explained that the Policy and Development Working Group had met the day prior to the Management Panel and most of the items had been discussed at the Panel meeting on 23 March 2018. He added that he would include a summary of the decisions at the next meeting of the Local Board.

Members sought information with regard to how the GMPF Board agendas compared to those of other Local Boards. The Director of Pensions, in response, explained that she understood that larger funds were similar to GMPF's, as would be expected.

It was suggested that fund manager monitoring may be an area for consideration for Local Board going forward, together with the Performance Dashboard and the Manager Monitoring Regime and escalation process, which was a recent process brought in by the Director to look at risk as well as performance to which Local Board members had access. Administration benchmarking could also be an area for consideration by the Board.

RESOLVED

That the content of the report be noted.

28. LOCAL BOARD TERMS OF REFERENCE

The Assistant Director of Pensions, Funding and Business Development, submitted a report explaining that the Terms of Reference for the Local Board required periodic review by the Administering Authority. One of the areas that the Terms of Reference suggested should be reviewed was the appropriate number of Board members, which should be conducted in liaison with the Board. A copy of the Terms of Reference was appended to the report.

It was reported that the GMPF Local Board was initially comprised of 2 employer representatives and 2 employee representatives (there is a requirement for equal numbers of each).

This was increased soon after establishment to '4+4' and then to '5+5' with the addition of the pensioner representative and the representative of non-local authority employers. The only change to the Board membership since the expansion to 10 members was the retirement of the original Board Chair (one of the employer representatives) and the appointment of Councillor Fairfoull as his replacement.

The Terms of Reference set the terms of office for the initial board members to run until September 2016 but gave the Administering Authority the power to extend these. However, the Terms of Reference were silent on the terms of office of the members who had subsequently joined.

Discussion ensued in respect of appropriate terms of office and composition of the Board and Members gave consideration to the appropriate range of skills and experience, and whether the Board effectively represented employer and Scheme member interests. They further considered the need to maintain stability whilst achieving appropriate turnover of members.

The Chair agreed that a report be submitted by the Director of Pensions to a future meeting of the Local Board setting out suggested Board composition and terms of office going forward, taking into consideration members' comments that a 4 year term of office seemed appropriate.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That a report be submitted to a future meeting of the Local Board for members' consideration, setting out proposals for Board composition and terms of office going forward.**

28. NORTHERN POOL

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, as discussed at the previous meeting, the Northern Pool submitted a formal progress update to DCLG on 9 November 2017. Rishi Sunak MP had recently provided a response to the Northern Pool's autumn progress update, a copy of which was appended to the report. The Minister had expressed his desire to meet with members of the Northern Pool Shadow Joint Committee to discuss plans for implementation. It was also understood that the Minister wished to see increased investment in housing from the LGPS and had reiterated his desire to visit some of the Northern Pool's housing developments in his letter.

The main ongoing work streams for the Northern Pool were set out in the report.

As also discussed at previous meetings of the Working Group, the plans for the Northern Pool had evolved since the July 2016 submission was made to Government in order to more effectively meet the Pooling Criteria and Guidance and deliver better outcomes for the funds and their stakeholders.

In particular, the vast majority of the benefits of pooling for the funds in the Northern Pool were in respect of alternative assets where there was greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions with each of the Fund's advisors and the professional advisors to the pool, it was agreed in March 2017 that in order to best meet the Reduced Costs and Excellent Value for Money criteria set by Government, the Northern Pool should focus resource on making collective investments in alternative assets (which would commence and start generating material cost savings from April 2018) rather than establishing an Investment Management Company established under the Alternative Investment Fund Managers Directive ('AIFM') as a pool operator in the short term.

However, as could be seen from the letter recently received from the Minister, the current structure of the Northern Pool may not necessarily be in line with what Government was envisaging when the pooling agenda was formed.

The Northern Pool's understanding of the relevant Regulations was that it is up to administering authorities, to determine that they meet the pooling Criteria and Guidance. As such, the Northern Pool administering authorities are being asked to confirm that they believe the criteria and guidance has been met when formalising the governing documentation of the pool.

A presentation was attached to the report, setting out how the Northern Pool would meet the requirements of the LGPS Investment Regulations and the Pooling Criteria and Guidance issued by Government.

With regard to formally establishing the Northern Pool Joint Committee, a draft of the inter-authority agreement which set out the operation of the Northern Pool Joint Committee, was also appended to the report.

LGPS National Pooling developments were detailed and discussed.

Further to discussion regarding Pool governance, the Director of Pensions explained that each administering authority would need to agree the details of the formal establishment of the Pool at their upcoming Annual Council meetings.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That further Pooling updates be provided to future meetings of the Local Board.**

29. LOCAL BOARD TRAINING

The Assistant Director of Pensions, Funding and Business Development submitted a report explaining that Local Board members were required to acquire appropriate 'knowledge and understanding' of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be 'appropriate for the purposes of enabling the individual to properly exercise the functions of a member of a local board'.

The report summarised some of the resources available to members to help meet their training requirements and facilitated discussion on how further support could be provided.

The Assistant Director of Pensions asked Board members to ensure they completed the Pensions Regulator's Public Service Toolkit as soon as possible.

He added that it was expected that the Pensions Regulator would look to increase its monitoring of compliance with the knowledge and understanding requirements and sought to take action against Boards and Scheme Managers that could not demonstrate compliance. To help demonstrate compliance and provide assurance to stakeholders, it was expected that GMPF would continue with its practice of disclosing Panel and Board members' attendance at training events in the annual report. Members were asked to ensure that they informed the Clerk to the Board of any training events they had attended.

Discussion ensued with regard to training and in particular, members expressed a need for further information with regard to the role of the Pensions Regulator.

RESOLVED

- (i) That the content of the report, including the knowledge and understanding requirements of the role of Board member, be noted;**

- (ii) That all Board members complete the Pensions Regulator's Public Service Toolkit as soon as possible; and
- (iii) That all Board members subscribe to pensions news updates from the Pensions Regulator.

30. 2019 ACTUARIAL VALUATION AND RELATED FUNDING MATTERS

Consideration was given to a report of the of the Assistant Director of Pensions, Funding and Business Development, which explained that the next actuarial valuation of the LGPS in England and Wales would take place with an effective date of 31 March 2019, with new contribution rates coming into effect from 1 April 2020.

The report summarised the change in funding since the effective date of the previous valuation (31 March 2016) and some of the factors that were likely to impact 2019 valuation results.

The report also covered some related matters, in particular changes that were being made to the calculation of early retirement 'strain costs' for employers.

RESOLVED

That the content of the report be noted.

31. GMPF BUDGET 2018/2019 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

A report was submitted by the Assistant Director of Pensions, Local Investments and Property, explaining that, at its meeting on 23 March 2018, the GMPF Management Panel approved an expenditure budget for GMPF for 2018/2019 alongside a medium term financial plan.

It was reported that the Fund, following approval on assumptions and process by the Management Panel, produced a medium term financial plan and medium term expenditure plan in its annual report and accounts for 2017/18, details of which were set out in the report.

Key observations were detailed as follows:

- Investment returns were the key determinant of the financial position;
- The Fund had a negative cash-flow from pensions paid, less contributions and the trend was for this to increase as the Fund matured; and
- The management costs were small relative to Fund size and annual cash flows and were assumed to remain constant in the medium term. (This was due to uncertainty over pooling arrangements and the fund's zero based budgeting approach).

The medium term financial plan was set out in the report and the key observations for consideration were:

- The maturity of the Fund continued and accelerated;
- Investment income was still higher than outflows to pensioners net of contributions; and
- Investment returns were key drivers of outcomes.

Budget changes for 2018/19 from the 2017/18 budget were detailed with investment management arrangements making up the major part of the changes.

RESOLVED

That the content of the report that was presented to the Management Panel, be noted.

32. 2017/18 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2017/18 audit.

It was noted that the estimated audit fee for 2017/2018 was £56,341.

RESOLVED

That the content of the report be noted.

33. THE PENSIONS REGULATOR (TPR)

The Pensions Policy Manager submitted a report providing the Local Board with an update on work relating to compliance with TPR's Code of Practice 14 that was currently being carried out.

The report gave details of:

- Further review of compliance with Code of Practice 14;
- Breaches of the law logged so far in 2017/2018; and
- Correspondence received from TPR in December 2017.

The report concluded that a review of compliance with the Code of Practice 14 had been undertaken and a number of areas where immediate improvements could be made had been identified. The aim was to complete all these tasks by May 2018 and create action plans for any longer-term developments needed also by this date.

GMPF had been recording breaches of the law on its breaches log. GMPF's breaches policy and log would be strengthened for 2018/2019 to ensure it was in line with TPR's latest guidance.

A number of steps had been taken regarding the breach of the law relating to the accuracy of data provided by a large scheme employer. Updates had been provided to TPR. These would continue to be provided in order to assist TPR with its investigations.

Discussion ensued with regard to the breaches of law logged and areas identified for improvement to strengthen compliance standards.

RESOLVED

- (i) That the content of the report, including the breaches of the law logged so far in 2017/18, be noted;**
- (ii) That the progress on a case that TPR wrote to GMPF about in December relating to a breach in the law, be noted; and**
- (iii) That the log of breaches of the law reported to the Pensions Regulator and unreported breaches be a standing item for future Local Board agendas.**

34. ADMINISTRATION BUSINESS AND PROJECT PLANS

A report of the Pensions Policy Manager was submitted providing Local Board members with a summary of:

- Progress made on the 2017/18 business planning objectives set by the Administration section and confirmation of the objectives set for 2018/2019;
- A summary of the other strategic or service improvement administration projects being worked on currently; and
- Regular and other items of work currently being undertaken by the section.

RESOLVED

That the content of the report be noted.

35. RISK MANAGEMENT AND AUDIT SERVICES 2017/2018

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the work of the Risk Management and Audit Service for the period April 2017 to 2 March 2018.

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

- GM Property Venture Fund – Review of First Street Development;
- Contributing body Visit to Tameside MBC; and
- Transfer of Assets to Stone Harbor(the Fund's specialist credit manager)

Draft reports were also issued as follows:

- VAT;
- Treasury Management; and
- Contributing Body Visit to Salford CC.

Details were also given of post audit reviews currently in progress, the results of which would be reported to the next meeting of the Local Board.

Audits/work currently in progress were outlined as follows:

- ICT Device Management;
- Calculation and Payment of Benefits;
- Contributing Income;
- Contributing body Visit to Trafford MBC;
- Contributing Body Visit to Manchester CC
- Agresso Upgrade; and
- Sign off – Bank Account Transfer to Barclays.

It was explained that the Public Sector Internal Audit Standards (PSIAS) required that an external assessment of an organisation's internal audit function was carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation.

The North West Chief Audit Executives' Group (NWCAE) had established a 'peer-review' process that was managed and operated by the constituent authorities. This process addressed the requirement of external assessment through 'self-assessment with independent external validation'.

The assessment of Tameside MBC Internal Audit Service had been carried out between 12 – 14 March 2018. The initial feedback to the Head of Risk Management and Internal Audit was positive and the report was awaited.

Members were informed that the Internal Audit Plan for 2018/2019 was currently being drawn up and would be presented to the next meeting of the Board.

RESOLVED

That the content of the report be noted.

36. URGENT ITEMS

The Chair reported that there were no urgent items received for consideration at this meeting

CHAIR

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

6 April 2018

Commenced: 10.00 am

Terminated: 12.00 pm

Present: Councillors Brett, Grimshaw, Mitchell, Pantall and Mr Allsop

In Attendance:

| | |
|------------------|---|
| Sandra Stewart | Director of Pensions |
| Tom Harrington | Assistant Director of Pensions (Investments) |
| Steven Taylor | Assistant Director of Pensions (Special Projects) |
| Michael Ashworth | Investments Manager |
| Abdul Bashir | Investments Manager |
| Iain Campbell | Investments Manager |
| Lorraine Peart | Investments Officer |

Apologies for Absence: Councillors Taylor, Ricci and Mr Llewellyn

ELECTION OF CHAIR

RESOLVED:

That in the absence of the Chair, Councillor Pantall be appointed Chair for the duration of the meeting.

Councillor Pantall in the Chair.

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The Minutes of the Investment Monitoring and ESG Working Group held on 19 January 2018 were approved as a correct record.

31. INVESTEC CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Therese Niklasson of Investec who attended the meeting to report on Corporate Governance activity over the last 12 months.

It was reported that 2017 had been an important year for Environmental Social and Governance integration and the 4Factor process. The 4Factor team had invested in high quality, attractively valued companies with improving operating performance that were receiving increasing investor attention. The team had focussed on improving the existing Environmental Social and Governance analysis, re-visiting Environmental Social and Governance factors and reviewing the broader concept of capital stewardship across the strategies.

A Working Group had been established with the aim of unbundling Environmental Social and Governance factors in order to achieve greater integration into analysis. The team had

participated in training sessions on Environmental Social and Governance topics and a project had been initiated to explore Environmental Social and Governance risk in portfolio construction.

The Working Group was advised that an Environmental Social and Governance portfolio screener had been developed, which allowed the portfolio manager to understand the Environmental Social and Governance footprint.

The Working Group was informed that during 2017, Investec had voted in 131 meetings on 1,786 resolutions, and had opposed management at 69 meetings. PIRC would undertake the voting on behalf of GMPF during 2018. It was reported that 9 engagements with companies had been carried out on behalf of the portfolio, and the current priorities for the coming year were outlined to the group in addition to wider Environmental Social and Governance trends.

Following a detailed discussion, Members requested that the outcomes of company engagement be included in future reports and presentations.

RECOMMENDED:
That the report be noted.

32. INVESTEC: REPORT ON TRADING COSTS

The Assistant Director of Pensions (Investments) submitted a report, which facilitated Members' scrutiny of Investec's approach to and practice with regard to trading costs. Investec's 'Level One' disclosure report and Greater Manchester Pension Fund's 'Level Two' disclosure report for the year to 31 December 2017 were appended to the report.

Stephen Lee, Investec, presented both reports. The 'Level One' report detailed the fund manager's policies and procedures for the management and monitoring of total trading costs in order to achieve the best execution for clients. There had been a number of changes to the 'Level One' report instigated as a result of the new European Union's Market in Financial Instruments Directive, which came into force during January 2018. Investec would be reviewing and updating their 'Level One' report in January 2019 but did not anticipate any significant changes.

The 'Level Two' report provided an analysis of Greater Manchester Pension Fund's trading volumes and commissions, which could be compared to Investec's average client commission rates. It was confirmed that officers of the Fund had reviewed the 'Level Two' report and any questions had been satisfactorily answered by Investec.

RECOMMENDED:
That the report be noted.

33. ROUTINE PIRC UPDATE

The Working Group welcomed Alan MacDougall and Janice Hayward of PIRC Ltd, who attended the meeting to present PIRC's report, entitled '2018 UK Shareowner Voting Guidelines', a copy of which was appended to the report.

It was explained that PIRC published guidelines for accountability reasons to enable clients to understand the basis of their voting recommendations, and they applied common governance standards across the market. All UK companies received a draft proxy report for comment and PIRC's research was based on publicly available disclosures and market intelligence.

Mr MacDougall outlined the key principles that companies should adopt to the Working Group, which included:-

- Clear values and high ethical standards throughout the company;
- An ability to account for shareowner capital and achieve an appropriate return;
- Developing a culture of transparency and accountability;
- Focussing on strategic issues and the quality of business;
- Developing appropriate checks and balances to deal with conflicts of interests;
- Maintaining effective systems of financial control and risk management;
- Creating fair remuneration structures that reward the achievement of business objectives; and
- Recognising and managing impacts on all stakeholders.

An update was provided on PIRC's activities over the past 12 months. With regards to pay, it was reported that PIRC's call to drop Long Term Incentive Plans had been relatively successful however, some companies were proposing Restricted Share Schemes. PIRC's current policy was to approach on a case by case basis.

With regards to Board diversity, the Parker Review (2017) had recommended that each FTSE 100 Board should have at least one director from an ethnic minority background by 2021. PIRC would be looking for companies to acknowledge this review and to set this target.

With regards to Board Chairs, PIRC's long standing policy had been to evaluate the independence of Chairs on their appointment, and either vote for or abstain on their re-election. The new policy was to oppose the re-election of Chairs with significant governance issues. Support would not be recommended for the re-election of directors who were not independent. Directors who missed any meeting without adequate justification would receive an oppose vote on re-election, and amendments to company articles, which permitted virtual only meetings, would also be opposed.

Objectives for the next 12 months were outlined and included Remuneration, Corporate Governance Monitoring, Shareowner Consultation, Board Level Employee Representation, Board Director Skills Matrix, Stewardship and Whistleblowing.

RECOMMENDED:

That the report be noted.

34. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

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

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter ended December 2017. Stocklending income during the quarter was £168,218, compared to £146,552 in the same quarter of 2016, and Commission 'recaptured' was £1,852, compared to £24,362 in the same quarter of 2016. The value of securities on loan at the end of the quarter was £154.6 million (0.7% of GMPF assets) and collateral valued at £161.6 million was held against these loans.

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

RECOMMENDED:

That the report be noted.

35. UPDATE ON ACTIVE PARTICIPATION IN CLASS ACTIONS

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

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

RECOMMENDED:

That the report be noted.

36. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

6 April 2018

Commenced: 9.00 am

Terminated: 9.35 am

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

In Attendance:

| | |
|----------------|---|
| Sandra Stewart | Director of Pensions |
| Euan Miller | Assistant Director of Pensions (Funding and Business Development) |
| Emma Mayall | Pensions Policy Manager |

Apologies for Absence: Councillor S Quinn

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

The Minutes of the Pensions Administration Working Group held on 19 January 2018 were approved as a correct record.

37. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which provided an update on the Additional Voluntary Contribution review process.

The Working Group had received a report and presentation from a representative of benefit consultants JLT at the last Working Group meeting in January 2018. JLT had been commissioned to produce a report to assist the Fund in its review of Additional Voluntary Contribution arrangements, particularly within the context of defined contribution pensions and recent changes to legislation.

It was reported that the vast majority of GMPF Additional Voluntary Contributions were with Prudential. Prudential had made some reductions to their charges from March 2018, although this did not impact the 'With Profits' fund, which was the GMPF default fund and where most GMPF Additional Voluntary Contributions were invested. Members were told that West Midlands Pension Fund were currently reviewing their Additional Voluntary Contribution arrangements and there was maybe scope to undertake further discussions with Prudential on a joint basis.

RECOMMENDED:

That the report be noted.

38. DEATH GRANT PROCEDURE REVIEW

The Pensions Operations Manager submitted a report that updated the Working Group on the Death Grant Procedure review.

It was reported that during the first stage of the review a formal decision making framework had been introduced that included the formation of a Death Grant Discretion Board, which advised the Director of Pensions who was the decision maker. This had aided the decision making process and ensured that appropriate delegation was in place. The Board was formed in October 2017 and met on a monthly basis. It had considered 30 cases to date and there had been one verbal challenge to a decision from a potential beneficiary so far.

Work had begun on drafting a new set of payment guidelines and a decision making framework document to facilitate a more efficient and robust decision making process for cases that did not require referral to the Board. All letters and forms would be reviewed and updated to ensure they supported the decision making framework.

Members of the Working Group were notified that three in four members of the Fund had not made a nomination meaning that, in the event of their death, the Fund was required to make a decision as to who inherited any death grant due. Given the increase in complex family arrangements that existed this was an onerous task. Fund members were regularly encouraged to make nominations and to ensure they were kept updated. Reminders were included on Annual Benefit Statements and had been included in the Tameside Chief Executive's Weekly Brief.

It was intended with new online arrangements that were being developed for later in the year it should make nomination process easier.

RECOMMENDED:

That the report be noted.

39. ADMINISTRATION BUSINESS AND PROJECT PLANS

The Pensions Policy Manager submitted a report, which provided a summary of the progress made on the 2017/18 business planning objectives, confirmation of the objectives set for 2018/19, other strategic or service improvement projects currently being worked on, and regular or topical items of work currently being undertaken by the section.

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

1. Guaranteed Minimum Pension Reconciliation
2. Year-end Processes
3. Employer Support
4. Business Continuity Plan and Disaster Recovery Provision
5. Data Cleansing
6. Member Communication

Work continued on the Guaranteed Minimum Pension Reconciliation project and the 2017/18 year end process had been completed. With regard to Employer Support, regular meetings and conference calls had been held with all local authority employers, the National Probation Service and a number of other larger GMPF employers to identify problems with performance. Improvements had been made to areas of the employers' website and to systems, however, a number of areas had been identified for further development through the work already undertaken. Therefore the objective would continue into next year's plan.

In relation to Business Continuity Plan and Disaster Recovery Provision, meetings continued to be held with Tameside MBC IT department, a number of options had been explored and a business case was being finalised. Work had progressed on amending methods of Data Cleansing and a software improvement update had been made to the Data Analysis Reporting Tool. With regard to Member Communication, progress had been made on reviewing complaints and compliments,

including member feedback and developing a three year communications strategy. However, there was more work to do therefore the objective would be carried forward onto the 2018/19 plan.

The Working Group was informed that the section was also currently working on other strategic and service improvement projects such as Trivial Commutation, Death Grant Process Review, Data and The Pensions Regulator, Java Payroll, First Bus Transfer, General Data Protection Regulations, Annual Report 2018 and Pensions Administration Standards Association Accreditation.

The key business plan items and projects for 2018/19 were outlined as follows:-

1. Structure Review and Staff Engagement
2. Employer Support
3. Member Communication
4. Altair Developments and Workflow Reform
5. Move to Monthly Pay and Contribution Returns

The objectives linked to Employer Support and Member Communication were covered in the new Communication Strategy. A project team was established in January 2018 to begin work on the possibility of receiving monthly returns and representatives from Aquila Heywood visited GMPF to give a demonstration of the 'i-connect' system, which was the software that facilitates the receipt and processing of monthly return data.

A number of existing projects would continue into 2018/19, namely General Data Protection Regulation, Disaster Recovery and Business Continuity Planning, The Pensions Regulator and Data Quality and Guaranteed Minimum Pension Reconciliation. This was in addition to the establishment of three new projects: 2018 Year end Processing, Preparation for the 2019 Valuation and Tax and Pension Savings Statements.

With regards to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending February 2018, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks, which detailed the age of the tasks in relation to their completion date.

It was reported that since the previous meeting of the Working Group officers had held meetings with all ten Greater Manchester local authorities and had further meetings planned in June and November 2018, which were key periods in the year. Areas of discussion would include year-end, annual allowance, annual benefit statements, audit reports and any current regulatory changes. Feedback continued to be positive and there had been a positive effect on performance – there were just over 500 outstanding tasks compared to over 1800 in September 2016.

RECOMMENDED:

That the report be noted.

40. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project, including statistics on the reconciliation matches and mismatches as at mid-March 2018.

It was reported that work on the project was progressing well and was in line with the timeframe. The project team had completed their work on investigating mismatches and had submitted all phase 1 queries to HMRC. There were almost 500,000 records that required reconciliation, 253,000 of which needed further investigation and over 77,000 queries had been raised with HMRC. Low priority errors had been assessed and decisions made on those that could be worked on now and those that could be considered at a later date. To date, benefits for 2,065 members had been

identified as needing recalculation. Work commenced on this in March in addition to preparation steps on forming plans and procedures to deal with the HMRC responses.

An updated project milestone plan and statistical analysis of the number of matches, mismatches and queries were appended to the report and explained to the Group. Project update meetings continued to take place fortnightly in order to monitor progress.

RECOMMENDED:

That the report be noted.

41. TRIVIAL COMMUTATIONS

The Pensions Policy Manager submitted a report updating the Working Group on the Trivial Commutations project that commenced in October 2017 following the introduction of the Taxation of Pensions Act 2014.

It was explained that when a person became entitled to a pension many providers offered as standard the opportunity to convert the whole amount of a 'small' pension into a one off cash payment, known as a trivial commutation. The cash received was a trivial commutation lump sum. Prior to 6 April 2006 the LGPS regulations permitted administering authorities to commute a pension if a member had attained state pension age and the pension under the scheme did not exceed £195 per annum. The Finance Act 2004 introduced overriding rules governing the commutation of trivial pensions which, although they raised the limit of payment of a lump sum, also introduced a series of onerous requirements that had to be complied with.

The LGPS 1997 Regulations were amended to comply with the legislation from 6 April 2007, however, the payment of trivial commutation lump sums was at the discretion of the administering authority. GMPF adopted a policy of not supplying information about commuting their pensions as standard, instead supplying information only on request. On 6 April 2015, the Taxation of Pensions Act 2014 introduced further changes to pension legislation to accommodate 'Freedom and Choice' in Defined Contribution schemes. As a result, GMPF saw a marked increase in the number of requests from members asking to commute their pensions.

A review into this area commenced in October 2017. One consideration was whether GMPF should begin to offer trivial commutation as an additional retirement option at the point that benefits become payable. It had been agreed that GMPF could facilitate this and was supportive of the Government's drive to increase awareness of 'Freedom and Choice' in pensions and would provide applicable members with details of all options available to them.

RECOMMENDED:

That the report be noted.

42. PENSION ADMINISTRATION STRATEGY

The Pensions Policy Manager submitted a report, which confirmed that the GMPF Pension Administration Strategy was due for review. The last review took place in 2015 and a copy of the current Strategy was appended to the report.

It was reported that a number of areas had been identified for improvement, as follows:-

- Greater reference be made to The Pensions Regulator's Code of Practice 14 and the Regulator's role in ensuring Public Sector Pension Schemes were managed effectively.

- Reference be made to the role of the Local Board in monitoring the Fund's and its Scheme employers' performance and compliance with the Regulator's standards.
- The objectives of the Strategy be clarified within the document so all parties were clear on what the aims of the Strategy were intending to achieve.
- Data requirements from employers be updated, ensuring the timescales that employers were required to work to were clear and correct.
- Expected service and performance levels by the Fund be updated, so employers were clear about what levels of service would be delivered.
- Details of the employer issues escalation procedure, which was introduced last year, be included.
- Greater clarity be given on when costs and fees might be incurred.
- More detail be provided around the Fund's expectations when Scheme employers were outsourcing services and making admission agreements.
- Obligations of all parties in respect of data protection and confidentiality are clear, including any changes as a result of the new General Data Protection Regulations.
- Information be included about how an employer can provide feedback to the Fund.

The proposed timeframe for updating, consulting and finalising the revised Strategy was outlined to the Group.

RECOMMENDED:

- (i) That the report be noted;**
- (ii) That a revised Strategy be implemented; and**
- (iii) That an eight week consultation period with employers and other interested stakeholders take place.**

43. COMMUNICATION ACTIVITIES

The Pensions Operations Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter.

Website statistics, data on emails and telephone calls to the Helpline, Twitter statistics and information on roadshows and presentations over the period were appended to the report. In addition, further information had been gathered regarding the nature of the calls to the Helpline, which provided a greater understanding of the questions that members had regarding their pension and could help to improve the Fund's communications to its members and employers.

Following recent feedback, it had been identified that there was a lack of awareness regarding the Fund's processes and timescales for member events, therefore a number of process 'road maps' had been developed, which were appended to the report.

The main communication related tasks for the next quarter were outlined and related to preparations for the Annual Report and deferred member Annual Benefit Statements to be issued in May 2018.

It was reported that work on finalising a new communication and engagement strategy had continued over the last quarter and a final version of the document was appended to the report.

The document outlined the key objectives to be undertaken in order to achieve the aims of the strategy.

A continual improvement team was examining customer service and feedback. The team had finalised and begun piloting the employer and member feedback questionnaire. The focus for the coming quarter would be to collate the results, publish feedback and determine a programme of surveying activity for the next 12 months.

RECOMMENDED:

That the report be noted.

44. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

8 June 2018

Commenced: 9.30 am

Terminated: 10.45 am

Present: Councillors Cooney (Chair), Ricci and Halliwell

In Attendance:

| | |
|----------------|---|
| Sandra Stewart | Director of Pensions |
| Steven Taylor | Assistant Director of Pensions (Special Projects) |
| Neil Cooper | Senior Investments Manager |
| Nigel Frisby | Investments Manager |

Apologies for Absence: Councillor Ward and Mr Drury

20. DECLARATIONS OF INTEREST

There were no declarations of interest.

21. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 2 February 2017 were approved as a correct record.

22. CAPITAL DYNAMICS ANNUAL REVIEW OF GMPF'S PRIVATE EQUITY PORTFOLIO

The Working Group welcomed Angela Willetts of Capital Dynamics Ltd, who attended the meeting to present the annual review of GMPF's Private Equity portfolio for the period ending 31 December 2017.

With regard to GMPF's Private Equity portfolio, it was reported that nine new funds and one follow on commitment had been made during 2017 totalling £325.9 million. Total cumulative commitments to Private Equity investments totalled £1,974 million as at 31 December 2017 and the Net Asset Value had increased to £775.6 million, representing 3.4% of Main Fund assets.

Tables detailing significant call activity and distribution activity in 2017 were outlined to the Group.

It was reported that the portfolio return since inception had remained very stable at 16.7% per annum and the prospects for long term Private Equity returns were considered to remain attractive. The portfolio was diversified with exposure spread across multiple geographies and experienced, well established managers.

RECOMMENDED:

That the report be noted.

23. PRIVATE EQUITY - REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Director of Pensions (Investments) submitted a report, which summarised the activity and reviewed the overall strategy regarding investment in private equity including proposed changes

to diversification targets and a significant change in the implementation approach to be consistent with proposals developed for a Northern Pool Private Equity pooled vehicle.

It was reported that the target allocation remained at 5% of Main Fund value and that the average rate of new fund commitments would remain at £280 million per annum. During 2017 a total of £310 million of new commitments were made to nine new funds, taking the number of active funds in the Private Equity portfolio to 97. As at 31 December 2017 the Net Internal Rate of Return of the portfolio since inception was 16.7%. The value of GMPF's private equity portfolio was 3.4% of the total value of the Main Fund. Since 31 December 2016, the value of the portfolio had risen by 32% as a result of investment activity and valuation increases and the Main Fund had risen by 12.5%.

The Working Group were notified that the Private Markets team had reviewed the ongoing appropriateness of GMPF's overall allocation target and geographic and stage targets. However, a more significant development in relation to the setting of strategy targets had occurred in the creation of the Northern Private Equity Pool LP, which would be used by the three funds of the Northern Pool to deploy their respective private equity allocations. A "one-size-fits-all" strategy had been approved and it was proposed that GMPF's Private Equity strategy be aligned with that of the Northern Private Equity Pool.

The following changes were proposed to the geographic diversification targets:-

| Geography | New Target | Current Target |
|---------------|------------|----------------|
| Europe inc UK | 35%-50% | 40%-50% |
| USA | 35%-50% | 40%-50% |
| Asia & Other | 10%-20% | 10%-15% |

The following changes were proposed for stage diversification targets:-

| Stage | New Target | Current Target ex Venture | Current Target |
|---------------------------|------------|---------------------------|----------------|
| Venture Capital | - | - | 5%-15% |
| Lower Mid-Market & Growth | 10%-20% | 50%-60% | 40%-50% |
| Mid-Market | 45%-55% | | |
| Large Buyout | 30%-40% | 40%-50% | 40%-50% |

RECOMMENDED

That:-

- (a) The medium term strategic allocation for private equity remains at 5% value of the total Main Fund assets.
- (b) The target geographical diversification of the private equity portfolio be revised, in line with the Northern Private Equity Pool strategy to:-

| Geography | |
|---------------|------------|
| Europe inc UK | 35% to 50% |
| USA | 35% to 50% |
| Asia & Other | 10% to 20% |

- (c) The investment stage diversification of the private equity portfolio be revised, in line with the Northern Private Equity Pool strategy to:-

| Stage | |
|---------------------------|---------|
| Lower Mid-Market & Growth | 10%-20% |
| Mid-Market | 45%-55% |
| Large Buyout | 30%-40% |

- (d) **The scale of commitment to funds be £280 million per annum, to work towards achievement of the strategy allocation over the next 2/3 years.**
- (e) **GMPF's private equity strategy is implemented through appropriately sized commitments to Northern Private Equity Pool such that the anticipated deployment be consistent with the above pacing recommendation.**
- (f) **To continue to recognise that the portfolio may not fall within the target ranges detailed at recommendations (b) and (c) from time to time to reflect portfolio repositioning.**

24. CAPITAL DYNAMICS - ANNUAL REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

The Working Group welcomed Mauro Pfister of Capital Dynamics Ltd, who attended the meeting to present the annual review of GMPF's infrastructure portfolio for the period ending 31 December 2017.

Mr Pfister began by giving a market summary of infrastructure and explaining infrastructure deal flow by region and industry.

With regard to GMPF's infrastructure portfolio six new commitments totalling £398.3 million had been made during 2017, increasing total cumulative active commitments to £982.5 million as at year end. The Net Asset Value was £446.2 million representing 2% of Main Fund assets. It was reported that the portfolio value appreciated by 6.3% during 2017 and the overall infrastructure internal rate of return was 10.2% per annum as at 31 December 2017.

RECOMMENDED:

That the report be noted.

25. INFRASTRUCTURE - REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Director of Pensions (Investments) submitted a report summarising the activity and reviewing the overall strategy regarding investment in infrastructure funds.

It was reported that during 2017, six new fund commitments had been made totalling £396 million, taking the total number of active funds in the infrastructure portfolio to 28. The average rate of new commitments would remain at £210 million per annum.

As at 31 December 2017, the net internal rate of return of the infrastructure portfolio was 10.2% per annum. The estimated valuation of the portfolio was £446 million (2% of the total value of the Main Fund), with £537 million of undrawn commitments. It was noted that the portfolio was immature and would take time to build towards the 5% target.

The Working Group was informed that the Private Markets team had reviewed the ongoing appropriateness of GMPF's overall target allocation, geographic and stage targets and no changes were proposed.

The Chair extended thanks on behalf of the Panel to the officers in recognition of their hard work and commitment.

RECOMMENDED

That:-

- (a) The medium term strategic allocation to Infrastructure funds remains at 5% value of total Main Fund assets.
- (b) The target geographical diversification of the infrastructure portfolio remains as:-

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

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

| Investment Stage | Relative Risk | Target Range |
|-------------------------|----------------------|---------------------|
| CORE & LT CONTRACTED | LOW | 30% to 40% |
| VALUE ADDED | MEDIUM | 40% to 60% |
| OPPORTUNISTIC | HIGH | 0% to 20% |

- (d) The scale of fund commitments remains at £210 million per annum to work towards achievement of the strategy over the coming years.
- (e) The Private Markets team continue to implement the Infrastructure strategy via 3 year programmes of commitments, across between 2 and 4 new funds per annum (averaging 3 new funds per annum).
- (f) Commitments to primary funds be made directly to partnership vehicles.
- (g) It is recognised that the portfolio may not fall within the target ranges at (b) and (c) from time to time to reflect portfolio repositioning.

26. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

20 April 2018

Commenced: 10.30 am

Terminated: 11.20 am

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

In Attendance:

| | |
|-------------------|---|
| Sandra Stewart | Director of Pensions |
| Tom Harrington | Assistant Director of Pensions (Investments) |
| Euan Miller | Assistant Director of Pensions (Funding and Business Development) |
| Tracey Boyle | Head of Pensions Accountancy |
| Daniel Hobson | Senior Investments Manager |
| Emma Mayall | Pensions Policy Manager |
| Victoria Plackett | Pensions Operations Manager |

Apologies for Absence: Councillor Mitchell and Ms Herbert

25. DECLARATIONS OF INTEREST

There were no declarations of interest.

26. MINUTES

The Minutes of the Employer Funding Viability Working Group held on 2 February 2018 were approved as a correct record.

27. BESPOKE EMPLOYER INVESTMENT STRATEGIES

The Working Group welcomed Steven Law and Elaine Torry of Hymans Robertson who attended the meeting to present the design principles of employer specific investment strategies. The presentation focussed on the construction of the respective growth, income and protection buckets, employer groupings, governance and high level action plan.

The different combinations of the core building blocks of growth, income and protection buckets for employers to adopt were highlighted in addition to the strategies that could be offered. In relation to employer groupings, the factors that needed to be taken into consideration when grouping employers included maturity profile, covenant strength, status (i.e. open / closed to new members) and size of the liabilities. A diagram detailing the draft framework for grouping employers was shown and explained to the Group along with an investment strategy map and funding map.

Mr Law outlined the governance structure of the offering based on generic strategies, semi-bespoke strategies and a fully bespoke strategy. Examples were given on a range of investment strategies that would achieve a good balance between retaining the Main Fund as the highest risk / highest expected return component, offering employers a way to better manage their risks (both in terms of a growing deficit and keeping contributions affordable) and retaining a pragmatic offering that was not overly onerous on governance.

The next steps were outlined and included:-

- Agreeing investment principles for the income and protection buckets.
- Agreeing the number and approach to employer categories.
- Undertake asset liability modelling for two large employers.

RECOMMENDED:

That the content of the presentation be noted.

28. GMPF STATEMENT OF ACCOUNTS 2017-2018 GOVERNANCE ARRANGEMENTS

The Assistant Director of Pensions (Local Investments and Property) submitted a report informing Members of the governance arrangements for approval of the GMPF accounts as part of the accounts for Tameside MBC as the administering authority. Members also considered the key assumptions for estimates used in the production of GMPF accounts.

It was reported that the timescales for approval of the accounts had been brought forward last year as a consequence of the changes to the statutory deadlines for Local Authorities to produce their accounts in 2018. The plan was for the pre-audit accounts for both GMPF and the Council to be signed off by 31 May 2018 and for the process to be completed by 31 July 2018. The provisional timetable for approval of the accounts and audit reports by these bodies for 2018/19 was outlined. It was noted that this would be the final year of Grant Thornton LLP as the external auditor.

The continued key assumptions used in the production of the accounts would include accruals basis, fair value for investments, market prices at bid where possible, compliance with accounting standards and best practice, liabilities in compliance with International Accounting Standard 19 and continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS.

RECOMMENDED:

- (i) **That the governance arrangements for the approval of GMPF accounts be noted; and**
- (ii) **That the assumptions for estimates used in the GMPF accounts be noted.**

29. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 11 MONTHS TO FEBRUARY 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 11 months to February 2018.

It was reported that there was an under-spend of £3.124 million against the budget of £25.736 million. The main reasons for the variation related to lower than expected investment management fees, lower than expected professional and legal costs associated with the ongoing pooling exercise and lower than budgeted staffing costs.

RECOMMENDED:

That the report be noted.

30. GMPF AGED DEBT AS AT 19 MARCH 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt for the Fund as at 19 March 2018. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which had not yet been repaid.

A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. A 'red' status was currently in place for Employer Related aged debt as the outstanding amount was above the agreed threshold of £100,000. The largest component of Employer Related aged debt was unpaid contributions, much of which was in respect of strain costs associated with early retirement or member transfer. It also included fees for the production of actuarial work and administration fees charged to newly admitted bodies to the Fund.

The report detailed all aged debt (31 days and over) as at 19 March 2018 alongside comparison to the previous quarter; total aged debt was £2.315 million at 19 March 2018 compared to £3.369 million at 19 December 2017. The majority of this debt related to invoices issued to participating employers in the Fund. Payment plans had been agreed for some of the outstanding debt.

The key trends were highlighted; property aged debt had increased from £0.264 million at December 2017 to £0.321 million at March 2018 and Employer and Overpaid Pension Aged Debt had decreased from £3.105 million to £1.994 million.

For the 12 months to March 2018 3.49% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.4%. Tables that showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and were discussed with the Group.

RECOMMENDED:

That the report be noted.

31. POOLING ILL-HEALTH RETIREMENT EXPERIENCE AND COSTS BETWEEN EMPLOYERS

The Assistant Director of Pensions (Funding and Business Development) submitted a report outlining how strain costs arise, current arrangements in GMPF for meeting strain costs and potential alternative approaches that could prove more effective for both GMPF and its employers.

It was explained that the majority of outstanding employer debt was due to the late payment of invoices for strain costs that were issued to employers. Pension strain costs can occur when there was a shortfall in the assumed level of funding needed to provide a particular pension benefit, often when a member drew their benefits earlier than expected. They also can occur when a member died and dependent's benefits were payable and when a member transferred pension benefits into GMPF and the transfer payment did not match the liabilities payable. The formula for calculating strain costs were devised by the actuaries and updated after each triennial valuation.

The LGPS regulations required scheme employers to pay into the Fund any strain costs that arose due to the payment of benefits paid early on ill health grounds and to make additional payments for other types of early retirement where reductions did not apply. GMPF's policy was to charge employers for all retirement strain costs that arose, which was communicated to all new employers joining the Fund and featured in the Funding Strategy Statement, employer bulletins and on the Fund's website. Despite this, many employers were often unaware of the potential for strain costs to arise. GMPF were continually seeking to improve employer understanding and to look for ways to manage the issues.

With the exception of the probation service employers, all active GMPF employers had an allowance in their contribution rate for the potential costs of ill health retirement and deaths in service. However, for small employers not in an actual pool, the allowance was negligible when compared to the actual ill health retirements strain cost. Some employers paid an additional percentage to create an early retirement budget and others had taken out a Legal and General insurance policy.

The continued increase in the number of employers and a fall in the proportion that were in pools had led to an increase in the number of strain cost invoices issued to employers. A potential solution currently under consideration was to allow groups of non-pooled employers to contribute jointly to provide an ill health budget, which would be treated like an internal insurance arrangement. Employers would pay regular premiums to create a sum of money that could be used to meet the cost of ill health strains. It was proposed to test this arrangement with the sixth form colleges, who were formerly an actuarial pool, in order to test its effectiveness. If it was successful it could be extended to other employers at the next actuarial valuation.

RECOMMENDED:

- (i) **That the report be noted; and**
- (ii) **That the proposal to trial an internal ill-health insurance arrangement for the sixth form colleges be noted.**

32. SECURITY ARRANGEMENTS FOR ADMITTED BODIES

The Assistant Director of Pensions (Funding and Business Development) submitted a report outlining an employer's proposal to provide GMPF an alternative security arrangement to the existing bank / insurance company bond, which would make a payment to GMPF should the admission agreement terminate prematurely whilst in deficit.

It was reported that GMPF's current policy, introduced in 2012, was to allow admission arrangements to be made where a local authority or other Scheme Employer agreed to be a guarantor. However, prior to 2012 some community admission bodies were granted entry to the Fund with security provided via a bond with a bank or insurance company. Significant costs could be incurred by the employer obtaining cover and it was administratively burdensome for the Fund to monitor bonds.

One of GMPF's housing association employers had approached the Fund with a proposal to grant GMPF a first charge over its new head office instead of renewing their bond. Although this was a first for GMPF it is understood that other LGPS funds had implemented such arrangements in broadly similar circumstances. GMPF would need to obtain legal advice and a valuation of the asset would need to be undertaken. The employer would be expected to meet any costs incurred by the Fund in implementing a security arrangement of this type.

Following a detailed discussion Members agreed to the idea in principle on the proviso that it was in the interests of and suitable for the Fund.

RECOMMENDED:

That approval be given to implement alternative security arrangements to employers renewing a bond, subject to the receipt of appropriate legal and actuarial advice and a satisfactory valuation of the asset.

33. CURRENT EMPLOYER ACTIVITY

The Assistant Director of Pensions (Funding and Business Development) submitted a report that provided the Working Group with a summary of employers that had joined or exited GMPF for the year ending 31 March 2018. Lists detailing employer admissions and exiting employers from 1 April 2017 to 31 March 2018 were appended to the report and considered by the Group. It was noted that employers that no longer had any active members contributing to the Fund but where discussions were still ongoing with the guarantor regarding the calculation of any exit debt, were not included.

RECOMMENDED:

That the report be noted.

34. URGENT ITEMS

There were no urgent items.

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Agenda Item 6f

GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

20 April 2018

Commenced: 9.00 am

Terminated: 10.25 am

Present: Councillors Cooney, J Fitzpatrick, J Lane, M Smith, Grimshaw, Halliwell, Mr Drury and Mr Thompson

In Attendance:

| | |
|----------------|------------------------------|
| Sandra Stewart | Director of Pensions |
| Tracey Boyle | Head of Pensions Accountancy |
| Daniel Hobson | Senior Investments Manager |
| Kevin Etchells | Investment Manager |
| Andrew Hall | Investment Manager |

Apologies for Absence: Councillors S Quinn, Ward and Barnes

ELECTION OF CHAIR

RESOLVED:

That in the absence of the Chair, Councillor Cooney the Vice Deputy Chair was appointed Chair for the duration of the meeting.

Councillor Cooney in the Chair.

22. DECLARATIONS OF INTEREST

There were no declarations of interest.

23. MINUTES

The Minutes of the Property Working Group held on 2 February 2018 were approved as a correct record.

24. MANAGEMENT SUMMARY

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

The allocations to property investments and their current weightings as at 23 March 2018 were outlined to the Group. The current weighting was 7.97% against a benchmark of 10%. The draft figures from the Investment Property Databank for the LaSalle portfolio had been issued and showed a total return of 7.2% against the benchmark of 9.6% for 2017. The 'direct' portfolio returned 8.1% and the 'indirect' portfolio returned 4.3%.

The Working Group was informed that further to the Property Investment Pacing Model for deployment of capital, that had been agreed at the previous meeting, the Policy and Development Working Group had agreed a project plan for deployment and performance monitoring, a copy of

which was appended to the report and considered by the Group. Progress against the plan and potential next steps would be reported back to the Group at future meetings.

RECOMMENDED:

That the report be noted.

25. PROPERTY RELATED AGED DEBT AS AT 19 MARCH 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt (31 days and over) for the two property portfolios (Main Property Fund and Greater Manchester Property Venture Fund) as at 19 March 2018.

An overview of the debt position was given including a summary of debt across the two areas and totals. Total debt had increased slightly from £0.264 million as at December 2017 to £0.321 million as at March 2018.

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

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

A risk profile was provided, which showed that across the two funds, raised debtor invoices totalled £35.1 million with 0.91% of this outstanding at 19 March 2018.

RECOMMENDED:

That the report be noted.

26. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report for Quarter 1 2018. A report had been submitted, which summarised the financial allocation to the committed projects and the indicative allocation required for projects currently undergoing due diligence. The report also contained an update on progress achieved during the quarter and actions to be undertaken for the forthcoming quarter across all Greater Manchester Property Venture Fund development sites.

The presentation focussed on the performance of the Greater Manchester Property Venture Fund, 2018 priorities and the progress to date on new and existing opportunities. The investments were outlined to the Working Group and split into 'committed sites' 'advanced due diligence' and 'active review'. It was reported that there had been a significant increase in sites under 'advanced due diligence' and 'committed sites' when compared to Quarter 1 2017. A year by year portfolio investment projection was shown, which detailed a steady increase to 2021 in capital deployed.

Charts detailing the portfolio overview by sector showed greater diversification over the four sectors (office, suburban residential, city centre residential and other) with a substantial increase in committed and pipeline sites. The 'committed sites' chart detailed an overweight position in terms of offices but this was equally split with city centre and suburban residential when 'pipeline sites' were taken into account.

Members commented on the increase in city centre residential. Officers added that The University of Salford had conducted a research paper on city centre residential development and the results would be shared with members in due course.

Priorities for the forthcoming year were outlined and included a continued focus on residential investment in particular suburban opportunities, monitoring the city centre residential market, asset management of Greater Manchester Property Venture Fund investments to maximise income and development opportunities, monitoring debt and equity projects with partners, continuing to seek new opportunities in all market sectors and supporting the Greater Manchester economy. There had been one rejected opportunity during the quarter and the reasons for that rejection were outlined.

New and progressing opportunities were presented and discussed with the Working Group, including Princess Street Manchester, Sorting Office Stockport, Wilmslow Road Didsbury, First Street Manchester, Stalybridge and Soapworks.

The report detailed financial performance information for each site to show the current market valuation when compared to the cost value to the Fund, together with the Internal Rate of Return from the date of acquisition, taking into account all income and expenditure to date. It was expected that sites would not show a positive return until development had been completed. A fee expenditure incurred on development activity during the quarter was also shown for each site.

The Working Group was also provided with a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last three quarters to March 2018 and the current prediction on final viability.

RECOMMENDED:

That the report be noted.

27. LASALLE IM QUARTERLY REPORT

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for Quarter 1 2018. An update was provided on the value of the direct and indirect property assets, portfolio composition, transactional activity, key estate management issues, including rent reviews, lease renewals, voids, debtors and capital expenditure, and a general market overview.

Mr Rose began by providing a capital market dashboard for UK property. The overall risk assessment for the UK remained stable with a low probability of an imminent downturn and potential economic and political risks remained. Market conditions were cautiously optimistic and eight of the nine Red, Amber, Green indicators were green (positive) with caution surrounding Retail capital growth and yield impact.

With regards to portfolio performance, it was reported that the value of the portfolio had increased since the previous quarter and contained 49 assets with a value of £933 million, which increased to £1,069million when commitments were included. The vacancy rate was 7.2%, which was above the benchmark of 6.9%, and the net initial yield was in-line with the market at 4.4%.

Ms Gates provided a definition for “the right retail”. She told the Working Group that LaSalle chose to invest in accessible stores that were flexible and affordable and able to compete in a digital world. There were three types outlined, as below:-

- Experiential Destination
- Strong Urban Centre
- Convenience Centre

An update on portfolio progress was provided. There had been two industrial acquisitions during the quarter and one leisure acquisition was currently under negotiation. In terms of asset management, over £750,000 had been added to annual rent, there had been a number of rent

reviews and three units had been let at Airport City Manchester. There had been a continued focus on indirect holdings and progress during the quarter was outlined.

In conclusion, LaSalle would continue with a cautious investment approach focusing on alternatives and logistics and sell secondary assets. Work would continue on managing the existing portfolio and on the indirect exit programme.

RECOMMENDED:

That the report be noted.

28. URGENT ITEMS

There were no urgent items.

**GREATER MANCHESTER PENSION FUND
POLICY AND DEVELOPMENT WORKING GROUP**

14 June 2018

Commenced: 11.00am

Terminated: 12.40pm

**Councillor Warrington
Councillor Cooney
Councillor J Fitzpatrick
Councillor Taylor
Councillor J Lane**

**Mark Powers
Ronnie Bowie
Lynn Brown**

**Sandra Stewart
Steven Taylor
Tom Harrington
Paddy Dowdall**

Euan Miller

**Dan Hobson
Neil Cooper
Nick Livingstone
Andrew Hall**

Advisor to the Fund

Advisor to the Fund

Advisor to the Fund

Director of Pensions

Assistant Director of Pensions (Special Projects)

Assistant Director of Pensions (Investments)

**Assistant Director of Pensions (Local Investments
& Property)**

**Assistant Director of Pensions (Funding &
Business Development)**

Senior Investments Manager

Senior Investments Manager

Investments Manager

Investments Manager

Apologies for absence: Councillors: S Quinn, Pantall and Peter Moizer

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 22 March 2018, having been circulated, were agreed as a correct record with the addition of Lynn Brown to the list of persons submitting apologies.

3. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, updating Members on progress for property investment, focusing on deployment of capital and performance monitoring. The report followed a discussion at the previous meeting, which initiated the project.

It was reported that a meeting had been held on 17 May, including three of the Fund's advisors, the senior management group, the property team and La Salle, a summary of the discussion was appended to the report.

Key outcomes from the meeting were detailed, and following those outcomes, the project plan had been revised and further meetings were being arranged.

Discussion ensued with regard to the above and the Advisors sought further information with regard to the level of debt in the property portfolio.

The Director of Pensions explained that this was an area that Steven Taylor would explore in his role as Assistant Director of Pensions, Special Projects, and that he would report further on this issue to a future meeting.

RECOMMENDED

That the content of the report be noted, including the revised project summary as set out in an appendix to the report.

4. INVESTMENT INITIATIVES

The Assistant Director of Pensions, Local Investments and Property, submitted a report providing an update on progress with specific investment initiatives, including the Impact Portfolio and GLIL. Members were further asked to note certain specific actions which had been taken under delegated authority following consultation with the Chair.

RECOMMENDED

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

5. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

The Assistant Director of Pensions, Investments, submitted a report detailing the Fund's approach to manager monitoring and summarised the results from the Monitoring Escalation Protocol as at 31 March 2018.

The overall status levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were summarised within the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions which could be used to form a view on the manager's prospects of outperforming going forward. These would include the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made, and the underlying investment philosophy itself.

A detailed discussion ensued and it was proposed that a small number of incremental improvements be incorporated into future reports.

RECOMMENDED

That the content of the report be noted.

6. GLOBAL EQUITY 'PURCHASE/SALE' TRIGGER PROCESS – UPDATE OF FAIR VALUE ESTIMATE, TRIGGER POINTS AND SIZE OF SWITCH

The Assistant Director of Pensions, Investments, submitted a report explaining that in May 2016, the Policy and Development Working Group considered detailed proposals regarding a 'trigger process' for Global Equities. These proposals were adopted by the Panel. No changes to the trigger process were being proposed.

The report provided a brief overview of the evolution of the Global Equity metric over 2017/18, vis-à-vis the trigger points. In accordance with the adopted formalised process, the report also

proposed an updated estimate of Fair Value for global equities, associated updated trigger points and an update in relation to the 'size' of the maximum asset switch to be targeted, all for adoption by the Panel at its July meeting.

RECOMMENDED

That the Panel adopt the updated Fair Value estimate, the associated updated trigger points, and the updated 'size' of the maximum asset switch to be targeted, as contained within the report.

7. INTRODUCTION TO PRIVATE DEBT ALLOCATION

Consideration was given to a report of the Assistant Director of Pensions, Investments, which explained that since 2015 there had been a significant increase in officer time spent assessing and monitoring the private debt market. This had resulted in an increased rate of capital deployment into private debt strategies. During this period officers had been assessing the viability of creating a 'Private Debt' allocation within the Main Fund strategic benchmark.

Hymans Robertson's submission to the Fund's 2017/18 and 2018/19 Investment Strategy papers and its review of Investment Management arrangements delivered to Panel highlighted a recommendation that the Fund moves toward a more diversified benchmark and that this be achieved through a reallocation from equities to 'enhanced yield' and that consistent with this, consideration should be given to other asset classes, such as private debt.

The Assistant Director of Pensions, Investments, highlighted to Members a number of issues that had been identified by Officers within the report, in particular in relation to the level of risk that was being targeted and the management fees associated with gaining access to the asset class. A recommendation was sought to create a 'Private Debt' allocation of 5% of Main Fund assets.

RECOMMENDED

That the Fund creates a new strategic allocation to 'Private Debt' of 5% of Main Fund assets.

8. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2018/19

A report was submitted by the Assistant Director of Pension, Investments, to facilitate a discussion of key relevant points between Working Group members and the Advisors in order to inform the finalised version of the report to Panel.

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

The increasing maturity profile of Fund employers as public sector spending reductions continued were likely to reduce the tolerance of the Fund to its volatility of returns between years. Hymans Robertson were currently undertaking work with Officers on this issue. Options being considered for better aligning Employers; Investment strategies to their own funding position, which would help to reduce the funding level volatility of individual employers, and therefore the fund as a whole.

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

Members were informed that, historically the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to just over 7% of Main Fund assets. It was not considered reasonable to expect La Salle to be able to move too rapidly towards the 10% benchmark allocation. In light of this, it was recommended that, following the approach used for some time for Alternative Assets, a 'realistic benchmark' allocation was used in respect of Property which would rise from 8% to 10% over the coming three years. Separately, 'realistic' benchmark for Private Equity, Infrastructure Funds, Local Investments and the Special Opportunities Portfolio would be increased to reflect the progress made in implementing these portfolios during 2017/18.

One immediate implication of the increasing maturity of the fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund's Investment Managers. This would continue to be funded from the L&G policy that was formed following the assimilation of the Probation Assets. This would continue to reduce somewhat the post assimilation concentration of assets with L&G to around a quarter of the Fund.

During the year, Officers funded the allocation to Stone Harbor's Multi-Asset Credit portfolio, as set out in last year's review of Investment Strategy. This was sourced entirely from equities, with £287m being transferred from Capital and the remainder from L&G.

Officers had been spending an increased amount of time reviewing Private Debt opportunities and had built up an allocation within the Special Opportunities Portfolio. Hymans advised that the Fund introduced a Main Fund allocation to Private Debt, funded from a reduction in equities, to diversify the main Fund, reducing the reliance on Public Equities as the source of growth assets. It was proposed that the Private Debt allocation currently within the Special Opportunities Portfolio was promoted into a standalone Main fund allocation. It would have an initial realistic allocation of 0.5% of Main Fund assets and a strategic allocation of 5% of Main Fund assets. Officers would review the fund's current exposures to Private Debt across the Main Fund to potentially enhance portfolio construction, oversight and monitoring and would report back to Panel.

It was concluded that the Fund was now facing a range of strategic and tactical investment related issues, each having their own 'research agenda' in terms of background work, policy formulation and practical implementation. How the Fund addressed these issues and implemented suitable changes would be a critical determinant of its standing in 5 or 10 years time.

Discussion ensued with regard to the above and the Advisors commented on the inevitable consequences of diversification. There was a broad consensus that the current position was the right one, however, a need for close monitoring of the strategy was required, going forward.

RECOMMENDED

- (i) To change the Public Equity mix from 35% UK : 65% Overseas to 30% UK : 70% Overseas;**
- (ii) That the allocation to Senior Secured Private Debt currently held in the Special Opportunities Portfolio be promoted into the Main Fund, with a 'realistic' allocation of 0.5% of Main Fund assets and a strategic allocation of 5% of Main Fund assets. Review Private Debt exposures across the Fund and report back to Panel;**
- (iii) That all increases in realistic allocations to Private Equity, Infrastructure and the Special Opportunities portfolio to come entirely from Public Equities;**
- (iv) To develop a Smart Beta proposal which would provide a rapidly implementable solution to address a number of key issues for the Fund; and**
- (v) To monitor the Main Fund formally once each year immediately following the review of Investment Strategy and rebalance back to the Main Fund benchmark allocation as necessary.**

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| Report To: | GMPF MANAGEMENT PANEL |
| Date: | 20 July 2018 |
| Reporting Officer: | Sandra Stewart, Director of Governance, Resources and Pensions Paddy Dowdall Assistant Director (Local Investments and Property) |
| Subject: | GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017-2018 |
| Report Summary | This report is submitted for information and Members are asked to note the completion of the governance arrangements previously reported to Panel. |
| Recommendations: | Members are asked to <ul style="list-style-type: none">(i) Note the completion of governance arrangements for approval of Greater Manchester Pension Fund (GMPF) accounts.(ii) Note the Audit Findings Report from Grant Thornton(iii) Approve the Annual Report |
| Policy Implications: | None. |
| Financial Implications: (Authorised by the Section 151 Officer) | As the administering authority, Tameside MBC has important responsibilities in relation to GMPF. As the largest fund in the Local Government Pension Scheme, GMPF also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (compared to mid or offer prices). |
| Legal Implications: (Authorised by the Solicitor to the Fund) | The administering authority must produce an annual report and accounts in line with statutory provisions. |
| Risk Management: | GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement. |
| ACCESS TO INFORMATION: | NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public. |

Background Papers:

For further information please contact Paddy Dowdall, Assistant Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

1.1 This report covers four sections:

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

2. GOVERNANCE ARRANGEMENTS

2.1 The Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making bodies for the Council are the Audit Panel which receives accounting policy reports for both GMPF and the Council and the Overview (Audit) Panel which receives the report of the external auditor following the audit of GMPF and the Council's accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received, but in practice delegates the responsibility for GMPF to GMPF Management Panel.

2.3 The timetable for approval of the accounts and audit reports by these bodies for 2017/18 is outlined in the table below.

| Date | Group | Stage |
|---------------|--------------------------------|---|
| 20 April 2017 | Employer Funding Working Group | Noting of continued key assumptions and updated governance arrangements (GMPF) |
| 29 May 2018 | Audit Panel | Approval of key assumptions and noting of governance arrangements (GMPF and TMBC) |
| 20 July 2018 | GMPF Management Panel | Approval of final accounts, annual report and audit report (GMPF) |
| 30 July 2018 | Overview (Audit) Panel | Approval of final accounts, annual report and audit report (GMPF and TMBC) |

2.4 This year, in line with legal requirements, the pre-audit accounts of both TMBC and GMPF were signed off by the S151 officer of the Council by 31 May 2018.

2.5 The review by the external auditors commenced thereafter. Grant Thornton LLP provide the external audit contract for both, but a separate team conduct the GMPF audit due to the specialist and technical demands of LGPS accounts.

2.6 The audit process will be completed from a GMPF perspective at today's meeting subject to Management Panel agreement, with the acceptance of the audit report and signing of the letters of assurance by management and the Chair, which are attached as appendices to this report.

3. AUDIT FINDINGS REPORT

3.1 The report from Grant Thornton is very positive and no material issues were raised by the auditors, who are here to present their findings. Their report is attached as **Appendix 1** to this report.

4. SIMPLIFIED ACCOUNTS SUMMARY

4.1 The table below shows the key financial movements during the financial year to 31 March 2018 taken from the accounts:

| | <i>£m</i> | <i>£m</i> | <i>£m</i> |
|---|-----------|-----------|----------------------|
| <i>GMPF Value at 31 March 2017</i> | | | <i>21,271</i> |
| | | | |
| <i>Contributions and benefits</i> | | | |
| <i>Employee contributions</i> | 140 | | |
| <i>Employer contributions</i> | 600 | | |
| <i>Pension benefits Paid</i> | | (748) | |
| <i>Net Transfers</i> | 367 | | |
| | | | |
| <i>Management Costs</i> | | | |
| <i>Investment</i> | | (25) | |
| <i>Administration</i> | | (6) | |
| <i>Oversight</i> | | (1) | |
| | | | |
| <i>Investments</i> | | | |
| <i>Income</i> | 405 | | |
| <i>Change in fair value of investments</i> | 494 | | |
| | | | |
| <i>Total change in value of GMPF</i> | | | <i>1,226</i> |
| | | | |
| <i>GMPF Value 31 March 2018</i> | | | <i>22,497</i> |

5. ANNUAL REPORT

5.1 The annual report is attached for approval.

<https://www.gmpf.org.uk/annualreport/unauditedandunapproved.pdf>

6. RECOMMENDATIONS

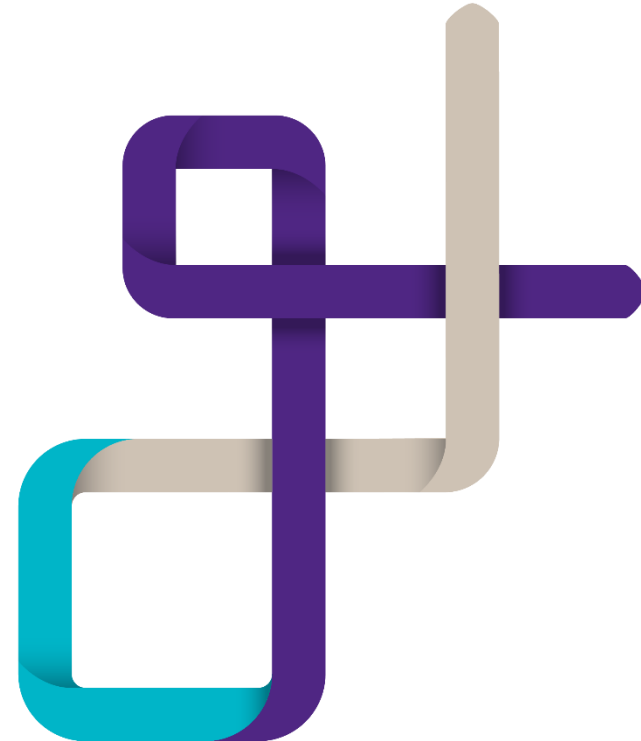
6.1 As set out at the front of the report.

Audit Findings

Year ending 31 March 2018

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Greater Manchester Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;

Our audit work was completed on site during June. Our findings are summarised on pages 4 to 11.

We have not identified any adjustments affecting the Fund's reported financial position. Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the meeting of Tameside MBC's Audit (Overview) Panel on 30 July 2018, as detailed in Appendix C. The outstanding items include:

- receipt and review of the annual report
- review of the final version of the financial statements
- review of the final version of the annual report
- completion of our internal review procedures
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the GMPF Management Panel and Tameside MBC Overview (Audit) Panel.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Overview (Audit) Committee meeting on 30 July 2018, as detailed in Appendix C.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Greater Manchester Pension Fund.

| | Amount (£) |
|--|--|
| Materiality for the financial statements | 212,711,000 |
| Performance materiality | 159,533,000 |
| Trivial matters | 10,635,000 |
| Materiality for specific transactions, balances or disclosures | For related party transaction we have set a Materiality level of £20,000 |

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have reviewed the Funds funding position and cash flows.

Auditor commentary

- GMPF has more than sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pensions are effectively underwritten by the local taxpayer, with deficits financed by increased contributions agreed with the actuary that are financed through the Council and Admitted and Scheduled bodies contributions.
- There is no plan for the Minister of Housing, Communities and Local Government to wind up the Pension Fund.
- The Pension Fund continues to operate in 2018/19. Contributions and investment income continue to be received as expected.

Work performed

Detail audit work performed on management's assessment

Auditor commentary

- We have reviewed managements assessment that the financial statements are prepared on a going concern basis
- We have confirmed there are sufficient assets to meet liabilities as they fall due. The last triennial valuation, as at 31 March 2016 reports a funding level of 93%.
- The fund continues to operate as usual.

Concluding comments

Auditor commentary

- We are satisfied that the Pension Fund financial statements are appropriately prepared on a going concern basis.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the Pension Fund's administering Authority (Tameside MBC), mean that all forms of fraud are seen as unacceptable.

Findings

Our audit work has not identified any issues in respect of revenue recognition.

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2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

In accordance with our audit plan we:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions

Findings

Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.

We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Significant audit risks

Risks identified in our Audit Plan

3

The valuation of Level 3 investments is incorrect

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We identified the valuation of level 3 investments as a risk requiring special audit consideration.

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Pension Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- considered the competence, expertise and objectivity of any management experts used.
- reviewed the qualifications of the experts used to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period.

Findings

Our audit work has not identified any issues in respect of the risks relating to the valuation of Level 3 investments at year end.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

4

Contributions

Contributions from employers and employees' represents a significant percentage of the Pension Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Pension Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Pension Fund's system for accounting for contribution income and evaluated the design of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence;
- rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Findings

Our audit work has not identified any issues in respect of the occurrence and accuracy of Contributions.

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Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Pension Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Pension Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Pension Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Findings

Our audit work has not identified any issues in respect of completeness of Pension Benefits Payable

Reasonably possible audit risks

Risks identified in our Audit Plan

6

The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

Commentary

Auditor commentary




We have undertaken the following work in relation to this risk:

- gained an understanding of the Pension Fund's process for valuing Level 2 investments and evaluate the design of the associated controls.
- evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- reviewed the reconciliation of information provided by the Pension Fund's individual fund manager's, custodian, accounting partner (HSBC) and the Pension Fund's own records and sought explanations for variances;
- considered the competence, expertise and objectivity of any management experts used.
- evaluated the qualifications of the experts used to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached.
- For direct property investments agreed values in total to the valuer's report and undertake steps to gain reliance on the valuer as an expert
- for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.




Findings

Our audit work has not identified any issues in respect of the risks relating to the Valuation of Level 2 Investments at the year end.

Accounting policies

| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------|--|---|--|
| Revenue recognition | <p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> • Contributions • Investment income • Transfers in to the scheme <p>Contributions and Investment Income are recognised on an accruals basis, whilst transfers in are recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p> | <p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p> |  |
| Judgements and estimates | <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • Pension Fund Liability – present value of future retirement benefits • Valuation of investments - unquoted equities, infrastructure and special opportunities. | <p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Pension Fund.</p> <p>Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p> |  |
| Other critical policies | | <p>We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.</p> |  |

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue | Commentary |
|--|---|
| ① Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with officers and members and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| ② Matters in relation to related parties | <ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed. |
| ③ Matters in relation to laws and regulations | <ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| ④ Written representations | <ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund. |
| ⑤ Confirmation requests from third parties | <ul style="list-style-type: none"> We obtained direct confirmations from fund managers, custodian and accountancy partner for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmations. |
| ⑥ Disclosures | <p>In addition to the items highlighted on page 13 our review found the following regarding disclosures in the financial statements required by the CIPFA Code of Practice on Local Authority Accounting:</p> <ul style="list-style-type: none"> a small number of disclosures for investments measured at fair value and Level 3 investments had not been applied. In particular management considered the disclosure requirements, specifically in respect of the requirements of paragraph 2.10.4.1 of the Code, as part of the accounts preparation and concluded that these new disclosures were not required because they were either already covered by existing disclosure in the accounts, or, in the case of quantifiable sensitivity disclosures, because consultation with industry experts indicated that the required sensitivity information was not readily available. This is consistent with the issue raised and the management response received in the previous year. We are satisfied that the omission of these disclosures is not significant to the overall presentation of the financial statements. |
| ⑦ Significant difficulties | <ul style="list-style-type: none"> We received draft financial statements and accompanying working papers in advance of our work starting on 30 May 2018 and in advance of the deadline of 31 May 2018. We have not encountered any significant difficulties in carrying out our audit to the agreed timetable. |
| ⑧ Matters on which we report by exception | <ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not identified any issues we wish to report. |

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Audit Adjustments

Adjusted and unadjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures

Misclassification and disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Detail | Auditor recommendations | Adjusted? |
|---|--|---|-----------|
| Note 13 Designated Funds | <ul style="list-style-type: none"> Note has omitted designated funds arising from transfer in of First Bus. | <ul style="list-style-type: none"> Include First Bus designated funds within disclosure of balances at note 13 | ✓ |
| Note 20 Contributions | <ul style="list-style-type: none"> A number of councils made significant advance contributions totalling £189m This is a significant transaction that occurs relatively infrequently and would merit narrative disclosure | <ul style="list-style-type: none"> Include additional narrative in Note 20 to disclose advance contribution payments | ✓ |
| Transfers In (Bulk Transfers) | <ul style="list-style-type: none"> Material 'Bulk Transfer In' have taken place during 2017/18 relating to First Bus and totalling £388m an would merit further disclosure. | <ul style="list-style-type: none"> Include additional Note to disclosure Bulk transfers In | ✓ |
| Note 11 Investments at Fair Value – Pooled Investment Vehicles | <ul style="list-style-type: none"> A typographical error resulted in figures for UK special opportunities portfolio and Overseas special opportunities portfolio being transposed. | <ul style="list-style-type: none"> Amend figures UK special opportunities portfolio £272,477k amend to £53,445k Overseas special opportunities portfolio £53,445k amend to £272,477k | ✓ |

Fees

We confirm below our final fees charged for the audit and audit related services. There were no fees for the provision of non audit services.

| Audit Fees | Proposed fee | Final fee |
|---|---------------------|------------------|
| Pension Fund Audit | 56,341 | 56,341. |
| Total audit fees (excluding VAT) | £56,341 | £56,341 |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for audit fees totalling £12,200;
- Plot 5 First Street GP Limited and Plot 5 First Street Partnership Limited for audit fee of £11,300
- ILL Infrastructure LLP for audit fee of £8,500;
- ILL Corporate Holdings Limited for audit fee of £2,000
- GMPF Unit Trust £10,000

These are separate engagements outside the remit of Public Sector Audit Appointments Limited.

Fees for other services

| Other services | Fees £ |
|---|---------------|
| Audit related services: | |
| • IAS 19 Assurance to auditors within PSAA regime or former PSAA regime for Foundation Trusts | 5,995 |
| • IAS 19 Assurances to non PSAA regime auditors | TBA |
| Non-audit services | Nil |
| | TBA |

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Tameside Metropolitan Borough Council on the financial statements of the Greater Manchester Pension Fund

Opinion

We have audited the financial statements of the Greater Manchester Pension Fund (the 'pension fund') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and Notes to the Greater Manchester Pension Fund, including the Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of Tameside Metropolitan Borough Council, (the 'Administering Authority') as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Administering Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Administering Authority and the Administering Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance (Section 151 Officer) has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Administering Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Tameside Metropolitan Borough Council Statement of Accounts and the Annual Governance Statement, other than the Greater Manchester Pension Fund financial statements, our auditor's report thereon and our auditor's report on the Administering Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Tameside Metropolitan Borough Council Statement of Accounts and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Administering Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Administering Authority, the Director of Finance (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities the Administering Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (Section 151 Officer). The Director of Finance (Section 151 Officer) is responsible for the preparation of the Tameside Metropolitan Borough Council Statement of Accounts, which includes the financial statements of the Greater Manchester Pension Fund, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance (Section 151 Officer) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Overview (Audit) Panel is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mike Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

Xx July 2018

Audit opinion on the Annual Report

We anticipate we will provide the Pension Fund with an unmodified audit report on the Annual Report

Independent auditor's report to the members of Tameside Metropolitan Borough Council on the consistency of the financial statements of the Greater Manchester Pension Fund included in the Pension Fund Annual Report

Opinion

The financial statements of the Greater Manchester Pension Fund (the "pension fund") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and Notes to the Greater Manchester Pension Fund, including the Accounting Policies, are derived from the audited financial statements of the Greater Manchester Pension Fund for the year ended 31 March 2018 included in Tameside Metropolitan Borough Council's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of Tameside Metropolitan Borough Council (the 'Administering Authority'), as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Administering Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Administering Authority and the Administering Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the financial statements of the Greater Manchester Pension Fund in the Statement of Accounts in our report dated xx July 2018.

Director of Finance (Section 151 Officer) responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Administering Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Mike Thomas

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx July 2018



BY EMAIL
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Website: www.gmpf.org.uk

Date: 19 July 2018

Dear Mike,

Greater Manchester Pension Fund - Financial Statements for the year ended 31 March 2018

In response to the letter from Marianne Dixon dated the 21 June 2018, I have attached the completed schedule having taken into account the views of other appropriate Management Panel Members.

The Director of Governance Pensions and Resources is responding separately to the questions directed at Management.

If you require any further information or clarification, please contact me.

Yours sincerely,

Councillor Brenda Warrington
Chair of Greater Manchester Pension Fund

Encl.

QUESTIONS FOR THOSE CHARGED WITH GOVERNANCE

Fraud risk assessment

| Auditor Question | Response |
|---|---|
| Has the Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? | <p>Yes,</p> <ol style="list-style-type: none"> 1. 1.We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements show a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members. 2. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud. 3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code. 5. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code. 6. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. 7. We have adjusted the disclosure typographical changes brought to our attention in the Audit Findings Report. Following these adjustments, the financial statements are free of material misstatements, including omissions 8. We believe that GMPF's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for GMPF's needs. We believe that no further disclosures relating to GMPF's ability to continue as a going concern need to be made in the financial statements. 9. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. 10. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to GMPF's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on the assumptions about conditions we expect to exist and courses of action we expect to take. |
| What are the results of this process? | No risk of material misstatement identified. |
| What processes does the Pension Fund have in place to | There will always be a risk of fraud in respect of pensions in payment. Regular checks help reduce this risk. The processes |

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| identify and respond to risks of fraud? | <p>of internal control within the in-house teams and external managers are designed to prevent fraud and significant internal audit time is allocated annually to review systems and processes. Internal audit also visit (targeted) employees.</p> <p>The capacity of external managers to make good any losses is an important factor in their recruitment.</p> <p>The Council has a whistleblowing policy in place.</p> <p>Regular reconciliations are undertaken between the custodian and fund managers' holdings.</p> |
| Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks? | None identified. |
| Are internal controls, including segregation of duties, in place and operating effectively? | Where appropriate to do so - with processes and procedures periodically reviewed by internal audit as well as management |
| If not, where are the risk areas and what mitigating actions have been taken? | Risk areas are identified as part of the business planning process, internal audit reports, in-house reviews and by learning from complaints – when identified and where appropriate, systems and processes are amended |
| Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? | <p>There is always the risk of collusion.</p> <p>The nature of the activity, the use of external managers and monitoring thereof and standard checks e.g. between custodian and a Fund Manager gives an environment where the risk of inappropriate influence is relatively low.</p> |
| Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process? | None that I am aware of, or that have found to have failed. |
| How does the Pension Fund exercise oversight over management's processes for identifying and responding to risks of fraud? | Through regular documented reporting to the Management Panel, Working Groups and Local Board. |
| What arrangements are in place to report fraud issues and risks to those charged with governance? | Internal audit report to every Working Group and the Local Board. All internal audit reports are copied to the senior officers of the Council (in addition to management). |
| How does the Pension Fund communicate and encourage ethical behaviour of its staff and contractors? | Through training, regular reminders to staff, team briefings and procedural documents available on the Council and GMPF intranets. |
| How do you encourage staff to report their concerns about fraud? Have any significant issues been reported? | Through training, regular reminders to staff, team briefings and procedural documents available on the Council and GMPF intranets. |
| Are you aware of any related | No |

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| party relationships or transactions that could give rise to risks of fraud? | |
| Are you aware of any instances of actual, suspected or alleged, fraud, either within the Pension Fund as a whole or within specific departments since 1 April 2016? | No |

Law and regulation

| Auditor Question | Response |
|---|---|
| What arrangements does the Pension Fund have in place to prevent and detect non-compliance with laws and regulations? | Arrangements include the in-house resources, participation in national bodies / groups, training of Pension staff and employers. There is also regular reporting to the Management Panel and Working Groups by management and internal and external audit of compliance with internal controls. |
| How does management gain assurance that all relevant laws and regulations have been complied with? | Through the business planning process, monitoring of actions, reports considered by the Panel and Working Groups, procedures and structures in place and internal audit reviews. |
| How are those charged with governance provided with assurance that all relevant laws and regulations have been complied with? | Through regular reports from management, internal audit and external audit on the compliance with internal controls. Relevant reports are also submitted to the Management Panel and other Working Groups. |
| Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016? | <p>We sent some probation members incorrect benefit statements due to receiving incorrect information from the employer (this has no impact on financial statements). We reported the issue to the Pensions Regulator with agreement of the Fund and the Local Pension Board.</p> <p>We are working with the regulator to improve the MOJ's processes and we have arranged an audit and follow up review.</p> |
| What arrangements does the Pension Fund have in place to identify, evaluate and account for litigation or claims? | <p>Potential receipts - Any group litigation re tax claims or class actions relating to Investments (as at the yearend) are notified to Pensions Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure - The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF.</p> |
| Is there any actual or potential litigation or claims that would affect the financial statements? | No |
| Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? | No |

Going concern considerations

| Auditor Question | Response |
|--|--|
| Does the Pension Fund have procedures in place to assess the Pension Fund's ability to continue as a going concern? | The actuarial valuation is key to providing this comfort. GMPF has a funding level towards the top of LGPS funds when assessed on a standardised assumption basis. The Fund has a number of key performance measures in place which it considers formally quarterly in terms of Funding and investment performance as well as risk in achieving that. |
| Is management aware of the existence of other events or conditions that may cast doubt on the Pension Fund's ability to continue as a going concern? | None that I am aware of. |
| Are arrangements in place to report the going concern assessment to those charged with governance? | In considering the annual accounts, consideration is given to the going concern assessment at the Employer Funding Viability Working Group. |
| Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Business Plan and the financial information provided throughout the year? | Reports are periodically presented to the Management Panel and Employer Funding Viability Working Group and as part of the Business Plan, which focuses on the importance of cash flow and increasing maturity. |
| Are the implications of the statutory or policy changes appropriately reflected in the Business Plans, financial forecasts and reports on going concern? | The key issues are pooling and the growing number of employers – these and other changes will be reflected in our plans. |
| Have there been any significant issues raised with those charged with governance during the year which would cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control.) | No |
| Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance? | Again, the Actuarial Valuation is critical. There are specific employer issues and the structures are being established to help address funding and stability of cost issues when the opportunity arises. |
| Does the Pension Fund have sufficient staff in post, with appropriate skills and experience, particularly at | This is a very challenging environment to be managing a defined benefit scheme. The Management Panel have supported the strengthening of both the senior management team and investment and administration teams. |

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| senior manager level, to ensure the delivery of the Pension Fund's objectives? If not, what action is being taken to obtain those skills? | |
| Have those charged with governance assessed the process management has followed in forming a view on going concern and the assumptions on which that view is based? | Yes, through consideration of the actuarial valuation and funding strategy statement. |

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BY EMAIL

**STRICTLY PRIVATE & CONFIDENTIAL Marianne
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Email: Sandra.stewart@tameside.gov.uk
Website: www.gmpf.org.uk

Date: 19 July 2018

Dear Marianne,

Greater Manchester Pension Fund Financial Statements for the year ended 31 March 2018

In response to your letter of the 21 June 2018 I have attached the completed schedule having taken into account the views of other appropriate senior staff within Tameside including the Pension Fund Management Team.

The Chair is responding separately on how the Governing Body, (Pensions Management Panel) maintains oversight of the process.

If you require any further information or clarification, please contact me.

Yours sincerely,

Sandra Stewart
Director Greater Manchester Pension Fund

Encl.

QUESTIONS FOR MANAGEMENT:

| Auditor question | Response |
|---|--|
| What do you regard as the key events or issues that will have a significant impact on the financial statements for 2017/18? | There are no key events or issues this year that have a material effect on the financial statements. There have been some significant inflows from First Group and advanced payment of contributions by some employers as disclosed in the accounts. As ever, investment performance is the key determinant to the Net Asset Value of GMPF |
| Have you considered the appropriateness of the accounting policies adopted by the Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? | There is regular consideration of the appropriateness of the accounting policies adopted by GMPF. There have been no events or transactions that would justify change, or adoption of new accounting policies. |
| Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements? | There have been no changes that would justify a change to the accounting policies. Looking forward, factors such as asset pooling, and deficit management arrangements may have a material impact. |
| How would you assess the quality of the Pension Fund's internal control processes? | There are very strong processes for assessment of the quality of GMPF's internal control processes (see below) The internal audit results are largely positive and therefore the assessment is that internal control processes are working well. |
| How would you assess the process for reviewing the effectiveness of internal control? | There are strong processes. The administering authority allocates substantial internal audit resource to review internal control processes which are generally considered to operate well. Copies of these reports are automatically circulated to the senior management of the Administering Authority, the Chair of Employer Funding Viability Working Group and the Local Board, together with GMPF staff. Internal audit reports are also submitted to the Local Board and the relevant Working Group. |
| How do the Pension Fund's risk management processes link to financial reporting? | Many of GMPF's key risks are identified in the Funding Strategy Statement together with measures to mitigate those risks, and they are considered in the Annual Accounts. The Employer Funding Viability Working Group has the remit to oversee and review the effectiveness of internal control and financial reporting, with further oversight from the Local Pensions Board on behalf of the administering authority |
| How would you assess the Pension Fund's arrangements for identifying and responding to the risk of fraud? | Effective. |
| What has been the outcome of these arrangements so far this | No material frauds have been identified. There will always be pension overpayments following death, but GMPF has checks to |

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| year? | facilitate early identification of deaths. |
| What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud? | <ol style="list-style-type: none"> 1) Cash and Unquoted Investments and Assets not with the global custodian. 2) No communication of changes in circumstance by pensioners or their relatives. |
| Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response? | No |
| Have any reports been made under the Bribery Act? | None |
| As a management team, how do you communicate risk issues (including fraud) to those charged with governance? | Through regular reporting to the Employer Funding Viability Working Group, other Working Groups and the Management Panel. |
| As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour? | Through training, regular reminders to staff, team briefings and procedural documents available on the intranet. |
| What are your policies and procedures for identifying, assessing and accounting for litigation and claims? | <p>Potential receipts:</p> <p>Any group litigation re tax claims or class actions relating to investments (as at the year end) are notified to Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure:</p> <p>The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF over the last 25 years.</p> |
| Is there any use of financial instruments, including derivatives? | Yes (Futures and Forward Currency contracts). These are reported in the accounts at year end. |
| Are you aware of any significant transaction outside the normal course of business? | No |
| Are you aware of any changes in circumstances that would lead to impairment of non-current assets? | None |

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| Are you aware of any guarantee contracts? | No |
| Are you aware of allegations of fraud, errors, or other irregularities during the period? | No |
| Are you aware of any instances of non-compliance with laws or regulations or is the Pension Fund on notice of any such possible instances of non-compliance? | <p>We sent some probation members incorrect benefit statements due to receiving incorrect information from the employer (this has no impact on financial statements).</p> <p>We reported the issue to the Pensions Regulator with agreement of the Fund and the Local Pension Board.</p> <p>We are working with the regulator to improve the MOJ's processes and we have arranged an audit and follow up review.</p> |
| Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities? | None |
| Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement? | No |
| Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate? | There are no amounts based on significant estimates. The basis of valuation is set out in the notes to the accounts. |
| Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? | No |
| Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment? | There is no formal process in place by GMPF's management team to consider whether the Council is a going concern. However, given that tax raising bodies are considered by GMPF and its Actuary as the most secure of employers, this is considered to provide adequate comfort that the Council satisfies the "Going Concern Basis" in preparing GMPF's accounts. Further comfort is provided by the relative strength of GMPF's funding position where it is in the top 10 of LGPS funds. |
| Although the public sector | The starting point is that GMPF is relatively well funded, albeit at |

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| <p>interpretation of IAS1 means that unless services are being transferred out of the public sector then the financial statements should be prepared on a going concern basis, management is still required to consider whether there are any material uncertainties that cast doubt on the Pension Fund's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p> | <p>the individual employer level there is a wide range of funding levels and this is regularly monitored. The prime purpose of the actuarial valuation is to determine employer contributions including deficit recovery. Monitoring processes are in place to ensure employers pay their required rate.</p> <p>The Employer Funding Viability Working Group considers viability issues at the whole fund and individual employer level.</p> <p>The Funding Strategy Statement is a key document in helping to focus attention on funding and associated risk management which is reviewed every 3 years by the Working Group and Management Panel and is subject to consultation.</p> <p>GMPF also has an in-house actuary.</p> <p>These arrangements are considered strong in concluding that GMPF is a going concern at the date the financial statements are approved.</p> |
| <p>Can you provide details of those solicitors utilised by the Pension Fund during the year? Please indicate where they are working on open litigation or contingencies from prior years?</p> | <p>Trowers & Hamblins (Colgate Lane, Salford)</p> <p>Shepherd & Wedderburn (Sale – Aberdeen)</p> <p>Irwin Mitchell (Irwell Riverside loan)</p> <p>Owen Street, Manchester (Loan – DLA Piper)</p> <p>Addleshaw Goddard (Joint Venture – Princess Street, Manchester)</p> <p>Trowers & Hamblins (Joint Venture – Circle Square, Manchester)</p> <p>DAC Beachcroft (Purchase and leases - Morgan Quarter, Cardiff)</p> <p>DAC Beachcroft (Island Road, Reading and Test Lane, Southampton)</p> <p>Gowling WLG (Advice on setting up joint venture – Island Site)</p> <p>DAC Beachcroft (Construction advice – New Marlborough Yard, London)</p> <p>DLA Piper (Advice on Global Custody Agreement)</p> <p>Gowling WLG (Loan - Crusader Mill, Chapeltown Street, Manchester)</p> <p>Addleshaw Goddard (Purchase - Chapelfield, Norwich)</p> <p>Addleshaw Goddard (Loan - Burlington House, Tariff St, Manchester)</p> <p>Squires Patton Boggs (Creation of NPEP – ongoing)</p> |

| | |
|---|--|
| | <p>DLA Piper - Advice on Northern Trust contracts (ongoing)</p> <p>Shoosmiths – (O’Caithan pensions dispute – now completed)</p> <p>Pre 2017 Appointments</p> <p>Squires Patton Boggs (Pooling – ongoing)</p> <p>Pinsent Masons (Manufactured Overseas Dividends action – ongoing)</p> <p>Stewarts Law (RBS class action – now settling)</p> <p>None of the above (apart from the last two) relate to open litigation or contingencies from previous years and that litigation action is that which the Fund is taking as reported quarterly to Alternative Investment Working Group to recover losses generally for misstatement.</p> |
| <p>Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> | <p>GMPF has 4 independent advisors supporting the Management Panel. These are listed in the Annual Report.</p> <p>Hymans Robertson is GMPF’s primary investment consultant in addition to their main role of providing advice on investment strategy. The Investment team also utilise specialist advice from a variety of sources on an ad hoc basis for making investments.</p> <p>Actuarial and funding advice is also provided by Hymans Robertson.</p> <p>Jardine Lloyd Thompson are providing advice on AVC arrangements.</p> |
| <p>Have any of the Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p> | <p>No</p> |

Key Points on Accounts

- Fund value increased by £1.2billion to £22.5billion
- Fund is maturing and paying more in pensions than receiving in contributions, the difference was narrowed on a one off basis for 17/18 due to some Local Authorities bringing forward their contribution payments (£114m) to make efficient use of cash balances.
- Income is still comfortably exceeding this underlying negative cash flow.
- During the year GMPF received assets of £388million relating to transfer in of staff and liabilities from the First Group.
- Positive investment return of £900million recorded for year in line with long term expectations

Simplified Accounts 2017/18

Page 280

| | £m | £m | £m |
|--------------------------------------|-----|-------|--------------|
| Fund Value at 31 March 2017 | | | 21,271 |
| | | | |
| Contributions and Benefits | | | 359 |
| Employee contributions | 140 | | |
| Employer contributions | 600 | | |
| Pension benefits Paid | | (748) | |
| Net Transfers | 367 | | |
| | | | |
| Management Costs | | | (32) |
| Investment | | (25) | |
| Administration | | (6) | |
| Oversight | | (1) | |
| | | | |
| Investments | | | 899 |
| Income | 405 | | |
| Change in market value | 494 | | |
| | | | |
| Total change in value of Fund | | | <u>1,226</u> |
| | | | |
| Fund Value 31 March 2018 | | | 22,497 |

Agenda Item 15

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| Report To: | PENSION FUND MANAGEMENT PANEL |
| Date: | 20 July 2018 |
| Reporting Officer: | Sandra Stewart - Director of Pensions |
| Subject : | REVIEW TO SCHEME GOVERNANCE & WORKING GROUPS |
| Report Summary: | <p>The Report sets out the need to review the Fund's governance which has incrementally increased to reflect a changing legislative landscape without undertaking a full review as to whether fit for purpose. The inordinate number of formal governance meetings is now impacting on the ability to undertake and implement decisions or to ensure appropriate oversight and accountability. The Funds success has routed in its simplicity and good and effective governance. We need to review to ensure fit for purpose and to do that we need to revise in the interim to address pooling and the need to comply with best practice re governance as we go for PASA accreditation. The interim proposal allows us to ensure:</p> <ul style="list-style-type: none">• Focus on risks and improve accountability• Ensure in short term retain focus on property• Enable appropriate time to work with advisors on way forward that is long term and in line with the best global funds and academic research. |
| Recommendation(s): | <ol style="list-style-type: none">1. Acknowledge the need for a complete review of the Fund's governance to ensure fit for purpose taking into account the revised regulatory framework and authorise the Director of Pensions to undertake a review of the governance of the Fund working with Hymans to bring back a report for further consideration.2. Agree the interim proposals with effect from today to reduce the number of working groups and reflect the governance depicted in Appendix A together with the revised terms of reference set out in Appendix B.3. Note and approve the revised Working Group membership at Appendix C subject to any minor changes to be agreed with the Deputy Vice Chair of the Fund.4. Note and approve the revised calendar of meetings at Appendix D for the next two year cycle. |
| Financial Implications: (Authorised by the Section 151 Officer) | To ensure that the Fund remains efficient and effective. |
| Legal Implications: (Authorised by the Solicitor to the Fund) | Set out in the report. |
| Risk Management: | The purpose of the changes is to ensure that Trustees have good |

oversight and effectively manage risks.

ACCESS TO INFORMATION:


NON-CONFIDENTIAL

This report does not contain information that warrants its consideration in the absence of the Press or members of the public.

Background Papers:

| | |
|-------------|--|
| Appendix A: | Schematic of LGPS Governance Roles and proposed revised structure for GMPF |
| Appendix B: | TORs for revised working groups |
| Appendix C: | Working Group Membership |
| Appendix D: | Pension meeting Calendar dates |

Further information can be obtained by contacting Sandra Stewart Director of Pensions, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden

 Telephone: 0161 342 3028

 e-mail: Sandra.stewart@tameside.gov.uk

1. INTRODUCTION

- 1.1 An organisation's guiding principles—its mission, objectives, investment beliefs and investment processes—provide both the glue that binds and the compass that directs everybody along the same path. Good governance is the means to ensure that objectives are met whilst keeping to our core beliefs and guiding principles.
- 1.2 At its launch of 18 September 2017, to raise the standards of governance of pension arrangements, the Pensions Regulator identified that Good Governance can be described thus:

“Good governance is about having motivated, knowledgeable and skilled Trustees in place. It’s also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives. It helps you to effectively oversee:

- *administration and record-keeping*
- *funding (where the scheme has defined benefits) and investment*
- *communications with members*

As a Trustee, it’s your responsibility to make sure your scheme is well run. You should spend time and resources getting your scheme governance right. This will help you to minimise risk and maximise opportunities for your scheme and your members. Investing in good governance is likely to save you in the long run, delivering good value for members and sponsoring employers, and improving member outcomes.”

- 1.3 There are a number of academic studies of “what makes a good pension fund”. Consistent themes that appear include clarity of objectives, well defined beliefs and a focus on investment strategy whilst ensuring of course that we are complying with our statutory requirements to pay pensions liabilities accurately and on time.
- 1.4 The Fund has been and is evolving steadily over time, in response to the ongoing regulatory changes and external challenges and increasing frequent changes to the administrative framework that have impacted upon the governance causing incremental changes such as the introduction of Pension Boards in April 2015 under the provisions of the Public Service Pensions Act 2013 and pooling as proposed under the 2016 regulations
- 1.5 Given all this, it is fundamental that the Fund’s governance evolves accordingly.
- 1.6 The Governance has not been reviewed for a long time although we have been adding to it in order to meet the regulatory changes for example pooling, which has resulted in a joint committee being created together with Investment Committee where the Director’s delegated decisions made and formally recorded together with the Northern Pool Private Equity Board as well as an increasing number of other board such as GLIL that the Fund is involved and part of. This is adding huge volume and complexity to the governance in a piece meal way and it is important that we review to ensure we have clear oversight and accountability.

2. REASON FOR CHANGE

- 2.1 A schematic of the current governance is set out at **Appendix 1**. The current formal meetings cycle is as follows:

| Formal Governance Meeting | No of meetings a year (cycle) |
|--|--------------------------------------|
| Management and Advisory Panel | 4 |
| Pensions Board | 4 |
| Policy & Development Working Group | 4 |
| Investment Monitoring and ESG | 4 |
| Alternative Investments | 4 |
| Pension Administration Working Group | 4 |
| Employer Funding and Viability Working Group | 4 |
| Property Working Group | 4 |
| Northern Pool | 12 |
| Investment Committee | 12 |
| Northern Pool Private Equity Partnership | 12 |
| Total | 68 |

- 2.2 Therefore the Fund is operating a minimum of 68 formally constituted meetings together with the briefing meetings that support those and in addition to a number of extraordinary special focus meetings that we have undertaken to address arising changes such as review of Fundmanager Mandate, Pooling meetings and review of Property. It should be noted that in the main we are calling upon virtually the same capacity and resources (leadership team and advisors) to undertake those meetings impacting significantly on the ability to make progress and implement decision making. This has been reflected by the fact that having more than one formal oversight meeting a week has proved almost impossible to diary to enable appropriate attendance - let alone leave appropriate time to address arising issues.
- 2.3 On the 12 July 2018, the Pensions Administration Standards Association (PASA), the independent body dedicated to driving up standards in pensions' administration, announces the publication of its Administration Governance Trustee Checklist. This has been developed in response to The Pensions Regulator's (TPR) drive to improve the Governance of Pension Schemes, under its 21st Century Trusteeship initiative.
- 2.4 The Pensions Regulator has identified that trustees should focus on the key areas which are vital for good member outcomes, including administration and recordkeeping. The checklist is an additional tool to help trustees to evidence and action appropriate levels of governance over their administration provider.
- 2.5 It is often thought that investment governance is best where information flow and related portfolio needs are constantly monitored so as not to miss any opportunities and ensure best-positioning. However, evidence shows that the constant flow of stimulus merely invites action and can divert attention away from matters that are slow-moving but important. Further, the best long-term opportunities typically evolve over time, rather than arriving with a bang for a fleeting moment. A long-term investor probably has more to gain than lose by slowing down the information flow and decision cycle.
- 2.6 Accordingly, with so much change now is an ideal time to review the current governance of the fund and ensure it is fit for purpose. As an interim measure, it is proposed that we reduce down the number of oversight working groups to ensure we have the necessary oversight and focus and that we ensure that we focus on our objectives.
- 2.7 It will also be necessary to ensure that the business plan and objectives to be considered at the next meeting are clearly aligned with the revised governance arrangements.

3. INTERIM PROPOSAL

- 3.1 In the interim it is therefore proposed that the working groups are condensed so we don't lose any of the oversight but we ensure that time and resources are used more

effectively to ensure the necessary and appropriate focus whilst an expedient review is undertaken with our advisors Hymans. Additionally and important this will ensure that Trustees have a wider oversight and clarity as to how all the moving parts works as the working groups are becoming too focused and there is a danger that we believe we have good and effective governance just by the number of meetings and weight of paperwork.

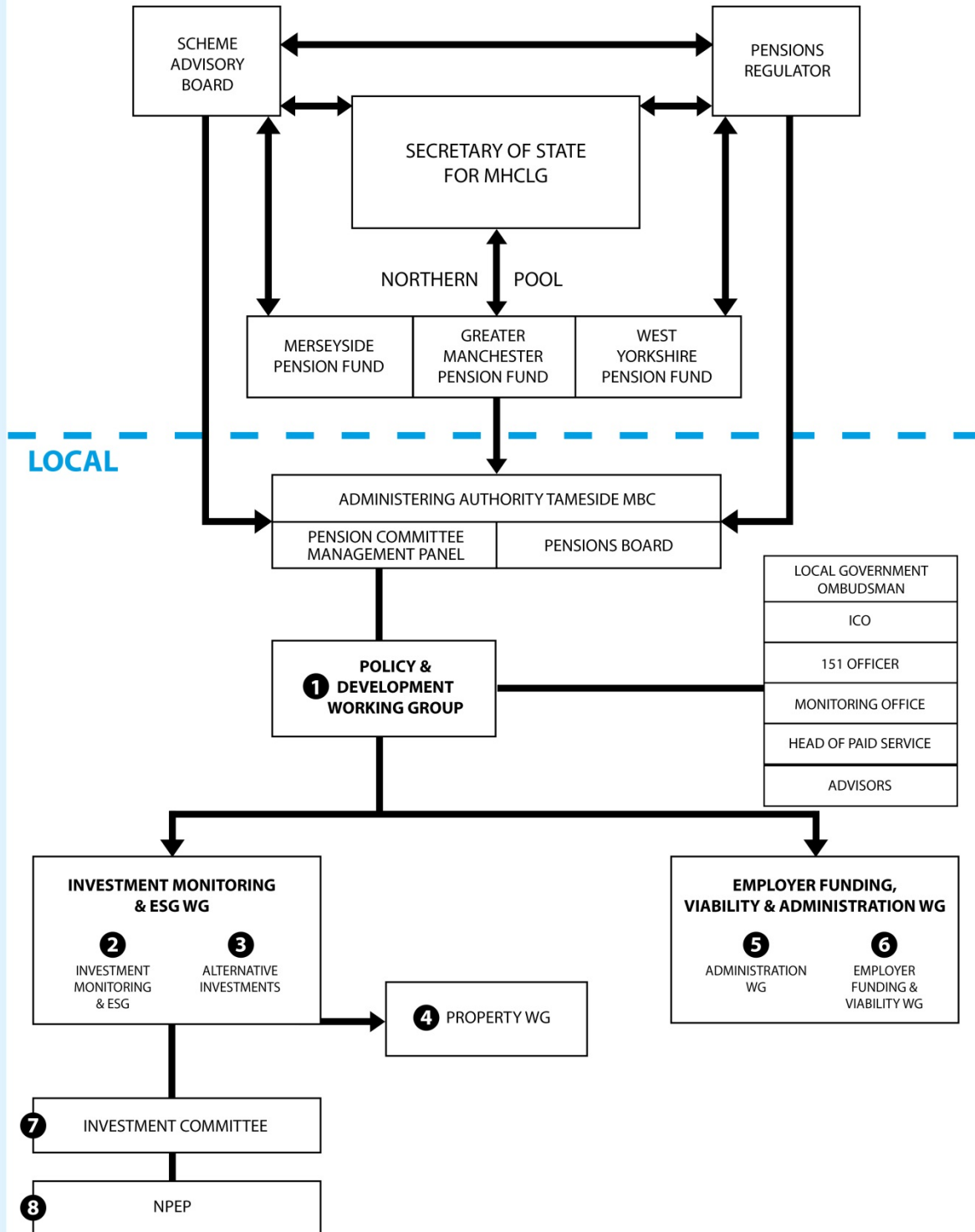
- 3.2 The approach being adopted was to pool all those with investment oversight into one working group and all those working groups considering administration, funding viability and risk into another with oversight being achieved through the Policy & Development Working group which the advisors generally attend. However, with the additional focus required currently in respect of property, it is proposed that this continues to be a focused working group in the short term.
- 3.3 The terms of reference therefore have not at this stage being reviewed just rationalized into the relevant working group with any duplication being removed.
- 3.4 The Funds's governance has served us well to date and the fact that we have not required a fundamental change for a long time is testament to our long term approach. However, we have been adding to it in an unstrategic way and the number of meetings and the resource that is impacting upon requires us to review and ensure fit for purpose and in line with the best global funds in order to achieve our long term aims.

4. RECOMENDATIONS

- 4.1 As set out at the front of the report.

APPENDIX A

LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE ROLES



APPENDIX B

TERMS OF REFERENCE FOR REVISED WORKING GROUPS

| | |
|-----------|--|
| A. | TERMS OF REFERENCE FOR THE LOCAL BOARD |
| A1 | The purpose of the Board is to assist Tameside MBC in its role as the administering authority of the Fund. Such assistance is to: |
| A2 | (a) secure compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme and; |
| A3 | (b) to ensure the effective and efficient governance and administration of the Fund. |

| | |
|------------|---|
| B. | TERMS OF REFERENCE FOR POLICY AND DEVELOPMENT WORKING GROUP |
| B1. | To consider and make recommendations to the Management Panel on major strategic issues, including; <ul style="list-style-type: none"> a) Proposed structural or governance changes in LGPS b) Proposals for joint working with other funds/institutions |
| B2. | To consider in detail the ongoing appropriateness of the Fund's investment strategy and investment management arrangements and make recommendations to Panel. |
| B3. | To consider any types of investment which do not fall under the remit of any other working group and whether to broaden the scope of other working groups as required. |
| B4. | To monitor and evaluate the progress of new investment programmes and determine whether and when responsibility for monitoring and evaluation should pass to Alternative Investment or Property Working Groups. |
| B5. | To consider the resource implications of investment programmes and make recommendations to Panel. |
| B6. | To consider in detail opportunities for local investment that may satisfy the twin aims of commercial returns and supporting the area, and make recommendations on the allocations to these categories of investment to the Management Panel |
| B7. | To consider in detail the recommendations of the Funds' advisors and plan for their implementation. |
| B8. | To provide guidance to the Director of Pensions in exercising their delegated powers. |

| C. | TERMS OF REFERENCE FOR INVESTMENT MONITORING & ESG |
|------------|--|
| C1. | Review and develop the strategy together with monitoring the implementation and performance of the strategy for the Fund's investments in: a) Private Equity b) Infrastructure, c) Special Opportunities, and d) other Alternative Investments |
| C2. | Receive reports from 'managers' of underlying investment vehicles or investments, as appropriate |
| C3. | Receive and consider reports from Fund officers and external advisers on other matters relating to the Fund's Private Equity, Infrastructure and Special Opportunities portfolios and other Alternative Investments |
| C4. | Consider any other matters relating to the wider investment opportunities commonly referred to as Alternative Investments. |
| C5. | Make recommendations to the Fund's Advisory and Management Panel in relation to matters falling within the scope of the Working Group. |
| C6. | Oversee and periodically review the Fund's approach to Environmental, Social and Governance issues including proxy voting. |
| C7. | Consider reports from the Fund's active and passive Fund Managers regarding their approach to corporate governance, including their proxy voting records |
| C8. | Consider reports from the Fund's active Fund Managers regarding their Investment Management Association (IMA) disclosures of transaction costs. |
| C9. | Consider reports from the Fund's third party, specialist corporate governance advisor (PIRC) on the 'Local Authority Pension Fund Forum' (LAPFF) and other matters. |

| D. | TERMS OF REFERENCE FOR PROPERTY WORKING GROUP |
|------------|--|
| D1. | To monitor, and advise the Panel and Advisory Panel as necessary regarding |
| D2. | The overall strategy for investment in property by the Fund |
| D3. | Quarterly review of external managers performance against these mandates including: (a) investment performance (b) activity, including development and estate management (c) financial performance, including rents and expenditure |
| D4. | Receive and consider reports on Property Investment related matters, e.g. debt collection |
| D5. | Make recommendations to the Policy and Development Working Group and the Fund's Advisory and Management Panel in relation to matters falling within the scope of the Working Group. |

| E. | TERMS OF REFERENCE FOR ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP |
|------------|--|
| E1. | <p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p> <ul style="list-style-type: none"> (a) Ensuring the solvency of each of the notional sub-funds allocated to individual employers, whilst at the same time; aiming to maintain the stability and affordability of employer contributions (b) Using reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations. (c) To address the different characteristics of employers or groups of employers to the extent that this is practical and cost effective. |
| E2. | <p>This will be achieved by considering the interaction, at the individual employer level of:</p> <ul style="list-style-type: none"> (a) Funding strategy – i.e. assumptions and contribution rates (b) Investment strategy – ensuring appropriate given liability profile and risk tolerance (c) Employer covenant strength – making allowance for any risk reduction measures such as guarantees, bonds and pooling arrangements |
| E3. | <p>In connection with the above, the working group will:</p> <ul style="list-style-type: none"> (a) Consider policy for admitting new employers to the Fund and any conditions of joining which should be applied (b) Oversee the triennial actuarial valuation process (c) Receive and consider reports from Fund officers on developments in the LGPS and wider defined benefit pensions environment which may have an impact on funding |
| E4. | <p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p> |
| | <ul style="list-style-type: none"> (a) The effective administration of the LGPS, including: <ul style="list-style-type: none"> • the performance of the Pensions Office and employing authorities regarding the standards set out in the pensions administration strategy; • Pensions Office policies and procedures; • pension administration benchmarking; • proposed responses to national consultations relating to or affecting the LGPS • the Pensions Office’s response to wider pension issues and national developments affecting pension administration • the implementation of changes affecting the LGPS and / or the administration of pensions (b) training and support of: <ul style="list-style-type: none"> • members of the Pension Fund, Advisory Panel • employing authority colleagues including approved doctors (c) effective communication with Fund members and employing authorities, including: <ul style="list-style-type: none"> • The Pensions Office Helpline • written communications, and also e-comms including the website, e-mail alerts and GMPF on-line (d) the effective use and maintenance of Pensions Office systems and other physical resources (e) the provision of Scheme additional voluntary contributions (f) business continuity plans and procedures (g) any other matter that materially relates to pension administration |
| E5. | <p>Consider reports from TMBC’s “Internal Audit and Risk Management” service regarding approving the Annual Internal Audit Plan and considering quarterly progress updates</p> |
| E6. | <p>Consider reports from external auditors regarding the Fund’s external audit arrangements and the Annual External Audit Plan.</p> |
| E7. | <p>Consider reports setting the Fund’s administration expenses budget and thereafter monitoring:</p> <ul style="list-style-type: none"> a) the Fund’s administration expenditure against budget; b) the value of the Fund’s aged debt |

Appendix C

WORKING GROUP MEMBERSHIP – 2018/2019

| POLICY & DEVELOPMENT | | |
|---------------------------------|-------------------------|-----------|
| 1. | Cllr Warrington (Chair) | Tameside |
| 2. | Cllr M Smith | Tameside |
| 3. | Cllr S Quinn | Tameside |
| 4. | Cllr Cooney | Tameside |
| 5. | Cllr Taylor | Tameside |
| 6. | Cllr J Fitzpatrick | Tameside |
| 7. | Cllr Pantall | Stockport |
| 8. | Ms Baines | UNISON |
| 9. | Mr Thompson | UNITE |
| 10. | Ms Herbert | MoJ |

| PROPERTY | |
|--------------------|----------|
| Cllr Quinn (Chair) | Tameside |
| Cllr M Smith | Tameside |
| Cllr Drennan | Tameside |
| Cllr Ward | Tameside |
| Cllr Patrick | Tameside |
| Cllr Barnes | Salford |
| Cllr Halliwell | Wigan |
| Cllr Grimshaw | Bury |
| Mr Allsop | UNISON |
| Mr Thompson | UNITE |



| INVESTMENTS & ESG | | |
|------------------------------|---------------------|------------|
| 1. | Cllr Cooney (Chair) | Tameside |
| 2. | Cllr Ward | Tameside |
| 3. | Cllr Ricci | Tameside |
| 4. | Cllr Taylor | Tameside |
| 5. | Cllr J Lane | Tameside |
| 6. | Cllr Mistry | Bolton |
| 7. | Cllr Andrews | Manchester |
| 8. | Cllr Ball | Oldham |
| 9. | Cllr O'Neill | Rochdale |
| 10. | Cllr Mitchell | Trafford |
| 11. | Cllr Pantall | Stockport |
| 12. | Cllr Barnes | Salford |
| 13. | Mr Drury | UNITE |
| 14. | Mr Allsop | UNISON |
| 15. | Mr Llewellyn | UNITE |
| 16. | Mr Flatley | GMB |

| ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP | |
|---|------------|
| Cllr J Fitzpatrick (Chair) | Tameside |
| Cllr Ricci | Tameside |
| Cllr Patrick | Tameside |
| Cllr J Lane | Tameside |
| Cllr Drennan | Tameside |
| Cllr Mistry | Bolton |
| Cllr Grimshaw | Bury |
| Cllr Andrews | Manchester |
| Cllr Ball | Oldham |
| Cllr O'Neill | Rochdale |
| Cllr Mitchell | Trafford |
| Cllr Halliwell | Wigan |
| Mr Drury | UNITE |
| Mr Allsop | UNISON |
| Mr Llewellyn | UNITE |
| Mr Flatley | GMB |

APPENDIX D

| Pension Fund and Working Groups calendar dates: | | | | | |
|---|-----------------------------|---------------|--------------------------|------------------|---------------|
| Pension Fund | Friday 10.00am | 20 July 2018 | 19 October 2018 (AGM) | 18 January 2019 | 12 April 2019 |
| | | 19 July 2019 | 18 October 2019 (AGM) | 17 January 2020 | 10 April 2020 |
| Policy and Development | Thursday 11am | 14 June 2018 | 20 September 2018 | 20 December 2018 | 7 March 2019 |
| | | 13 June 2019 | 19 September 2019 | 19 December 2019 | 6 March 2020 |
| Property | Thursday 9.00 am | 14 June 2018 | 20 September 2018 | 20 December 2018 | 7 March 2019 |
| | | 13 June 2019 | 19 September 2019 | 19 December 2019 | 6 March 2020 |
| Investment Monitoring & ESG | Friday 9.00 am | 13 July 2018 | 28 September 2018 | 21 December 2018 | 22 March 2019 |
| | | 12 July 2019 | 27 September 2019 | 20 December 2019 | 20 March 2020 |
| Administration, Employer Funding & Viability | Friday 11.00 am | 13 July 2018 | 28 September 2018 | 21 December 2018 | 22 March 2019 |
| | | 12 July 2019 | 27 September 2019 | 20 December 2019 | 20 March 2020 |
| Local Pensions Board | Thursday 3.00 pm | 9 August 2018 | 15 November 2018 | 14 February 2018 | 13 June 2019 |
| | | 8 August 2019 | 11 October 2019 | 12 December 2019 | 26 March 2020 |

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| Report To: | PENSION FUND MANAGEMENT PANEL |
| Date: | 20 July 2018 |
| Reporting Officer: | Sandra Stewart - Director of Pensions Emma Mayall - Pensions Policy Manager |
| Subject : | PENSIONS ADMINISTRATION UPDATE |
| Report Summary: | <p>This report covers the following key items of work affecting, or being carried out by, the administration section over the last quarter:</p> <ul style="list-style-type: none">- LGPS (Amendment) Regulations 2018- 'My Pension' upgrade- GMP Reconciliation- The Pensions Regulator- PASA accreditation |
| Recommendation(s): | It is recommended that the Panel note the report. |
| Financial Implications: (Authorised by the Section 151 Officer) | One of the key objectives of the administration section is to provide value for money, delivering a service that is both meeting its member's needs and its legal obligations whilst doing so in an efficient and cost-effective way. |
| Legal Implications: (Authorised by the Solicitor to the Fund) | Whilst striving to deliver a value for money service, GMPF must ensure compliance with the LGPS regulations and other relevant statutory guidance. It must also have regard to The Pension Regulator's Code of Practice and guidance. |
| Risk Management: | There are no key risks to highlight. |
| ACCESS TO INFORMATION: | NON-CONFIDENTIAL This report does not contain information that warrants its consideration in the absence of the Press or members of the public. |
| Background Papers: | <p>Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden</p> <p> Telephone: 0161 301 7242</p> <p> e-mail: emma.mayall@gmpf.org.uk</p> |

1. BACKGROUND AND INTRODUCTION

1.1 This report provides a brief update on some of the items affecting the work of the Pensions Administration section over the last quarter and some of the key projects being undertaken, being:

- LGPS (Amendment) Regulations 2018
- 'My Pension' upgrade
- GMP Reconciliation
- The Pensions Regulator
- PASA accreditation

2. LGPS (AMENDMENT) REGULATIONS 2018

2.1 The Local Government Pension Scheme (Amendment) Regulations came into force on 14 May 2018. They contain various corrections and clarifications to The Local Government Pension Scheme (LGPS) Regulations 2013 that have been identified as being required following the introduction of those regulations on 1 April 2014. A consultation on the Amendment regulations took place in summer 2016.

2.2 There are two notable changes.

2.3 The first relates to regulatory alignments regarding the entitlement to the early payment of deferred benefits. Members who left the scheme between 01 April 1998 and 1 April 2014, and councillor members who left between 01 April 1998 and 31 March 2008 can now elect for payment of their deferred benefits at any time between their 55th and the eve of their 75th birthday. This brings them into line with those who left the scheme on or after the 1 April 2014.

2.4 Deferred members affected by this change were notified in the deferred annual benefit statement issued in May. A newsletter informing all active and deferred members of the changes will be issued shortly in line with disclosure requirements.

2.5 The second relates to a new provision that provides for the payment of an exit credit by the administering authority to an 'exiting' employer. An exit credit is an amount the administering authority is required to pay an employer that is exiting the fund if there is an excess of assets relating to that employer. The exit credit must be paid within 3 months of the date on which the employer ceases to be a scheme employer (or such longer time as agreed between the administering authority and the exiting employer).

An 'exiting employer' is an employer that:

- o Ceases to be a scheme employer (including ceasing to be an admission body participating in the scheme), or
- o Is or was a scheme employer, but irrespective of whether that employer employs active members contributing to one or more other funds, no longer has an active member contributing towards a fund that has liabilities in respect of benefits in respect of current and former employees of that employer.

2.6 Once an exit credit is paid, no further payments are due from the administering authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

2.7 Further advice and guidance is currently awaited regarding this new provision.

3. 'MY PENSION' UPGRADE

- 3.1 'My Pension' is a customer-facing module of the Altair pension administration software. It allows members of the Fund to view details that are held about them in relation to their pension. It is also designed to allow them to make real-time changes, such as updating their address or death grant nomination details, and has a suite of benefit projectors that can be used by members to assist them in assessing their pension provision.
- 3.2 GMPF subscribed to the previous version of this module and provided pensioner members of the Fund with on-line access. However, on 3 July 2018, GMPF upgraded to a new version of the module that continues to be available for pensioners, but that is now also available for active and deferred members.
- 3.3 This new module has a more modern look, easier navigation, accurate benefit projectors and more functionality in terms of real time updates. There is also the ability to upload documents in bulk, such as annual statements and P60s, and individual letters that would ordinarily be mailed to members. Use of this module presents a wide range of opportunities for the Fund to transform its processes to become more efficient and cost effective, providing members with a higher level of service and value for money.

4. GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION

- 4.1 Work on completing the GMP Reconciliation project continues. Responses to queries raised from HMRC have slowed down, which was to be expected as all pension schemes endeavour to complete the project by the end of the year.
- 4.2 Graphs and commentary on the numbers of matches, mismatches, queries and estimates of potential cost savings can be found at **Appendix 1**.

5. THE PENSIONS REGULATOR (TPR)

- 5.1 The Pensions Regulator has been presenting at a number of LGPS workshops and events during the last quarter. Their presentations have covered a number areas including highlighting their expectations of scheme managers and local pension boards.
- 5.2 One of the key messages was that TPR believes they have seen "signs that process improvements have stalled in some local government schemes" and as such, TPR is expecting to focus their casework activities on this group in the coming year.
- 5.3 Officers are currently continuing their review of TPR related work and processes and report to the Local Board on progress made.

6. PENSIONS ADMINISTRATION STANDARDS ASSOCIATION (PASA) ACCREDITATION

- 6.1 At the March 2018 meeting, it was confirmed that the Fund had become a member of PASA and would be applying for PASA accreditation. PASA is an organisation that exists to promote and improve the quality of pension administration services for UK pension schemes.
- 6.2 Since then, officers have carried out some gap analysis work on the accreditation criteria and have held a conference call with PASA to begin work initiating the accreditation process. Work towards gaining the accreditation will continue this quarter.

7. RECOMMENDATION

7.1 As set out at the front of the report.