Tameside Metropolitan Borough

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

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: **Friday**
Date: **19 October 2018**
Time: **10.00 am**
Place: **Conference Room - Guardsman Tony Downes House, 5 Manchester Road, Droylsden, M43 6SF**

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

Item No.	AGENDA	Page No

GENERAL BUSINESS

1.	**CHAIR'S OPENING REMARKS**	
2.	**APOLOGIES FOR ABSENCE**	
3.	**DECLARATIONS OF INTEREST** To receive any declarations of interest from Members of the Panel.	
4.	**MINUTES**	
a)	**MINUTES OF THE PENSION FUND ADVISORY PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 20 July 2018.	1 - 18
b)	**MINUTES OF THE PENSION FUND MANAGEMENT PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 20 July 2018.	19 - 24
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
6(g), 6(h), 7, 8, 9, 10, 11,12,13	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.

ITEMS FOR DISCUSSION / DECISION

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9.	**MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION**	129 - 140
	Report of the Assistant Director of Pensions, Investments, attached.	
10.	**UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING**	141 - 162
	Report of the Assistant Director of Pensions, Investments, attached.	
11.	**NORTHERN POOL UPDATE**	163 - 224
	Report of the Assistant Director of Pensions, Funding and Business Development, attached.	
12.	**ADVISOR COMMENTS AND QUESTIONS**	

ITEMS FOR INFORMATION

13.	**LGPS UPDATE**	225 - 252
	Report of the Assistant Director of Pensions, Funding and Business Development, attached.	
14.	**PENSIONS ADMINISTRATION UPDATE**	253 - 262
	Report of the Pensions Policy Manager attached.	
15.	**FUTURE TRAINING DATES**	
	Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.	

LGE Fundamentals Training Leeds Day 2 Day 3	 6 November 2018 5 December 2018
Investec Trustee Training Doubletree Hilton Hotel, Manchester	14 November 2018
CIPFA Pensions Network Annual Conference The Leadenhall Building, London	22 November 2018
LAPFF Annual Conference Bournemouth	5 – 7 December 2018
UBS Trustee Training Doubletree Hilton Hotel, Manchester	13 December 2018
LGE Governance Conference Bristol	17 – 18 January 2019

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

16. DATES OF FUTURE MEETINGS

Management/Advisory Panel	18 January 2019 12 April 2019 19 July 2019 18 October 2019 (AGM) 17 January 2020 17 April 2020
Local Pensions Board	15 November 2018 14 February 2019 13 June 2019 8 August 2019 11 October 2019 12 December 2019 26 March 2020
Policy and Development Working Group	20 December 2018 8 March 2019 13 June 2019 19 September 2019 19 December 2019 6 March 2020
Property Working Group	20 December 2018 8 March 2019 13 June 2019 19 September 2019 19 December 2019 6 March 2020
Investment Monitoring and ESG Working Group	21 December 2018 22 March 2019 12 July 2019 27 September 2019 20 December 2019 20 March 2020
Administration and Employer Funding Viability Working Group	21 December 2018 22 March 2019 12 July 2019 27 September 2019 20 December 2019 20 March 2020

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

20 July 2018

Commenced:	**10.00am**	**Terminated: 12.30pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Barnes (Salford), Grimshaw (Bury), Halliwell (Wigan), Mistry (Bolton), O'Neill (Rochdale), Pantall (Stockport)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UNITE)** **Local Pensions Board Members (in attendance as observers):** **Councillor Cooper** **Advisors:** **Mr Bowie, Mr Moizer, Mr Powers and Ms Brown**	
Apologies for absence:	**Councillors Mitchell (Trafford) and Ball (Oldham)**	

1. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting, in particular, to the new Councillors on the Panel: Councillor Ball (Oldham), Councillor Drennan (Tameside), Councillor Mistry (Bolton) and Councillor O'Neill (Rochdale). She further thanked former Panel Members, Councillor Jabbar (Oldham), Councillor Brett (Rochdale) and Councillor Francis (Bolton) for their contribution to the work of the Fund over the past year.

The Chair also thanked Steve Lee of Investec for putting together an abridged version of the 3 day Local Government Essential Pensions training into a single day and delivering the training especially for the Greater Manchester Pension Fund. The Chair encouraged everyone to attend training and in particular, recommended the Pension Regulators on-line training and agreed that the link for this would be forwarded to all Members.

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

- An update on pooling, including meeting with the Minister,
- A proposal in relation to the pension aspects of the Waste Retendering;
- The annual review of Investment Strategy;
- Investment Management arrangements;
- Long term performance reports; and
- The Fund's Annual Report and Accounts.

The Chair reported that at the end of March, the fund stood at £22.5 billion a decrease of £0.5 billion over the quarter since the last meeting of the Panel. However, the value of the Fund had subsequently recovered to stand at almost £23.5 billion today.

2017/18 had been another successful year for the Fund and the year saw positive returns in almost all investment categories, whilst the Main Fund achieved a return of 4.2%; outperforming a number of comparative benchmark indexes. The Main Fund had also consistently delivered annual returns 0.6% higher than that of the average local authority over 30 years and over periods of 15, 20 and 30 years had ranked in the top 10 of such funds. The Fund was responsible for more than 370,000 members and 560 employers with administration costs per member remaining lower per year than the Local Government Pension Scheme average.

As had been the case in previous years, the growth had been undertaken in a challenging financial and economic climate. This had placed extra pressure on pension funds, particularly around higher values being placed on pension promises earned, and the performance of assets required to meet those promises. The Fund and its employers also faced the continued impact of austerity measures and government policies on public sector delivery, perpetuating the risk of financial difficulties within public sector organisations and potentially weakening the Fund's covenant strength. Albeit in the last 30 years, the Fund had overachieved £3.7 billion above what it would have achieved it if had been operating at the level of performance of the average Local Government fund.

With regard to developments since the last meeting, the Chair informed Panel members that she had, along with Northern Pool counterparts and the Director of Pensions, met Rishi Sunak, the Minister with responsibility for the LGPS in May at the Houses of Parliament. The Northern Pool's unique approach to pooling and the progress made was discussed. It was explained that achieving the right outcomes was more important than process or structure. The Minister agreed with that and commented that he was keen for funds to invest at least a tenth of their asses into infrastructure investment. He also name checked the Greater Manchester Pension Fund and its contribution to housing at the pensions conference where he delivered a key note speech the day before the meeting and said how keen he was to hold a conference to find ways to free blockages to infrastructure investing perceived or real, and would be looking to the Northern Pool and the Fund to assist with that.

The Chair was pleased to inform members that she had received a letter from Mary Creagh MP, Chair of the Environment Audit committee advising that on the 25 May 2018, she had published the Fund's response to her committee on the steps taken to manage the risks that climate change poses to UK pension investments. It was satisfying to hear that the Greater Manchester Pension Fund, along with its pooling partner, West Yorkshire, were stated to have reached the highest standard of being 'more engaged' and were committed to report on the climate change risks and opportunities facing funds in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Chair was further pleased to report that, as of 5 June 2018, the Greater Manchester Pension Fund and the Northern Pool had been recognised as Transition Pathway Initiative Supporters meaning that the Fund was committed to the transition to a low-carbon economy, and supporting efforts to address climate change. A notable addition to this year's Annual Report was the section on the Pension Fund's approach to Climate Risk. The Fund whole-heartedly supported the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. Financial decarbonisation of the economy was a complex and challenging issue, particularly for long-term investors such as pension funds. However, this had not stopped the Fund's commitment to the Paris Agreement goal of 100% of assets being compatible with the net-zero emissions ambition by c2050. Progress towards this goal would be regularly evaluated in line with the objective of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that the Fund could continue to deliver affordable and sustainable pensions for employers and taxpayers. The Fund would continue to use its position on the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest.

The Chair concluded by extended congratulations to the Fund's Private Markets Investment Team, who had been awarded the prestigious Fund Selection Team of the Year 2018 by the Institutional Investor Institute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 23 March 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 23 March 2018 were signed as a correct record.

4. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

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

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

5. LOCAL PENSIONS BOARD

The Chair explained that the Chair of the Local Pensions Board was unable to attend the meeting today, however, in his absence, she read out his report that the Board had a productive meeting and items discussed included training requirements for Board members, the continued development of the Northern Pool and the governance arrangements for the completion of the annual pension fund accounts. In particular, a helpful discussion had taken place regarding the Pension Regulator's increased scrutiny of the LGPS and how the fund assessed its compliance with the Pension Regulator's Code of Practice together with comprehensive updates from GMPF's administration section and from the internal audit team on the work they had been doing.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 29 March 2018 be noted.

6. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 14 June 2018 were considered

The Chair of the Working Group, Councillor Warrington, advised that it had been an interesting and constructive meeting and she thanked the Advisors for their input. The Chair, as a reminder, explained that the Fund had implemented a Global Equity Trigger Process, which was designed to either protect the Fund when the stock market became very expensive, or enhanced the Fund's returns by investing at times of extreme stock market lows. When the stock market continued to rise at the start of 2018, a trigger was hit and the Fund protected itself against falls in the market on £120 million of its equities. Officers provided Members with an updated estimate of Fair Value, along with the updated trigger points at which the Fund would buy or sell equities. The updates were recommended for adoption by the Panel today.

Separately, the Working Group, along with the Advisors, devoted substantial time to considering a draft of the Investment Strategy report. The final report, which had been updated to reflect feedback from the Working Group, would be presented later in the agenda.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Property Investment: Deployment and Performance Monitoring, that the revised project summary as set out in an appendix to the report, be noted;
(iii) In respect of Investment Initiatives, that the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair of the Fund, be noted;
(iv) In respect of the Global Equity 'Purchase/Sale' Trigger Process – Update of Fair Value Estimate, Trigger Points and Size of Switch, that the updated Fair Value estimate, the associated updated trigger points and the updated 'size' of the maximum asset switch to be targeted, as contained within the report, be adopted;
(v) In respect of the Introduction to Private Debt Allocation, that the Fund creates a new strategic allocation to ' Private Debt' of 5% of Main Fund assets; and
(vi) In respect of Investment Strategy and Tactical Positioning 2018/19:
(a) To change the Public Equity mix from 35% UK: 65% Overseas to 30% UK: 70% Overseas;
(b) 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;
(c) That all increases in realistic allocations to Private Equity, Infrastructure and the Special Opportunities portfolio to come entirely from Public Equities;
(d) To develop a Smart Beta proposal which would provide a rapidly implementable solution to address a number of key issues for the Fund; and
(e) 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.

7. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 6 April 2018 were considered.

Councillor Pantall, who chaired the Working Group in Councillor Taylor's absence, was pleased to report that Investec gave an informative update on their corporate governance activity, and trading costs over the last 12 months. Investec highlighted that it had been an important year for ESG integration and their 4factor process with the development of an ESG portfolio screener which enabled the portfolio managers to understand the ESG footprint of any existing and future investments they make on behalf of the Fund. Investec outlined companies within our portfolio where they had identified ESG issues, and gave details of engagements that they had undertaken, with a current priority being the board composition at Samsung. Members had also been provided with an update from PIRC on their '2018 UK Shareowner Voting Guidelines'.

RECOMMENDED
That the Minutes be received as a correct record.

8. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 6 April 2018 were considered.

The Chair of the Working Group, Councillor J Lane, reported that the Working Group had heard about the improvements made to the Death Grants procedure to date. The Death Grant Discretion Board was established some months ago to advise the Director of Pensions in making decisions regarding the beneficiaries in unusual or complex cases and had so far considered 30 cases. All potential beneficiaries considered were now informed of the information considered when making the decision and the reasons why the decision had been made. These improvements were ensuring that robust decisions were being made and were resulting in less challenges being received from potential beneficiaries.

The Working Group also received an update on the Communication activities for the quarter and the improvements being made regarding communications with members. Following feedback from members, it had been identified that there was a lack of awareness regarding processes and timescales for member events. To aid the members understanding with this, illustrative timeless for key member processes had been produced and put on the members' website. Further surveying of members was being undertaken to gain a greater understanding of their needs and expectations.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the Pension Administration Strategy, that a revised strategy be implemented and that an eight week consultation period with employers and other interested stakeholders take place.

9. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 8 June 2018 were considered.

The Chair of the Working Group, Councillor Cooney, reported that the Working Group had heard from the Fund's specialist advisor, Capital Dynamics, who presented its annual reviews of GMPF's Private Equity and Infrastructure portfolios to 31 December 2017. Both of these portfolios continue to develop well, with 'since inception' returns of 16.7% per annum and 10.2% per annum respectively.

In addition, review of strategy and implementation for both of these portfolios were discussed. The private equity portfolio report gave particular focus to changes relating to geographic and investment stage diversification, changes that were linked to the creation of the Northern Private Equity Pool LP.

Recognition was also made of officers' significant efforts during 2017 in the implementation of the private equity and infrastructure strategies, particularly given the demands of the creation of the Northern Private Equity Pool LP.

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

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

(b) The target geographical diversification of the private equity portfolio 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.

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

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

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

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

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

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

(d) The scale of fund commitments 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.**

10. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 20 April 2018 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported that the Working Group had discussed 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. A report had also been received setting out the governance arrangements for approval of the Fund's 2018 accounts, which were to be considered later on the agenda.

RECOMMENDED

(i) **That the Minutes be received as a correct record;**

(ii) **In respect of GMPF Statement of Accounts 2017-2018 Governance Arrangements, that the governance arrangements for the approval of GMPF accounts be noted; and that the assumptions for estimates used in the GMPF accounts be noted;**

(iii) **In respect of Pooling Ill-Health Retirement Experience and Costs Between Employers, that the proposal to trial an internal ill-health insurance arrangement for the sixth form colleges be noted; and**

(iv) **In respect of Security Arrangements for Admitted Bodies, that approval be given to implement alternative security arrangement to employers renewing a bond, subject to the receipt of appropriate legal and actuarial advice and a satisfactory valuation of the asset.**

11. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 20 April 2018 were considered.

Councillor Cooney, who chaired the Working Group in Councillor Quinn's absence, reported that the Working Group considered a report on the overall performance the Fund's property assets and the pace of deployment of capital, the focus was on the underperformance of La Salle. There was a project being undertaken by officers and advisors to ascertain reasons and potential remedies, which would report back in due course.

There were also standard quarterly reports on aged debt and from La Salle and GVA

RECOMMENDED
That the Minutes be received as a correct record.

12. INVESTMENT STRATEGY AND TACTICAL POSITIONING

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

It was reported that the Investment Managers and Advisors believed that the current investment strategy was broadly capable of delivering the required returns over the long term (albeit there were short/medium term caveats). Economic uncertainties remained, with a medium term outlook which could potentially encompass a number of unattractive scenarios. In such circumstances, it was not apparent that any significant changes to the Fund's approach would prove beneficial, 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 form 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. Members were advised that the Advisors had been consulted initially for their comments on the Managers' submissions, and also through their attendance at the Policy and Development Working Group on 14 June 2018, where detailed discussion on the key relevant points of an initial draft of the report had taken place. They were supportive of the recommendations.

RECOMMENDED
That:
1. **Any requirements for cash to be withdrawn from the securities managers to be taken from L&G, pending the outcome of the ongoing Structure Review.**

2. **Main Fund Overall Asset Allocation**

   (a) **Adjust the Public Equity to take account of the changes in 'realistic benchmark' allocations to Private Debt, Private Equity, Infrastructure, Local Investments and the Special Opportunities Portfolio** ***[see 7. (a), 8. (d) and 11. (b) below].***

3. **Public Equity Allocation**

   (a) **Change the Public Equity mix of 35% UK : 65% Overseas to 30% UK : 70% Overseas.**

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

4. **Debt Related Investments (inc Bonds)/Cash Allocation**

   (a) **No changes proposed for the overall bond position at this time – further consideration to be given to the bond allocations and proposals brought to a future Panel meeting.**

   (b) **No change to the 3.2% allocation to Strategic Cash.**

   (c) **Continue to source the majority of the 2018/19 cash requirements from L&G, pending the outcome of the ongoing Structure Review.**

5. **Environmental, Social and Governance Factors**

   (a) **No changes proposed for the Fund's incorporation of ESG factors into the strategic benchmark and investment strategy.**

6. **Capital's Replacement Management Arrangements**

   (a) **Work will be undertaken with Hymans to first design an appropriate set of management arrangements to replace the Capital mandate with, before conducting any procurement exercises as necessary. Consideration will be given to issues such as multi-asset vs specialist managers and global vs regional management of assets.**

7. **Private Debt**

   (a) **The current relatively small allocation to Senior Secured Private Debt currently held in the Special Opportunities Portfolio to be promoted into a Main Fund Private Debt allocation, with a realistic allocation of 0.5% of Main Fund assets and a strategic allocation of 5% of Main Fund assets.**

   (b) **Review the Fund's current exposures to Private Debt and report back to Panel.**

8. **Alternative Investments**

(a) **Private Equity : The recommendations of the Alternative Investments Working Group be adopted (minute 23 refers).**

(b) **Infrastructure : The recommendations of the Alternative Investments Working Group be adopted (minute 25 refers).**

(c) **Special Opportunities Portfolio : The recommendations of the Alternative Investments Working Group be adopted (minute 12 refers).**

(d) **Change the realistic allocation to Private Equity from 3% to 4%, Infrastructure from 2% to 2.5% and the Special Opportunities Portfolio from 1.5% to 2.5%.**

(e) **All increases in realistic allocations to Private Equity, Infrastructure and the Special Opportunities portfolio to come entirely from Public Equities.**

9. **Direct UK Infrastructure**

(a) **No changes proposed to the 1.5% realistic allocation to GLIL.**

(b) **Increase the commitment to GLIL from £500m to £1bn, with the phasing of commitments above the current £500m being at the discretion of the Director of Pensions.**

10. **Property**

(a) **Maintain the long term target allocation to property at 10% of total Main Fund assets, broadening the range of approaches to obtaining the target 10% exposure.**

(b) **Subject to results of review, continue to phase in 'realistic benchmark' allocations and movement towards the 10% target, pending the outcome of the review of property performance, as follows :**

	2018/19 Realistic% Range% Cash flow	2019/20 Realistic% Range% Cash flow
Main Portfolio External	5 4-6 £200m	6 5-7 £200m
Indirect	1 0-2 (£0m) -(£25m)	1 0-2 (£0m) -(£25m)
Overseas	1.5 1-3 £100m	2 1-3 £100m
Other	0.75 0-1 £50m	1 0-1 £50m
Total	9 6-14 £200m-£450m	10 6-14 £150m-£250m

(c) **Review the use of leverage within Property and the wider Fund and report back to Panel.**

11. **Local Investment**

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

(b) **Continue to phase in 'realistic benchmark' allocations to reflect the movement towards the respective targets, as follows:**

	2018/19 Realistic% Range% Cash flow	2019/20 Realistic% Range% Cash flow	2020/21 Realistic% Range% Cash flow
GMPVF and housing	2 1-3 £100m	2.5 2-3 £100m	2.5 2-3 £100m
Impact Portfolio and legacy I4G	1.25 0.75-1.75 £50m	1.5 1-2 £50m	1.5 1-2 £95m
Total	3.25 1.75-4.75 £150m	4 3-5 £150m	4 3-5 £195m

12. **Factor Based Investing**

(a) **The Fund to develop a Smart Beta proposal which would provide a rapidly implementable solution to address a number of key issues for the Fund.**

13. **Rebalancing**

(a) **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.**

14. **Implementation**

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

13. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions, Investments, submitted a report in relation to the Fund's consideration of Investment Management arrangements.

It was explained that, over the course of 2017, the Fund conducted a review of its Investment Management arrangements, assisted by Hymans. The Panel resolved to terminate the Capital mandate and the assets were temporarily transferred to L&G pending replacement arrangements might be.

The Investment Management arrangements of the Fund reflected a wide range of significant decisions concerning how the fund chose to position itself in terms of the management of its assets These significant decisions included, amongst others, a consideration of the choice of peer-group versus bespoke benchmark and the detail of any bespoke benchmark, and whether, for example, to adopt active versus passive management or specialist versus multi-asset management. The numbers of appointed managers and their respective investment styles and approaches also needed to be determined. A sequential approach to considering these matters was beneficial.

It was further explained that Hymans Robertson, Actuary to the Fund, were assisting with the review of Investment Management arrangements and it was anticipated that, as part of the review, a report would also be brought to the October 2018 meeting of the Panel.

David Cullinan of PIRC delivered a presentation, which gave information in respect of how the fund was delivering compared to other funds known as the LGPS Universe.

Mr Cullinan gave details of the LGPS Market Environment and Fund performance.

He summarised by explaining that the sector had delivered excellent returns over all periods. The Fund's performance relative to benchmark and its peers had been excellent and a clear, long-term strategy and implementation thereof had been very valuable. Importantly, performance over all meangingful timeframes had outpaced inflation and actuarial assumptions for asset growth.

Mr Marshall of Hymans Robertson then delivered a presentation which set out an introduction to the structural review and provided an update on the fund's strategic and structural evolution and an overview of the areas to be covered in the second stage of the review to the October 2018 Panel meeting.

Mr Marshall summarised that the Fund had evolved considerably over recent years. This was expected to continue in the coming years, most notably evolving the strategy to achieve long-term stable and affordable contribution rates and the introduction of the multiple employer framework. There was also the ongoing regulatory changes and external challenges e.g. pooling. Given all this it was fundamental that the Fund's governance evolved accordingly.

He also briefly outlined points of discussion for Stage 2 of the review, (to be discussed at the October Panel Meeting) and explained that a number of recommendations would be made, including the splits between specialist and multi-asset and active and passive mandates to help ensure the Fund's arrangements reflected the underlying investment beliefs.

Discussion ensued and, in response to comments from Members, Mr Marshall referred to the Fund's historical success as a long-term investor.

Mr Moizer concurred with Mr Marshall's and commented on the Fund's consistent vision over 30 years.

Mr Powers further endorsed the work of the Employer Funding Viability Working Group and Hymans Robertson.

The Chair thanked both Mr Cullinan and Mr Marshall for very informative presentations.

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

14. 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 1 Performance Dashboard was summarised. Global equity markets fell in Q1 2018, the first quarterly fall in two years. The continued positive outlook for growth and the increased expectations for future rate rises saw yields on many benchmark government bonds rise sharply. These rises in yield moderated later in the quarter, as investors considered evidence that the rate of acceleration in global demand growth may be set to ease off. Credit focused areas of the bond markets fell as credit spreads widened modestly over the quarter (having initially narrowed) as concerns grew about tighter monetary policy and rising trade tension. Market volatility had continued to be low relative to history but had significantly increased across all asset classes in Q1.

Over the quarter total main Fund assets decreased by £600m to £21.9 billion. The benchmark allocation was updated at the end of January to reflect the removal of the tactical cash weighting (reduced over the quarter by around 1% to c 3%) and the concomitant increase in the equity weighting (increase of 3% to c. 58%). As a result, within the Main Fund, there was an underweight position in equities (of around 2% versus target). Also, the property allocation continued to be underweight versus its benchmark, although the magnitude of the underweight reduced over the quarter (by around 1% to c. 3%).

On a cumulative basis, over the period since September 1987, the Main fund has outperformed the average LGPS, equating to over £3.7 billion of additional assets. The Main Fund outperformed its benchmark over the quarter 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 broadly 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 1, 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.

15. ANNUAL PERFORMANCE REPORTS

(a) Long Term Performance 2017/18 – Main Fund and Active Managers

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

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

The performance of UBS over their time as a Manager for the Fund had been excellent. Short term only performance for Investec since their inception in 2015/16, was displayed.

RECOMMENDED
That the content of the report be noted.

(b) Cash Management

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

The report concluded that the Pension Fund's cash had been generally well managed. Performance in 2017/18 exceeded market returns and total interest received was £2.9 million.

RECOMMENDED
That the content of the report be noted.

(c) Property Investment 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 performance monitoring.

The background to the property investment programme at the Fund and the reasons for its detrimental overall performance were outlined, including the steps taken by the Management Panel and Property Working Group to correct this.

It was explained that a meeting had been held with 3 of the Fund's Advisors, the senior management group, the property team and IPD and LA Salle on 17 May 2018. The agenda and summary of the discussion was detailed in an appendix to the report.

Key outcomes from the meeting were reported as follows:

- An agreement that the rate and timing of deployment had a significant impact on performance;
- An agreement that La Salle had done well with asset management on existing properties whilst some questions remained over acquisitions noting that it was early in the life cycle for these;
- An agreement to explore changing the overall target allocation for La Salle and giving more flexibility over timing of deployment; and
- A desire to understand more fully how the other internally managed portfolios fit in with the La Salle portfolio and to examine what was an appropriate benchmark for each of the components.

Members were informed that, following these outcomes the project plan had been revised and further meetings were being arranged. The revised project summary sheet was also appended to the report.

RECOMMENDED
That the content of the report be noted.

16. 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 all LGPS pools were asked to submit a further progress report to Government covering the period up to 13 April 2018. As was the case for previous progress reports, MHCLH issued a template for pools to complete. The template for this update was more detailed than the ones issues for previous submissions. A link to the progress update from the Northern Pool which was submitted on 10 May, was provided.

The response summarised the Northern Pool's progress in meeting each of the Government's four headline pooling criteria, as set out in the report. Supporting information provided with the progress update included the CEM benchmarking analysis for the Pool and details of the current GLIL investments. The main ongoing work streams for the Northern Pool were also set out in the report.

Members were informed that Rishi Sunak MP, the current Minister with responsibility for local government pensions, met with members of the Northern Pool Shadow Joint Committee and the Director on 23 May 2018 to discuss plans for implementation.

Matters discussed included the Northern Pool's infrastructure and housing investment, the evidence obtained via the CEM benchmarking reports of the Northern Pool's low costs compared to its peer group and where the responsibility for selecting fund managers lie in the Pool.

Following the meeting, MHCLG were provided with a copy of legal advice obtained by the Northern Pool, which set out the potential operation of a vehicle of similar structure to NPEP, which could be used to select and monitor external managers of listed assetssubject to further consideration that this would deliver vale for money. This advice was attached in an appendix to the report. One of the sub-criteria in the pooling guidance issued by Government was that external managers must be selected at the Pool level rather than by individual funds.

The vehicle envisaged to select and monitor external managers of listed assets would not be able to appoint any manager which was not FCA regulated. As a result, any internally managed listed assets in the funds participating in the Northern Pool (which included the bulk of West Yorkshire Pension Fund's assets) would effectively be held outside of the pooling arrangements.

Consideration would need to be given to whether WYPF was represented on the externally managed listed assets vehicle given it would not have any investment in this area at outset. It was noted that further legal advice was being sought from Leading Counsel.

Minutes of the Northern Pool Shadow Joint Committee meetings which had taken place on 26 February 2018 and 22 March 2018 were attached to the report for information. Ian Greenwood, the vice-chair of the West Yorkshire Pension Fund, was agreed as Chair of the Shadow Joint Committee at the 26 February 2018 meeting. The Shadow Joint Committee also met on 24 April 2018 and the minutes of the meeting would be provided at a future Panel meeting once finalised.
LGPS National Pooling developments were also detailed and discussed.

RECOMMENDED
That the content of the report and the progress of the Northern Pool be noted.

17. REPROCUREMENT OF GM WASTE DISPOSAL CONTRACT

The Assistant Director of Pensions, Local Investments and Property, submitted a report, which explained that, as part of the re-procurement of the GM waste disposal contract, Greater Manchester Combined Authority was considering seeking admission body status in GMPF for the successful bidders and seeking GMPF's consent to receive a built transfer of benefits from the incumbent provider's private sector defined benefit arrangements.

The report summarised the issues for the Panel to consider in relation to this project.

RECOMMENDED
That the Director of Pensions working with the GMPF actuary be authorised to progress the matters outlined in the report.

18. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017-2018

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

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

- Annual Report.

RECOMMENDED
(i) That the completion of governance arrangements for the approval of GMPF's accounts be noted;
(ii) That the Audit Findings Report from Grant Thornton be noted; and
(iii) That the Annual Report be approved.

19. REVIEW OF SCHEME GOVERNANCE AND WORKING GROUPS

A report was submitted by the Director of Pensions, which set out the need to review the Fund's governance, which had 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 was not impacting on the ability to undertake and implement decision or to ensure appropriate oversight and accountability. The Funds success had routed in its simplicity and good and effective governance. A review was required to ensure it was fit for purpose and to do that a revision in the interim was required to address pooling and the need to comply with best practice re: governance as PASA accreditation was sought.

The interim proposal allowed:
- Focus on risks and improved accountability;
- Ensured, in the short term, that a focus on property was retained; and
- Enabled appropriate time to work with advisors on a way forward that was long term and in line with the best global funds and academic research.

RECOMMENDED
That the Panel:
- **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 undertaken a review of the governance of the Fund working with Hymans to bring back a report for further consideration;**
- **Agree the interim proposals with effect from today to reduce the number of working groups and reflect the governance depicted in Appendix A to the report, together with the revised terms of reference set out in Appendix B to the report;**
- **Note and approve the revised Working Group membership at Appendix C to the report subject to any minor changes to be agreed with the Deputy Vice Chair of the Fund; and**
- **Note and approve the revised calendar of meetings at Appendix D to the report, for the next two year cycle.**

20. PENSIONS ADMINISTRATION UPDATE

Consideration was given to a report of the Pensions Policy Manager, detailing key items of work affecting or being carried out by, the administration section over the last quarter:
- LGPS (Amendment) Regulations 2018;
- 'My Pension' upgrade;
- GMP Reconciliation;
- The Pensions Regulator; and
- PASA accreditation.

RECOMMENDED
That the content of the report be noted.

21. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

SPS Credit and private Debt Investing for Pension Funds Conference London	**30 August 2018**
LGS Investment Summit Celtic Manor	**6 – 7 September 2018**
Sustainable and Responsible Investing Forum 2018 – Asset Owners Meet Portfolio Managers London	**11 – 12 September 2018**
LGE Fundamentals Training Leeds Day 1 Day 2 Day 3	** 2 October 2018 6 November 2018 5 December 2018**
PLSA Annual Conference Liverpool	**17-19 October 2018**
Investec Trustee Training Venue: tbc	**14 November 2018**

CIPFA Pensions Network Annual Conference The Leadenhall Building, London	**22 November 2018**
LAPFF Annual Conference Bournemouth	**5 – 7 December 2018**
UBS Trustee Training Venue: tbc	**13 December 2018**
LGS Governance Conference Bristol	**17 – 18 January 2019**

CHAIR

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GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

20 July 2018

Commenced:	**10.00am**	**Terminated:12.30pm**
Present:	**Councillor Warrington (Chair)**	
	Councillors: Barnes (Salford), Mistry (Bolton), O'Neill (Rochdale), Cooney, Drennan, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), J Lane, Pantall (Stockport), S Quinn, Ricci, M Smith, Taylor and Ward	
Apologies for Absence:	**Councillors Ball (Oldham), Mitchell (Trafford), Patrick and Ms Herbert**	

1. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting, in particular, to the new Councillors on the Panel: Councillor Ball (Oldham), Councillor Drennan (Tameside), Councillor Mistry (Bolton) and Councillor O'Neill (Rochdale). She further thanked former Panel Members, Councillor Jabbar (Oldham), Councillor Brett (Rochdale) and Councillor Francis (Bolton) for their contribution to the work of the Fund over the past year.

The Chair also thanked Steve Lee of Investec for putting together an abridged version of the 3 day Local Government Essential Pensions training into a single day and delivering the training especially for the Greater Manchester Pension Fund. The Chair encouraged everyone to attend training and in particular, recommended the Pension Regulators on-line training and agreed that the link for this would be forwarded to all Members.

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

- An update on pooling, including meeting with the Minister,
- A proposal in relation to the pension aspects of the Waste Retendering;
- The annual review of Investment Strategy;
- Investment Management arrangements;
- Long term performance reports; and
- The Fund's Annual Report and Accounts.

The Chair reported that at the end of March, the fund stood at £22.5 billion a decrease of £0.5 billion over the quarter since the last meeting of the Panel. However, the value of the Fund had subsequently recovered to stand at almost £23.5 billion today.

2017/18 had been another successful year for the Fund and the year saw positive returns in almost all investment categories, whilst the Main Fund achieved a return of 4.2%; outperforming a number of comparative benchmark indexes. The Main Fund had also consistently delivered annual returns 0.6% higher than that of the average local authority over 30 years and over periods of 15, 20 and 30 years had ranked in the top 10 of such funds. The Fund was responsible for more than 370,000 members and 560 employers with administration costs per member remaining lower per year than the Local Government Pension Scheme average.

As had been the case in previous years, the growth had been undertaken in a challenging financial and economic climate. This had placed extra pressure on pension funds, particularly around higher values being placed on pension promises earned, and the performance of assets required to meet those promises. The Fund and its employers also faced the continued impact of austerity measures and government policies on public sector delivery, perpetuating the risk of financial difficulties within public sector organisations and potentially weakening the Fund's covenant strength. Albeit in the last 30 years, the Fund had overachieved £3.7 billion above what it would have achieved it if had been operating at the level of performance of the average Local Government fund.

With regard to developments since the last meeting, the Chair informed Panel members that she had, along with Northern Pool counterparts and the Director of Pensions, met Rishi Sunak, the Minister with responsibility for the LGPS in May at the Houses of Parliament. The Northern Pool's unique approach to pooling and the progress made was discussed. It was explained that achieving the right outcomes was more important than process or structure. The Minister agreed with that and commented that he was keen for funds to invest at least a tenth of their asses into infrastructure investment. He also name checked the Greater Manchester Pension Fund and its contribution to housing at the pensions conference where he delivered a key note speech the day before the meeting and said how keen he was to hold a conference to find ways to free blockages to infrastructure investing perceived or real, and would be looking to the Northern Pool and the Fund to assist with that.

The Chair was pleased to inform members that she had received a letter from Mary Creagh MP, Chair of the Environment Audit committee advising that on the 25 May 2018, she had published the Fund's response to her committee on the steps taken to manage the risks that climate change poses to UK pension investments. It was satisfying to hear that the Greater Manchester Pension Fund, along with its pooling partner, West Yorkshire, were stated to have reached the highest standard of being 'more engaged' and were committed to report on the climate change risks and opportunities facing funds in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Chair was further pleased to report that, as of 5 June 2018, the Greater Manchester Pension Fund and the Northern Pool had been recognised as Transition Pathway Initiative Supporters meaning that the Fund was committed to the transition to a low-carbon economy, and supporting efforts to address climate change. A notable addition to this year's Annual Report was the section on the Pension Fund's approach to Climate Risk. The Fund whole-heartedly supported the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. Financial decarbonisation of the economy was a complex and challenging issue, particularly for long-term investors such as pension funds. However, this had not stopped the Fund's commitment to the Paris Agreement goal of 100% of assets being compatible with the net-zero emissions ambition by c2050. Progress towards this goal would be regularly evaluated in line with the objective of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that the Fund could continue to deliver affordable and sustainable pensions for employers and taxpayers. The Fund would continue to use its position on the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest.

The Chair concluded by extended congratulations to the Fund's Private Markets Investment Team, who had been awarded the prestigious Fund Selection Team of the Year 2018 by the Institutional Investor Institute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 23 March 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 23 March 2018 were signed as a correct record

4. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

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

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

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

5. LOCAL PENSIONS BOARD

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

6. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 14 June 2018, as circulated at the meeting, were considered.

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

7. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 6 April 2018 were considered.

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

8. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 6 April 2018 were considered.

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

9. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 8 June 2018 were considered.

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

10. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 20 April 2018 were considered.

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

11. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 29 April 2018 were considered.

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

12. INVESTMENT STRATEGY AND TACTICAL POSITIONING

A report of the Assistant Director of Pensions Investments was submitted and a presentation delivered by the Actuary to the Fund.

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

13. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

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

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

14. 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.

15. ANNUAL PERFORMANCE REPORTS

(a) Long Term Performance 2017/18 – Main Fund and Active Managers

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

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

(b) Cash Management

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

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

(c) Property Investment Performance Monitoring

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.

16. 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.

17. REPROCUREMENT OF GM WASTE DISPOSAL CONTRACT

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.

18. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017-2018

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.

19. REVIEW OF SCHEME GOVERNANCE AND WORKING GROUPS

A report of the Director of Pensions was submitted.

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

20. PENSIONS ADMINISTRATION UPDATE

A report of the Pensions Policy Manager was submitted.

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

21. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

SPS Credit and private Debt Investing for Pension Funds Conference London	**30 August 2018**
LGS Investment Summit Celtic Manor	**6 – 7 September 2018**
Sustainable and Responsible Investing Forum 2018 – Asset Owners Meet Portfolio Managers London	**11 – 12 September 2018**
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UBS Trustee Training Venue: tbc	**13 December 2018**
LGS Governance Conference Bristol	**17 – 18 January 2019**

CHAIR

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

9 August 2018

Commenced: 3.00pm **Terminated: 5.10pm**

Present:	**Councillor Fairfoull (Chair)**	**Employer Representative**
	Councillor Cooper	**Employer Representative**
	Richard Paver	**Employer Representative**
	David Schofield	**Employee Representative**
	Mark Rayner	**Employee Representative**
	Pat Catterall	**Employee Representative**

Apologies for absence: **Chris Goodwin, Catherine Lloyd, Paul Taylor and Jayne Hammond**

1. DECLARATIONS OF INTEREST

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

Member	**Subject Matter**	**Type of Interest**	**Nature of Interest**
Mark Rayner	Agenda Item 8	Personal	Spouse of Shadow Secretary of State for Education

2. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 29 March 2018, having been circulated, were signed by the Chair as a correct record, with the inclusion of Jayne Hammond to the list of persons present.

Further to Minute 28, Northern Pool update, the Director of Pensions explained that Counsels' opinion had been sought in respect of the current structure of the Northern Pool. The Director further explained that an update was due to be submitted to the Minister at the beginning of October.

It was agreed that Northern Pool update be a standing agenda item going forward and that the report submitted to the last meeting of the Management Panel be circulated to Board members.

3. 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:

Items	Paragraphs	Justification
5,7,11,15	**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.**

4. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups from April to June 2018 and which were submitted for approval at the Management Panel meeting on 20 July 2018.

It was explained that a proposal to review the Fund's Governance arrangements and interim arrangements to reduce the number of working groups were agreed at the Management Panel meeting. The report presented to the Management Panel was appended to the report. It was noted that no changes to the Local Board were proposed in the interim arrangements.

A link to the GMPF Governance Structure, as set out in the Governance Policy Statement, was provided in the report.

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.

Discussion ensued with regard to the Fund's Governance arrangements and Board members agreed that it may be useful to invite the Chair of the Management Panel to attend a future meeting of the Local Board if possible.

RESOLVED
(i) That the content of the report be noted; and
(ii) That the Chair of the Management Panel, Councillor Warrington, be invited to attend a future meeting of the Local Board.

5. LOCAL BOARD TERMS OF OFFICE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, 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 for the Local Board was appended to the report.

It was proposed that the board remained at 10 members, with the same composition and method of appointment as at present to complete appropriate training, and that individual terms of office are set at 4 years, with Board members serving no more than 2 consecutive terms of office.

Board members would be expected to compete appropriate training such as the Pensions Regulator's Public Service Toolkit and to attend relevant training events.

In order to best maintain the knowledge and experience of the Board it was proposed that the conclusion of the existing terms of office be staggered over a 4 year period, with either 2 or 3 Board members' terms of office concluding each year. A proposed schedule for the expiry of the existing terms of office was set out in the report.

Due to the complexity of running a process to select the Pensioner and Non-Local Authority representatives it was proposed that the current appointments automatically renew in 2019. The representative of GM Treasurers has also volunteered for his term of office to expire in 2019.

It was further proposed that Tameside MBC would write to North West TUC to ask it to determine the expiry of the term of office for each of the employee representatives (other than non-Local Authority reps) in accordance with the proposed timetable set out in the report. Tameside MBC as Administering Authority would decide which of its representatives' term of office concluded in 2020 and which concluded in 2022.

Detailed discussion ensued with regard to the proposals and employee representatives agreed to await the response of their respective Unions with regard to this issue.

RESOLVED
(i) That the content of the report be noted and the proposals, as detailed in the report be agreed in respect of Administering Authority, Pensioner and Non-Local Authority employer representatives; and
(ii) That Tameside MBC write to North West TUC with details of the proposals and seek determination of the expiry of the term of office for each of the employee representatives.

6. THE PENSIONS REGULATOR

A report of the Assistant Director, Funding and Business Development was submitted providing the Local Board with an update on work relating to the Pensions Regulator's Code of Practice number 14 that was currently being carried out. The report further summarised correspondence with TPR regarding on one of GMPF's major employers.

The report also gave details of:
- Breaches of the law logged so far in 2018/19;
- Issues and Escalation Procedures relating to Late Payment of Contributions;
- Update on Breaches Relating to a specific GMPF employer;
- Compliance Template and Peer Review Programme; and
- Development work on a GMPF 'Trustee' Website.

RESOLVED
(i) That the work being undertaken or planned to ensure GMPF complies with TRR's Code of Practice number 14 be noted;
(ii) That the current breaches log be reviewed and the decisions made by the Scheme Manager regarding reporting those breaches, be noted.
(iii) That the progress on the case relating to breaches by a specific GMPF employer, be noted.

7. ACADEMY FUNDING ARRANGEMENTS UPDATE

The Assistant Director, Funding and Business Development submitted a report providing Board members with an update on national developments designed to improve how academy schools and their contractors interacted with LGPS Administering Authorities. Also provided was an overview of Greater Manchester Pension Fund's (GMPF) current administration and funding arrangements in relation to academy schools.

RESOLVED
That the content of the report and the potential impact on other ongoing projects, in particular the proposed work on bespoke investment strategies for employers, be noted.

8. SECTION 13 VALUATION

Consideration was given to a report of the Assistant Director, Funding and Business Development, which explained that the 2016 LGPS valuations in England and Wales would be the first to be reviewed under the framework set out in Section 13 of the Public Service Pensions Act ('S13'). It was explained that this piece of primary legislation required that an appointed person, in this case, the Government Actuary's Department ('GAD') reported on whether each LGPS fund's formal funding valuation adhered to the following criteria:

- Compliance – to confirm the valuation had been carried out in accordance with the LGPS Regulations;
- Consistency – to confirm the valuation was not inconsistent with other LGPS funds' valuations and the differences I assumption and methodology could be justified and evidenced;
- Solvency – to confirm contributions were sufficient to ensure solvency; and
- Long term cost efficiency – to confirm contributions were sufficient to meet benefit accrual and repay any existing deficit.

If the Government Actuary's Department had concerns about LGPS funds under any of these measures, then they could recommend remedial actions (such as imposing a given level of contributions on employers in the fund) which may ultimately be enforced by MHCLG using powers granted under the legislation.

The Government Actuary's Department was due to release its Section 13 report over the next few weeks.

RESOLVED
(i) That the content of the report be noted; and
(ii) That a copy of the report be circulated to Local Board members when it was received.

9. ADMINISTRATION BUSINESS AND PROJECT PLANS

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

- An update on the 2018/19 business planning objectives set by the Administration section;
- 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.

10. LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

A report of the Pensions Policy Manager was submitted providing information about the Local Government Pension Scheme (Amendment) Regulations 2018. These regulations were laid before Parliament on 19 April 2018. They came into force on 14 May 2018.

It was explained that the regulation changes impacting Scheme members were discussed at the recent meeting of the Pensions Administration Working Group with the changes introducing exit credits for employers ceasing participation discussed at the Employer Funding and Viability Working Group.

RESOLVED
That the content of the report be noted.

11. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted explaining that the GMPF Statement of Accounts and Annual Report had been submitted to the GMPF Management Panel on 20 July 2018.

The report provided details of the governance arrangements for approval of GMPF accounts and a simplified accounts summary. A copy of the Audit Findings report was appended to the report and a link was also provided to the Annual Report, as published on the GMPF website. It was noted that the Auditors had given a clean bill of health and the accounts were unqualified.

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

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

12. RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2017/18

The Head of Risk Management and Audit Services submitted a report summarising the work performed by the Service Unit and provided assurances as to the adequacy of the Pension Fund's systems of internal control. Key achievements of the service provided to the Pension Fund for 2017/18 were detailed. The full year position of the audit plan was appended to the report. Actual days spent as at 31 March 2018 were 318 which equated to 106% and 92% of planned audits were completed in those days.

With regard to anti-fraud work and irregularity investigations, it was reported that investigations had now been finalised in relation to the NFI 2016 Data Matching Exercise and the results were detailed in the report.

In respect of Risk Management and Insurance, approved priorities for 2017/18 were detailed. Key Performance Indicators for 2017/18 applicable to the Pension Fund were detailed in the report and it was reported that performance indicators had been achieved.

The Annual Governance Statement for 2017/18 had been presented to the Council's Audit Panel on 30 July 2018 for approval and thereafter signed by the Executive Leader and Chief Executive ad presented to the External Auditors (Grant Thornton). The Annual Governance Statement covered the Greater Manchester Pension Fund and was appended to the report.

In their Audit Findings Report dated 30 July 2018, Grant Thornton confirmed that the Annual Governance Statement complied with the 'Delivering Good Governance in Local Government Framework (2016)' published by CIPFA and SOLACE and that it was consistent with the information they were aware of from their audit.

RESOLVED
That the content of the report and the performance of the Service Unit during 2017/18 be noted.

13. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2018/19

A report was submitted by the Head of Risk Management and Audit Services presenting the planned work for the Risk Management and Audit Service for 2018/19.

RESOLVED

(i) That the Internal Audit Plan for 2018/19, as appended to the report, and the planned work for the Risk Management and Insurance Team, be noted; and

(ii) That the Quality Assurance and Improvement Programme for 2018/19, as appended to the report, be noted.

14. RISK MANAGEMENT AND AUDIT SERVICES 2018/19

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 Quarter 1 up to 20 July 2018.

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

- VAT;
- Treasury Management;
- Calculation ad Payment of Benefits;
- Visit to Contributing Body – Manchester City Council;
- Visit to Contributing Body – Trafford Housing Trust

Draft reports were also issued as follows:

- Visit to Contributing Body – Trafford Council;
- Local Investments Impact Portfolio; and
- NPS Review of 2017/18 Year End Return

Details were also given of audits in progress as follows:

- ICT Device Management;
- Contribution Income – Including a review of the Year End Returns;
- Post Audit Review – Debtors;
- Post Audit Review – Altair;
- Agresso Upgrade;
- iConnect – an approved method of employers to submit contribution data;
- Visit to Contributing Body – Southway Housing Trust; and
- Visit to Contributing Body – Bury Council.

RESOLVED

That the content of the report be noted.

15. CIPFA GUIDANCE FOR LOCAL PENSION BOARDS

Consideration was given to a report of the Assistant Director, Funding and Business Development informing Local Board members that the Chartered Institute of Public Finance and Accountancy (CIPFA) had recently published a guide for local pension boards. A copy of which was appended to the report.

RESOLVED

That the CIPFA guide be noted and any comments/areas for future focus be brought to the next meeting of the Board.

16. URGENT ITEMS

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

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

13 July 2018

Commenced: 10.30 am **Terminated:** 12.15 pm

Present:	Councillors Taylor (Chair), Drennan, Ricci, Grimshaw, O'Neill, Pantall and Mr Allsop	
In Attendance:	Sandra Stewart	Director of Pensions
	Tom Harrington	Assistant Director of Pensions (Investments)
	Michael Ashworth	Investments Manager
	Abdul Bashir	Investments Manager
	Raymond Holdsworth	Investments Manager
	Iain Campbell	Investments Manager
	Lorraine Peart	Investments Officer
Apologies for Absence:	Mr Llewellyn	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Investment Monitoring and ESG Working Group held on 6 April 2018 were approved as a correct record.

3. UBS CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Malcolm Gordon and Paul Clark of UBS who attended the meeting to present Corporate Governance activity over the past 12 months.

It was reported that UBS Asset Management had a dedicated sustainability research and stewardship function, which was structured with two distinct teams of experienced staff.

Examples of key engagements were provided along with voting statistics for the nine months to 31 December 2017. UBS had voted at 253 company meetings on 3,557 separate proposals.

A wide ranging discussion ensued with regards to environmental, social and governance factors in global emerging markets and in different sectors.

RECOMMENDED:
That the report be noted.

4. UBS: REPORT ON TRADING COSTS

The Assistant Director of Pensions (Investments) submitted a report to facilitate Member's scrutiny of UBS's approach and practice to trading costs. UBS's 'Best Execution and Order Handling Policy' and ‘level two’ disclosure report for the period 1 January 2017 to 31 December 2017, were appended to the report and considered by the Group.

Malcolm Gordon of UBS presented GMPF’s trading costs report for the 12 month period ending 31 December 2017. It was reported that the ‘level two’ report had been reviewed by officers of the Fund and questions arising from the review had been satisfactorily answered by UBS. The ‘Best Execution and Order Handling Policy’ had replaced the former IMA level one report, as a result of the implementation of the new Market in Financial Instruments Directive (MiFID II), which came into force on 3 January 2018, and from which point all external research costs would be met by UBS.

The report contained two tables detailing transaction costs and analysis of trading for the year ending 31 December 2017, which were discussed with the Group.

RECOMMENDED:
That the report be noted.

5. UPDATE FROM PIRC

The Working Group welcomed Paul Hunter and Tim Bush of PIRC Ltd who attended the meeting to report on Disruptive Technology and the John Kingman Independent Review of the Financial Reporting Council Call for Evidence. Copies of both reports were appended.

It was reported that a Local Authority Pension Fund Forum (LAPFF) scoping paper had been prepared on disruptive technology following on from a paper that had been produced on the transport sector and climate risk in October 2017. It outlined the implications for member funds and highlighted the potential scope and scale of the impact of disruptive technology. It was highlighted that disruptive technology was not an invention or new technology, but the point at which it became widely adopted. Examples were given of the invention and growth of the motor car, the rise of film streaming versus the demise of film rental shops, which were classed as disruptive technology and the introduction of ATM’s, which was classed as technological development.

It was explained that although technological innovation was at the heart of productivity gains, economic growth and shareholder return, the pace and potential scope of recent change was likely to lead to the creation of new business models and the destruction of old ones. This could create opportunities as well as new risks for existing firms and new entrants, such as regulation and regulators, tax, unethical behaviour, (un)employment and poor corporate governance. The scope of disruption was limitless and could potentially impact all sectors. It was proposed LAPFF engage companies on the subject to help best protect the long-term interests of beneficiaries. A catalogue of approaches and practice would be compiled through the creation and introduction of a standard question on the topic. This would be reviewed after six months and a report produced, which would include the option of whether an in-depth survey of the FTSE 100 was required.

Members voiced concerns on the possible segmentation of certain customers, which could border on exclusion, and asked how PIRC would ensure that companies had business models that addressed all needs. In response, it was outlined that engagement was key and there was a high reputational risk if a company were to exclude certain groups.

With regard to the John Kingman Independent Review of the Financial Reporting Council (FRC), it was reported that a call for evidence had been initiated in order to facilitate an independent review to assess whether the current regulator, and the current regulatory structure were as effective as they needed to be, in addition to examining its structure, governance, powers and resourcing. The findings would be submitted to the Secretary of State for Business, Energy and Industrial Strategy and the FRC Board by the end of 2018, a public consultation would be undertaken and a final report published with consultation on the Government’s response to the review recommendations.

The call for evidence highlighted that he Financial Reporting Council's remit had developed considerably since it was first established and was last subject to a review in 2011/12. Since that date there had been changes in regulation, expectations of regulators and how they operated. In the context of the UK's exit from the EU, it was considered important that regulatory structures were fit for the future and for the UK to be at the forefront of corporate governance.

The independent reviewer would be supported by an advisory group who would advise on the direction of the review and sources of evidence and would help to scrutinise and challenge emerging findings and recommendations.

RECOMMENDED:
That the report be noted.

6. 2018 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CHANGE

The Assistant Director of Pensions (Investments) submitted a report detailing the 2018 Global Investor Statement to Governments on Climate Change that had been drafted on behalf of a collection of bodies representing institutional investors from around the world, to call on global leaders to reiterate support for the Paris Agreement, accelerate private sector investment into the low carbon transition and commit to improve climate-related financial reporting.

It was reported that GMPF were one of 319 signatories to the Statement, a copy of which was appended to the report.

RECOMMENDED:
That the report be noted.

7. 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 March 2018. Stocklending income during the quarter was £105,829, compared to £127,940 in the same quarter of 2017, and Commission 'recaptured' was £3,197, compared to £24,153 in the same quarter of 2017. The value of securities on loan at the end of the quarter was £134.9 million (0.6% of GMPF assets) and collateral valued at £139.8 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.

8. 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 and Antitrust Litigations, which remain outstanding, was presented to Members, and recent developments relating to each action was provided.

RECOMMENDED:
That the report be noted.

9. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

6 July 2018

Commenced: 9.00 am **Terminated:** 10.00 am

Present:	Councillors J Lane (Chair), Drennan, Quinn, Grimshaw, Mistry, O'Neill and Mr Flatley	
In Attendance:	Sandra Stewart	Director of Pensions
	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Emma Mayall	Pensions Policy Manager
	Victoria Plackett	Pensions Operations Manager
	Jane Wood	Group Manager
	Georgia Ryan	Assistant Group Manager
Apologies for Absence:	Councillor Patrick	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Pensions Administration Working Group held on 6 April 2018 were approved as a correct record.

3. ADMINISTRATION BUSINESS & PROJECT PLANS

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

It was reported that in April 2018 five key business plan items were established for the administration section as follows:-

1. Structure review and staff engagement
2. Employer support
3. Member communication
4. Altair development and workflow reform
5. Move to monthly pay and contribution returns

During the first quarter of the year significant progress had been made on four of the objectives. Work had commenced on item 1 (Structure review) and item 3 (Member communication) with the implementation of the "My Pension" module getting underway. With regard to item 4 (Altair development) meetings had taken place with Aquila Heywood and it had been agreed to embark upon a joint project to deliver a programme of change. Work on setting out the terms and objectives of the project would commence next quarter. With regard to item 5 (monthly postings) good progress had been made on establishing a testing platform to evaluate the software.

The Working Group was informed that the section was also working on other strategic and service improvement projects as follows:- GMP reconciliation, Year-end processing, Death grant process review, Data and The Pensions Regulator, Valuation 2019, GDPR, Annual Report 2018 and Pensions Administration Standards Association accreditation.

With regards to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending May 2018, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks that detailed the age of the tasks in relation to their completion date, which continued to be at a low level for most Local Authority employers. It was reported that officers were due to meet with the Local Authorities to discuss key items and performance with a view to ensuring they were aware of their responsibilities and to gain a greater understanding of how the Fund could best support them. Other items of work included preparation for the issuing of Annual Benefit Statements, employer admissions and participation in the Testing Working Party for Altair release 9, which was due to be implemented during August.

The Group enquired about the Pensions Administration Standards Association accreditation. It was confirmed that it was an independently assessed accreditation programme that recognised high standards of administration. Officers discussed the requirement to review how performance is measured via key performance indicators to ensure that the indicators measured also reflect member expectations.

RECOMMENDED:
That the report be noted.

4. 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 and Twitter statistics over the period were appended to the report. In addition, further information continued to be gathered regarding the nature of the calls to the Helpline, which provided a greater understanding of the questions that members had regarding their pension, which could help to improve the Fund's communications to its members and employers. The main communication related tasks for the next quarter were outlined and related to preparations for the Annual Report and active member Annual Benefit Statements to be issued in August 2018.

An update was provided on the pilot employer and member feedback questionnaires that were undertaken in April 2018. With regard to member questionnaires 29 of 100 responses had been received from retiring members and the majority of the feedback was positive with members citing that communications were easy to understand and officers had been responsive to requests. Officers were now considering a future programme to increase the volume of responses and improve the quality of the feedback. With regard to employer questionnaires 6 of 13 responses had been received and the feedback indicated that members wanting to access their benefits before their normal pension age was an area where employers received the majority of complaints. The employer questionnaire would now be rolled out to other employers within the Fund and the results would be shared with the Group in due course.

It was reported that the Fund had received 16 compliments and 4 informal complaints during the quarter. Complaints related to a change in the Grapevine magazine that was issued to pensioner members, the quality of a response to a query and a request made to prove a member's identity. All complaints had been dealt with by a manager within the timescales. A number of formal complaints were currently under the Internal Dispute Resolution Procedure, the details of which were appended to the report.

RECOMMENDED:
That the report be noted.

5. MONTHLY RETURNS

The Pensions Policy Manager submitted a report, which provided the Working Group with information about the proposed transition to receiving monthly pay and contribution returns from employers.

The Assistant Group Manager gave a presentation on the benefits of receiving monthly returns. There were a number of key drivers to move from annual data to monthly data including auto-enrolment, 2014 LGPS Scheme, The Pensions Regulator and GDPR.

It was reported that collecting data annually created a number of issues for both the Fund and its employers due to statutory deadlines creating highly concentrated workloads that required significant resource at points during the year and starters and leavers either joining, leaving or changing employers part way through the year. This had led to a drive by LGPS funds to move to monthly data, which would allow for up-to-date information and increased accuracy, greater compliance with data protection rules and The Pensions Regulator's Code of Practice and a reduction in the amount of manual processes required to upload information to member records.

The Group were informed that Aquila Heywood, the Fund's software supplier, had developed a system that worked alongside the main pension administration system (Altair) and could collect information on a monthly basis. Officers had received a demonstration of the software and visited two other Funds who had deployed the software in addition to utilising a test environment to evaluate the system, which would be completed by the end of July. Following this, the software would be purchased and tested in a GMPF environment in the autumn with the transition to receiving monthly returns anticipated to commence at the end of 2018 or beginning of 2019. Officers would create a detailed project plan and risk log and review resource requirements to undertake this large-scale project.

RECOMMENDED:
That the Working Group agrees to the Funds transition to receiving member pay and contribution data from employers on a monthly basis.

6. MEMBER SELF-SERVICE

The Pensions Policy Manager submitted a report, which provided the Working Group with information about the Altair Member Self-Service module "My Pension".

It was reported that member self-service was a customer-facing module of the Altair software and allowed members to view their details and make real-time changes. Documents, such as annual statements, P60s and individual letters, could be uploaded meaning that the Fund could transform its processes and become more efficient and cost-effective.

The project began in April 2018 and the milestone plans were appended to the report. Testing and implementation had successfully been undertaken and the system was now available to members. Contributing members would be notified of the new on-line facility via their Annual Benefit Statements and deferred and pensioner members would be notified in the autumn.

The Working Group was shown a demonstration of the "My Pension" system.

RECOMMENDED:
That the report be noted.

7. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project, including statistics on the reconciliation matches and mismatches as at mid-June 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 responses received from HMRC to phase 1 queries. Low priority errors had been assessed and work continued on recalculating benefits and dealing with responses to phase 2 queries.

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.

8. THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

The Pensions Policy Manager submitted a report, which provided information about The Local Government Pension Scheme (Amendment) Regulations 2018, which came into force on 14 May 2018.

It was reported that a number of amendments had been made to The Local Government Pension Scheme Regulations 2013 following their introduction on 1 April 2014 and a consultation on the amendment regulations in 2016, as follows:-

- The alignment of entitlement to early payment of deferred benefits for a member who left the scheme between 1 April 1998 and 1 April 2014 and Councillor members who left between 1 April 1998 and 31 March 2008 with those who left the scheme on or after 1 April 2014.
- The alignment of the LGPS with other public service schemes in their approach to transitional protection under section 18 (5) of the Public Service Pensions Act 2013.
- The alignment of Additional Voluntary Contribution provisions entered into before 1 April 2014 with those entered into on or after 1 April 2014.
- A change to the regulations provides for admission agreements established on or after 14 May 2018, where an administering authority makes an admission agreement the administering authority, no longer has to keep a copy available for public inspection at its offices or inform the Ministry of Housing, Communities and Local Government.
- A new provision provides for the payment of an exit credit by the administering authority to an exiting employer.

RECOMMENDED:
That the report be noted.

9. PENSIONS TAX SUPPORT FOR SCHEME MEMBERS

The Assistant Director of Pensions (Funding and Business Development) submitted a report outlining a proposal to facilitate the provision of Pensions tax support for scheme members.

It was reported that most members contributing to pension schemes received income tax relief on their contributions, making pensions a tax efficient method for individuals to save for their future. The amounts that individuals can build up in pension savings were restricted and had been substantially reduced in recent years. Members could make decisions on the amount of benefits they built up and the level of tax they would pay. Members found this area confusing and looked to their fund to provide support, however, whilst being able to provide factual information, the Fund could not provide financial advice to members or recommend a financial advisor.

The Local Board had asked the Fund to consider ways in which it could provide further support to its members. Officers had discussed with other LGPS funds the approach they used to support members and had held preliminary discussions with providers of financial education and advice on this matter. Whilst the provider and scope were yet to be confirmed it was expected that the member offering would be in the form of a 3 stage process:-

- Stage 1 – Group presentation / workshop with a question and answer session
- Stage 2 – Individual sessions
- Stage 3 – Formal individual financial advice from a regulated LGPS specialist advisor

It was proposed that GMPF met the costs associated with stage 1 and 2 and any member wishing to proceed onto stage 3 would need to pay for the advice. The total cost would be dependent on the level of member engagement.

RECOMMENDED:
That the Working Group agree to the Director of Pensions being given authority to obtain external member support on pensions tax matters in line with the scope and estimated costs as set out in the report.

10. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

6 July 2018

Commenced: 10.30 am **Terminated:** 11.30 am

Present:	Councillors Cooney (Chair), Ricci, Barnes, Halliwell and Mr Thompson	
In Attendance:	Sandra Stewart	Director of Pensions
	Tom Harrington	Assistant Director of Pensions (Investments)
	Neil Cooper	Senior Investments Manager
	Nick Livingstone	Investments Manager
Apologies for Absence:	Councillor Ward and Mr Drury	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 8 June 2017 were approved as a correct record.

3. INFRASTRUCTURE FUNDS PORTFOLIO - REVIEW OF PERFORMANCE

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

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

1. It provided information to stakeholders if the performance objectives had been met.
2. It provided an insight into how any over or under-performance had been achieved relative to appropriate comparators.

Long term measures, such as the internal rate of return and money multiple, were the most appropriate means of evaluating the performance of the infrastructure portfolio. The infrastructure report used since inception performance measures and only included infrastructure funds that were mature (i.e. more than four years old). The first infrastructure investment was made in 2001 with regular investing not commencing until 2004. The vast majority (95%) of commitments had been made from 2010 onwards.

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

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

The Working Group was informed that markets for private infrastructure assets and business remained strong during 2017 with a continued appetite amongst institutional investors. Prices for infrastructure assets continued to be high with plentiful demand and debt financing in good supply. Managers in the sector had responded to investor demand by raising larger funds and the definition of infrastructure had been expanded and it was not uncommon to find investments in care homes, healthcare facilities and media assets within infrastructure portfolios.

GMPF had made 33 fund commitments, 20 of which were mature – 7 in the Core and Long-Term Contracted category, 11 in the Value Added category and 2 in the Opportunistic category. The 20 mature funds represented 35% of total fund commitments. The ‘since inception’ return of the mature portfolio had exceeded the benchmark of RPI+4% per annum at 10.4% and remained towards the middle of the Fund’s target range of 9-12%.

RECOMMENDED:
That the report be noted.

4. PRIVATE EQUITY PORTFOLIO - REVIEW OF PERFORMANCE

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

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

1. It provided information to stakeholders if the performance objectives had been met.
2. It provided an insight into how any over or under-performance had been achieved relative to appropriate comparators.

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

The Working Group was informed that 2017 had been another positive year for the performance of private equity assets. Economic growth in developed economies continued to be positive, interest rates remained at very low levels and credit markets continued to have significant capital. 2017 was the ninth successive year of positive performance.

GMPF’s private equity portfolio returns were presented for each of the vintage decades alongside public equity markets comparators and private market comparators. Overall, since inception, the mature funds within GMPF’s private equity programme had achieved a return of 16.9% per annum as at 31 December 2017, a return that was good in absolute terms and when compared to appropriate public and private market comparators.

RECOMMENDED:
That the report be noted.

5. THE CARLYLE GROUP

The Working Group welcomed Katherine Elmore-Jones of The Carlyle Group who attended the meeting to present an overview of the firm’s investment activities and of private equity generally.

The Working Group was informed that The Carlyle Group was a large, global alternative asset manager that was founded in Washington in 1987. The firm had 1,575 professionals operating out of 31 offices in North America, South America, Europe, the Middle East, Africa, Asia and Australia.

The team managed over $200 billion of assets across a number of global funds. GMPF committed to Carlyle Asia Partners V and Carlyle Partners VII funds in November 2017 with investment expected from July 2018.

Carlyle had developed a thorough approach to Responsible Investment and a strong commitment to Environmental, Social and Corporate Governance best practice. The firm had created its own in-house Environmental, Social and Corporate Governance group to work closely with deal teams and portfolio companies.

Details of the Carlyle Partners VII fund were provided and a case study from a predecessor fund with the same strategy was outlined and discussed with the Working Group. An overview of the Carlyle Asia Partners V was also provided and a case study from this strategy was outlined and discussed with the Working Group.

Members enquired how the firm identified opportunities. It was confirmed that in the majority of cases deals presented themselves to the firm. Members asked if the firm sold the companies it bought and it was confirmed that the firm was in a cycle of buying, improving and selling businesses across the world.

RECOMMENDED:
That the information provided be noted.

6. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

12 July 2018

Commenced: 10.30 am **Terminated:** 11.15 am

Present:	Councillors J Fitzpatrick (Chair), Cooney, Patrick, Mr Allsop and Mr Llewellyn	
In Attendance:	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Tracey Boyle	Head of Pensions Accountancy
Apologies for Absence:	Councillor Ball, Mr Flatley and Ms Herbert	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Employer Funding Viability Working Group held on 20 April 2018 were approved as a correct record.

3. GMPF AGED DEBT AS AT 31 MAY 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt for the Fund as at 31 May 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 31 May 2018 alongside comparison to the previous quarter; total aged debt was £4.738 million at 31 May 2018 compared to £2.315 million at 19 March 2018.

The key trends were highlighted; property aged debt had increased from £0.321 million at March 2018 to £0.840 million at May 2018 and Employer and Overpaid Pension Aged Debt had increased from £1.994 million to £3.898 million, however, a number of invoices had recently been paid.

For the 12 months to May 2018 7.73% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.9%. 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.

4. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 12 MONTHS TO MARCH 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 12 months to 31 March 2018.

It was reported that there was an under-spend of £2.973 million against the budget of £29.508 million. The main reasons for the variation related to lower than expected investment management fees, lower than expected actuary and professional fees, lower than budgeted staffing costs and recovery of management and legal fees.

RECOMMENDED:
That the report be noted.

5. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 2 MONTHS TO MAY 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 2 months to May 2018.

It was reported that there was an under-spend of £804,000 against the budget of £5.175 million. The main reasons for the variation related to lower than expected investment management fees, lower than expected actuary and professional fees, lower than expected costs anticipated with the new custodian contract and projected staff vacancies across service streams.

RECOMMENDED:
That the report be noted.

6. ACCOUNTING FOR PENSION COSTS - IAS19

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

It was reported that the Fund submitted data to the Actuary who produced a formal IAS 19 report for each employer that requested a report on its LGPS liabilities. The timetabling for producing IAS 19 reports continued to be tightened in line with the requirement for accounts to be finalised earlier. All Local Authority employers experienced a positive impact on their reported funding level between 2017 and 2018 and the cash deficit for a typical Local Authority had decreased slightly. The increase was due to positive asset returns generated during the period coupled with a decrease in the value of the liabilities.

There had been positive returns in equity markets for the 12 months to 31 March 2018, with the Main Fund actual returns confirmed at 4.2%, which was slightly higher than the estimated rate of 3% and the Actuary's long term assumed real rate of 2.6%. Four Local Authorities had opted to pay employer contributions for 2018/19 and 2019/20 during 2017/18, which was reflected in reduced deficits.

The report detailed a comparison table of assumptions as at 31 March 2017 and 31 March 2018 and a chart comparing the 2017 and 2018 IAS 19 funding level for the 10 Local Authorities. The range of funding levels as at 31 March 2018 was 75% - 82%.

RECOMMENDED:
That the report be noted.

7. THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which provided information about the employer funding related aspects of The Local Government Pension Scheme (Amendment) Regulations 2018, which came into force on 14 May 2018.

It was reported the regulations contained an amendment relating to the introduction of a provision for the payment of an exit credit by the administering authority to an exiting employer. Exit credits were payable when an employer leaving the fund had an excess of assets. The credit was payable within 3 months after the employer ceased to be a scheme employer. This change in regulation altered the balance risk and reward being assumed by the guarantors to admission arrangements, which typically was the ten Greater Manchester Local Authorities. The guarantor would bear the risk of an admission body not being able to make good any deficit in their section of the Fund but it would be the admission body that would benefit should the admission agreement terminate whilst a surplus existed.

No guidance had been provided on how any exit credit should be calculated. However, LGPS funds were recommended to set out their policy regarding the calculation of cessation payments in the Funding Strategy Statement, a copy of which was appended to the report and considered by the Group. Two examples that outlined the situations where exit credits were payable were provided and explained to the Group.

There were two categories of admission bodies – Transferee and Community and it was proposed for cessations to be calculated the same for both bodies, by using least risk assumptions, until clarification around the rules had been conveyed to the Fund. Officers would communicate the regulation change and its potential impact to the Greater Manchester Local Authorities and discuss the appropriateness of a change of approach if any Local Authority did not currently pool with transferee admission bodies.

RECOMMENDED:
That the report be noted.

8. ACADEMY FUNDING ARRANGEMENTS UPDATE

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which updated the Working Group on national developments designed to improve how academy schools and their contractors interacted with LGPS Administering Authorities and the Fund's current administration and funding arrangements in relation to academy schools.

It was reported that the LGPS Advisory Board had established two working groups on administration and funding to take forward the Board's agreed project plan that consisted of representatives from the Department of Education, Ministry of Housing, Communities and Local Government, Multi-Academy Trusts, LGPS Practitioners and Actuaries. An update on the work carried out by both groups was appended to the report in addition to an overview of the Fund's administration and funding arrangements in relation to education sector employers.

Several Greater Manchester Local Authorities allowed academies to join their actuarial pool with the academy paying the same contribution rate as other pool employers. This helped to stabilise the rate as academies tended to have more contributing members and less members receiving a pension. The resulting positive cash flow meant lower funding position volatility.

The LGPS Advisory Board Funding Working Group had proposed the creation of a ring-fenced pool within each LGPS fund for new academies with a single methodology on conversion and for existing academies to be transitioned into the pool and onto the pool rate over an appropriate period of time.

RECOMMENDED:
That the report be noted.

9. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

13 July 2018

Commenced: 9.00 am **Terminated:** 10.25 am

Present:	Councillors Quinn (Chair), J Fitzpatrick, J Lane, Ward, Grimshaw, Mr Allsop, Mr Drury and Mr Thompson	
In Attendance:	Sandra Stewart	Director of Pensions
	Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
	Daniel Hobson	Senior Investments Manager
	Kevin Etchells	Investments Manager
	Andrew Hall	Investment Manager
	Misodzi Dent	Investment Officer
	Richard Thomas	Investment Officer
	Tracey Boyle	Head of Pensions Accountancy
Apologies for Absence:	Councillors M Smith and Barnes	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Property Working Group held on 20 April 2018 were approved as a correct record.

3. 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 31 March 2018 were outlined to the Group. The current weighting was 7.97% against a benchmark of 10%. The figures for the LaSalle portfolio showed a weighting of 4.29% against the target of 4-6%. The Balanced Funds were 1.56% against a target of 0-2%, the GMPVF portfolio was 0.98% against a target of 0-2%, the Overseas portfolio was 0.85% against 0-2% and 'Other' was 0.29% against a target of 0-1%.

The Working Group was informed that a meeting had been held with 3 Fund Advisors, the senior management group, the property team and LaSalle on 17 May 2018. The agenda and a discussion summary were appended to the report and considered by the Group. The key outcomes from the meeting were outlined and included:-

- An agreement that the rate and timing of deployment had a significant impact on performance.

- An agreement that LaSalle had done well with asset management on existing properties whilst some questions remained over acquisitions noting that it was early in the life cycle for these.
- An agreement to explore changing the overall target allocation for La Salle and giving more flexibility over timing of deployment.
- A desire to understand more fully how the other internally managed portfolios fit in with the LaSalle portfolio and to examine what is an appropriate benchmark for each of the components and to consider any issues over the deployment of leverage.

As a result of the outcomes the project plan for deployment and performance monitoring had been revised and was appended to the report for the Group's consideration. Further meetings had been arranged and progress would be reported back to the Group at future meetings.

Members enquired how any underperformance would be addressed. It was confirmed that due to the long term nature the strategy was to continue with the existing business plan.

RECOMMENDED:
That the report be noted.

4. OVERSEAS PROPERTY INVESTMENTS

The Assistant Director of Pensions (Local Investments and Property) submitted a report detailing activity in the growth and management of the Fund's overseas property portfolio.

It was reported that the original investment strategy and investment guidelines for investing in overseas property were agreed by the Working Group on 30 January 2015 and updates were provided in the reports to the meetings on 6 November 2015, 19 February 2016 and 17 February 2017. Revised allocations and ranges for LaSalle and other property portfolios had been approved at Panel in July 2017 with the objective of achieving a 10% overall allocation to property by 2020, a 6% main property fund allocation and a reduction in balanced indirect funds.

The Group were informed that a review was currently underway to understand the sources of direct property underperformance and the implications of rapid deployment of capital on performance. The review could have implications for the pace of deployment across the whole property allocation and may result in a mid-year change to the property strategy.

It was explained that the pacing strategy was a key element of investing in indirect pooled vehicles in private markets, which set the amount of capital needed in order to reach the set allocation. There was a requirement to model the pacing strategy due to the complex and variable nature of the cash flows and values arising from this method of investment, which was set out in the investment guidelines, a copy of which was appended to the report. The Fund needed to achieve and maintain an allocation of 2% in overseas property subject to the availability of suitable opportunities.

Details of the overseas property portfolio were outlined to the Working Group. During 2017 four investments were made, which included a commitment to a real estate whole loan debt strategy, a perpetual-life Pan-European core plus strategy with an existing manager, a US focused alternative fund and the first investment in the Asia Pacific region. A high level summary of fund activities since 2015 was included in the report and outlined to the Group.

There would be steady and measured progress to meeting allocation whilst controlling risk through diversification across vintage, geography, sector and other factors. The Pace of investment and deployment had been disciplined and balanced and this would continue through 2018 as commercial property values became more expensive. Areas under consideration for investment were defensive, alternative real asset investments (farmland, healthcare, multifamily residential) and European and US exposure.

The most common investment vehicle that had been used was a ten year limited partnership with an investment period of four years, which required the Fund to have an on-going commitment programme to achieve and maintain the 2% allocation in overseas property. In order to maintain diversification across vintages as per the investment guidelines, it was necessary to have a four year horizon when planning commitments, which would be reviewed periodically. Therefore, the four year pacing strategy continued to be agreed and reviewed on an annual basis by the Working Group.

RECOMMENDED:
That the report be noted.

5. MANCHESTER CITY CENTRE RESIDENTIAL REPORT

The Working Group welcomed Professor Haran, Ulster University, Dr David, Ulster University and Professor Rudock, Salford University, who attended the meeting to comment on the current position of the Manchester City Centre residential market and the likely future prospects.

Officers reported that GMPF's Property Venture Fund had invested significantly in a number of city centre residential opportunities, both directly and by providing debt finance to developments. As the city centre was currently experiencing a housing boom the Fund had commissioned the University of Salford to prepare an independent report on the Manchester Residential Investment Market.

The report detailed key housing market trends in the city centre, specifically the apartment sector, and included details of existing provision, pricing trends and an analysis of the new build and resale market. It also included rental provision and investment in private rental schemes, activity within the city centre and an analysis of ongoing development activity and future developments.

The University representatives explained that they had used impartial data to verify the current availability of city centre housing and forecast future demand. Since 2015 Manchester had positioned itself as an attractive city centre residential investment market in the UK. The introduction of the Northern Powerhouse in 2014 had created a buoyant micro economy that had positively affected growth, employment creation and inward investment. It was expected that the growth would continue over the course of the next five years, above regional and national averages.

It was explained that growth was fuelled by Manchester offering a diverse range of employment opportunities across the wage spectrum. The economic expansion and job creation had attracted large volumes of graduates and young business professionals to the city and also the retention of existing students. This coupled with Manchester City Council's ambition to expand city centre living and grow the day and night economies had resulted in a boom in apartment developments in the city centre.

An analysis of sales price performance for 1, 2 and 3 bedroom apartments was provided in addition to rental market performance, which equated to approximately 70% of the housing stock. Private Rental Schemes allowed graduates and young professionals to aspire to city centre living. Research had shown that early professionals did not want to commit to homeownership preferring the rental sector that gave them flexibility and the option to align their lifestyle and careers paths. Therefore, the continued expansion and provision of the private rental sector in the city centre represented a viable investment opportunity over the medium to long term due to the ever increasing demand.

In conclusion, it was expected that new jobs would continue to be created in the city centre economy and it was anticipated that further inward migration would increase the demand for homes. Despite housing provision increasing markedly over the last 3 years, the demand for new homes continued to outweigh the supply and there would continue to be a demand for private rental sector schemes going forward.

A wide ranging discussing ensued and the representatives answered a variety of questions from the Group. In response to a question regarding warning sign indicators it was important to monitor the market diligently, pricing signals and occupancy levels, especially of the private rental sector.

RECOMMENDED:
That the report be noted.

6. 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 2 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 ‘committed sites’ when compared to Quarter 2 2017 and a significant decrease in sites under advanced due diligence. Officers would continue to work hard to find new opportunities.

Charts detailing the portfolio overview by sector showed greater diversification over the four sectors (office, suburban residential, city centre residential and other) with an 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. A year by year portfolio investment projection was shown, which detailed a steady increase to 2021 in capital deployed.

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 First Street Manchester, Crusader Mill Manchester, Wilmslow Road Didsbury and Deansgate Square.

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 June 2018 and the current prediction on final viability.

RECOMMENDED:
That the report be noted.

7. LASALLE QUARTERLY REPORT

The Working Group welcomed Tom Lewis and Tom Rose, La Salle Investment Management, who attended the meeting to deliver a presentation on the GMPF main property portfolio. The quarterly 2 report would be circulated to the Group at a later date.

Mr Rose began by providing the portfolio statistics for Quarter 1 2018. There were 49 assets overall (41 direct, 6 indirect and 2 joint ventures) with a value of £933 million, which increased to £1,069 million 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%. Performance of the UK property market was outlined by sector with industrial being the best performer at 5.2% and retail the worst at -0.7%. Alternatives had achieved 2% and office 0.9%.

A number of retailers had faced financial difficulties with poundworld, ToysRus and maplin entering administration and House of Fraser, New Look, carpetright and mothercare entering into company voluntary arrangements. It was confirmed that the portfolio had been impacted less than most with only a 1% reduction in rents due to company voluntary arrangements.

An update on portfolio progress (asset management, sales and acquisitions) was provided. There had been two Sainsbury's lease extensions at Canvey Island and Midsomer Norton and 10 retail properties had been identified as potential sales with 5 expected to complete during the year. In terms of acquisitions, the logistics park in Reading had been completed in April, contracts had been signed for a logistics park in Southampton and final negotiations had been entered for a hotel in Waterloo, London.

Moving forward LaSalle would progress with the Southampton and Waterloo acquisitions, advance retail sales in line with the disposal programme, progress key lettings in Reading, Cardiff and Leeds and continue their close oversight of indirect holdings.

A discussion ensued on the demise of the high street and possible future options. It was confirmed that assets would continue to be sold and assets would continue to be purchased that were in the right place. It was anticipated that there would be further negative impacts on the high street due to the growth of the internet and it was imperative that retailers were offering a unique experience and were competitive. It was likely that further voids and rent reductions would occur.

RECOMMENDED:
That the report be noted.

8. URGENT ITEMS

There were no urgent items.

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Report To:	**PENSION FUND MANAGEMENT PANEL/ADVISORY PANEL**
Date:	19 October 2018
Reporting Officer:	Sandra Stewart - Director of Pensions Emma Mayall - Pensions Policy Manager
Subject :	**PENSIONS ADMINISTRATION UPDATE**
Report Summary:	This report covers the following key items of work affecting, or being carried out by, the administration section over the last quarter: - 'My Pension' service - Monthly pay and contribution returns evaluation work - Annual benefit statements for contributors - Pension Saving Statements - GMP Reconciliation
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:	Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7242 e-mail: emma.mayall@gmpf.org.uk

1. BACKGROUND AND INTRODUCTION

1.1 This report provides a brief update on 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:

- 'My Pension' service
- Monthly pay and contribution returns - evaluation work
- Annual benefit statements for contributors
- Pension Saving Statements
- GMP Reconciliation

2. 'MY PENSION' UPGRADE

2.1 '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.

2.2 GMPF upgraded to a new version of the module on 3 July 2018 that continued to be available for pensioners, but that was also now available for contributing and deferred members.

2.3 All contributing members received details of how to register for the service with their annual benefits statements and a program of communications is currently being put together to notify deferred members and those pensioners who have not registered.

2.4 Work will continue on improving online access for members and a number of initiatives are planned to increase registration numbers over the next eighteen months. Some statistics on the initial numbers of members registered so far and the functionality being used can be found at **Appendix 1**.

3. MONTHLY PAY AND CONTRIBUTION RETURNS - EVALUATION WORK

3.1 During the quarter, work has continued on evaluating the steps that need to be taken in order to transition from receiving annual pay and contribution returns from scheme employers to monthly ones. Further testing of the software required to facilitate this change has also been undertaken.

3.2 A project team has been established and the work areas required to plan and carry out a successful transition program have been identified. The aim is to complete the transition process for all employers by March 2020.

3.3 Information has been provided to employers to inform them of the intention to do this, and more information will be provided at the AGM and at an employer information session being held on 30 October 2018.

3.4 A copy of the latest Milestone project plan can be found at **Appendix 2**.

4. ANNUAL BENEFIT STATEMENTS TO CONTRIBUTORS

4.1 Over 103,000 Annual Benefit Statements were sent to contributing members in July and August in advance of the 31 August 2018 statutory deadline. This equated to approximately 98% of members.

4.2 A number of statements were not able to be produced due to known issues with pay or outstanding queries. On 10 August 2018, GMPF notified the Pensions Regulator of its failure to issue statements to 1,354 members of the National Probation Service where the employer was unable to provide corrected pay figures in time. GMPF and the Ministry of Justice are continuing to liaise with the Pensions Regulator to resolve this issue.

5. PENSION SAVING STATEMENTS

5.1 495 Pension Saving Statements were issued to members who exceeded the annual allowance tax limit before the statutory deadline of 6 October 2018.

5.2 Information seminars will be held in November for scheme members who are or might be affected by the annual allowance. One to one guidance session will also be made available and members will be signposted to organisations that can provide them with financial advice.

6. GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION

6.1 Work on completing the GMP Reconciliation project continues and is still on target to be completed by the end of the year.

6.2 Graphs and commentary on the numbers of matches, mismatches, queries and estimates of potential cost savings can be found at **Appendix 3**.

7. RECOMMENDATION

7.1 It is recommended that the Panel note the report.

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APPENDIX 1

MY PENSION – STATISTICS AND FEEDBACK

My Pension uptake statistics
Members registered for My Pension as at 01 October 2018

Status	Number on record	Number registered	% registered
Active contributors	109,271	7,466	7%
Benefits on hold	115,336	1,433	1%
Pensioners	127,531	7,526	6%

The table below shows the number of active members registered for My Pension by employer (this includes the 13 largest employers of the fund)

Employer	Number of actives	Number registered	% registered
Manchester CC	11,341	573	5%
Bolton MBC	6,292	373	6%
Bury MBC	4,496	274	6%
Oldham MBC	4,564	245	5%
Rochdale MBC	5,462	309	6%
Salford CC	4,944	278	6%
Stockport MBC	6,379	420	7%
Tameside MBC	4,190	423	10%
Trafford MBC	4,033	295	7%
Wigan MBC	7,059	442	6%
NPS	10,118	670	7%
MMU	2,366	194	8%
GMP	4,121	399	10%

Usage up to 01/10/2018 (from launching on 02/07/2018 to 01/10/2018)

Logins	15,972
Address/contact details change	6,350
Nomination change	2,566
Contact us message sent	437
Retirement calculations	10,829

APPENDIX 1

MY PENSION – STATISTICS AND FEEDBACK

My Pension feedback
When members log out of My Pension they are asked to complete a short survey. The survey consists of 5 questions within which they are to rate the service on a scale of 1-5, with 1 being poor and 5 being excellent. The questions and the average scorings are shown below. To date we have had almost 400 survey responses.

How easy did you find the registration process?	Average of 4.5
Did you find the guidance on how to register easy to follow/useful?	Average of 4.6
How would you rate the layout of the My Pension home page?	Average of 4.6
Could you find information easily?	Average of 4.6
How useful did you find the information available on My Pension?	Average of 4.6

There is also the opportunity for members to leave additional comment. Of the 159 comments left to date, 100 were positive, 36 were negative (many of which relate to issues with registration) and 23 comments/suggestions for improvements were made.

APPENDIX 2

PROJECT OVERVIEW REPORT

MONTHLY POSTINGS AND I-CONNECT	Report Date	Report No:
Project team: Emma Mayall, Georgia Ryan, Tas Haque, John Carroll, Sarah Livesey	11/09/2018	2

PROJECT OBJECTIVES AND TIMESCALES	
Timeframe:	01 August 2018 to 31 March 2020
Objectives:	- Implement I-Connect system in test service - Carry out UAT - Liaise with employers regarding roll out plans - Create training materials and documentation - Create communication and engagement strategy - Review contracts and ensure compliance

MILESTONES AND NEXT STEPS

Progress against recent key milestones and / or next steps		Deadline	Leading Officer	
Work stream 1	Implementation	31/12/2018	Tas Haque	
	Procurement	01/09/2018		
	Installation (TEST)	30/09/2018		
	Testing (UAT)	15/10/2018		
	Piloting	24/12/2018		
	Installation (LIVE)	31/12/2018		
Work stream 2	Training and communication		Mark Flannagan	
	Develop internal comms and training plan	31/12/2018		
	Develop employer comms and training plan	31/12/2018		
	Develop training materials	31/12/2018		
	Review information on employers website	TBC		
Work stream 3	Roll out		Sarah Livesey/Liam McKenna	
	Create a roll-out plan	30/11/2018		
	Gather required information from employers	31/12/2018		
	Carry out data matching for all employers	31/03/2020		
	On-board all employers	31/03/2020		
Work stream 4	Contributions and reconciliation		Victoria Plackett	
	Reconciliation strategy created and agreed with Audit	TBC		

PROJECT OVERVIEW REPORT

Work stream 5	Risk and audit		Georgia Ryan/ Stephen Budd	
	Risk log created	30/09/2018		
	Risk log maintained and reviewed regularly	Ongoing		
	DPIA	Ongoing		
Work stream 6	Policy and compliance		Emma Mayall/ Matthew Simensky	
	Review and amend PAS	TBC		
	Create escalation policy	TBC		
	Data sharing agreements	TBC		
	Process mapping (Adherence to GDPR)	TBC		
	EIA			
Work stream 7	Changes to working practices		John Carroll	
	Identify procedure changes required	31/10/2018		
	Document all new procedures	31/12/2018		
	Identify training requirements	31/12/2018		

ISSUES/HIGH LEVEL RISKS

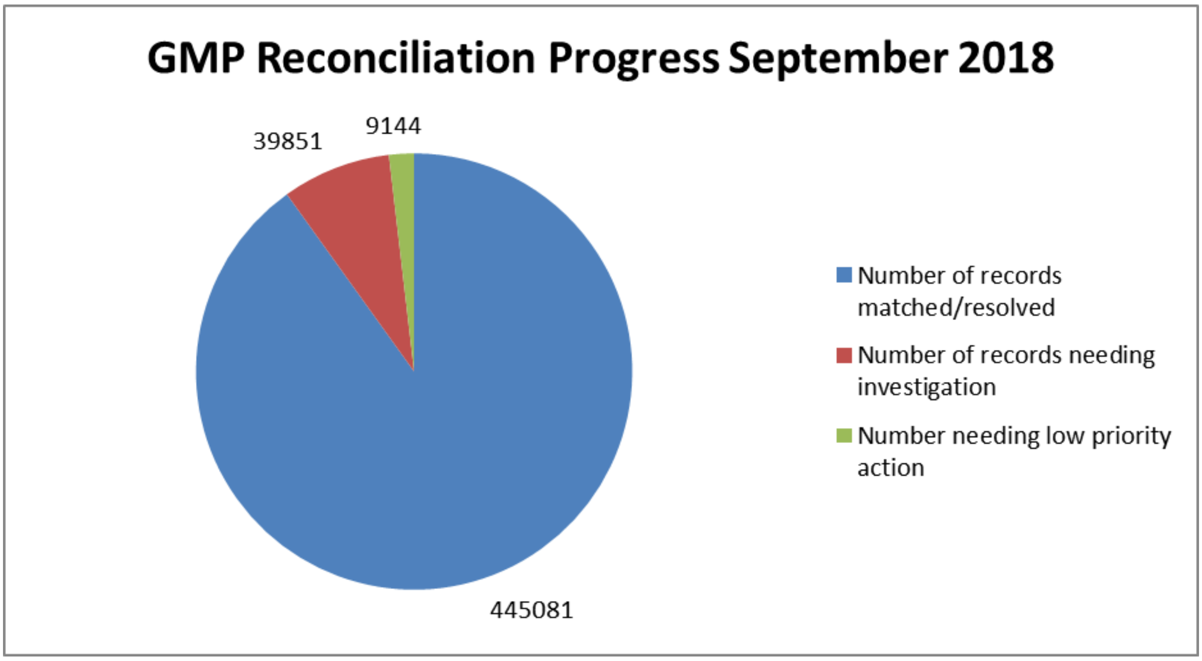
Issues/high level risks arising and their impacts on the project	**1**	Resources are not in place at GMPF, Heywood or transitioning employers. This would cause delays on implementation.
	2	Lack of buy in from employers which could include people or financial resource. Difficulty in transitioning them from annual to monthlys. Risk that current processes need to be carried out for longer than planned requiring more GMPF resource.
	3	Incorrect benefits are paid as a result of incorrect data being submitted

APPENDIX 3

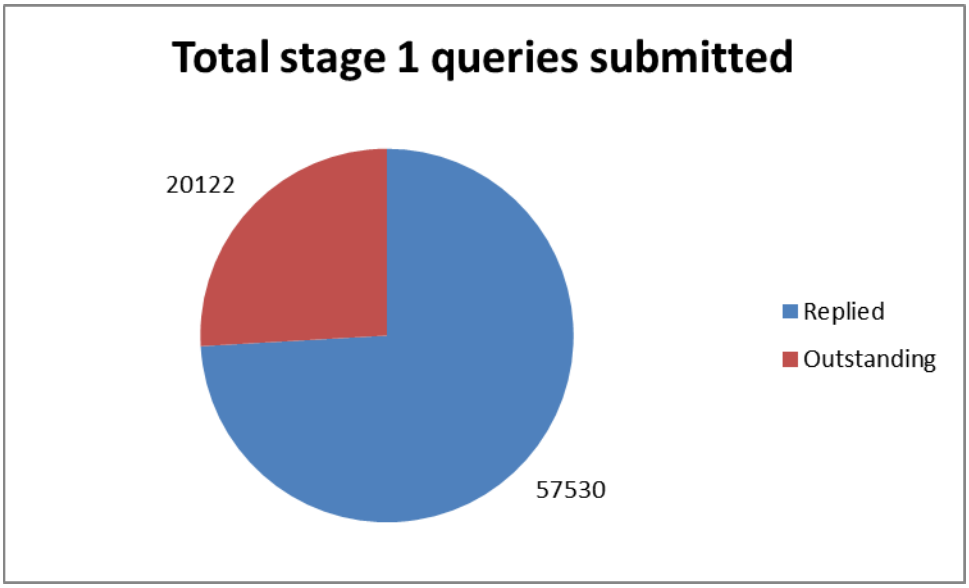
GMP RECONCILIATION – STATISTICS AND PROGRESS ANALYSIS

Phases 1 and 2 – record mismatching

The chart below demonstrates the progress made on the project so far. It details the number of records that have been resolved during the project and the number that are still to be investigated or re-calculated.

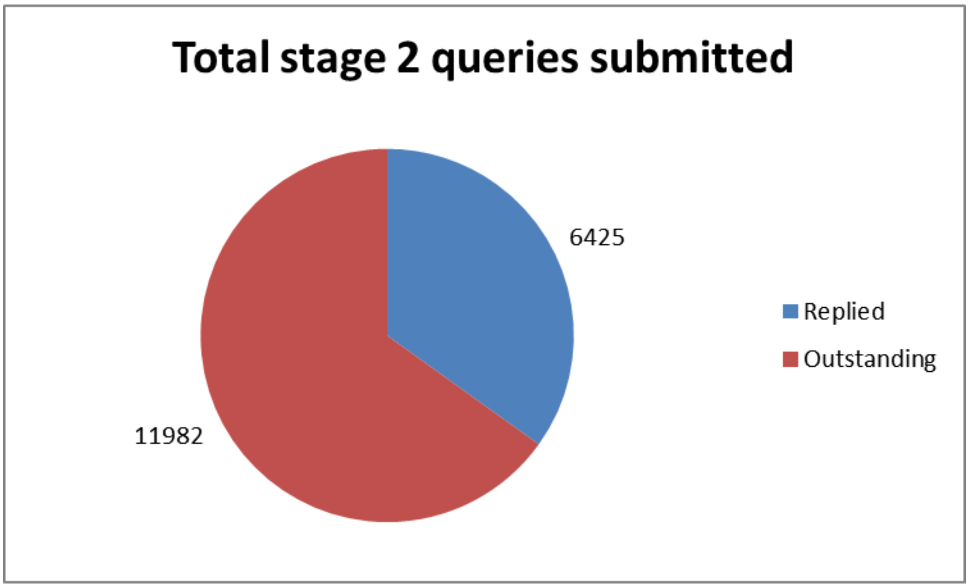


During phase 2 of the project, a total of 18,407 queries have been raised. We are still awaiting responses from HMRC to some queries which were submitted during phase 1. The first chart below shows queries submitted during phase 1 and the second shows those queries submitted during phase 2.



APPENDIX 3

GMP RECONCILIATION – STATISTICS AND PROGRESS ANALYSIS



<u>Phase 3 - Record rectification</u>

Part of the GMP reconciliation project is to identify and correct records where either the payments being made to pensioners are incorrect or the payroll elements are incorrect. To date, we have identified 3,023 records which require correction. As at mid- September, over 2,040 records have been corrected, 1,566 of which required changes to payroll elements or payments.

Analysis of the records where changes were required showed that:

- 60% of these members were being overpaid
- 30% of these members were being underpaid
- 10% of these members had no change to their monthly payments, just payroll element changes
- The average monthly change to payments in overpayment cases is £7.47
- The average monthly change to payments in underpayment cases is £3.56

The table below shows a breakdown of the monthly variance.

Monthly variance (per month)	No of pensioners affected (Underpayment)	No of pensioners affected (Overpayments)
Over £100	1	6
Between £50 and £99	3	28
Between £20 and £49	17	75
Less than £20	445	827

Where an underpayment is identified the arrears due are calculated and paid to the member in addition to any increases to their future pension payments. In total, 218 members have received an additional payment of arrears so far. The amount of arrears payments made to date amount to just under £138,000.