

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 18 January 2019
Time: 10.00 am
Place: Guardsman Tony Downes House, 5 Manchester Road, Droylsden, M43 6SF

NB: The basement car park at Guardsman Tony Downes House will be open for your use.

| Item No. | AGENDA | Page No |
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| GENERAL BUSINESS | | |
| 1. | CHAIR'S OPENING REMARKS | |
| 2. | APOLOGIES FOR ABSENCE | |
| 3. | DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel. | |
| 4. | MINUTES | |
| a) | MINUTES OF THE PENSION FUND ADVISORY PANEL To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 19 October 2018. | 1 - 12 |
| 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 19 October 2018. | 13 - 20 |
| 5. | LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 | |
| a) | URGENT ITEMS To consider any items which the Chair is of the opinion shall be considered as a matter of urgency. | |
| b) | EXEMPT ITEMS The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the | |

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

11. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION 67 - 76

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

12. PERFORMANCE DASHBOARD 77 - 80

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

13. MEDIUM TERM FINANCIAL STRATEGY 81 - 84

Report of the Assistant Director of Pensions, Local Investments and Property, attached.

14. ADVISOR COMMENTS AND QUESTIONS

ITEMS FOR INFORMATION

15. LGPS UPDATE 85 - 88

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

16. PENSIONS ADMINISTRATION UPDATE 89 - 92

Report of the Pensions Policy Manager attached.

17. FUTURE TRAINING DATES

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

| | |
|---|--------------------|
| Northern Pool Stewardship Conference Aintree Racecourse, Ormskirk Road, Liverpool, L9 5AS | 23 January 2019 |
| CIPFA Local Board Spring Seminar | 25 February 2019 |
| PLSA Investment Conference EICC Edinburgh | 6 – 8 March 2019 |
| PLSA Local Authority Conference, Gloucestershire | 13-15 May 2019 |
| PLSA Annual Conference Manchester | 16-18 October 2019 |

18. DATES OF FUTURE MEETINGS

| | |
|---------------------------|--|
| Management/Advisory Panel | 12 April 2019 19 July 2019 18 October 2019 (AGM) 17 January 2020 17 April 2020 |
| Local Pensions Board | 14 February 2019 13 June 2019 8 August 2019 |

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

| | |
|---|---|
| | 11 October 2019 12 December 2019 26 March 2020 |
| Policy and Development Working Group | 8 March 2019 13 June 2019 19 September 2019 19 December 2019 6 March 2020 |
| Property Working Group | 8 March 2019 13 June 2019 19 September 2019 19 December 2019 6 March 2020 |
| Investment Monitoring and ESG Working Group | 22 March 2019 12 July 2019 27 September 2019 20 December 2019 20 March 2020 |
| Administration and Employer Funding Viability Working Group | 22 March 2019 12 July 2019 27 September 2019 20 December 2019 20 March 2020 |

WORKING PAPERS - APPENDICES

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

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

19 October 2018

Commenced: 10.00am

Terminated: 12.30pm

Present: Councillor Warrington (Chair)

Councillors: Ball (Oldham), (Barnes (Salford), Grimshaw (Bury), Halliwell (Wigan), Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale),

Employee Representatives:

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

Local Pensions Board Members (in attendance as observers):

David Schofield (GMB)

Advisors:

Mr Moizer, Mr Powers and Ms Brown

Apologies for absence: Councillors Pantall (Stockport), Andrews (Manchester) and Ms Baines

22. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and made reference to the Annual General Meeting later that afternoon. She explained that, traditionally, the Annual Report and Accounts were presented at the AGM having been received at the Management / Advisory Panel meeting, immediately preceding it. However, following a change in the law, which brought forward the Accounts deadline to July from September, the Annual Report and Accounts was approved at the last meeting of the Panel (Meeting of 20 July 2018 refers). It was therefore proposed that the AGM would move to July, going forward.

The Chair informed Members of the great strides made to digitalise interaction with members with 'My Pension', the new on line self-service system, which allowed members to engage with the Fund to get their own retirement forecasts, payments made and advise electronically of changes in addresses and who they would like to nominate their death benefits to. Not only was this an improved service to members, it also substantially reduced admin costs particularly with regard to postage and printing. It had been hugely successful and the positive feedback overwhelming. The Chair encouraged Members to ask their HR and Communications teams to 'spread the word'.

The Chair reported that Kevin Allsop, (UNISON) was no longer able to be a representative on the Panel as he had secured a position managing the Administering Authority's Tameside's PFI contracts and was therefore now prevented from being part of the Panel as not independent of Tameside. Consequently, the TUC had been invited to nominate a new representative and notification of a new representative was awaited. The Chair formally thanked Mr Allsop on behalf of the Fund, for his hard work and contributions since his appointment in July 2015 and wished him every success in his new role.

The Chair made reference to a report submitted to the last meeting of the Panel (meeting of 20 July 2018 refers) in respect of a review of Governance to align with the revised legal framework around Pooling and the current government guidance and to ensure meetings were undertaken to support and deliver the Fund's business and, consequently, rationalised the working groups to achieve this. The Chair clarified that there was no requirement for Members to be on two or more working group meetings but requested that Members commit to at least one working group and advise of any changes to Councillor Cooney.

The Chair advised that the Annual LAPF Investment Awards had taken place at the end of September and was pleased to announce that the Fund, as the originating partner of the infrastructure platform GLIL, won in the 'Collaboration' category.

A posthumous lifetime achievement award was also presented in recognition of the work over many years of Councillor Kieran Quinn, in the Local Government Pension Scheme and the Greater Manchester Pension Fund. Councillor Susan Quinn and one of their two sons, Matthew, attended the ceremony to receive the much deserved award.

The Chair informed Members that every year in September, the rankings by size of the Global Pension Funds were published and it was particularly pleasing to see the Fund had moved up the ranks from 160th to 153rd biggest in the World and from 12th to 11th biggest in the UK.

The Chair was further pleased to report that the Fund was mentioned in dispatches at an All Party Parliamentary Group for Local Authority Pension Funds chaired by Clive Betts MP on the 10 October 2018 attended by Councillor Cooney, the Director of Pensions and the Assistant Director of Pensions, Investments, which considered a report that was previously received by the Property Working Group from Sheffield Political Economy Research Institute, looking at the impactful work of Greater Manchester Pension Fund on the economy through its Local Investments.

The Chair explained that a notable addition to the Fund's work in the past financial year had been reviewing the Pension Fund's approach to Climate Risk. The Fund wholeheartedly supported the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). She added that Friends of the Earth Manchester and Fossil Free GM would be demonstrating outside before the Annual General Meeting, calling for disinvestment. Last year they were invited to the Fund's AGM and to the Local Government Pension Scheme stakeholder Stewardship day where 80% of the Fund's stakeholders agreed with the approach that engagement was more effective than divesting holdings to someone who may not share the Fund's commitment to responsible investment.

Despite financial decarbonisation of the economy being a complex and challenging issue, particularly for long-term investors such as pension funds, this had not stopped the Fund committing to the Paris Agreement goal of 100% of assets being compatible with the net-zero emissions ambition by c2050. Progress towards this goal was and would be regularly evaluated in line with the Fund's objective of maintaining long-term financial performance, ensuring that we could continue to deliver affordable and sustainable pensions for employers and taxpayers.

The Chair further advised that, as previously reported at the last meeting of the Panel, Mary Creagh MP, Chair of the Environmental Audit committee had published in May 2018, her committee's assessment on the steps of what the UK's largest pension funds were taking to manage the risks that climate change posed to UK pension investments. The committee rated the Greater Manchester Pension Fund as achieving the highest standard of being 'More Engaged' against the criteria they set, noting that the Fund were committed to reporting on the climate change risks and opportunities facing funds in line with the recommendations of the Task force on Climate-related Financial Disclosures. The Fund continued to be the biggest local government pension investor in renewable energy and GLIL was in the advanced stages of completing a £130 million portfolio of biomass assets that would convert 250 thousand tonnes of waste per year into useful gas, electricity and fertiliser.

The Chair reported that the phased investment into Clyde windfarm had been completed. This was the third biggest onshore windfarm in Europe, a vital component of UK renewables and generation as a whole, providing power to over 300,000 homes and roughly 3% of UK wind generation. Additionally there was a community investment fund totalling £58 million over its lifetime creating jobs for 50 full time staff including graduates and apprentices from the local community.

The Chair made reference to an item for consideration in the agenda today, in respect of integrating climate risk into the investment process. Approval was sought for £2.3 billion of the Fund Assets to be moved from a standard market capitalisation index approach to a low carbon approach targeting a significant reduction in carbon footprint and intensity. This was an important part of the review of investment management arrangements.

The Chair made further reference to another report on the agenda today; the CEM report. The report assessed the performance, costs and value add of Pension Funds across the world not just local government. The report highlighted the constancy of purpose of the Fund, which had delivered excellent outperformance.

23. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

24. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 20 July 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 20 July 2018 were signed as a correct record.

25. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED

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

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

| <u>Items</u> | <u>Paragraphs</u> | <u>Justification</u> |
|---|---|--|
| 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. |

26. LOCAL PENSIONS BOARD

The Chair explained that the Chair of the Local Pensions Board was unable to attend the meeting today, and in his absence it was:

RECOMMENDED

That the Minutes of the proceedings of the Local Pensions Board held on 9 August 2018 be noted.

27. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 13 July 2018 were considered.

RECOMMENDED

That the Minutes be received as a correct record.

28. PENSIONS ADMINISTRATION WORKING GROUP

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

The Chair of the Working Group, Councillor Lane, reported that Members were pleased to hear that the new 'My Pension' customer service module was being launched and that this would lead to significant improvements for Pension Fund members, who would be able to access their pensions online.

The Working Group had also supported a proposal for the Fund to facilitate providing some tax related sessions to support those members who had or were likely to incur a tax charge due to exceeding the annual allowance tax limits.

In addition, the Group heard that a project group had been looking at how the fund might move from receiving annual pay and contribution information from employers to monthly returns and a good discussion was had about the potential benefits that could bring.

RECOMMENDED

- (i) That the Minutes be received as a correct record;**
- (ii) In respect of Minute 5, Monthly Returns, that the Fund's transition to receiving member pay and contribution data from employers on a monthly basis, be approved and**
- (iii) With regard to Minute 9, Pensions Tax Support for Scheme Members, that the Director of Pensions be 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.**

29. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 6 July 2018 were considered.

The Chair of the Working Group, Councillor Cooney, advised that the Group had received reports reviewing the performance of each of the Private Equity Fund an Infrastructure Fund portfolios, which both continued to develop well against their objectives, delivering 'since inception' returns of 16.9% and 10.4% per annum, respectively.

In addition, a presentation was received from Carlyle Group, one of GMPF's Private Equity General Partners on its private equity strategy, the group's strong commitment to ESG matters and on the private equity market more generally.

RECOMMENDED

That the Minutes be received as a correct record.

30. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 12 July 2018 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported that the Working Group had discussed the potential implications of the recent LGPS Amendment Regulations. One of the changes was to permit employers who were exiting the Scheme to receive a refund of any surplus that existed in their section of the Fund. The Group discussed how admission agreements and strategy may need to be amended to help protect the Fund and its major employers.

The Group further discussed the progress of the Scheme Advisory Board's project to improve how academy schools interacted with the LGPS. In particular they considered the ideas proposed to ensure all academy schools paid broadly similar contribution rates and the risks for and potential impact on, the Fund.

RECOMMENDED

That the Minutes be received as a correct record.

31. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 13 July 2018 were considered.

The Chair of the Working Group, Councillor Quinn, advised that the Group had received an update on the progress of the review into La Salle performance and overall allocation to property which had identified a number of issues including the use of leverage which officers would report on at future meetings.

There was also an update on the overseas portfolio which had a good start with a current IRR of over 15%.

The Group had further received a report on the housing market in Manchester from Salford and Ulster University which concluded that the market was underpinned by strong economic and demographic fundamentals. This should allow for growth to continue but that this was matched by investors putting capital in. The Fund should continue to invest in Manchester but review the market on a quarterly basis.

RECOMMENDED

That the Minutes be received as a correct record.

32. INVESTMENTS COMMITTEE

RECOMMENDED

That the Minutes of the proceedings of the Investments Committee held on 17 September 2018 be noted and in future be received by the Policy & Development Working Group.

33. NORTHERN POOL GP (NO 1) LIMITED BOARD

RECOMMENDED

That the Minutes of the proceedings of the Northern Pool GP (No 1) Limited Board held on 17 September 2018 be noted and going forward be received by the Policy & Development Working Group.

34. 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. Presentations were also received from Eric Shirbini of Scientific Beta and William Marshall of Hymans Robertson.

It was explained that, as part of the 2018 Investment Strategy Review, the July meeting of the Management Panel adopted a recommendation that the Fund develop a Factor Indexing proposal which would provide a rapidly implementable solution to address a number of key issues for the Fund.

Eric Shirbini, Scientific Beta, attended before Members of the Panel and gave a presentation explaining the key elements of Factor Index investing and how the introduction of a Factor Indexing portfolio could address a number of key issues for the Fund.

It was explained that the Assistant Director of Pensions, Special Projects, had been working with Scientific Beta and had commissioned research from them into a version of their flagship indices that would offer the fund diversified multi-factor exposure to developed market Global Equity, coupled with significantly reduced carbon exposure and other important risk control design features.

John Dickson, Hymans Robertson, then presented the second part of the Fund's review of investment structure, with Stage 1 having been discussed with the fund at the July 2018 meeting of the Management Panel.

Mr Dickson explained that the key drivers of this part of the review had been the increasing allocation to index-tracking assets, and a need to consider whether and how to redeploy those assets. . This was being considered in two parts; whether to introduce an allocation to factor based investing; and whether to introduce some additional active allocations – either multi-asset or specialist.

The report and presentation outlined:

- Main Fund – current position;
- Decision framework;
- Active/index-tracking management; and
- Areas for further work.

Mr Dickson expressed strong support for the introduction of a factor-based equity index-tracking mandate. As an initial move, an investment in the region of 10% of Fund assets into an index-tracking factor-based equity mandate (i.e. c1/6th of the fund's current equities), was recommended. It was further recommended that the size of this mandate be reviewed following the multi-asset/specialist discussions.

There was a further recommendation to adjust existing active/index-tracking equity/bond split to c 2/3rd active/1/3rd index-tracking over time. However, the final split would depend on the outcome of the multi-asset versus specialist discussions.

Mr Powers commented on the very strong academic case presented for Factor investing, however cautioned of the long term effect should this approach become more prevalent with funds/investors.

Ms Brown sought clarification of how the Fund would look should the recommendations be approved.

Mr Dickson explained that there would be a completely different weighting to the stocks and there would be a number of different schemes of weighting with a need to diversify and rebalance on a regular basis.

Mr Moizer supported the concept of moving some current market cap passive stock to a factor based indexing allocation.

The Chair thanked Mr Shirbini and Mr Dickson for very informative presentations.

RECOMMENDED

- (i) That the content of the report and presentations be noted; and**
- (ii) That a Factor Indexing allocation and portfolio be established within the Main Fund;**
- (iii) That the allocation and portfolio comprise investments in Global Equity (developed markets) amounting to 10% by value of the Main Fund (currently approximately £2.3bn);**
- (iv) That the assets forming the portfolio be taken from the current L&G market capitalisation passive portfolios;**
- (v) That the portfolio contain no direct holdings in tobacco and a significantly reduced exposure to carbon;**
- (vi) That implementation and funding of the portfolio (as outlined within Section 3 of the report) be delegated to the Director of Pensions;**
- (vii) That progress on the delegated implementation be reported to the next meeting of the Panel; and**
- (viii) A further report on the remaining issues highlighted within the Hymans report be considered at the next meeting of the Panel.**

35. 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 2 (2018) Performance Dashboard was summarised. Global equity markets had positive returns in Q2 2018 reversing the negative returns of Q1 as global growth continued in many developed markets, in particular the US delivering better economic performance than expected. GDP numbers confirmed that the pace of global growth had slowed in Q1. Subsequent data and survey evidence suggested that expansion remained intact with the US recovering momentum but the slowdown persisting elsewhere. As in the first quarter, the market returns betrayed significant differences between regions as volatility (caused by US monetary tightening and the US-China trade tensions) continued. The quarter saw an additional rate rise in the US Fed, which moved the US dollar higher. In government bond markets, there were no significant increases in yields or returns. Corporate bond markets globally were subdued. UK credit spreads widened a little over the quarter from historically low levels in line with the pattern in global credit markets. Emerging market debt fell in value in what was a difficult quarter for emerging market assets more broadly.

Over the quarter total main Fund assets increased by £823m to £22.8 billion. The benchmark allocation was updated at the end of January to reflect the removal of the tactical cash weighting (reduced over the quarter 3% to 0%) 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.

On a cumulative basis, over the period since September 1987, the Main fund had outperformed the average LGPS fund, equating to over £3.4 billion of additional assets. The Main Fund marginally underperformed its benchmark over the quarter but remained ahead of its benchmark over 1, 3, 5 and 10 years periods, mainly due to stock selection. The active risk of the Main Fund was broadly consistent at around 1% over 1, 3, 5 and 10 years but risk in absolute terms (for both portfolio and benchmark) was lower than that observed historically. At the end of Quarter 2, two of the active managers had achieved positive performance on an absolute and relative basis, while the other active manager underperformed (on both an absolute and relative basis) over 1 year.

RECOMMENDED

That the content of the report be noted.

36. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

The Assistant Director of Pensions, Investments, submitted a report detailing the Fund's approach to manager monitoring and summarised the results from the Monitoring Escalation Protocol as at 30 June 2018.

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

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

It was reported that the 'Comments' section in Appendix A to the report had been enhanced to incorporate a qualitative update in relation to each of these metrics.

RECOMMENDED

That the content of the report be noted.

37. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing Members with an update on investment management cost benchmarking for 2017/18.

RECOMMENDED

That the content of the report be noted.

38. 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 the Northern Pool had submitted its most recent progress update to Government on 10 May 2018. This covered the period up to 13 April 2018.

It was further reported that the Chair of the Pool and the Chairs of the participating funds met Rishi Sunak MP on 23 May 2018, to discuss the current position of the Northern Pool and its proposal to pool listed assets via a joint venture. A written summary of the proposal was provided following the meeting which set out clearly how the Northern Pool's proposed structures met the relevant regulation and the Pooling Criteria and Guidance.

A letter received by the Northern Pool from the Minister in July was appended to the report. Also attached was a draft QC opinion, sought by the Northern Pool. Comments on both documents provided by the Pool's legal advisor, Clifford Sims, Squire Patton Boggs, were also appended.

Further details were also given of LGPS Pooling National Developments, the Cross-Pool Officer group and Cross-Pool Officer sub-groups.

Following the receipt of QC opinion, Officers of the Northern Pool funds attended a productive workshop with the Pool's legal advisors, Squire Patton Boggs, to further develop the Northern Pool's proposals and in particular how managers of public-market assets could most expediently be procured, appointed and monitored via the Northern Pool's proposed governance arrangements, whilst remaining compliant with LGPS regulations and guidance and financial services legislation.

Squire Patton Boggs were currently undertaking a further review of the current draft inter-authority agreement which would establish the Northern Pool joint-committee, which had up to now, been meeting in shadow form.

Another important piece of the governance framework was each Fund's Investments Strategy Statement (ISS), in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance. Due to the ongoing dialogue with Government, the Northern Pool funds had not updated the pooling section of their ISS since they were first published. To address this, a revised section 8 of GMPF's ISS had been drafted and was appended to the report.

It was further reported that it was understood from comments made by civil servants and the LGA at recent Scheme Advisory Board and Cross-Pool meetings that Government was seeking to revise and expand the guidance on preparing and maintaining an Investment Strategy Statement. The revisions may result in the withdrawal of the Pooling Criteria and Guidance issued in November 2015. A consultation had recently commenced on technical amendments to LGPS benefits which was due to close on 29 November 2018. Whilst the consultation mainly related to benefit administration, it contained a provision to allow DCLG to issue statutory guidance, which had the potential to have significant implications for pooling.

In terms of the Autumn Progress Review, Members were informed that all LGPS pools were asked to submit a further progress report to Government, covering the period up to 30 September 2018. The deadline for submission was 15 October 2018. As was the case for previous progress reports, MHCLG issued a template for pools to complete, with the template being more detailed than the ones issued for previous submissions.

The progress update summarised the Northern Pool's progress in meeting each of the Government's four headline pooling criteria as set out in the report.

Updates on the progress of the main ongoing workstreams for the Northern Pool were set out in the report.

The minutes of the Northern Pool Shadow Joint Committee meeting which had taken place on 24 April 2018 were attached to the report for information. Further details were also given of LGPS Pooling Developments nationally. Detailed discussion ensued in respect of the information provided in the report, particularly with regard to the issues raised in the Minister's letter and the draft QC opinion.

RECOMMENDED

- (i) That the content of the report and the progress of the Northern Pool, including the response to the Autumn Progress review, be noted;
- (ii) That the revisions to the Pooling section of the Investment Strategy Statement set out in the report be approved, subject to the delegation to the Director of Pensions, the authority to agree any minor revisions proposed by GMPF's pooling partners and/or independent legal advisors;
- (iii) That delegated authority be given to the Director of Pensions to respond on behalf of the Fund to the DCLG consultation on technical amendments to LGPS benefits.

39. LGPS UPDATE

The Assistant Director of Pensions, Funding and Business Development, submitted a report providing Panel Members with an update on the latest developments regarding the Local Government Pension Scheme, as follows:

- Public Service Pension Scheme Cost Management Process;
- Contribution Rates for Unfunded Public Sector Schemes;
- LGPS Cost Cap Mechanism;
- Change to Valuation Cycle in the LGPS; and
- GAD Review of the Actuarial Valuations of LGPS Funds as at 31 March 2016.

RECOMMENDED

That the content of the report be noted.

40. 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:

- 'My Pension' Upgrade;
- Monthly Pay and Contribution Returns – Evaluation Work;
- Annual Benefit Statements to Contributors;
- Pension Saving Statements; and
- Guaranteed Minimum Pension (GMP) Reconciliation.

RECOMMENDED

That the content of the report be noted.

41. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

LGE Fundamentals Training

Leeds

Day 2

6 November 2018

Day 3

5 December 2018

PLSA Annual Conference

17-19 October 2018

Liverpool

Investec Trustee Training

14 November 2018

Doubletree Hilton Hotel, Manchester

CIPFA Pensions Network Annual Conference

22 November 2018

The Leadenhall Building, London

LAPFF Annual Conference
Bournemouth 5 – 7 December 2018

UBS Trustee Training
Doubletree Hilton Hotel, Manchester 13 December 2018

LGS Governance Conference
Bristol 17 – 18 January 2019

42. DATES OF FUTURE MEETINGS

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CHAIR

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GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

19 October 2018

Commenced: 10.00am

Terminated:12.30pm

Present: Councillor Warrington (Chair)

Councillors: Ball (Oldham), Barnes (Salford), Cooney, Drennan, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), J Lane, Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale), Patrick, Quinn, Ricci, Smith, Ward and Ms Herbert

Apologies for Absence: Councillors Pantall (Stockport), Andrews (Manchester), Taylor and Ms Baines

22. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and made reference to the Annual General Meeting later that afternoon. She explained that, traditionally, the Annual Report and Accounts was presented at the AGM having been received at the Management/Advisory Panel meeting, immediately preceding it. However, following a change in the law, which brought forward the Accounts deadline to July from September, the Annual Report and Accounts was approved at the last meeting of the Panel (Meeting of 20 July 2018 refers). It was therefore proposed that the AGM would move to July, going forward.

The Chair informed Members of the great strides made to digitalise interaction with members with 'My Pension', the new on line self-service system, which allowed members to engage with the Fund to get their own retirement forecasts, payments made and advise electronically of changes in addresses and who they would like to nominate their death benefits to. Not only was this an improved service to members, it also substantially reduced admin costs particularly with regard to postage and printing. It had been hugely successful and the positive feedback overwhelming. The Chair encouraged Members to ask their HR and Communications teams to 'spread the word'.

The Chair reported that Kevin Allsop, (UNISON) was no longer able to be a representative on the Panel as he had secured a position managing the Administering Authority's Tameside's PFI contracts and was therefore now prevented from being part of the Panel as not independent of Tameside. Consequently, the TUC had been invited to nominate a new representative and notification of a new representative was awaited. The Chair formally thanked Mr Allsop on behalf of the Fund, for his hard work and contributions since his appointment in July 2015 and wished him every success in his new role.

The Chair made reference to a report submitted to the last meeting of the Panel (meeting of 20 July 2018 refers) in respect of a review of Governance to align with the revised legal framework around Pooling and the current government guidance and to ensure meetings were undertaken to support and deliver the Fund's business and, consequently, rationalised the working groups to achieve this. The Chair clarified that there was no requirement for Members to be on two or more working group meetings but requested that Members commit to at least one working group and advise of any changes to Councillor Cooney.

The Chair advised that the Annual LAPF Investment Awards had taken place at the end of September and was pleased to announce that the Fund, as the originating partner of the infrastructure platform GLIL, won in the 'Collaboration' category.

A posthumous lifetime achievement award was also presented in recognition of the work over many years of Councillor Kieran Quinn, in the Local Government Pension Scheme and the Greater

Manchester Pension Fund. Councillor Susan Quinn and one of their two sons, Matthew, attended the ceremony to receive the much deserved award.

The Chair informed Members that every year in September, the rankings by size of the Global Pension Funds were published and it was particularly pleasing to see the Fund had moved up the ranks from 160th to 153rd biggest in the World and from 12th to 11th biggest in the UK.

The Chair was further pleased to report that the Fund was mentioned in dispatches at an All Party Parliamentary Group for Local Authority Pension Funds chaired by Clive Betts MP on the 10 October 2018 attended by Councillor Cooney, the Director of Pensions and the Assistant Director of Pensions, Investments, which considered a report that was previously received by the Property Working Group from Sheffield Political Economy Research Institute, looking at the impactful work of Greater Manchester Pension Fund on the economy through its Local Investments.

The Chair explained that a notable addition to the Fund's work in the past financial year had been reviewing the Pension Fund's approach to Climate Risk. The Fund wholeheartedly supported the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). She added that Friends of the Earth Manchester and Fossil Free GM would be demonstrating outside before the Annual General Meeting, calling for disinvestment. Last year they were invited to the Fund's AGM and to the Local Government Pension Scheme stakeholder Stewardship day where 80% of the Fund's stakeholders agreed with the approach that engagement was more effective than divesting holdings to someone who may not share the Fund's commitment to responsible investment.

Despite financial decarbonisation of the economy being a complex and challenging issue, particularly for long-term investors such as pension funds, this had not stopped the Fund committing to the Paris Agreement goal of 100% of assets being compatible with the net-zero emissions ambition by c2050. Progress towards this goal was and would be regularly evaluated in line with the Fund's objective of maintaining long-term financial performance, ensuring that we could continue to deliver affordable and sustainable pensions for employers and taxpayers.

The Chair further advised that, as previously reported at the last meeting of the Panel, Mary Creagh MP, Chair of the Environmental Audit committee had published in May 2018, her committee's assessment on the steps of what the UK's largest pension funds were taking to manage the risks that climate change posed to UK pension investments. The committee rated the Greater Manchester Pension Fund as achieving the highest standard of being 'More Engaged' against the criteria they set, noting that the Fund were committed to reporting on the climate change risks and opportunities facing funds in line with the recommendations of the Task force on Climate-related Financial Disclosures. The Fund continued to be the biggest local government pension investor in renewable energy and GLIL was in the advanced stages of completing a £130 million portfolio of biomass assets that would convert 250 thousand tonnes of waste per year into useful gas, electricity and fertiliser.

The Chair reported that the phased investment into Clyde windfarm had been completed. This was the third biggest onshore windfarm in Europe, a vital component of UK renewables and generation as a whole, providing power to over 300,000 homes and roughly 3% of UK wind generation. Additionally there was a community investment fund totalling £58 million over its lifetime creating jobs for 50 full time staff including graduates and apprentices from the local community.

The Chair made reference to an item for consideration in the agenda today, in respect of integrating climate risk into the investment process. Approval was sought for £2.3 billion of the Fund Assets to be moved from a standard market capitalisation index approach to a low carbon approach targeting a significant reduction in carbon footprint and intensity. This was an important part of the review of investment management arrangements.

The Chair made further reference to another report on the agenda today; the CEM report. The report assessed the performance costs and value add of Pension Funds across the world not just local government. The report highlighted the constancy of purpose of the Fund, which had delivered excellent outperformance.

23. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

24. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 20 July 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 20 July 2018 were signed as a correct record.

25. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED

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

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

| <u>Items</u> | <u>Paragraphs</u> | <u>Justification</u> |
|---|---|--|
| 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. |

26. LOCAL PENSIONS BOARD

RESOLVED

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

27. 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

28. 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

29. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 6 July 2018 were considered.

RESOLVED

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

30. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 12 July 2018 were considered.

RESOLVED

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

31. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 13 July 2018 were considered.

RESOLVED

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

32. INVESTMENTS COMMITTEE

RESOLVED

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

33. NORTHERN POOL GP (NO 1) LIMITED BOARD

RESOLVED

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

34. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions, Investments, was submitted and presentations were received from Eric Shirbini of Scientific Beta and William Marshall of Hymans Robertson.

RESOLVED

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

35. 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.

36. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

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.

37. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

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

RESOLVED

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

38. 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.

39. LGPS 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.

40. 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.

41. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

LGE Fundamentals Training

Leeds

Day 2

6 November 2018

Day 3

5 December 2018

PLSA Annual Conference

17-19 October 2018

Liverpool

Investec Trustee Training

14 November 2018

Doubletree Hilton Hotel, Manchester

CIPFA Pensions Network Annual Conference

22 November 2018

The Leadenhall Building, London

LAPFF Annual Conference

5 – 7 December 2018

Bournemouth

UBS Trustee Training

13 December 2018

Doubletree Hilton Hotel, Manchester

LGS Governance Conference

17 – 18 January 2019

Bristol

42. DATES OF FUTURE MEETINGS

Management/Advisory Panel

18 January 2019

12 April 2019

19 July 2019 (AGM)

18 October 2019

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 |

CHAIR

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GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

15 November 2018

Commenced: 3.00pm

Terminated: 5.00pm

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

Apologies for absence: Mark Rayner

17. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

18. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 9 August 2018, having been circulated, were signed by the Chair as a correct record.

Further to Minute 5, Local Board Terms of Office, members enquired whether or not any communication had been received from North West TUC in respect of the proposals and determination of the expiry of the term of office for each of the employee representatives. The Director of Pensions responded that a response had not been received to date.

Richard Paver reminded Board members that he would be retiring in May 2019. The Assistant Director of Pensions, Funding and Business Development, acknowledged this and explained that a replacement had been identified who would be invited to attend the next meeting of the Board, as an observer.

19. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – EXEMPT ITEMS

RESOLVED

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

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

| <u>Items</u> | <u>Paragraphs</u> | <u>Justification</u> |
|--------------------|---|---|
| 5,6,7,8,9,10,11,13 | 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. |

20. 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 July to August 2018 and which were submitted for approval at the Management Panel meeting on 19 October 2018.

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

The Director of Pensions highlighted that the minutes of the Investment Committee and Northern Pool GP (No 1) Limited Board meetings were now also being submitted to Panel meetings, in order to provide greater understanding and transparency.

RESOLVED

That the content of the report be noted.

21. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

Consideration was given to a report of the Assistant Director of Pensions, Investments, updating on the GMPF Management Panel's recent consideration of Investment Management Arrangements.

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

Separately, as part of an overarching review of the Fund's approach to Responsible Investment, which was considered at the 17 November 2017 meeting of the Management Panel, it was anticipated that 'the Fund could consider investing in passive funds that actively sought to minimise ESG risks, rather than the current traditional market capitalisation weighted funds'.

During a number of past reviews of the Fund's annual Investment Strategy, Hymans and various GMPF managers had highlighted the potential of 'Factor Index investing' as an investment approach for GMPF, which would likely improve the overall risk/return trade-off for the Main Fund.

It was further explained that the Assistant Director (Special Projects) had been working with the Fund's preferred index provider (Sci Beta), and commissioned research from them into a version of their flagship indices that would offer the fund diversified multi-factor exposure to developed market Global Equity, coupled with significantly reduced carbon exposure and other important risk control design features.

A link to a webinar, hosted by Sci Beta, developing the issues that were presented to Panel, was provided in the report.

It was concluded that further reports would be received by Panel on other aspects of Investment Management arrangements, including the potential requirement for a new Securities Manager.

RESOLVED

That the content of the report be noted.

22. POOLING UPDATE

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

The Assistant Director began by making reference to the very sad loss of the Chair of the Northern Pool, Councillor Ian Greenwood, who had passed away suddenly, at the beginning of the week. He explained that a meeting of the Northern Pool Shadow Joint Committee was scheduled to be held the following week, where arrangements for a new Chair going forward, would need to be discussed.

He then reported that the Northern Pool had submitted its most recent progress update to Government on 10 May 2018. This covered the period up to 13 April 2018.

It was explained that the Chair of the Pool and the Chairs of the participating funds met with Rishi Sunak MP on 23 May 2018, to discuss the current position of the Northern Pool and its proposal to pool listed assets via a joint venture. A written summary of the proposal was provided following the meeting which set out clearly how the Northern Pool's proposed structures met the relevant regulation and the Pooling Criteria and Guidance.

A letter received by the Northern Pool from the Minister in July was appended to the report. Also attached was a draft QC opinion, sought by the Northern Pool. Comments on both documents provided by the Pool's legal advisor, Clifford Sims, Squire Patton Boggs, were also appended.

Following the receipt of QC opinion, Officers of the Northern Pool funds attended a productive workshop with the Pool's legal advisors, Squire Patton Boggs, to further develop the Northern Pool's proposals and in particular how managers of public-market assets could most expediently be procured, appointed and monitored via the Northern Pool's proposed governance arrangements, whilst remaining compliant with LGPS regulations and guidance and financial services legislation.

Squire Patton Boggs were currently undertaking a further review of the current draft inter-authority agreement which would establish the Northern Pool joint-committee, which had up to now, been meeting in shadow form.

Another important piece of the governance framework was each Fund's Investments Strategy Statement (ISS), in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance. A revised section 8 of GMPF's ISS had been drafted and was appended to the report.

It was further reported that it was understood from comments made by civil servants and the LGA at recent Scheme Advisory Board and Cross-Pool meetings that Government was seeking to revise and expand the guidance on preparing and maintaining an Investment Strategy Statement. The revisions may result in the withdrawal of the Pooling Criteria and Guidance issued in November 2015. A consultation had recently commenced on technical amendments to LGPS benefits which was due to close on 29 November 2018. Whilst the consultation mainly related to benefit administration, it contained a provision to allow DCLG to issue statutory guidance, which had the potential to have significant implications for pooling.

In terms of the Autumn Progress Review, Members were informed that all LGPS pools were asked to submit a further progress report to Government, covering the period up to 30 September 2018.

The deadline for submission was 15 October 2018. As was the case for previous progress reports, MHCLG issued a template for pools to complete, with the template being more detailed than the ones issued for previous submissions.

The progress update summarised the Northern Pool's progress in meeting each of the Government's four headline pooling criteria as set out in the report.

Updates on the progress of the main ongoing workstreams for the Northern Pool were set in the report.

The minutes of the Northern Pool Shadow Joint Committee meeting which had taken place on 24 April 2018 were attached to the report for information.

Further details were also given of LGPS Pooling Developments nationally.

Detailed discussion ensued in respect of the information provided in the report, particularly with regard to the issues raised in the Minister's letter and the draft QC opinion. Members also commented on the provision for the DCLG to issue statutory guidance, contained within the consultation on technical amendments to LGPS benefits.

RESOLVED

That the content of the report be noted, including the proposed revisions to the Pooling section of the Investment Strategy Statement set out in the report and the ongoing development of the Pool.

23. 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;
- Comments on regular and other items of work currently being undertaken by the section.

Members commented on the move to monthly pay and contribution returns and sought clarification of improved communication with employers.

RESOLVED

That the content of the report be noted.

24. 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; a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches; and a summary of the recent correspondence with TPR regarding 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;
- Scheme Return;
- Compliance Template and Peer Review Programme; and
- Development work on a GMPF 'Governance' 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 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; and
- (iv) That the work being undertaken with the other Metropolitan Funds to progress the 'peer review' programme be noted.

25. LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

A report of the Pensions Policy Manager was submitted providing the Local Pension Board with an update on the latest developments regarding the Local Government Pension Scheme in the following areas:

- Public Service Pension Scheme Cost Management Process;
- Contribution Rates for Unfunded Public Sector Schemes;
- LGPS Cost Cap Mechanism;
- Change to Valuation Cycle in the LGPS;
- GAD Review of the Actuarial Valuations of LGPS Funds as at 31 March 2016; and
- Academies Update.

RESOLVED

That the content of the report be noted.

26. GMPF FACTS AND FIGURES

The Assistant Director of Pensions, Funding and Business Development, submitted a report, following a request from Board Members at a previous meeting. The report summarised key facts and figures relating to GMPF and the wider Local Government Pension Scheme.

RESOLVED

That the content of the report be noted.

27. HYMANS ROBERTSON'S LGPS CONFIDENCE ASSESSMENT

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, explaining that, Hymans Robertson, actuary to GMPF, had approached Members of LGPS Pension Committees and Local Pension Boards around the country, to gauge the confidence levels they had in their own knowledge and understanding of the LGPS. The report provided the GMPF Local Board with an update on the results of Hymans Robertson's LGPS confidence assessment.

RESOLVED

That the content of the report be noted.

28. 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 the period up to 30 September 2018.

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

- Local Investments Impact Portfolio;
- ICT Device Management;
- Visit to Contributing Body – Salford Council;
- Visit to Contributing Body – Bury Council; and
- National Probation Service – Review of 2017/18 Year End Return.

Draft reports were also issued as follows:

- Visit to Contributing Body – Southway Housing Trust; and
- Contribution Income.

A summary of the Post Audit Reviews completed in 2018/19 to 30 September was presented, which detailed the number of recommendations made and implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there were no significant issues outstanding to report to the Local Board. It was further explained that a further six Post Audit Reviews were in progress, which would be reported to the Local Board at a future meeting.

Other work carried out in the period and work in progress as at 30 September 2018, was detailed and discussed.

RESOLVED

That the content of the report be noted.

29. URGENT ITEMS

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

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

20 December 2018

Commenced: 11.00am

Terminated: 12.45pm

Councillor Cooney (In the Chair)

Councillor M Smith

Councillor J Fitzpatrick

Councillor Taylor

Councillor Pantall

John Thompson

Sandra Stewart

Steven Taylor

Tom Harrington

Paddy Dowdall

Director of Pensions

Assistant Director of Pensions (Special Projects)

Assistant Director of Pensions (Investments)

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

Euan Miller

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

Neil Cooper

Senior Investments Manager

Andrew Hall

Investments Manager

Kevin Etchells

Investment manager

Apologies for absence: Councillors: Warrington, Quinn and Ms Herbert

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 14 June 2018, having been circulated, were agreed as a correct record.

11. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

The Assistant Director of Pensions, Investments, submitted a report detailing the Fund's approach to manager monitoring and summarising the results from the Monitoring Escalation Protocol as at 30 September 2018.

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

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

The Director of Pensions added that the Advisors, who had commented on the reports included in the agenda in advance of the meeting, supported the protocol as a matter of good discipline and governance.

RECOMMENDED

That the content of the report be noted.

12. SPECIALIST ADVISER – PRIVATE EQUITY AND INFRASTRUCTURE

The Assistant Director of Pensions, Investments, submitted a report informing the working group of changes in circumstances relating to GMPF's specialist adviser in the areas of Private Equity and Infrastructure fund investing, the implications of these changes and officers' recommendations regarding the best way forward for the Fund in these asset classes.

The report summarised that GMPF had enjoyed a mutually beneficial relationship with its specialist adviser over many years but it was apparent that changes at Capital Dynamics had culminated in a position where services relating to infrastructure fund investments would end.

Officers were confident that the planned end to infrastructure services currently provided by Capital Dynamics was something that could be comfortably accommodated through new arrangements and the capabilities and experience of internal officer resource.

The Director of Pensions added that the Advisors supported the proposals contained within the report.

RECOMMENDED

That the content of the report be noted and the proposals contained in the appendices be agreed.

13. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development providing an update on the recent activity of the Northern Pool and other relevant pooling developments.

The Assistant Director began by informing Members of the recent sudden death of the former Chair of the Northern Pool Shadow Joint Committee, Councillor Ian Greenwood and explained that a replacement Chair would be considered at the next meeting of the Shadow Joint Committee. It was explained that the Northern Pool submitted its most recent progress update to Government on 22 October 2018. This covered the period up to 30 September 2018. A link to a copy of the progress report and its appendices was provided in the report. Included in the appendices to the progress report were the draft CEM Benchmarking reports for the Northern Pool funds for the period ending 31 March 2018. These analysed the performance and costs of the Northern Pool funds against LGPS and global comparators.

It was further explained that, following the receipt of the QC opinion which was discussed at the Management Panel meeting (and appended to the report), officers of the Northern Pool funds attended a productive workshop with the Pool's legal advisors, Squire Patton Boggs, to further develop the Northern Pool's proposals and in particular how managers of public market assets could most expediently be procured, appointed and monitored via the Northern Pool's proposed governance arrangements, whilst remaining compliant with LGPS regulations and guidance and financial services legislation.

The Working Group was updated on progress regarding finalising the inter-authority agreement, the sealing of which would formally establish the Northern Pool joint-committee, and the revisions proposed

to each fund's Investment Strategy Statement (ISS), in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance. The intention was for the pooling section of the ISS to be consistent across all of the Northern Pool funds.

It was further reported that, it was understood from comments made at recent Scheme Advisory Board and Cross-Pool meetings that Government was seeking to revise and expand the guidance on preparing and maintaining an Investment Strategy Statement. The revisions may result in the withdrawal of the Pooling Criteria and Guidance issued in November 2015.

Members were also informed that a consultation had recently commenced on technical amendments to LGPS benefits, which was due to close on 29 November 2018. Whilst this consultation mainly related to benefit administration, it contained a provision to allow to issue statutory guidance, which could have implications for pooling. A link to details of the consultation was provided in the report. GMPF's draft response to the consultation was appended to the report.

Details of ongoing work streams for the Northern Pool were also set out in the report.

The Minutes of Northern Pool Shadow Joint Committee meeting which took place on 20 September 2018 were appended to the report for information.

The Director of Pensions informed Members of the following comments from Advisors in respect of the Pooling Update report:

Mr Bowie commented on the Pool's continued progress in areas where collaboration was in the interests of the taxpayer and the risk associated with this should the government's focus change. He further commented on the CEM benchmarking data, in particular with regard to Property benchmarks and GMPF and Northern Pool costs when compared to the peer group.

Mr Powers commented on CEM benchmarking data in relation to Private Equity and the difficulties in gauging objective and accurate return comparisons. He further commented on the proposed governance arrangements for the Pool.

Discussion ensued with regard to the content of the report and the Advisors' comments, in particular the issues highlighted in respect of the CEM benchmarking data and it was agreed that further discussion on these complex matters be ongoing at future meetings of the Working Group.

The Director of Pensions made reference to the Northern Pool Stewardship event on 23 January 2019, a conference for those involved with the creation of the Northern Pool and others with a direct interest. The Director explained that the objective was to summarise what the three funds needed to do to meet legislative requirements, achieve good investment returns together with a collective view on developing strong stewardship arrangements for the assets the funds' owned and those they owned through the pooling arrangements.

She added that appropriate travel arrangements would be arranged and asked that anyone interested in attending contact either Carolyn Eaton or Loretta Stowers, should they wish to take advantage of transport to the venue.

RECOMMENDED

That the content of the report be noted and that further discussion be ongoing in respect of the issues highlighted by the CEM benchmarking data, at future meetings of the working group.

14. INSURING PENSION LIABILITIES

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, explaining that a significant employer had been discussing with GMPF and its Advisors the range of potential long-term investment strategies available for its sub-funds in GMPF. One potential option was to purchase what was known as a 'buy-in' policy from an insurance company. These policies effectively paid the Pension Fund a set of cashflows which were an exact match for the benefit payments that the Pension Fund was required to meet. The report described the investments and outlined the key considerations from GMPF.

The Director of Pensions added that the Advisors were supportive of the exploration of the idea.

RECOMMENDED

- (a) That the content of the report be noted; and**
- (b) An advice paper from Hymans be sought, addressing the issues set out in Section 5 of the report.**

15. INVESTMENT INITIATIVES - GLIL

The Assistant Director of Pensions, Local Investments and Property submitted a report providing an update on progress with GLIL. Members were further asked to note certain specific actions to be taken under delegated authority in consultation with the Chair.

The Director of Pensions outlined the views of the Advisors as follows:

Mr Bowie commented on the need to ensure satisfactory governance in this area.

Mr Powers made reference to the positive pace of capital allocation increasing towards target, and sought further general information of officers' approach to pre-investment due diligence/investment criteria.

Discussion ensued with regard to the content of the report, investment activity and performance. It was agreed that officers provide a response to the issues raised by the Advisors and report back to a future meeting of the working group.

RECOMMENDED

- (a) That the content of the report be noted including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair of the Fund; and**
- (b) That the specific issues raised by the Advisors be addressed by officers and reported to a future meeting of the working group.**

16. IMPACT AND INVEST FOR GROWTH PORTFOLIOS

The Assistant Director of Pensions, Local Investments and Property submitted a report providing an update on progress of the Impact and Invest for Growth Portfolios.

The Director of Pensions informed Members that the Advisors supported the progress made and welcomed the consistency of presentation.

RECOMMENDED

That the content of the report be noted.

17. PACING MODEL IMPACT PORTFOLIO

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted providing the annual review on the growth and management of the Fund's Impact portfolio and recommended that the strategy of impact investing be continued, with the pacing of commitments continuing as previously agreed.

The Director of Pensions added that the Advisors supported the recommendations, with Mr Bowie suggesting potential enhancements for future years in respect of the sensitivity of the strategy to assumptions about fund growth and the governance and oversight of this.

RECOMMENDED

- (i) That the content of the report be noted, including progress to date and highlighting that the strategy on Local Impact Investments remained as reported in previous years;**
- (ii) That the annual review of the 4 year pacing strategy be noted and to continue commitments of £80 million per annum, subject to further annual review, be agreed;**
- (iii) That the updated Investment guidelines, which had been updated for minor factual changes, be agreed.**

18. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

A report was submitted by the Assistant Director of Pensions, Local Investments and Property, updating Members on progress for property investment focusing on deployment of capital and performance monitoring. The progress of this review had been reported to previous meetings of the working group. The review was intended to conclude ahead of the strategic review in 2019 and the action plan was attached as an appendix to the report.

It was explained that, as an exception to normal practice, given that the Property Review was not yet concluded, details were attached in an appendix to the report, of an investment proposal that would usually be dealt with by the Director of Pensions at Investment Committee under her delegated powers. Members' views on the proposal were sought.

The Director of Pensions added that the Advisors were generally in support of the proposal with Mr Bowie expressing caution in respect of property valuations.

Discussion ensued with regard to the proposal and it was:

RECOMMENDED

- (i) That the content of the report be noted; and**
- (ii) That the investment proposal, as detailed in the report, be supported.**

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

28 September 2018

Commenced: 9.00 am

Terminated: 11.00 am

Present: Councillors Cooney (Chair), J Lane, Ricci, Taylor, Ward, Andrews, Ball, Barnes, O'Neill, Pantall, Mr Allsop and Mr Llewellyn

In Attendance:

| | |
|----------------------|--|
| Sandra Stewart | Director of Pensions |
| Tom Harrington | Assistant Director of Pensions (Investments) |
| Michael Ashworth | Investments Manager |
| Neil Cooper | Senior Investments Manager |
| Nigel Frisby | Investments Manager |
| Nicholas Livingstone | Investments Manager |

Apologies for Absence: Councillors Halliwell, Mistry, Mitchell and Mr Drury

10. DECLARATIONS OF INTEREST

There were no declarations of interest.

11. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 6 July 2018 and the meeting of the Investment Monitoring and ESG Working Group held on 13 July 2018 were approved as a correct record.

12. UPDATE FROM PIRC

Alan MacDougall and Janice Hayward of PIRC Ltd attended the meeting to present the latest LAPFF report on Asset Managers and Stewardship, a copy of which was appended.

It was reported that LAPFF had conducted a survey of member's views of asset managers and Environmental, Social and Corporate Governance. The general view of respondents was that asset managers were performing well with some room for improvement. Members responded that asset managers were very responsiveness to specific requests but felt they did not mirror Environmental, Social and Corporate Governance priorities. One third of funds said they felt it was not easy to work with asset managers and over a third felt asset managers were not reporting well on progress that holdings were making in meeting Environmental, Social and Corporate Governance performance targets. The LAPFF report would be published and used when appropriate to form the basis on future engagements with asset managers on Environmental, Social and Corporate Governance issues.

RECOMMENDED:

That the report be noted.

13. UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT REPORTING FRAMEWORK

The Assistant Director of Pensions (Investments) submitted a report detailing the feedback the Fund had received on its responses to the United Nations Principles for Responsible Investment

Reporting Framework. The Fund received median or above median scores across all of its responses and an extract of the Principles for Responsible Investment assessment report was appended.

It was reported that the Fund's approach to socially responsible investment was set out in the Investment Strategy Statement and its approach to ethical investments and corporate governance was included on the website and also in the annual report. The Fund became a direct signatory to the Principles for Responsible Investment in late 2013 and were required to publicly report on its responsible investment activity through the Principles for Responsible Investment's reporting framework each year.

In July 2018, the Fund received feedback on its responses to the Principles for Responsible Investment's 'Reporting Framework' for 2017. The assessment results were broadly in line with the Fund's expectations, with scores matching or outperforming the Principles for Responsible Investment median scores in all areas where they were required to report. In particular the Fund outperformed the median score for the strategy and governance module.

RECOMMENDED:

That the report be noted.

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

Angela Willets of Capital Dynamics Ltd attended the meeting to present the half yearly report of Greater Manchester Pension Fund's Private Equity portfolio for the period ending 30 June 2018.

Ms Willets gave a summary of the private equity market during the period under review including the continued strength of fundraising globally. This trend was expected to continue until year end with a decade high anticipated in the US.

With regard to the Fund's Private Equity portfolio, it was reported that three new fund commitments had been made during the first half of 2018 totalling £106.3 million. During the period under review, £101.1 million of commitments were drawn down and distributions totalling £91.3 million were received. The net asset value was 3.8% of Main Fund assets as at 30 June 2018 compared to 3.4% as at 31 December 2017.

It was reported that the portfolio since inception had remained very stable at 16.8% per annum and the prospects for long term Private Equity returns were considered to remain stable. The portfolio was moving in line with the pacing analysis designed to achieve the desired private equity exposure over the medium term.

RECOMMENDED:

That the report be noted.

15. HALF YEARLY REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

Mark Drugan of Capital Dynamics Ltd attended the meeting to present the half yearly review of Greater Manchester Pension Fund's Infrastructure Portfolio for the period ending 30 June 2018.

Mr Drugan began by summarising the infrastructure market for the first half of 2018 and explaining infrastructure deal flow by region and sector – energy and utilities dominated global infrastructure deal activity and renewable investing continued to grow. Despite strong returns in recent years there were concerns in the infrastructure industry that competition for assets was increasing prices and eroding returns and managers were increasingly considering hybrid infrastructure deals and entering new markets.

With regard to the Fund's Infrastructure portfolio, it was reported that one new fund commitment had been made during the first half of 2018 totalling £75.7million. During the period under review, £79.8 million of commitments were drawn down and distributions totalling £23.5 million were received. The net asset value of the portfolio increased by £27.9 million and, at £549.1 million as at 30 June 2018, represented 2.4% of total Main Fund assets and a multiple of 1.3 times cost.

It was reported that the overall net internal rate of return for the infrastructure fund portfolio was 11.3% per annum as at 30 June 2018.

RECOMMENDED:

That the report be noted.

16. INFRACAPITAL PARTNERS

The Working Group welcomed Max Helmore and Elizabeth Pool of Infracapital Partners who attended the meeting to present an overview of the firm's investment activities and of infrastructure generally.

The Working Group was informed that Infracapital Partners was established in 2002 and was part of M&G Investment Management Limited, the European savings and investment business of Prudential Plc. Infracapital had raised and managed over £5 billion across 5 pools of capital since 2002 and focused on investing in essential infrastructure assets across the UK and, more recently Europe, to deliver regular cash flows and capital returns via two separate strategies – greenfield infrastructure and operational infrastructure.

The firm had a team of over 30 professionals based in London who worked closely with 8 specialist advisers to supplement deal sourcing and asset management capabilities. GMPF invested with Infracapital for the first time in 2008 and received over 1.8x the amount invested. A further commitment was made in 2017 and June 2018.

Infracapital had developed a thorough approach to Responsible Investment and a strong commitment to Environmental, Social and Corporate Governance best practice. The firm set strategic goals for the company and monitored performance against objectives, including Environmental, Social and Corporate Governance factors and closely monitored Environmental, Social and Corporate Governance performance.

Two case studies were outlined and discussed with the Working Group.

RECOMMENDED:

That the information provided be noted.

17. SPECIAL OPPORTUNITIES PORTFOLIO - REVIEW OF ACTIVITY AND PERFORMANCE

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

The key features of the Special Opportunities Portfolio were outlined. In the 12 months to 30 June 2018, four new commitments / investments totalling £500 million were made and two further commitments totalling £200 million had been made post the period end. As at 30 June 2018 GMPF had made commitments / investments totalling £1.1 billion to 18 funds, of which 17 remained active. The portfolio had a value of £633 million and represented 2.8% of Main Fund assets.

Officers had significantly increased the rate of new fund commitments to increase the exposure to the granted type approvals and continued to have an active pipeline of opportunities for evaluation,

which, together with the drawdown of existing commitments, should see the net asset value continue to grow strongly.

Descriptions were given of each type approval that had been granted alongside the relevant commitments and a commentary regarding future plans and the large number of potential investment opportunities that Officers continued to receive / review. Officers were currently researching the Structured Credit market with a view to seeking a type approval as a potential source of an investment opportunity for the Fund.

It was reported that the pooled portfolio had achieved an internal rate of return of 8.9% per annum. The Special Opportunities Portfolio continued to provide a useful vehicle for achieving the key twin aims of increasing diversification and achieving good returns. The Chair extended thanks to the officers for the significant amount of work they had undertaken over the year.

RECOMMENDED:

That the report be noted.

18. 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 June 2018. Stocklending income during the quarter was £275,394 compared to £313,767 in the same quarter of 2017, and Commission 'recaptured' was £1,690 compared to £21,218 in the same quarter of 2017. The value of securities on loan at the end of the quarter was £165.7 million (0.7% of GMPF assets) and collateral valued at £170.6 million was held against these loans.

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

RECOMMENDED:

That the report be noted.

19. 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.

20. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

28 September 2018

Commenced: 11.00 am

Terminated: 12.00 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, J Lane, Ricci, Patrick, O'Neill, Mr Allsop and Mr Llewellyn

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 |

Apologies for Absence: Councillors Ball, Grimshaw, Halliwell, Mistry and Mr Drury

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Pensions Administration Working Group meeting held on 6 July 2018 and the Employer Funding Viability Working Group meeting held on 12 July 2018 were approved as a correct record.

3. UPDATE ON PUBLIC SERVICES SCHEME VALUATIONS AND COST CAP MECHANISMS

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which provided an update on the latest developments regarding the measurement of the costs of public service pension schemes and the potential implications for the LGPS.

It was reported that The Public Service Pensions Act 2013 allowed for the establishment of an employer cost cap mechanism to ensure the future sustainability of pensions schemes costs. An update on the actuarial valuations of public service pension schemes was given to Parliament on 6 September 2018 and a technical bulletin was produced that outlined the following themes:-

- For some schemes, member benefits would have to rise and / or member contributions reduce to ensure that the cost cap was met.
- Employer contributions to the unfunded public service schemes (i.e. most public services schemes other than the LGPS) would likely rise due to a reduction in the discount rate used to calculate the theoretical cost, taking effect from April 2019.
- Scheme valuations of the LGPS carried out by the Government's Actuary's Department would move to every 4 years to ensure that public service schemes were aligned.
- The cost management process itself would be reviewed to ensure the original objectives were met.

The cost cap floor had been breached for some schemes due to lower than expected improvements in life expectancy, higher than expected savings from members exchanging pension for cash at retirement and lower than expected salary growth and expectation over the coming years. This resulted in an increase to benefits and / or a reduction in member contribution rates for the affected schemes. Scheme valuations for the LGPS would move to a 4 year cycle in order to align the date, with the next valuation now scheduled for 31 March 2020 and the discount rate adopted for cost management and setting employer contributions for unfunded schemes would change from 2.8% to 2.4% above CPI from 1 April 2019.

It was confirmed that the changes were only applicable to active members and there would be no effect on deferred members or pensioners. A House of Commons briefing paper was appended to the report for consideration by the Group.

RECOMMENDED:

That the report be noted.

4. PROBATION SYSTEM REFORM CONSULTATION

The Assistant Director of Pensions (Funding and Business Development) submitted a report that detailed a Ministry of Justice consultation that was launched in July 2018, a copy of which was appended to the report, on the probation system and the proposed creation of 10 probation regions including the continued mix of National Probation Service and Community Rehabilitation Companies.

It was reported that the Fund became the sole administering authority for the National Probation Service and 21 Community Rehabilitation Companies LGPS interests on 1 June 2014. A consultation had been launched on reorganising Probation Services to ensure the financial viability of Community Rehabilitation Companies in the short-term and the continuation of community alternatives in probationary services. The recommendation to reduce the number of Community Rehabilitation Companies from 21 to 10 from 2020 was of particular relevance for the Fund as it could result in some administrative challenges.

The consultation made no direct reference to pension considerations and the proposed changes did not appear to present a significant risk to the Fund due to the process that was developed with the Ministry of Justice in 2014 to ensure the orderly transition of funding arrangements on the change of Community Rehabilitation Companies ownership. It was possible that Probation Services in Wales would revert to the public sector and the Fund could receive a group of new active members.

RECOMMENDED:

That the report be noted.

5. 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 the calculation and issuing of Pensions Saving Statements, the deadline of which was 6 October 2018. Information seminars would be held for relevant scheme members in the coming months and guidance sessions offered to those who required them.

An update was provided on the new member self-service module 'My Pension', which was launched in July 2018. Uptake statistics by employer were provided alongside feedback from members who had completed the registration process, both of which were positive. Information on 'My Pension' had been included in the Annual Benefit Statements, which had resulted in an increase in users, and would continue to be promoted at regular intervals. An update was also provided on the Customer Service and Feedback project. A feedback zone had been designed for the GMPF website that could capture complaints, compliments or general feedback in a consistent way and allow officers to implement any necessary procedural changes to improve the service.

It was reported that the Fund had received four compliments and no informal complaints during the quarter. 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.

6. 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

Significant progress had been made on four of the objectives during the quarter. Work had continued on item 1 (Structure review) and a report detailing the proposed new structure would be submitted to the Employee Consultation Group meeting in October. With regard to item 3 (Member communication) the "My Pension" module had been implemented and a feedback zone on the website had been developed. With regard to item 4 (Altair development) work had commenced on setting out the terms and objectives of the joint project with Aquila Heywood to deliver the agreed programme of change. With regard to item 5 (monthly pay and contribution returns) further testing had taken place on the software to ensure it was suitable and project planning had begun.

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

In relation to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending August 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. It was reported that officers continued to meet with the Local Authorities each quarter to discuss key items and performance and the majority continued to show improvements in their performance. A Local Authority Pensions Workshop had been arranged for October to discuss how the Fund could support Local Authorities in delivering their pensions objectives.

Other items of work included preparation for the issuing of Pension Savings Statements and employer admissions. It was noted that the Fund, along with West Midlands Pensions Fund, had written to Prudential requesting an amendment to the charging structure for the biggest LGPS clients. Prudential were due to meet with the Fund to discuss this proposal.

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-September 2018.

It was reported that work on the project was progressing well and in line with the timeframes. The project team were working on responses received from HMRC to phase 1 and phase 2 queries, there had been a further assessment of low priority mismatches and work continued on recalculating benefits.

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. AQUILA HEYWOOD UPDATE

The Pensions Policy Manager submitted a report, which provided the Working Group with an update from the Fund's main pension software supplier, Aquila Heywood, for the period July to September 2018, a copy of the report was appended.

It was reported that new software had successfully been installed in August 2018 and the Fund had taken part in a testing working party. A number of key projects had significantly progressed during the quarter including the implementation of 'My Pension' and the purchase of i-connect software, which would continue to be worked on over the coming quarter. GMPF and Aquila Heywood continued to work on a number of projects together, including the implementation of Enhanced Admin to Payroll functionality.

RECOMMENDED:

That the report be noted.

9. GMPF AGED DEBT AS AT 31 AUGUST 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt for the Fund as at 31 August 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 August 2018 alongside comparison to the previous quarter; total aged debt was £3.366 million at 31 August 2018 compared to £4.738million at 31 May 2018.

The key trends were highlighted; property aged debt had decreased from £0.840 million at May 2018 to £0.491 million at August 2018 and Employer and Overpaid Pension Aged Debt had decreased from £3.898 million to £2.874 million. This was largely due to the settlement of several high value one off invoices.

For the 12 months to 31 August 2018 5.49% 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 discussed with the Group.

RECOMMENDED:

That the report be noted.

10. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 5 MONTHS TO AUGUST 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 5 months to August 2018.

It was reported that there was an under-spend of £999,000 against the budget of £11.974 million. The main reasons for the variation related to staff vacancies across service streams, lower than expected investment management fees, lower than expected bank charges and nominee fees and commission recapture.

RECOMMENDED:

That the report be noted.

11. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

27 September 2018

Commenced: 9.00 am

Terminated: 10.35 am

Present: Councillors Quinn (Chair), Drennan, M Smith, Patrick, Mr Allsop and Mr Thompson

In Attendance:

| | |
|----------------|---|
| Sandra Stewart | Director of Pensions |
| Paddy Dowdall | Assistant Director of Pensions (Local Investments and Property) |
| Kevin Etchells | Investments Manager |
| Andrew Hall | Investments Manager |
| Richard Thomas | Investments Officer |

Apologies for Absence: Councillors Ward and Grimshaw

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The Minutes of the Property Working Group held on 13 July 2018 were approved as a correct record.

11. 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 Assistant Director of Pensions (Local Investments and Property) provided explanations for the five types of investment (Direct Portfolio, Indirect, GMPVF, Overseas and Other).

It was reported that the performance of LaSalle (Direct Portfolio) continued to be an area of concern and a project to review the strategy for deployment of capital and performance monitoring was underway. A copy of the project plan was appended to the report.

A presentation on the 2018 half yearly returns of the LaSalle portfolio was given. Three assets had been purchased, which had added £217.7 million to the portfolio, and contracts had been exchanged on a hotel in Central London. These purchases had taken the portfolio to over £1,039 million as at September 2018. The vacancy rate had significantly increased as a result of these purchases but it was expected to reduce to 6.4% as vacant space was let over the coming months. The average lease length was below the benchmark and the net initial yield and equivalent yield were below the benchmark. Despite this the portfolio was of a defensive nature.

There had been historic underperformance of the portfolio against the benchmark due to the effects of transaction costs, a drag of indirects and an underweight position in the industrial sector. However, outperformance was anticipated from 2020 onwards with the existing portfolio forecast to generate a total return of 4-5% over a five year period. There was expected to be a slower pace of

growth on acquisitions, which would reduce transaction costs, with opportunistic investment and a reduction in indirects exposure.

RECOMMENDED:

That the report be noted.

12. LOCALISING PENSION FUND INVESTMENTS

The Assistant Director of Pensions (Local Investments and Property) submitted a report written by Sheffield Political Economy Research Institute on a project that looked at localising pension fund investments.

It was reported that the project encompassed a series of seminars with stakeholders and experts in three English city regions – Manchester, Sheffield and Birmingham. Participants included local government officials, economists, local business and civil society leaders and finance and investment professionals. Greater Manchester had played a prominent part in the project, in particular the former Chair of the Fund, Councillor Kieran Quinn. The report was dedicated to Councillor Quinn and his pioneering work on pension fund investments in Greater Manchester.

The report examined the role of pension funds in contributing to an investment led economic recovery that focused on supporting a more geographically balanced economy and the difficulties that arose through trying to achieve this aim. The report was considered and discussed with the group and an impact and legacy strategy for Airport City Manchester was circulated to members and also discussed.

RECOMMENDED:

That the report be noted.

13. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report for Quarter 3 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.

An update on fire safety was provided. It was confirmed that works in respect of this had recently been completed at Soapworks Salford.

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 an increase in 'committed sites' when compared to Quarter 3 2017 and a decrease in sites under active review and advanced due diligence. New projects would be identified over the coming year in order to try and maintain the current capital deployment.

Charts detailing the portfolio overview by sector showed diversification over the four sectors (office, suburban residential, city centre residential and other) with an increase in committed and pipeline sites. A year by year portfolio investment projection was shown, which detailed a steady increase to 2020 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, Island Site, Circle Square, Whitehouse 100 Runcorn and Fresenius Runcorn.

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.

In light of the Manchester City Centre Residential Report that had been presented at the previous Working Group meeting (Minute 5 refers) GVA explained their approach to residential city centre risk monitoring that included how risk was monitored, how any identified risk was categorised and further opportunities that arose. Due to high activity and plentiful opportunities in this area a detailed review of the market was undertaken on a quarterly basis, which helped to inform future investment in the city centre.

RECOMMENDED:

That the report be noted.

14. LASALLE QUARTERLY REPORT

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report for Quarter 2 2018. An update was provided on the value of the direct and indirect property assets, portfolio composition, transactional activity, key estate management issues, including rent reviews, lease renewals, voids, debtors and capital expenditure, as well as a general market overview.

La Salle's annual strategy report had been circulated to the group that focused on their recent performance and improvement plans with subsequent outcomes.

With regards to portfolio performance, it was reported that the value of the portfolio had increased since the previous quarter and contained 50 assets with a value of £1.007 million, which increased to £1,082 million when commitments were included. The vacancy rate was 9.8%, which was above the benchmark of 7.2%, due to two recent acquisitions, and the average lease length was 7.8 years, which was below the benchmark of 11.7 years. The net initial yield was 4.2%, slightly below the benchmark of 4.5% and the equivalent yield was 5.2%, slightly below the benchmark of 5.5%.

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

An update on portfolio progress was provided. In relation to asset management the following initiatives were highlighted:-

- Intu Chapelfield shopping centre, Norwich
- The Hollies, Midsomer Norton
- The Hive, Bethnal Green
- Republic at East India, London
- Gracechurch Street, London

Four retail sales had progressed during the quarter - two had been completed with contracts signed for a shopping precinct and another site was currently under offer. Acquisition of a logistics park had been completed during the quarter and contracts had been signed on a central London hotel development.

A review of activity against strategic objectives over the year was outlined that included acquisitions of dominant, high quality assets, selected sales of existing assets, let vacancies, lease renewals and rent reviews, improvement of sustainability metrics and capital expenditure to add value. A new annual strategy report with a revised set of objectives had been created that focused on sales, letting of key vacancies, creation of income certainty, improvement of sustainability metrics, acquisitions and performance forecasts.

RECOMMENDED:

That the report be noted.

15. URGENT ITEMS

There were no urgent items.

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| Report To: | Pension Fund Management Panel/Advisory Panel |
| Date: | 18 January 2018 |
| Reporting Officer: | Sandra Stewart - Director of Pensions Emma Mayall - Pensions Policy Manager |
| Subject : | PENSIONS ADMINISTRATION UPDATE |
| Report Summary: | <p>This report covers the following key items of work affecting, or being carried out by, the administration section over the last quarter:</p> <ul style="list-style-type: none">- 'My Pension' development and roll out- Transition to Monthly pay and contribution returns- Pension Saving Statements and tax seminars- GMP Reconciliation- Website redevelopment |
| 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' development and roll out
- Transition to Monthly pay and contribution returns
- Pension Saving Statements and tax seminars
- GMP Reconciliation
- Website redevelopment

2. 'MY PENSION' DEVELOPMENT AND ROLL OUT

2.1 Work on developing the 'My Pension' module has continued during the last quarter.

2.2 A pension benefit calculator is now available for members with deferred benefits. A 'soft launch' of this new functionality was carried out by e-mailing all registered deferred members to let them know. Information will be sent out this quarter to all other deferred members to encourage them to register for My Pension.

2.3 Preparations have also been taking place to test new Altair software developments available later this quarter that will further enhance the existing functionality for pensioner members. The main development will be the availability of on-line P60s.

2.4 There are currently 20,187 members registered for the service so far, with a number of initiatives planned to increase registration numbers over the next eighteen months.

3. TRANSITION TO MONTHLY PAY AND CONTRIBUTION

3.1 The main area of work carried out last quarter on this project was around employer engagement. A number of information sessions and webinars for scheme employers were held in order to provide information about the transition plan and a demonstration of the i-connect software.

3.2 A transition plan for all employers is now being put together and work to 'on-board' the first employers will begin this month. The current aim is to complete the transition process for all employers by March 2020.

4. PENSION SAVING STATEMENTS AND TAX SEMINARS

4.1 Work has been ongoing to support around 500 members who exceeded the annual allowance tax limits and received Pension Saving Statements this year.

4.2 A number of pension tax information seminars were facilitated and held during October and November with one to one guidance sessions also being made available. Work to provide further information to members on areas such as the 'Scheme Pays' option also continues.

5. GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION

5.1 Work on completing the GMP Reconciliation project is almost complete. Responses to a number of queries are expected from HMRC by March and will be dealt with when received. However, all other key tasks have now been completed.

5.2 As at the beginning of December, 92% of all records (approx. 455,000) had been fully reconciled. All remaining tasks all expected to be completed by the end of April.

6. WEBSITE REDEVELOPMENT

6.1 Work is underway on reviewing and evaluating the Fund's current websites.

6.2 The intention is to redesign our web pages to ensure they reflect best practice and provide a central focus for communication with our stakeholders. The new model will deliver secure website areas for pension fund members, scheme employers and trustee members and will be the core development to facilitate further work on improving communication.

6.3 A soft market testing brief has been issued to interested organisations that could support GMPF with this review and redesign work. Responses are due this month and will shape the next steps of this project.

7. RECOMMENDATION

7.1 It is recommended that the Panel note the report.

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