GREATER MANCHESTER PENSION FUND

POLICY AND DEVELOPMENT WORKING GROUP

6 October 2016

Commenced:	**2.30pm**	**Terminated: 3.30pm**
	Councillor K Quinn (Chair)	
	Councillor J Fitzpatrick	
	Councillor Cooney	
	Councillor S Quinn	
	Councillor M Smith	
	Councillor Taylor	
	Councillor Pantall	
Apologies for absence:	**Councillors J Lane (Official Duties)**	

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 3 August 2016, having been circulated, were agreed as a correct record.

10. INVESTMENT INITIATIVES

Consideration was given to a report of the Executive Director, Governance, Resources and Pensions, which provided an update on progress of a number of specific investment initiatives undertaken by the Fund. Members were asked to note certain specific actions that had been taken under delegated authority following consultation with the Chair.

It was reported that since the last meeting of the Working Group actions had been implemented in the Impact Portfolio, which were detailed in the report.

In respect of the LPFA Joint Venture (GLIL), it was reported that, from a transaction perspective, GLIL continued to see a number of opportunities in Quarter 3 despite the uncertainties after the Brexit vote. Two transactions had received final stage Investment Committee approval in the period. The first being a bid to acquire a stake in a high profile UK Road PFI concession. Members were informed that there was a certain level of complexity involved in the transaction and it transpired that another bidder was prepared to take considerably more risk and so was appointed the preferred bidder. The second project was to procure and lease new rolling stock in the UK. This second project had been closed the previous week and had been well received by the market.

It was further reported that GLIL had considered a number of other opportunities during the period, details of which were provided in the report.

In addition to investment activity, officers had been working with the LGA and other LGPS pension funds in promoting a national infrastructure platform as part of the solution for the LGPS pooling and exploring the role the GLIL could play in this as an existing entity.

The Working Group were notified that in relation to the first phrase of Matrix Homes all units had been completed and handed over across the five sites (240 properties). GVA's latest forecast was that the overall construction cost would be in line with the target estimate.

With regard to Matrix Homes 2, it was reported that Manchester City Council (MCC) had given formal approval to release five sites, which they believed were suitable for development using the Matrix Homes Model. GVA had reviewed the sites and the financial model prepared by Manchester City Council to illustrate financial viability. GVA did not accept the assumptions used in the model for costs/sales values, and were liaising with Manchester City Council to amend the model to more prudent levels.

It was further reported that Rochdale MBC had notified the Fund and MCC that it did not wish to proceed with the sites identified close to the town centre, which they believed would be suitable for the Matrix model. GVA identified that any proposed development would be extremely challenging due to site remediation and the expected abnormal costs. Rochdale were unable to identify any additional sites which would improve the overall viability.

Members were informed that Tameside Council and GMPF had agreed to work together to develop a number of sites across Tameside. GVA were working through a programme to prove the viability of development at six sites. Initial site investigation reports had identified moderate risk of abnormal ground conditions. To understand the risks further, intrusive ground investigations were carried out on the sites, the results of which had been provided to GVA, to include within the forecast financial model being prepared to understand the viability of development at the 6 sites. The results of the surveys identified significant abnormal costs, which severely impacted the viability of development. Officers from the Fund were working with GVA to try and mitigate these costs wherever possible and to determine if a wholly long term rental model would be able to demonstrate a viable development.

It was reported that the investment initiatives undertaken by GMPF detailed in this report had attracted attention nationally from other investors and developers to the extent where Fund officers and the Chair had received proposals that did not fit into existing specific investment allocations. Examples were detailed in the report.

It was further reported that officers had had some very preliminary discussions on these opportunities and had identified some merit in them. The investment opportunities were broadly speaking a hybrid of national property development and infrastructure and did not fit into the GLIL or GMPVF mandates. The Panel had allocated significant investment into property and infrastructure, and at present investments in these areas were underweight to their allocation, therefore there was spare capacity available for investments.

It was recommended that officers continue to diligence these opportunities in consultation with the Chair and reporting back to the Working Group. Should there be a need to deploy capital between reporting cycles of the Working Group it would be done using delegated authority of the Executive Director of Governance, Resources and Pensions in consultation with the Chair.

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

11. UPDATE ON INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Executive Director of Pensions Investments submitted a report which referred to the last meeting of the Working Group (meeting of 3 August 2016, Minute 7 refers) where a number of options were considered in respect of one of the Fund Manager's ongoing role for the Fund.

A wide ranging debate had taken place at the meeting, and on balance, the following recommendations to Panel were agreed:

- That the Fund Manager in question be retained in line with the arrangements and time frame agreed at the meeting of the management Panel on 11 March 2016;
- That their investment mandate be reduced by 10% of assets under management, to partially fund the newly appointed Credit Manager; and
- That a report be submitted to the 23 September 2016 meeting of the Management Panel setting out preliminary suggested governance arrangements in respect of Fund Manager reporting to; and attendance at, Panel and Working Group meetings, going forward.

In addition to the above recommendations, Mr Bowie, Advisor to the Fund, raised specific issues in relation to the Fund Manager's holdings of cash and of their Emerging Markets pooled fund. Officers had worked with the Advisor to follow up on these issues with the Fund Manager and updates were provided in respect of both of these issues.

It was confirmed that officers and the Advisor were satisfied with the Fund Manager's response to issues raised in respect of their cash holding.

With regard to the Emerging Markets pooled fund, Members were informed that officers and the Advisor were working with the Fund Manager to understand in detail the issues raised, and despite progress having been made, there were a number of areas where further clarification was still required. A report would be presented to a future meeting of the Working Group upon resolution of the outstanding issues.

RECOMMENDED
That the report be noted.

12. COMPLIANCE WITH THE PENSIONS REGULATOR CODE OF PRACTICE 14 – GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICE PENSION SCHEMES

The Assistant Executive Director, Funding and Business Development, submitted a report informing Members of the recommendations of the Pensions Regulator that all public service pension funds should assess their compliance against its Code of Practice number 14.

It was explained that Code of Practice number 14 covered the governance and Administration of Public Service Pension Schemes. The Code was divided into the following four sections:

- Governing your Scheme;
- Managing Risks;
- Administration; and
- Resolving Issues.

Each section detailed the legal requirements, which must be complied with, and also Pension Regulator's guidance, which was practical guidance and the standards expected by the Regulator.

It was further explained that LGPS administering authorities had been strongly encouraged by the Pensions Regulator to undertake a review of their compliance with the Code of Practice and undertaking such a review was also likely to be a Key Performance Indicator used by the Scheme Advisory Board.

An analysis of GMPF's compliance with each of the sections of the Code was appended to the report. In general, GMPF was fully compliant with all of its legal requirements and operated in accordance with the Regulator's guidance. There were a small number of actions or enhancements which could be made to existing processes to ensure the guidance continued to be met in full and these were detailed in the Appendix and it was explained that work was already in progress on many of these actions.

RECOMMENDED
That the content of the report and the actions highlighted in Appendix 1 to the report, be noted.