ITEM NO: 4(a)

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

3 July 2015

Commenced: 10.00am **Terminated: 12.30pm**

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

1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

2. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 6 March 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 6 March 2015 were signed as a correct record.

3. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

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

Items	Paragraphs	Justification
8, 9, 11, 12, 13, 16	**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.**

4. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 10 April 2015 were considered.

RECOMMENDED
That the Minutes be received as a correct record.

5. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 17 April 2015 were considered.

RECOMMENDED

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

(ii) With regard to Minute 21 – Private Equity – Review of Strategy and Implementation, That:-

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

(b) the target geographical diversification of the private equity portfolio remains as follows:

Geography	Target Range
EUROPE, inc UK	45% to 50%
USA	40% to 45%
ASIA	10% to 15%

(c) the investment stage diversification of the private equity portfolio remains as follows:

<table>
<tr><th>Geography</th><th>Large Buyout</th><th>Mid Market Buyout</th><th>Venture/Other</th></tr>
<tr><td>EUROPE, inc UK</td><td rowspan="2">35% to 45%</td><td>40% to 45%</td><td>15% to 20%</td></tr>
<tr><td>USA</td><td>30% to 35%</td><td>25% to 30%</td></tr>
<tr><td>ASIA</td><td>45% to 50%</td><td>45% to 50%</td><td>0% to 10%</td></tr>
</table>

(d) the scale of commitment to funds remains at £200m pa, to work towards achievement of the strategy over the next 6 years or so.

(e) the Fund continues to implement the private equity strategy via 3 year programmes as detailed below :-

<table>
<tr><th>Geography</th><th>Large Buyout</th><th>Mid Market Buyout</th><th>Venture/Other</th><th>Total Number Of Funds</th></tr>
<tr><td>EUROPE, inc UK</td><td rowspan="2">5 - Direct / FoF</td><td>4 - Direct</td><td>2 - FoF</td><td>8/9</td></tr>
<tr><td>USA</td><td>3 - Direct / FoF</td><td>3 - FoF</td><td>8/9</td></tr>
<tr><td>ASIA</td><td colspan="3">3 FoF</td><td>3</td></tr>
<tr><td></td><td></td><td></td><td></td><td>20</td></tr>
</table>

<table>
<tr><th>Geography</th><th>Large Buyout (£m)</th><th>Mid Market Buyout (£m)</th><th>Venture/Other (£m)</th><th>Total (£m)</th></tr>
<tr><td>EUROPE, inc UK</td><td rowspan="2">210</td><td>118</td><td>48</td><td>278</td></tr>
<tr><td>USA</td><td>81</td><td>68</td><td>247</td></tr>
<tr><td>ASIA</td><td colspan="3">75</td><td>75</td></tr>
<tr><td></td><td></td><td></td><td></td><td>600</td></tr>
</table>

(f) it continues to be recognised that the portfolio may not fall within the target ranges at (b) and (c) above for a period of 5 - 10 years, because of transitioning from the previous target ranges.

(g) in the event of assimilation of the MoJ assets, the nominal sterling amounts of new annual commitments specified in this report will be pro-rated upwards to take account of the increased scale of Main Fund assets (inc MoJ).

(h) in the event of assimilation of the MoJ assets, a one-off additional commitment of approximately £100m (the precise amount to be determined based on asset values at the point of assimilation) is proposed to a suitable fund opportunity (potentially a secondary fund);

(iii) With regard to Minute 23 – Infrastructure – Review of Strategy and Implementation, That:-

(a) the medium term strategic allocation to Infrastructure funds remains at 4% by value of Main Fund assets,

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

Geography	Target Range
EUROPE, inc UK	40% to 60%
N AMERICA	30% to 40%
ASIA-PACIFIC/OTHER	0% to 20%

(c) the split of total portfolio commitments remains as follows :-

Investment Stage	Relative Risk	Target Split
PRIMARY/EVERGREEN	HIGHER	67%
SECONDARY	LOWER	33%

(d) the scale of new fund commitments remains between £65m-£125m pa (averaging £95m pa) across between 2 and 4 new funds pa (averaging 3 new funds pa), to work towards achievement of the strategy over the coming years,

(e) it continues to be recognised that the portfolio may not fall within the target ranges at (b) and (c) above for a period of years, because of transitioning from the current portfolio composition.

(f) in the event of assimilation of the MoJ assets, the nominal sterling amounts of new annual commitments specified in this report will be pro-rated upwards to take account of the increased scale of Main Fund assets (inc MoJ).

(g) in the event of assimilation of the MoJ assets, a one-off additional commitment of approximately £40m (the precise amount to be determined based on asset values at the point of assimilation) is proposed to a suitable fund opportunity;

(iv) In respect of Minute 24 – Special Opportunities Portfolio – Amended Investment Mandate, that approval be given to the amended 'Special Opportunities Portfolio' Investment mandate, as set out in Appendix A to the report; and

(v) In respect of Minute 25 – Special Opportunities portfolio – Approval of Broader Investment Type, that approval be given to the making of investments from the 'Special Opportunities Portfolio' in the new investment type, as described in the report.

6. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 17 April 2015 were considered.

The Executive Director of Pensions gave an update to the Panel on lettings at 1 St Peters Square and the possible disposal of this investment. He outlined the process and key documents that would need approval for such a sale.

RECOMMENDED

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

(ii) That explicit approval and authorisation be given to the Executive Director of Pensions to progress the sale of 1 St Peters Square and sign all relevant documentation required to deliver the agreed outcome.

7. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 24 April 2015 were considered.

RECOMMENDED

That the Minutes be received as a correct record.

8. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 27 May 2015 were considered.

RECOMMENDED

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

(ii) In respect of Minute 3 – Assimilation of Probation Assets, that the Probation Assets be assimilated into the Main Fund via a straightforward merger on a single specified date (targeted to be 1 October 2015);

(iii) In respect of Minute 4 – Investment Strategy and Tactical Positioning 2015/16:

(a) that there be no material changes to the benchmark;

(b) that the level of internal tactical cash holding be moved to a neutral position;

(c) in respect of cash requirements, assuming assimilation of MoJ assets, that the majority of the cash be raised from the newly combined L&G passive portfolio; and

(d) **That a work shop be arranged for Members of the Working Group and Advisers, later in the year, to discuss scenario planning.**

(iv) **In respect of Minute 7 – Housing Investment Fund, that progress, as detailed, be noted and that delegated authority be given to the Assistant Executive Director, Local Investment and property, to explore the possibility of funding up to £1 million of costs to develop mechanisms, to enable Matrix Homes to become a preferred partner in the utilisation of the £300 million Housing Investment Fund, administered by the GM Combined Authority.**

9. LOCAL PENSIONS BOARD

RESOLVED
That the Minutes of the meeting of the Local Board on 16 April 2015 be noted.

10. WORKING GROUP TERMS OF REFERENCE

The Executive Director of Pensions submitted a report detailing the terms of reference of the Working Groups together with the individual Working Groups full terms of reference.

A change was proposed to the terms of reference of the Employer funding Viability Working Group giving it responsibility for accounting and financial matters.

RECOMMENDED
(i) **That the Terms of Reference be approved; and**
(ii) **That the proposed change to the terms of reference of the Employer Funding Viability Working Group, giving it responsibility for accounting and financial matters, be approved.**

11. WORKING GROUP APPOINTMENTS

Consideration was given to a report of the Executive Director of Pensions detailing the appointments to the Working Groups.

RECOMMENDED
That the appointments to the Working Groups be noted.

12. LOCAL PENSION BOARD

A report was submitted by the Executive Director of Pensions, informing Members of the intention to increase the size of the Board as it's work programme evolved and expanded. The Board's Terms of Reference stated that the size of the Board would be reviewed periodically.

It was reported that regulations required local boards to comprise an equal number of employer and scheme member representatives, with at least 4 members in total. The GMPF Board was established with a '2+2' structure to facilitate the Board being quickly established and operational and to ensure capacity and knowledge and understanding requirements were met.

From discussions with other large funds, the typical size of their local boards was either 4 employer representatives and 4 scheme member representatives, i.e. '4+4' or in some cases '5+5'.

The existing members of the GMPF Board were supportive of moving to an expanded structure with effect from September 2015, which would increase the range of skills and experience on the Board and reduce the risks of the meeting not proceeding through members being unavailable.

RECOMMENDED
That the following be supported:

(i) The increase in size of the Board from '2+2' to '5+5';
(ii) No organisation to have more than 2 members serving on the Board;
(iii) The appointment of the potential additional scheme member representative who has been proposed by the North West TUC;
(iv) A further proposal be sought from the North West TUC from a trade union that is not currently represented on the Board and a selection process be held for the remaining member representative;
(v) The additional employer representatives to be:
- **A second Councillor representative;**
- **A monitoring officer from another local authority employer;**
- **Another non-local authority employer.**

13. REPORTS OF THE MANAGERS

(a) UBS Global Asset Management

Ian Barnes, Head of UK and Ireland, UBS Global Asset Management, made reference to the market background and the portfolio performance to 31 March 2015. He commented on a good quarter, but a disappointing 12 month performance for the portfolio.

He made reference to the areas currently driving performance returns, in particular Japanese and European markets, which were performing strongly.

Mr Barnes made further reference to Greece and the portfolio's overweighting in Europe.

Tom Digenan, Head of US Intrinsic Value Equity, then gave information with regard to North American equities and explained UBS's long history of price-to-intrinsic value investing and its adherence to the same fundamental investment philosophy over 30+ years and detailed how intrinsic value investing added value over time.

Mr Digenan also outlined North American equities performance and portfolio positioning.

The Advisers were then asked to comment.

Mr Powers queried UBS's focus on certain sectors such as consumer staples with Chinese exposure and hydrocarbons. Steve Magill, Head of UK Value Equities, explained that individual company valuations were fundamental as to whether a company was included in the portfolio.

Mr Moizer made reference to intrinsic value investing and sought assurances in respect of how UBS managed to identify mistakes. Mr Digenan acknowledged that the 'sell' decision was more difficult than the 'buy' decision and that an underperforming stock would have its place in the portfolio re-challenged.

Mr Bowie sought UBS views on US stocks and their ability to outperform. Mr Digenan made reference to the strength of the US economy and that performance would depend on the interest rate environment.

(b) Capital International

Stephen Gosztony, President, Capital International, commented on portfolio returns for the quarter, which underperformed the benchmark. This was primarily due to underperforming stocks in Europe and Emerging Markets.

He outlined asset allocation and commented on the positive impact of the portfolio's overweighting in North America and strong, absolute returns from equities.

Richard Carlyle, Investment Specialist, Capital International, made reference to the investment objective; to achieve a real return of 2.5% - 3.0% per annum and added that Capital estimated that GMPF's strategic benchmark had a 70-85% probability of meeting the investment objective over the long term.

He further commented on future portfolio performance and compared the last ten years actual annualised returns to the next ten years expected annualised returns.

Mark Brett, Fixed Income Portfolio Manager, Capital International, made reference to real yields and explained that they needed to remain low for many years to help the debt adjustment process.

Mr Gosztony concluded as follows:

- Capital estimated that GMPF's strategic benchmark had a 70-85% probability of meeting the investment objective of 2.5-3.0% real return per annum over the long term;
- Equities continued to have the highest expected returns;
- Real yields needed to remain low for many years to help the debt adjustment process;
- Higher yields were already priced in; and
- All markets were being distorted to some extent by aggressive easy monetary policy.

The Advisers were then asked to comment.

Mr Moizer made reference to a disappointing performance over the last 12 months and sought Capital's views on the reasons for this.

Mr Gosztony explained that Emerging Markets had underperformed and that Capital were taking an integrated approach to research in order to address this.

Mr Powers commented on inflation and risks taken by central banks and the reasons for the lack of credit demand.

Mark Brett explained that banks were trying to get the credit supply growing again but that companies were very nervous about making investments in the current climate.

14. ASSIMILATION OF PROBATION ASSETS

A report was submitted by the Executive Director of Pensions, which considered the potential assimilation of the Probation Asset into the Main Fund and the short/medium term arrangements for the ongoing investment management of a proposed enlarged Main Fund. These issues were being considered in parallel with the Main Fund Strategy Review (Minute 15 refers).

The report outlined the decisions to be considered with regard to a possible merger of assets and further detailed proposals regarding alternatives and property.

The report concluded that it was believed that there was great merit in crystallising a straightforward merger of the Probation Assets into the Main Fund on a single specified date (currently targeted to be the 1 October 2015) and thereafter treating the new 'merged' Main Fund as we have treated the current Main Fund in the past (and would have treated in the evolving future) in terms of routine standard reviews and governance going forward etc.

Panel Members were informed that the next routine standard review was due to commence towards the end of 2015 and covers all manner of fundamental structural aspects of the Fund's Investment Management. This review would seem to be the ideal opportunity for giving further detailed consideration to some of the implications of the merger, to the extent that such implications were not already reduced by withdrawals of cash (e.g. from the passive portfolio) determined in discussion around the next agenda item (Minute 15 refers).

RECOMMENDED

(i) That the straightforward merger of the Probation Assets into the main Fund, as described in the report, with a target implementation date of 1 October 2015, be approved;

(ii) That the proposed amelioration steps set out in the report, in respect of the dilution of Alternatives and Property, be approved;

(iii) That the use of a valuation incorporating an updated, retrospective valuation of Private Market assets, as the basis for crystallising the definitive initial asset shares (Probation Service vs other Main Fund employers) at the date of 'merger' for agreement with MoJ as detailed in the report, be approved; and

(iv) That the nature, timing and detailed implementation of any benchmark changes necessary to reflect the decision of the Panel be settled by the Executive Director of Pensions following consultation with the advisors and/or managers where appropriate.

15. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2015/16

Consideration was given to a report of the Executive Director of Pensions, which reviewed the benchmark asset allocations for the Main Fund and Investment Managers and considered changes to the investment restrictions.

To help consider the issues, each of the external Fund Managers had submitted a strategy paper focusing on a number of issues/questions, including:

- The UK and international economic outlook for 2015/16 and the medium term;
- The prospects for the various markets over the medium term (5-10 years); and
- Was the Fund's overall 'realistic' benchmark asset allocation of 58% public equity; 5% alternatives; 27% bonds and cash and 10% property (as adopted by the July 2013 Panel, but yet to implemented) likely to be able to deliver a real rate of return in excess of 2.5% pa (i.e 2.5% - 3% pa plus RPI inflation)?

Copies of the Managers' papers were appended to the report and they presented their views to the Panel.

It was reported that the current decade through to March had produced absolute returns for the average Local Authority fund of 7.5% pa. GMPF's relative investment performance had been marginally better than average over the ten years, with a return in excess of the LA peer group average of +0.1% per annum to the end of December 2014.

The report also covered the following:

- Background;
- Allocation of Assets to Managers;
- Active and Benchmark Risk;
- Required Rate of Return;
- Asset Allocation Targets;
- Past Market Returns;
- Future Returns;
- Asset Allocation within the LA Pension Fund Industry;
- Revisiting the allocation to public equity;
- Revisiting the allocations to debt related investments (including Bonds and Cash);
- Revisiting the allocations to alternatives;
- Revisiting the allocation to property;

- A number of other matters (i.e. local investment, currency and fundamental or optimised indices).

The Advisers were then asked to comment.

Mr Powers supported the strategy as detailed in the report. He made particular reference to the importance of the scenario planning exercise, as suggested in the report.

Mr Moizer also supported the strategy, however expressed a degree of caution with regard to scenario planning, as it was impossible to predict what will happen in the future.

Mr Bowie further supported the strategy and stressed the importance of strong governance.

RECOMMENDED
That:

1. **Assuming assimilation of Probation Assets, any requirements for cash to be withdrawn from the securities managers to be taken from L&G, until their share of assets is reduced from approximately 35% to approximately 25% of the Main Fund. Any further cash requirements to be withdrawn from UBS.**

2. **Scenario Planning**
That the Fund undertake a scenario planning exercise in order to develop a more systematic approach to responding to potential future market changes or dislocations.

3. **Main Fund Overall Asset Allocation**
(a) **Reduce the overall benchmark public equity weighting, from the current level of 62% of Main Fund, to a specified fixed level lying between 57% and 59% with a concomitant increase in allocation to a broadened debt-related investment asset class.**
(b) **Adjust the Public Equity and Bond weightings pro-rata to take account of the phased increases in 'realistic benchmark' allocations to Property.** ***[see 7. (b) below]***

4. **Public Equity Allocation**
(a) **Maintain the Public Equity split at 35% UK and 65% Overseas.**
(b) **Maintain the Overseas equity split at : North America 32.5%; Europe (ex UK) 27.5%; Japan 15%; Pacific 10% and Emerging Markets 15%.**

5. **Debt Related Investments (inc Bonds)/Cash Allocation**
(a) **No immediate change to current individual bond benchmark allocations, but as an interim measure, permitted active manager deviations be increased to allow wider freedom to actively invest.**
(b) **Institute a benchmark exposure of between 3 and 5% points to a wider Debt Related Investments 'asset class' in line with the reduction in the weighting of public equity.** ***[see 3. above]***
(c) **Continue to progress to completion the search and procurement exercise for a specialist manager of wider Debt Related Investments (with a remit to manage between 3 and 5% of Main Fund assets) using Hymans Robertson. The Policy and Development Working Group to interview managers appointed to a Framework Agreement and to act as the 'Framework Call-Off' Panel.**
(d) **No change to current 6.2% allocation to cash (3.2% strategic component and 3% tactical component), but the 3% tactical component be kept under review for possible redeployment into other assets.**
(e) **'Internally managed tactical cash' be returned to the 3% benchmark allocation.**

6. **Alternative Investments**
   (a) **Private Equity: The recommendations of the Alternative Investments Working Group be adopted (Minute 21 refers).**
   (b) **Infrastructure: The recommendations of the Alternative Investments Working Group be adopted (Minute 23 refers).**
   (c) **Special Opportunities Portfolio: The recommendations of the Alternative Investments Working Group be adopted (Minute 24 refers).**

7. **Property**
   (a) **Maintain the long term target allocation to property at 10% of total Main Fund assets, broadening the range of approaches to obtaining the target 10% exposure.**
   (b) **Phase in 'realistic benchmark' allocations over three years to reflect the forecast investment programmes and movement towards the 10% target, as follows :**

	Proposed 2015 Realistic% Range% Cash flow	Proposed 2016 Realistic% Range% Cash flow	Proposed 2017 Realistic% Range% Cash flow
Main Portfolio External	4 3-5 £150m-£200m	5 4-6 £150m-£200m	6 5-7 £150m-£200m
Indirect	1 0-2 -	1 0-2 (£50m)-(£100m)	0 0-2 (£100m)
GMPVF	1 0-2 £25m-£50m	1.5 1-2 £50m-£75m	2 2-3 £50m-£75m
Overseas	1 0-2 £50m-£100m	1.5 1-3 £100m-£150m	2 1-3 £100-£150m
Other	0 0-1 £25m-£75m	0 0-1 £25m-£75m	0 0-1 £25m-£75m
Total	7 6-14 £225m-£375m	9 6-14 £200m-£450m	10 6-14 £150m-£250m

8. **Local Investment**
   Maintain the overall limit on those assets which are locally invested at 5% of Main Fund as agreed at the July 2011 Panel whilst recognising the new collaborative initiatives of the North West Impact Portfolio and joint venture investment in infrastructure with LPFA.

	Range %
GMPVF	**0-3**
I4G	**£50m**
Impact Portfolio	**0-1**
LPFA	**Up to £250m (Not all local)**
Total	**0-5**

9. Implementation
The nature, timing and detailed implementation of any benchmark changes necessary to reflect the decisions of the Panel be settled by the Executive Director of Pensions following consultation with the advisors and/or managers where appropriate.

At this juncture, the meeting adjourned to observe a minutes' silence for the victims of the Tunisia terrorist attacks, which had taken place on 26 June 2015.

16. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report providing a short commentary on issues and matters of interest arising during the last quarter as follows:

Joint Venture with LPFA
The legal agreement had now been signed. Two investment opportunities were currently being progressed. A management committee had also been established and they had met twice.

New Offices
The development of the Fund's new offices, Guardsman Tony Downes House, was progressing in line with the timetable and in line with the contract price.

Probation (MoJ) Transfer
The Employer Funding Viability Working Group was monitoring progress on this project. Virtually all assets had now transferred and all the membership records were on the Fund's administration system.

Evidence to the Scottish Parliament – Local Government and Regeneration
An invitation had been received to give evidence to the Local Government and Regeneration Committee of the Scottish Parliament. The focus of the session was the scope to invest in infrastructure and locally by Scottish Pension Funds. A copy of the GMPF submission was attached to the report.

Accounting for Pension Costs
The Actuary had now issued accounting reports to all employers, the general outcome was a small fall in funding levels. The main factors influencing outcomes was further falls in corporate bond interest rates resulting in increases in the value of liabilities only partially offset by investment returns in excess of assumption. In cash terms, the net impact was increases in reported deficits.

The latest estimate of the actuarial funding position was broadly in line with that at the last valuation with a funding level of around 90%.

Change of Portfolio Manager within the UBS UK Value Equities Team
Richard West was retiring from UBS where he was part of the UK value equities team. Guy Walker was joining the team.

Fossil Fuels and Carbon Reduction
The debate on fossil fuels and carbon reduction continues to be a very important global issue and featured prominently at the recent G7 meeting. It was also a matter that a number of the Fund's members had expressed an interest in.

The next phase of the Fund's consideration of this matter would be at the next meeting of the Investment Monitoring and ESG Working Group, where views would be sought from one of the Fund's investment managers, PIRC, the fund's corporate governance adviser and Carbon Tracker, a non-profit, independent company, which is aiming to raise awareness about the potential risk that fossil fuel investments may pose to financial stability. All Members of the Panel would be invited to attend this meeting.

Party Conferences
Localis in association with LPFA, GMPF and Lancashire County Pension Fund were looking to have private roundtable meetings at the Conservative and Labour Party conferences.

The roundtables would bring together representatives of central and local government and pensions experts to debate what role the LGPS could and should play in funding the creation of new infrastructure in the UK.

Process for Sign Off of Accounts
The Management Panel needed to approve the accounts and formal letters needed to be sent to the Auditor by 30 September 2015. The next meeting of the management panel and AGM is 2 October 2015. Thus, to meet the statutory timetable an Urgent Matters meeting would need to be arranged to consider this matter.

IIN Awards
GMPF had won an award for the best use of infrastructure at the INN Awards. The submission featured the joint venture with LPFA.

17. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 31 December 2014 and 30 March 2015

A report of the Executive Director of Pensions was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 31 December 2014 and 30 March 2015.

RECOMMENDED
That the report be noted.

(b) Underwriting, Stocklending and Commission Recapture

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

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

RECOMMENDED
That the report be noted.

(c) External Managers' Performance

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

It was noted that in the quarter to 31 March 2015, Capital had underperformed by 0.8% against their benchmark index of 8.4%. UBS had outperformed by 0.3% against their benchmark index of 5.9% and Legal and General had broadly succeeded in tracking their benchmark for the Main Fund and for MoJ.

Performance figures for the twelve months to 31 March 2015 were detailed which showed that Capital had underperformed their benchmark by 1.7% and UBS had also underperformed their benchmark by 1.6%. Legal and General had broadly succeeded in tracking their benchmark for the Main Fund and for MoJ.

RECOMMENDED
That the report be noted.

18. ANNUAL PERFORMANCE REPORTS

(a) Long-term Performance 2014/15 – Main Fund and Active Managers

Consideration was given to a report of the Executive Director of Pensions which advised Members of the excellent long term results for UBS and the Main Fund as a whole, as measured by WM. Detailed results covering periods up to 25 years were given.

The Main Fund was in the top 5% of the Local Authority pension funds surveyed by WM over 20 years and the top 4% over 15 years and was the fifth best performing Local Authority fund over the 25 year period.

The performance of UBS over their time as a Manager for the Fund had been excellent. Capital International had underperformed their benchmark over 5 and 10 years, and they had outperformed in 2 of the last 3 years.

(b) Cash Management

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

The report concluded that the Pension Fund's cash had been generally well managed. Performance in 2014/15 exceeded market returns and total interest received was £2.8 million.

(c) Long Term Property Performance (IPD Review 2015 etc)

The Executive Director of Pensions submitted a report, which advised Members of the recent and longer term investment performance of the Direct Property Portfolio (comprising directly owned properties and 'Specialist' Indirect Funds now managed externally by LaSalle Investment Management)) and of the 'Balanced Property Pooled Vehicle Portfolio' (managed by the Executive Director of Pensions).

Performance in 2014 was 6.6% below the benchmark IPD All-Property Median return of 17.9% and 6.4% below the IPD All-Property Universe (Mean) of 17.7%. In spite of a robust performance in

2012 and an above benchmark performance in 2013, the Direct Property Portfolio's performance over all standard time periods up to 20 years was below the IPD Universe average.

Results for individual years over the last 24 years (from the date that the GMPF Management Panel formally set the previous performance target of 'median or better') showed that the portfolio had beaten the target in half of those years.

The Fund's direct property holdings had a relatively strong income base and significant work had been undertaken to reduce voids again this year as evidenced by a fall of nearly 3% from the previous year's void rate. However, this could have an impact on reversionary income potential for the Fund, especially where letting markets were improving.

Although the four sales were completed at levels above previous valuations this did little to help overall performance, as the lot sizes were relatively small.

For the Direct Property Portfolio, both property specific factors were the main reason for underperformance at -5% with portfolio structure also having an adverse impact. Assets in every segment underperformed their respective benchmarks, except for Central London Offices, where performance was driven by the two Henderson Central London Office indirect funds.
The portfolios overweight position to underperforming segments, such as Rest of UK Standard Retail and Supermarkets, combined with the underweight position to stronger performing segments of the market, such as West End and South East Offices and Rest of UK industrials, caused the structural drag on returns of 1%.

The worries over prospective performance were the reason for changing to external management which took effect from 1 October 2014.

The pooled property funds delivered a return of 17.9% in the year compared to the index turn of 16.6%.

RECOMMENDED
That the content of the reports be noted.

19. BUDGET MONITORING

(a) GMPF Administration Expenditure Monitoring Statement for the Financial Year 2014/15

The Executive Director of Pensions submitted a report comparing the administration expenses budget against the actual results for the 12 months to 31 March 2015.

It was reported that, for the financial year to 31 March 2015, there was an underspend of £501,000 against the budget of £18,718,000 for that period. Reasons for major variations over £50,000 for 2014/15 were detailed as follows:

- Investment Manages and Professional fees;
- Staff costs;
- Premises; and
- Commission Recapture.

RECOMMENDED
That the content of the report be noted.

(b) GMPF Statement of Accounts 2014/15 Governance Arrangements

Consideration was given to a report of the Executive Director of Pensions proposing the governance arrangements for approval of the 2014/15 accounts for the Greater Manchester

Pension Fund. The report further sought approval of the key assumptions for estimates to be used in the accounts and to note the pre-audit simplified accounts.

It was explained that the key decision making bodies for the Council were the Audit Panel, which received accounting policies reports for both the Fund and the Council and the Overview (Audit) Panel, which received the report of the external auditor following the audit of the accounts. The Council retained overall responsibility for the accounts of both and the follow-up on the audit reports received for both, but in practice delegated the responsibility for the Fund, to the Fund.

The provisional timetable for approval of the accounts and consideration of audit reports by the Council and Fund for 2015/16 was outlined in the report.

It was further reported that the audit process must be completed before the end of September 2015. The date for GMPF Management Panel had been set for 2 October 2015, hence the need for an Urgent Matters Panel in September. The audit letters for both the Fund and the Council would be received formally by the TMBC Overview (Audit) Panel in September 2015.

It was added that the newly created Pensions Local Board would also play a part in undertaking a review of the audit process, however it was noted that it was not a decision making body.

Key changes in the accounts this year were the partial adoption of CIPFA's guidance on accounting for management costs in the LGPS. The intention for GMPF was to phase in the implementation over two years, as set out in an appendix to the report.

The key on-going assumptions used in production of the accounts, covered the following matters:

- Accruals basis;
- Fair value for investments;
- Market prices at bid where possible;
- For non-listed assets, compliance with accounting standards and best practice; and
- Liabilities in compliance with International Accounting Standard 19 (IAS 19).

The key financial movements during the financial year to 31 March 2015 were detailed in the report.

RECOMMENDED
(i) That the governance arrangements for the Fund's accounts be approved;
(ii) That the assumptions for estimates to be used in the GMPF Statement of Accounts be approved; and
(iii) That the pre-audit simplified accounts be noted.

20. EMPLOYER WITHOUT A LOCAL AUTHORITY GUARANTEE

A report was submitted by the Executive Director of Pensions giving details of an application for admission without a guarantee from a Scheme Employer had been made by Career Connect in respect of 49 active members of the Fund. The panel was asked to consider supporting the making of an admission agreements on the terms described in the report.

The report outlined the financial risks and the proposed admission terms and it was:

RECOMMENDED
That the making of an admission agreement on the terms described in the report, be supported.

21. GMPF LOGO

Simon Brunet, Policy, Data and Improvement Lead, delivered a short presentation outlining four options for a new logo design for the GMPF, for Members consideration.

The Chair explained that a small sub-group of Panel Members would be convened in the coming weeks to consider all the options and decide on the new logo going forward.

22. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

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

NAPF Local Authority Conference — 18 – 20 May 2015
Cotswold Water Park Four Pillars Hotel, Gloucestershire

http://www.napf.co.uk/Conferences_and_Seminars/Local_Authority_Conference.aspx

LGPS Annual Conference — 25 – 26 June 2015
Marriott Hotel, Cardiff

Likely topics are expected to be:
- Freedom & Choice, impact for the LGPS;
- Active vs Passive, that new chestnut;
- Cessation of contracting-out, impact for employers;
- Investment opportunities round-up;
- Legal update, the pensions world has moved on; and
- Local Pension Boards, the early days.

UBS Member Training Day — 8 July 2015
Venue: TBA

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

Capital International Member Training Day — 12 November 2015
Venue: TBA

23. DATES OF FUTURE MEETINGS

The dates of future meetings of the Greater Manchester Pension Fund Management/Advisory Panel and Working Groups were noted as follows:

Management/Advisory Panel	2 October 2015 + AGM
	11 December 2015
	11 March 2016
Pensions Administration Working Group	17 July 2015
	16 October 2015

	29 January 2016
	8 April 2016
	16 April 2015
Investment Monitoring & ESG Working Group	17 July 2015
	16 October 2015
	29 January 2016
	8 April 2016
Alternative Investments/Property Working Groups	24 July 2015
	23 October 2015
	5 February 2016
	15 April 2016
Policy and Development Working Group	8 October 2015
	4 February 2016
	24 March 2016
Employer Funding Viability Working Group	31 July 2015
	30 October 2015
	12 February 2016
	22 April 2016

CHAIR