

## GREATER MANCHESTER PENSION FUND - AGM

Friday, 22 September 2017

Commenced: 1.30 pm

Terminated: 3.00 pm

**Present:** Councillors K Quinn (Chair), Cooney, Cooper, J Fitzpatrick, J Lane, Patrick, S Quinn, Ricci, M Smith, Mitchell, Brett, Grimshaw, Barnes, Mr Allsop, Mr Drury, Mr Llewellyn, Mr Flatley and Mr Moizer

**Apologies for Absence:** Councillor Ward, Mr Bowie, Mr Powers, Ms Brown and Ms Catterall

| <b>Other Representatives who provided their details:</b> | <b>Organisation:</b>                      |
|--|---|
| Cheri Baxter   | Positive Steps                            |
| Craig Broadhurst   | Northwards Housing                        |
| Richard Webster  | Sola Fide CE Trust                        |
| Stuart Henderson   | Together Housing                          |
| Cathy Lees   | Tameside MBC                              |
| Carol Mee  | St Bede Academy                           |
| Lin Bai  | Stockport Homes                           |
| Laura Morns  | Bury Council                              |
| Nicola Hughes  | Bury Council                              |
| Andy Shaw  | Newbridge MAT                             |
| Sharon Adams   | Six Town Housing                          |
| Phil Deakin  | The Healthy Learning Trust                |
| Elaine Seel  | Pinnacle Trust                            |
| Carl O'Donnell   | New Charter Housing Trust                 |
| Lindsay Towler   | Association for Public Service Excellence |
| Steven Scott   | Wigan Leigh College                       |
| Andrea Gaffey  | Spie UK                                   |
| Nina McGlashan   | Rochdale Borough Council                  |
| Gareth Davies  | Rochdale Borough Council                  |
| Kate Crier   | Sodexo Ltd                                |
| Andy Taylor  | University of Manchester                  |
| John Gleeson   | Rise CIC                                  |
| Stuart Chilton   | Active Tameside                           |
| Khatija Timol  | Greater Manchester Arts Centre            |
| Martin Evans   | University of Bolton                      |
| Maria Cook   | First Choice Homes Oldham                 |
| Chloe Simms  | First Choice Homes Oldham                 |
| Michelle Hinselwood                                      | Birtenshaw                                |
| Lesley Kewin   | GMP                                       |
| Lisa Blackshaw   | MMU                                       |
| Julie Hardy  | RNCM                                      |
| John Rakestraw   | Trafford College                          |
| Dave Howarth   | Essa Foundation Academies Trust           |
| Conor Edwards  | Winstanley College                        |
| Simon Morris   | Salix Homes                               |
| Dave Muggerridge   | Trafford MBC                              |
| Tony Thompstone  | Salford City Council                      |
| Denise Sykes   | Hathershaw College                        |

## **1. MINUTES**

The Minutes of the Annual General Meeting held on 23 September 2016 were noted.

## **2. CHAIR'S INTRODUCTION**

The Chair welcomed the representatives of the various participating organisations to the meeting.

He began by stating that 2016/17 had been a very successful year for Greater Manchester Pension Fund (GMPF) with strong relative and absolute investment performance and a good actuarial valuation result. The success of the Fund was based on long term performance and a number of significant milestones had been passed during the year, which demonstrated the scale of the achievements. The Fund had been number one in the UK for long term performance over the last 30 years, ensuring that pension liabilities could be met with fair contribution rates.

The Chair was pleased to announce that the Fund's assets were over £21 billion with over 500 employers and 350,000 members making GMPF the largest Local Government Pension Scheme in the UK and 12<sup>th</sup> largest of all pensions schemes in the UK. The Fund had grown significantly since 2000 and there had been exponential change in the scale and complexity of operations since the Fund was created in 1974.

He explained that Local Government Pension Scheme funds had continued to face challenges throughout 2016/17 due to the impact of monetary policy, historically low long term interest rates and negative nominal rates in some Government bond markets. This had resulted in a higher value being placed on pension promises earned and more assets being required to meet those promises. Despite these challenges GMPF had improved its funding position in the period 2013 to 2016 and had the lowest costs in the Local Government Pension Scheme.

He further explained that employers continued to face the impact of austerity measures and Government policies on public service delivery. This could result in a potential weakening of the covenant strength of some of the Fund's employers.

In such challenging times, it was imperative that Greater Manchester Pension Fund maintained its long term approach, which had delivered successful outcomes over many years in superior investment returns and low costs. This had resulted in high funding levels and low, stable contribution rates for employers. Despite political uncertainty and a volatile environment, interest rates remained low and asset values had risen. This had helped the Fund to achieve strong investment returns during the year and build on its consistent long term outperformance.

It was reported that significant progress had been made in terms of responding to the Government's initiative to pool the investment management of Local Government Pension Scheme funds in order to improve returns, reduce costs and increase investment in infrastructure. The Northern Pool, which consisted of Greater Manchester, Merseyside and West Yorkshire pension funds, was leading the way nationally on investment in housing and infrastructure and had recently won a LAMP Investment Award in Infrastructure.

A number of key achievements had been made during the year, including investment performance in excess of the strategic benchmark, stable employer contribution rates and expansion of the direct infrastructure investment vehicle to over £1 billion through partnership with GMPF's Northern Pool partners and others. The Fund became the sole provider of LGPS benefits to the Probation Service. The triennial actuarial valuation of the Fund had been completed and the overall funding level had increased to 93%. The Fund's focus had been on keeping contribution rate stable and main employers had seen an average improvement of 5% in their funding position. This had been achieved through a long term focus on strong governance, which had been a key driver in delivering superior investment returns.

The need to communicate with all stakeholders and the ability to respond to the challenges that the future brings was long recognised. There was also a need to balance the short and long term needs of employers in a prudent way from a Greater Manchester Pension Fund perspective.

The Chair added that the Panel would strive to continue to take decisions from a long term perspective to help maintain success. This had particular importance due to the implementation of the pooling arrangements with the Northern Pool partners. There would be clear emphasis on the maintenance of strong and consistent investment returns and cost control, which would be achieved via governance structures and clear accountability.

He concluded by saying that the management team, led by the Director of Pensions, was very experienced and had provided good support to the Panel in maintaining strong governance. He thanked Panel Members, Advisors, Investment Managers and Officers for their work over the last 12 months.

### **3. REVIEW OF THE YEAR**

The Director of Pensions commenced by outlining that Greater Manchester Pension Fund was the 160<sup>th</sup> largest pension fund in the world, the 47<sup>th</sup> largest in Europe and the 12<sup>th</sup> largest in the UK. The long term approach for the management of the Fund continued to deliver an improved funding position and excellent investment performance on a nominal and relative basis over the past year and over the longer term.

The achievements over the year were highlighted and included the pooling of assets, investment in infrastructure and housing, strengthening the governance around the monitoring of investment managers and improved engagement with investee companies. The triennial valuation had been completed and the administrative costs of the Fund continued to be below that of the average Local Government Pension Scheme.

The Director of Pensions then introduced Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property), Euan Miller, Assistant Director of Pensions (Funding and Business Development) and Tom Harrington, Senior Investments Manager, who each provided details of the work and key tasks undertaken over the year in respect of:-

- Investment Performance
- 2016 Actuarial Valuation
- Local Government Pension Scheme Investment Pooling
- Accounts
- Greater Manchester Pension Fund and London Pensions Fund Authority Infrastructure LLP (GLIL) portfolio

Questions were then invited from the floor.

### **4. IMPORTANCE OF GOOD DATA**

Steven Law and Barry McKay of Hymans Robertson, Actuary to the Fund, attended the meeting to give a presentation on possible regulatory and legislative changes, data quality and an update on funding and any associated risks.

Mr Law advised that some items of legislation/guidance relating to exit payments caps were imminent. These included a Redundancy Cap, a High Earners rule and limits on Exit Payments.

The Redundancy Cap referred to a £95,000 cap to be placed on payments made to an individual leaving the public sector. The High Earners Rule referred to individuals with a salary of £80,000

leaving public sector employment and returning to the public sector within 12 months. Exit Payments suggested a maximum amount to be paid to an individual on leaving public sector employment. Examples of each scenario were provided and explained.

Mr McKay outlined the importance of providing accurate data in a timely manner. Data was the employer's responsibility and was vital to the Fund, not only for producing benefit statements and highlighting possible tax issues for members but it was also used to measure the health of the Fund and assisted in key decision making. An example of the importance of data quality was provided alongside the possible consequences of submitting incorrect data. Small errors could have a significant effect on deficit and employer contributions.

He advised that The Pensions Regulator had focussed its attention on Local Government Pension Scheme data and employers could be asked for a plan on how to improve data quality and their processes. If problems persisted then an Improvement Notice could be issued with possible fines for continued non-compliance.

A funding update was provided. Investments had performed well since the valuation date for a variety of reasons (political, economic and currency effects), however, there was still some uncertainty and long term expected returns would continue to be depressed. Inflation was slowly increasing due to the weakened sterling and an increase in the price of imports. A graph detailing the funding level since April 2016 was shown; the Fund was 99% funded as at September 2017.

Questions were then invited from the floor.

**CHAIR**