

Report To: **GMPF MANAGEMENT/ADVISORY PANEL**

Date: 17 November 2017

Reporting Officer: Sandra Stewart - Director of Pensions

Subject: **MANAGEMENT SUMMARY**

Report Summary The aim of this report is to provide a short commentary on issues and matters of interest arising during the last quarter. This report also gives an update on Project Magpie

Recommendations: To note the progress on key matters.

Policy Implications: None.

Financial Implications: These are set out in the report.
(Authorised by the Section 151 Officer)

Legal Implications: Legal advice needs to be taken expediently on each of the individual projects referenced in the report as required.
(Authorised by the Solicitor to the Fund)

Risk Management: The report is primarily for information only.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers: For further information please contact Paddy Dowdall, Assistant Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk

1. PERFORMANCE AND VALUATION

- 1.1 The Total Fund increased in value by £418m over the quarter, from £21,604m as at 30 June 2017, to £22,022m as at 30 September 2017.
- 1.2 In the quarter to 30 September 2017, the Main Fund returned +2.2%, against a benchmark return of +1.7%, whilst in the year to 30 September 2017, the Main Fund returned +12.7%, against a benchmark return of +10.2%.

2. PROJECT MAGPIE

- 2.1 As reported at previous Panel meetings, First Bus Group, one of GMPF's largest private-sector employers, is consolidating its LGPS arrangements in the West Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund into GMPF. This proposal was approved by the Panel at its March meeting, subject to certain conditions being met.
- 2.2 The consolidation was effected by a Direction from the Secretary of State resulting in GMPF becoming the administering authority for the transferring members on 1 November 2017. GMPF will be making the November pension payments to the transferring members.
- 2.3 Assets of approximately £200m will be transferring from the South Yorkshire Passenger Transport Pension Fund in January 2018 and will be held outside of the Main Fund. Approximately £400m will transfer from the West Yorkshire Fund on regular intervals up to March 2019.
- 2.4 Part of the liabilities in respect of the First West Yorkshire members will be funded by the West Yorkshire Combined Authority, which retains responsibility for meeting the cost of increases to pensions accrued prior to the de-regulation of buses in 1986.
- 2.5 Regular updates will continue to be provided to the relevant working groups and the Management Panel as appropriate.

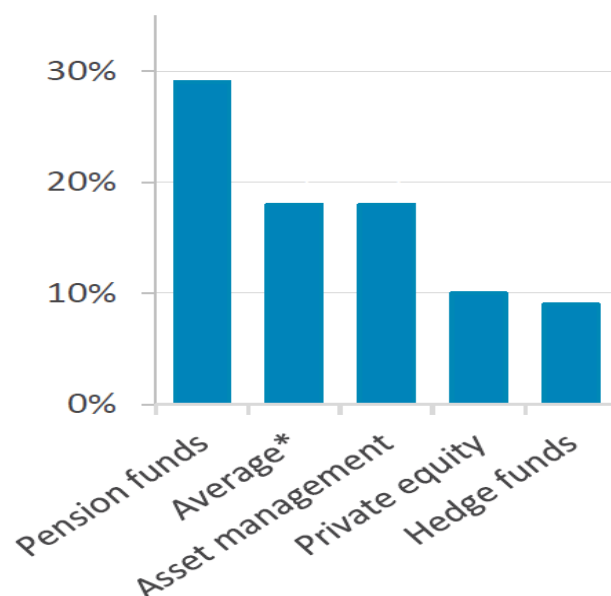
3. NOTABLE INVESTMENTS MADE SINCE LAST MANAGEMENT PANEL

- 3.1 La Salle completed the purchase of 50% of Intu Chapplefield on behalf of GMPF and its pooling partner, West Yorkshire Pension Fund for a total consideration of £148m. Intu Chapplefield is located in the centre of Norwich and a key retail destination in East Anglia, with an annual footfall of 12 million. The centre provides 90 units and includes key retailers such as House of Fraser, Apple, Zara, River Island, H&M and Boots.

4. DIVERSITY

- 4.1 Diversity is firmly on the corporate agenda, with a growing body of research showing that it leads to better decision making and financial performance – yet much of the Capital markets industry has been slow to act.
- 4.2 The Corporate Governance Code for listed companies sets out expectations in relation to five key themes of leadership, effectiveness, executive remuneration, accountability and shareholder relations with considerable emphasis on board appointments and the balance of skills, diversity and independence of the directors. There is evidence to show that pension funds could similarly gain from a move in regulatory focus towards governance inputs.

Average female representation on executive committees across European capital markets, %



*Average across 12 different sectors

Source: New Financial's *Counting Every Woman 2017*

- 4.3 Increasing gender diversity isn't just the right thing to do. A balanced workforce is good for business. It is good for customers, for profitability and workplace culture, and is increasingly attractive for investors. Firms with a good gender balance in senior positions and across teams perform better, and therefore attract the best talent.
- 4.4 There is compelling evidence that more diverse corporate boards lead to better results. For example, the Davies report on *Women on Boards* found that companies with more women on their boards outperformed their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity. The 2016 report *Why Diversity Matters* from McKinsey found that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns. If that's right for the companies in which pension funds invest, it must also be right for pension funds themselves.
- 4.5 The Pensions Regulator stresses how a diverse trustee board is more likely to raise challenging questions and reach better decisions. It's not just in the boardroom that greater diversity can bring benefits. Member engagement is also likely to be more successful where the trustee board look like the members they serve. Trustees have an important role to play in bringing diverse perspectives, not just from the gender dimension but from a broader diversity perspective.
- 4.6 However, despite the inclusion of trustees, there is some way to go, with the gender composition of pension boards being 83% male, according to the latest PLSA Annual Survey. There are many aspects to diversity – gender, ethnicity, sexual orientation, ability/disability, socio-economic background. Talking about diversity is one thing. Action to promote it is another. We are taking as our starting point gender. But it is only one dimension, and it is just the starting point. Our aim is to make progress across all these dimensions of diversity for better pensions.

The Pipeline Gender Audit

- 4.7 On the basis that all organisations do better when there are more women in senior roles, with profits higher, and growth improved and there is clear evidence of this brighter future is growing every day,. That said there are many organisations that still fail to grasp the opportunity before them and continue operating to an outdated model, one that holds back performance and limits success
- 4.8 The Fund wants to embrace the possibilities on offer from improved gender diversity in senior positions both itself as a forward looking asset owner and those who invest on our behalf and advise us to do so. To do that it's essential to know the starting point and desired destination. On that basis we have procured "The Pipeline's Gender Audit" (www.execpipeline.com), which seeks to help to provide businesses with an industry leading assessment of an organisation's performance in this crucial area.
- 4.9 Through a balanced mix of quantitative measures and qualitative enquiries, they will look at current practices, processes and achievements. They will establish hard data and review relevant policies, measurements and training. They will also assess the culture and leadership provided. From this wide array of information they will apply their knowledge and expertise to offer recommendations for a way forward, so that a business can build their own map to a better, more successful future.
- 4.10 We will also expect moving forward that Fund Managers we procure and those we procure to advise the Fund to undertake the same The Pipeline: 'Gender Diversity Audit' will give those procuring services a clear understanding on the current role of women in an organisation, and the likelihood if needed, of future change and improvement. The Audit will look at organisational 'know how', as well as, whether they actively promote gender diversity through an agreed policy framework including communication, training, development and target setting. Most importantly it will explain the importance an organisation puts on gender diversity and their risk appetite for not integrating women into their business. The Pipeline: 'Gender Diversity Audit' also benchmarks all organisations against 'Women Count' an analysis of the FTSE 350.
- 4.11 Regular updates will continue to be provided to the relevant working groups and the Management Panel as appropriate.

5. RECOMMENDATIONS

- 5.1 As set out at the front of the report.