

**Report To:** **GMPF LOCAL PENSIONS BOARD**

**Date:** 14 December 2017

**Reporting Officer:** Sandra Stewart, Director of Pensions  
Euan Miller Assistant Director of Pensions (Funding and Business Development)

**Subject:** **SUMMARY OF GMPF DECISION MAKING**

**Report Summary:** A key focus of local pensions boards is to consider the decision making processes of their administering authority.  
  
This report summarises the decisions made by the GMPF Management Panel at its September and November meetings. Many of these decisions were approving recommendations made by the various Working Groups. Most of the working groups have met twice over the period since the most recent local board meeting.

**Recommendations:** To note the report and provide comments on how this report can be further adapted to better meet the objectives of the Board.

**Financial Implications:** The primary responsibilities of the administering authority include delivering the returns needed to pay scheme members' pensions, and to protect local taxpayers and employers from high pension costs.  
**(Authorised by the Section 151 Officer)**

**Legal Implications:** The LGPS Regulations specify Tameside MBC as the administering authority for Greater Manchester. Tameside MBC delegates its decision making in respect of GMPF to the Management Panel, which permits the Director of Pensions to implement its strategy via delegated powers.  
**(Authorised by the Solicitor to the Fund)**

**Risk Management** One of the key objectives of GMPF's governance framework is to minimise risk.

**Access to Information:** **CONFIDENTIAL**  
  
Not for publication: This report contains exempt information relating to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). On balance, under paragraph 10 of Part 2 of Schedule 12A, it would not be in the public interest to disclose this information to the public because disclosure would, or would be likely to, prejudice the commercial interests of the Fund and/or its agents which, in turn, could impact upon the interests of the local taxpayer and/or the beneficiaries of the Fund.

**Background Papers:** For any further information please contact Euan Miller, Assistant Executive Director of Pensions (Funding and Business Development) email: euan.miller@tameside.gov.uk or tel 0161 301 7141.

## **1. INTRODUCTION**

- 1.1 As discussed at previous Board meetings, a key focus of local pensions boards is to consider the decision making processes of their administering authority.
- 1.2 At previous Board meetings a report was presented setting out the recommendations made by the GMPF working groups and decisions made by the GMPF Management Panel during the previous quarter.
- 1.3 This report provides a summary of the recommendations made by the GMPF Working Groups over the period since the previous Local Board meeting.
- 1.4 A summary of the GMPF governance structure is provided in section 2 below for ease of reference.

## **2. GMPF GOVERNANCE STRUCTURE**

- 2.1 The Governance structure of GMPF is set out in the Governance Policy Statement which can be accessed via the link below:  
  
<http://www.gmpf.org.uk/documents/policies/governance.pdf>
- 2.2 In summary Tameside MBC delegates its decision making in respect of GMPF to the Management Panel which in turn permits the Director of Pensions to implement its strategy via delegated powers. So far in determining these delegations the Director has put in place an Investment Committee to advise her in respect of all investment decision, which consists of all officers who undertake investment presenting to the Senior Management Investment team. The investment committee meets monthly and all decisions are recorded in minutes and executive decisions which are available to all members of the management committee and the Board on modern.gov. Additionally there is a Death Grant Board to deal with procedure and cases. This has met twice so far and is still developing.
- 2.3 The Pension Fund Advisory Panel works closely with the Management Panel, and advises them in all areas. Each local authority is represented on the Advisory Panel, and there are six employee representatives nominated by the North West TUC.
- 2.4 External advisors assist the Advisory Panel, in particular regarding investment related issues. A key element is helping it to question the Fund's investment managers on their activities.
- 2.5 GMPF also has six permanent working groups, which consider particular areas of its activities and make recommendations to the Management Panel. These working groups cover:
  - Alternative Investments
  - Policy & Development
  - Employer Funding & Viability matters
  - Investment Monitoring and Environmental, Social and Governance (ESG) issues
  - Pensions Administration
  - Property
- 2.6 The Panels and working groups typically meet quarterly. The recommendations of each of the working groups from their meetings that took place between the July 2017 Panel meeting and November 2017 are set out in sections 3 to 8 below.

### 3. PENSIONS ADMINISTRATION WORKING GROUP

3.1 At its 14 July 2017 meeting, this working group considered the following reports:

- An update on the activities of Aquila Heywood, the provider of GMPF's administration systems
- Communication activities undertaken with employers and members
- A progress report on the administration aspects of the First Bus transfer
- An LGPS regulatory and legislative update
- Business and project plans of the Pensions Administration Section
- A progress report on the reconciliation of Guaranteed Minimum Pensions information held by HMRC against data held by GMPF
- An internal audit update in relation to access to the GMPF administration system and controls on the processing of pension benefits
- An update on the review of procedures for determining the beneficiaries of death grants
- An update on national initiatives to improve how academy schools interact with LGPS administering authorities and an overview of the Fund's current administration arrangements in relation to academy schools

3.2 No recommendations were made by the group. It was agreed that update reports on the progress of the project for the First Bus transfer be brought to future meetings.

3.3 At its 13 October 2017 meeting, this working group considered the following reports:

- Business and project plans of the Pensions Administration Section
- Communication activities undertaken with employers and members
- A progress report on the administration aspects of the First Bus transfer
- A progress report on the reconciliation of Guaranteed Minimum Pensions information held by HMRC against data held by GMPF
- An LGPS regulatory and legislative update
- The Pensions Regulator's 21<sup>st</sup> century trusteeship campaign and the work currently being undertaken by GMPF to review compliance with The Pensions Regulator's Code of Practice 14.
- A summary of the membership of the GMPF Additional Voluntary Contributions ('AVC') scheme and the investment performance of the AVC funds.

3.4 No recommendations were made by the group.

### 4. INVESTMENT MONITORING AND ESG WORKING GROUP

4.1 At its 14 July 2017 meeting the working group welcomed UBS who presented on their corporate governance activity over the past 12 months. The role of Sustainable Investing at UBS Investment Management was outlined to the Group.

4.2 The group also received a report on UBS trading costs.

4.3 PIRC Ltd, GMPF's corporate governance advisors provided its regular update and it was recommended that a further report be sent to the GMPF Management Panel proposing a strategy and timescales for the Fund to achieve the highest standards. The working group also received reports for noting on underwriting, stocklending and commission recapture.

4.4 There was an update on active participation in shareholder class actions and it was **recommended:**

- (i) **That the Fund appoints the specialist law firm Labaton Sucharow to provide portfolio monitoring services in relation to shareholder litigation to replace the current appointment of SRKW; and**
- (ii) **That where time permits, decisions as to whether to take an active role in litigation be brought to the Investment Monitoring and ESG Working Group, and/or Panel, and in exceptional circumstances, such decisions be at the discretion of the Executive Director of Pensions, in her capacity as Solicitor to the Fund, who has delegated authority to bring proceedings or to authorise the same, in consultation with the Chair of the Fund.**

4.5 At its 13 October 2017 meeting the working group received a presentation from Investec in respect of activity in their mandate for the period to 30 June 2017.

4.6 The group also welcomed Capital International who attended the meeting to report on corporate governance activity (non-UK) for the past 12 months.

4.7 A report summarising proposed changes to the Investment Strategy Statement was submitted. The following changes had been made to the draft document, which was appended to the report:-

1. The appointment of Stone Harbor as multi-asset credit manager
2. Additional wording around GMPF's policies on climate change.
3. The adoption of PIRC's voting guidelines and the delegation of proxy voting rights to PIRC.
4. An update to the appendix (table of limits on investments).

A public consultation on the draft statement would take place and a final version would be sent for adoption at a subsequent meeting of the Management Panel. The Working Group endorsed the proposed approach and draft Investment Strategy Statement.

4.8 The following reports were also received:

- Capital International report on trading costs
- Review of Investment Strategy statement.
- Comments from PIRC regarding the forthcoming Stakeholder Event on 19 October being held at Gorton Monastery
- United Nations principles for responsible investment reporting framework
- Stocklending, commission recapture and underwriting
- Shareholder class action update

4.9 The group received its regular update from PIRC Ltd, GMPF's corporate governance advisor.

## **5. ALTERNATIVE INVESTMENTS WORKING GROUP**

5.1 At its 20 July 2017 meeting this working group considered reports on the performance of the infrastructure funds and private equity portfolios.

5.2 The working group welcomed Permira who attended the meeting to present a report on their investment activities and those of the private equity industry generally. It was reported that GMPF had been an investor with Permira for over 30 years and had committed a total of £51 million to two funds raised by the firm in 2014 and 2016.

5.3 The working group considered a report on the Special Opportunities portfolio – which was seeking a recommendation for approval of an investment type. It was reported that the 2017/18 Investment Strategy report suggested that Factor Based Investing could be an appropriate investment for the Special Opportunities Portfolio given that it would offer a

means to achieve the key twin aims of both increasing diversification and achieving enhanced long term returns for the Fund. All four advisors to the Fund were supportive of the Factor Based investment for the Fund's Special Opportunities Portfolio.

It was **recommended that:**

- (i) **The support of a minimum of three of the four Advisors would constitute 'Advisor support' for any new type of investment for the Fund's 'Special Opportunities Portfolio'; and**
- (ii) **Approval be given for a new type of investment for the Fund's 'Special Opportunities Portfolio' (Factor Based Investing), with an investment size of between 0.5% and 1% of Main Fund.**

- 5.4 At the meeting on 20 October 2017 Capital Dynamics Ltd attended to present the half yearly report of Greater Manchester Pension Fund's (GMPF) Private Equity portfolio for the period ending 30 June 2017. The half yearly review of Greater Manchester Pension Fund's (GMPF) Infrastructure Portfolio and Special Opportunities Portfolio for the period ending 30 June 2017 was also presented.
- 5.5 Advent International Advent attended the meeting to present an overview of the firm's investment activities and of private equity generally.
- 5.6 No recommendations were made by the Group at this meeting.

## **6. PROPERTY WORKING GROUP**

- 6.1 At its 28 July 2017 meeting the working group considered the following reports:
  - Management Summary (an overview of property investments and commentary on issues and matters of interest arising over the last quarter)
  - Property related aged debt (as at 19 June 2017)
- 6.2 The working group also received presentations from GVA and La Salle Investment Management, the managers of the GMPF Main Property Fund and GMPVF respectively on the quarterly performance and activity in their portfolios.
- 6.3 There were no recommendations made by the working group at this meeting.
- 6.4 At its 28 October 2017 meeting the working group considered the following reports:
  - Management Summary (an overview of property investments and commentary on issues and matters of interest arising over the last quarter). It was reported that the team were scheduled to undertake a review of indirect investments and would work with the Fund's pooling partners with a view to adopting a medium term approach.

It was agreed that a report on the results of the review into indirect investments be brought to a future meeting of the Working Group.

- Property aged debt.

- 6.5 The working group also received presentations from GVA and La Salle Investment Management, the managers of the GMPF Main Property Fund and GMPVF respectively on the quarterly performance and activity in their portfolios.

## **7. EMPLOYER FUNDING AND VIABILITY WORKING GROUP**

- 7.1 At its 28 July 2017 meeting the working group considered the following reports:

- GMPF aged debt (as at 19 June 2017)
- Bus Services Act and its potential impact on GMPF employers
- GMPF Administration expenditure monitoring statement for the 2 months to May 2017
- Employers' accounting for Pension Costs under IAS/FRS
- Current issues impacting education sector employers

7.2 There were no recommendations made by the working group at this meeting.

7.3 At its 28 October 2017 meeting the working group considered the following reports:

7.4 Next steps for facilitating bespoke employer investment strategies. It was reported that the GMPF actuary and investment consultant had undertaken asset-liability modelling exercises for representative groups of employers which aim to any highlight potentially beneficial changes in asset allocation compared to the GMPF Main Fund.

7.5 It was agreed that a further report summarising the results of the asset-liability modelling work and next steps for delivering Bespoke Employer Investment Strategies be brought to a future meeting of the Working Group.

7.6 Employer activity. The Working Group was informed that a number of GMPF's housing associations were seeking to become Community Benefit Societies. It was reported that some of the banks which lent money to housing associations, had concerns that this conversion may impact the priority order of creditors in an insolvency scenario (where GMPF would be a significant creditor) and had requested that GMPF sign a letter confirming that they remained subordinated behind the bank after the conversion.

7.7 **It was recommended that the Fund should not enter into a contract with banks/building societies with regards to the conversion of Housing Associations employers to Community Benefit Societies, but will issue a comfort letter if requested to do so.**

7.8 The group received a report on GMPF aged debt as at 19 September 2017.

7.9. A review had been carried out into how debt collection issues could be escalated and a number of recommendations had been made to amend GMPF's policies to improve the recovery of employer debt. It was **recommended that:**

- (i) **The GMPF Accountancy Team contact employers that have outstanding employer debts to discuss the reasons for late payment prior to issuing a second reminder letter;**
- (ii) **The Fund offer a payment plan with an interest rate of 4.2% p.a. if an employer can demonstrate to the Fund's satisfaction that it has insufficient cash reserves to pay the debt immediately; and**
- (iii) **The issue of non-payment be escalated to a higher level at the employer should an employer not wish to enter into a payment plan, with a reminder that the Fund may report late contributions to The Pensions Regulator.**

7.10 A report was submitted comparing the administration expenses budget against the actual results for the five months to August 2017.

## 8. POLICY AND DEVELOPMENT WORKING GROUP

8.1 At its 5 October 2017 meeting the Policy and Development Working Group considered the following reports:

- A presentation on investment management arrangements

- Manager monitoring regime including monitoring escalation

8.2 Consideration was given to a report providing progress on the Government's pooling agenda.

8.3 It was reported that, on 22 August 2017 pools had received a letter from DCLG, which was also signed by the Chief Secretary to the Treasury and the Cabinet Office, a copy of which was appended to the report. The letter reiterated the Government's previously stated objectives and confirmed that pools would be asked to submit further progress reports in October, covering the period up to the end of September 2017.

**The following recommendations were made:**

- (i) **That the content of the report, including the letter received from Government and the template for the October progress report, be noted; and**
- (ii) **That governance arrangements for the Northern Pool be reported to the next meeting of the Working Group.**

8.4 An update on progress with specific investment initiatives, including the Impact Portfolio and GLIL was given. Members were further asked to note certain specific actions which had been taken under delegated authority following consultation with the Chair.

It was recommended 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.

8.5 Consideration was given to a report detailing activity in the growth and management of the Fund's Impact Portfolio and **recommended that the strategy of impact investing be continued, the suggested amendments to the Investment Guidelines be approved and that the 5 year pacing strategy be approved.**

8.6 A housing investment progress update was given and it was **recommended that a set of standards for size/dimensions of new build homes and building conversions be agreed with the joint venture partner and a report be submitted to the next meeting of the Working Group.**

8.7 The group received a report advising Members that an opportunity existed for the Fund to 'sell' Guardsman *Tony Downes* House to the administering authority and for the Pension Fund to be the tenant on a long lease-type of arrangement.

The report explained how this could bring financial advantages to both parties.

It was **recommended that:**

- (i) **The sale of Guardsman *Tony Downes* House for £7.0 million to the administering authority, Tameside Metropolitan Borough Council, be approved, and the Fund committing:**
  - (a) **To the payment of an annual rent with effect from the 1 January 2018 to the Council of £384,250 per annum, with upward annual reviews linked to RPI, plus service charges for the running of the building and for cyclical maintenance of plant and equipment; and**
  - (b) **That in the event that the Fund vacates the building before the expiry of 25 years, it will pay the Council a sum equivalent to the total annual passing rent for the period beginning on the date of vacation of the building to the 25<sup>th</sup> anniversary of the date the Council 'purchased' the building (currently assumed to be 1 January 2043 and discount rate for NPV purposed 5.2%).**

## **9. GMPF MANAGEMENT AND ADVISORY PANELS**

- 9.1 At its 22 September 2017 and 17 November 2017 meetings, following further discussion on some of these issues, the GMPF Management Panel adopted the recommendations of the six working groups shown above.
- 9.2 The Management Panel also made the following decisions at its 22 September meeting:
- 9.3 **That support be given to progress the appointment of Councillor K Quinn as Chair of the Northern Pool Oversight Board.**
- 9.4 **The recommendations of the Fund's Investment Advisor, Hymans Robertson in part 2 of their investment review were approved. This included the continued appointment of UBS, L&G and Investec in their current mandates.**
- 9.5 **That the Panel adopt the PIRC shareholder voting guidelines, to extend PIRCs research and voting recommendation service to overseas companies and to delegate the proxy voting execution on GMPF's segregated accounts to PIRC.**
- 9.6 In addition to adopting the recommendations of the six working groups shown above the Management Panel also made the following decisions at its 17 November meeting:
- 9.7 **The recommendations of the Fund's Investment Advisor, Hymans Robertson in part 3 of their investment review were approved. This included the continued support for:**
- **the implementation of a framework to offer bespoke employer investment strategies;**
  - **scenario triggers for making asset allocation changes in the Main Fund and;**
  - **a 5% long-term strategic allocation to the Special Opportunities Portfolio**