GREATER MANCHESTER PENSION FUND ADVISORY PANEL

17 November 2017

Commenced:	**9.30am**	**Terminated: 12.30pm**
Present:	**Councillor K Quinn (Chair)** **Councillors: Barnes (Salford), Brett (Rochdale), Grimshaw (Bury), Halliwell (Wigan), Mitchell (Trafford), Pantall (Stockport)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE) and Mr Llewellyn (UNITE)** **Local Pensions Board Members (in attendance as observers):** **Councillor Fairfoull** **Advisors:** **Mr Bowie, Mr Moizer, Mr Powers and Ms Brown**	
Apologies for absence:	**Councillor Jabbar (Oldham) and Mr Flatley (GMB)**	

40. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and announced that Mr Moizer and Mr Bowie had each served as Advisors to the Panel for 30 years. He thanked Mr Moizer and Mr Bowie for their long service and explained that this would be formally recognised with a presentation at the end of the meeting.

Members were informed that the Fund's value was currently £22 billion, an increase of over £400 million or £0.4 billion over the quarter since the last meeting of the Panel, and had more than doubled since 2010, when he had become Chair. It was noted that in the last 30 years, the Fund had achieved £3 billion above what would have been achieved if it had operated at the level of performance of the average Local Government Fund.

The Chair outlined key issues on the agenda, as follows:

- An update on pooling;
- The third and final stage of the 'root and branch' review of Investment Management arrangements;
- Training items on investment performance within the LGPS, followed by an update on Fund performance;
- An update on investment management costs;
- A presentation from Investec, Global Equities Manager for the Fund; and
- An update on the Fund's approach to Responsible Investment and feedback from the successful stakeholder day.

The Chair made reference to emails received by many Local Authorities across Greater Manchester regarding climate change and fossil fuel holdings. He described the ground-breaking investments being made in clean energy, which were vital to an orderly transition from fossil fuels to renewable energy, and, in terms of fossil fuel holdings, reaffirmed the Fund's commitment to using influence and engaging with companies to assess their business plans for alignment with a two degree warming scenario. He added that a draft response would be prepared.

41. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

42. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 22 September 2017 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 22 September 2017 were signed as a correct record.

The Minutes of the proceedings of the Annual General Meeting held on 22 September 2017 were signed as a correct record.

43. 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, 10, 11, 12, 13, 14, 15, 16	**3&10, 3&10, 3&10, 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.**

44. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 5 October 2017 were considered.

The Chair explained that most of the items were covered separately on the agenda and it was

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of the Response from Government to the Spring Progress Review, that the content of the report, including the letter received from Government and the template for the October progress report, be noted and that governance arrangements for the Northern Pool be reported to the next meeting of the Working Group;

(iii) With regard to Investment Initiatives, that the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair, be noted;
(iv) In respect of Impact Portfolio Investments, that the progress to date and that the strategy on impact investments remained as reported in previous years be noted and that the amendments to the Investment Guidelines be approved, including the pacing model and specifically the 5 year pacing strategy subject to annual review of £85 million per annum for 2017, 2018 and £80 million per annum for 2019, 2020 and 2021;
(v) With regard to the Housing Investment Update, 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;
(vi) In respect of Financing Arrangements for Guardsman Tony Downes House, that the sale of Guardsman Tony Downes House of £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 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 25th anniversary of the date of the Council 'purchased' the building (currently assumed to be 1 January 2043 and discount rate for NPV purposed 5.2%).

45. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 13 October 2017 were considered.

The Chair of the Working Group, Councillor Taylor, reported that Investec had given an update on their performance to the end of June 2017, which appeared to have turned a corner after their difficult start for the Fund. He added that Investec would also be presenting to the Panel on their more recent performance later on the agenda.

Members had also endorsed an updated draft Investment Strategy Statement which was the Fund's overarching document that explained how the investments were managed. Officers had fully reviewed the current Statement and made some change as a result. In particular, the section on Climate Change had been expanded. The draft was publicly out for consultation and a final version of the Statement would be brought to the next Panel meeting to be formally adopted. As had already been highlighted by the Chair of the Panel in his opening remarks, a number of Local Authorities were receiving correspondence from pressure groups following this consultation and a draft response was being prepared.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the Investment Strategy Statement, that the Working Group endorses the proposed approach and the draft Investment Strategy Statement.

46. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 13 October 2017 were considered.

The Chair of the Working Group, Councillor J Lane, explained that the Working Group were pleased to hear the progress being made with the First Bus Transfer with the transfer of member and payroll data having commenced. Although the testing process highlighted some issues with the data, the project team and Aquila Heywood successfully resolved these issues to ensure that the Fund were able to make the pension payments as initially planned.

It was further reported that the Working Group received a detailed update on the Guaranteed Minimum Pension Project. It was reported that the first stage of planning the project had been completed and work had begun to reconcile the data and investigate mismatches. Whilst there had been a minor delay to the project schedule due to revised data files being received from HMRC, the team continued to make good progress.

A report had also been received regarding members Additional Voluntary Contributions (AVCs) investments as at 31 March 2017 was also submitted detailing the performance of the Prudential for the financial year. It was also confirmed that a detailed review of the funds AVC arrangements was currently in progress with a view to ensuring that the AVC provisions for members were appropriate in the current pensions landscape.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of First Bus Transfer, that update reports on the progress of the project be brought to future Working Group meetings;
(iii) With regard the Pensions Regulator, that the new campaign launched by the Pensions Regulator to drive up standards of governance across pension schemes be noted and that the steps being taken by GMPF to ensure compliance with Code of Practice 14 be noted; and
(iv) In respect of the Guaranteed Minimum Pension Reconciliation, that update reports on the progress of the project be brought to future Working Group meetings.

47. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 20 October 2017 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Fund's specialist adviser, Capital Dynamics, had presented its half-yearly review of GMPF's Private Equity and Infrastructure portfolios to 30 June 2017. Both these portfolios continued to develop well, with 'since inception' returns of 16.8% per annum and 10.8% per annum respectively.

A report had also been received reviewing the Special Opportunities Portfolio which, whilst immature, was performing well and in excess of portfolio target returns.

A very interesting presentation had also been received from Advent, one of GMPF's newer Private Equity General Partner relationships, on its approach to investment and portfolio performance, together with a recent case study.

RECOMMENDED
That the Minutes be received as a correct record;

48. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 27 October 2017 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, informed Panel Members that discussions had taken place in respect of the work ongoing to analyse the most effective way to deliver bespoke employer investment strategies. This would be discussed further at the next

meeting of the Working Group and also featured in the investment structure report later in the agenda.
A report had also been received summarising some of the activity taking place amongst employers. Of particular note was the recommendation made as to how the Fund responded to requests from the banks and building societies of housing associations which were changing their legal status.

The Chair added that the Working Group had felt it was important that the Fund needed to be very clear that whilst it would do all that it could to facilitate changes that Housing Associations were making to become Community Benefit Societies, one of the main benefits being to reduce their tax liabilities, the Fund could not agree with any bank lender/funder that their liabilities had first priority before that of any pension liabilities.

The Working Group had also made recommendations for revisions to the procedures for collecting outstanding employer debts, which aimed to get employers paying quicker and for the Fund to generate a return on any outstanding money.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Bespoke Employer Investment Strategies, 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;
(iii) With regard to Employer Activity, 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;
(iv) In respect of Employer Debt Recovery;
(a) That 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;
(b) That 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
(c) That the issue of non-payment be escalated to a higher level 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.

49. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 27 October 2017 were considered.

The Chair of the Working Group, Councillor S Quinn, explained that the Working Group considered a review of asset allocation to property. The deployment of property investment was in line with the medium term plan but due to strong equity performance property continued to remain underweight. The internal team would review deployment plans and report back the Working Group and Panel as to how this might be accelerated whilst continuing to ensure the Fund only invests in quality assets.

Panel Members were further informed that La Salle had presented to the meeting and progress was generally good. There were some concerns over the state of the Property Market due to general political and economic risks, however, there were still plenty of buyers for good quality buildings and pricing remained competitive.

La Salle were cautiously optimistic for returns over net 5 years at around 4 to 6% per annum.

Updates had also been received on local investments focusing on the Soapworks, Island Site and First Street.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In terms of the Management Summary, that a report on the results of the review into indirect investments be brought to a future meeting of the Working Group.

50. MANAGEMENT SUMMARY

Consideration was given to a report and presentation of the Director of Pensions, which provided a summary of issues and matters of interest arising during the last quarter and also provided an update on Project Magpie.

The Director explained that in terms of Performance and Valuation, the Total Fund increased in value by £418 million over the quarter, from £21,604 million as at 30 June 2017, to £22,022 million as at 30 September 2017.

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%.

In terms of Project Magpie, as reported at previous Panel meetings, First Bus Group, one of GMPF's largest private-sector employers, was 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.

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 would be making the November pension payments to the transferring members. The Director of Pensions thanked the Pensions Policy Manager and the Pensions Operations Manager and their teams for their hard work.

Assets of approximately £200 million would be transferring from the South Yorkshire Passenger Transport Pension Fund in January 2018 and would be held outside of the Main Fund. Approximately £400 million would transfer from the West Yorkshire Fund at regular intervals up to March 2019.

Regular updates would continue to be provided to the relevant working groups and the Management Panel as appropriate.

The Director then explained that diversity was firmly on the corporate agenda, with a growing body of research showing that it led to better decision making and financial performance – yet much of the Capital markets industry had been slow to act.

The Corporate Governance Code for listed companies set 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 was evidence to show that pension funds could similarly gain from a move in regulatory focus towards governance inputs.

It was further explained that the Fund wanted to embrace the possibilities on offer from improved gender diversity in senior positions both itself as a forward looking asset owner and those who invested on the Fund's behalf and advise us to do so. To do that, it was essential to know the starting point and desired destination. On that basis, the Fund had procured 'The Pipeline's

Gender Audit', which sought to help to provide businesses with an industry leading assessment of an organisation's performance in this crucial area.

Moving forward, it was expected that Fund Managers the Fund procures and those procured to advise the Fund, undertake the Pipeline's Gender Diversity Audit, which would 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 would look at organisational 'know how', as well as, whether they actively promoted gender diversity through an agreed policy framework, including communication, training, development and target setting. Most importantly, it would explain the importance an organisation put on gender diversity and their risk appetite for not integrating women into their business. It was concluded that regular updates would be provided to the relevant Working Groups and the Management Panel as appropriate.

RECOMMENDED
That the content of the report and progress on matters raised be noted.

51. LGPS POOLING UPDATE

The Assistant Director of Pensions, Funding and Business Development, provided an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area.

It was reported that all pools were required to submit their pooling proposals to Government in July 2016 and progress updates on the delivery of these proposals were submitted in April 2017.

All pools received a letter from Government over the summer requesting submission of a further progress update covering the period to 30 September 2017. DCLG issued a template for the autumn progress update, which was very similar to the template for the submission made by pools in April.

The Northern Pool's progress report and supporting documents were appended to the report.

It was explained the main ongoing work streams for the Northern Pool were progressing well as follows:

- Developing a vehicle to make private equity investments on a collective basis. The governance of this was vehicle was expected to operate in a similar manner to the GLIL infrastructure vehicle.
- Procurement of an FCA regulated custodian for the pool. A review of how the pool could develop its risk, cost and performance reporting would be undertaken alongside the procurement.
- Work was underway to procure an FCA regulated operator for the GLIL infrastructure vehicle. This would allow other pools to join. GLIL currently had commitment of £1.3 billion to direct infrastructure in the UK, with investments of almost £300m made to date. There was currently little evidence of other pools having made significant progress on developing the capacity for direct infrastructure investments.
- The democratic services functions of each of the administering authorities were progressing the creation of the Pool joint committee, with Tameside MBC acting as lead authority. This joint committee would oversee the Pool and provide a democratic link back to the individual funds. The legal agreements setting out the governance framework of the Pool were not yet finalised as work was being undertaken to ensure that they were aligned with the governance framework of the private equity vehicle.

It was noted that Northern Pool costs to 30 September 2017 were approximately £200,000 compared to the original estimate of implementation costs which was £1.8 million

Details of GMPF's housing investments were included in the infrastructure section of the response to demonstrate progress against the Pool's target of building 10,000 homes. Up to 30 September 2017, GMPF had financed 284 completed homes, with a further 236 under construction. Due diligence was currently being undertaken on 9 further projects which would deliver another 3,863 homes. It was hoped that the rate of delivery could be increased via joint ventures with other funds in the Pool.

Following discussion with Jeff Houston of the LGA at the meeting of the Shadow Joint Committee held on 24 October 2017, the progress update provided further clarity for Government on how the plans for the Northern Pool had evolved since the July 2016 submission was made to Government and how, in the opinion of the participating funds, the pooling Criteria and Guidance were met. This was set out in the report and in an appendix to the report.

A update was also given of developments nationally, of the 8 pools across the LGPS.

In respect of Governance arrangements, the Assistant Director informed Members that it was expected that a report be submitted to the meeting of Full Council in February 2018, setting out the governance arrangements of the Northern Pool.

Detailed discussion ensued in respect of the above and the Pooling agenda in general and it was:

RECOMMENDED
That the content of the report and the progress of the Northern Pool, recently submitted to DCLG in line with agreed approach, be noted.

52. FINANCING ARRANGEMENTS FOR GUARDSMAN TONY DOWNES HOUSE

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted, 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 further explained that if the Council were to take ownership of the building on its balance sheet and receive rent from the Fund for its occupation, as opposed to it being a Fund investment owned by Tameside as administering authority, there would be a financial benefit to both the Fund and Council. This was essentially due to the cost of capital for the Pension Fund (i.e. its expected rate of return being higher than the rate at which the Council could borrow and much higher than the return than the Council received on its reserves).

Discussion and negotiation had been carried out between officers with a joint desire to find an arrangement that offered reasonable financial returns for each party. The Council and the Pension Fund had jointly commissioned an independent valuation of the building. The indicative value was around £14-£15psqft for the office accommodation and £7 million for the capital value. A copy of the formal confirmation from the external valuer was appended to the report.

Members were further informed that the ground floor had not yet been developed. It was originally planned that the Pension Fund would pay to bring the ground floor into use but given that the expected occupier would be the Council, and it would be the landlord under the proposed financing arrangement, then it would be more appropriate for the Council to carry out the necessary works (the alternative would be for the Pension Fund to carry out works and for the Council to pay a higher price for the building). At this stage it was recommended that a sum of £1.4m be set aside in the capital investment programme for these works. A future report would be considered by the Council if the sale was approved. The development of the ground floor was beneficial to the Fund's occupation from a security and public realm perspective.

From Tameside's perspective as the administering authority for GMPF, it was a major risk that occupation of Guardsman Tony Downes House by GMPF would not be secured in the form of a binding lease agreement. This was because the Council could not enter into legal agreements with itself. There was the possibility that at some point over the next 25 years the Pension Fund no longer wished to occupy the building. In order to protect its position, the Council would be seeking a commitment from the Pension Fund that if it moved out of Guardsman Tony Downes House it would pay Tameside Council a sum equivalent to the NPV of the total annual passing rent for the period beginning on the date of vacation of the building to the 25th anniversary of the date the Council 'purchased' the building (currently assumed to be 1 January 2043 and discount rate for NPV purposes 5.2%).

The proposal had been tested with the external auditor for the Fund and Council and they did not object to the proposals in principle, but it would be confirmed with them when final terms were agreed.

The report concluded that the construction of the Pension Fund building had been completed broadly on time and on cost and the building had been well received.

The environment since the original plan for the financing of the building and the use of the ground floor space had changed significantly.

The options of the Council taking the building onto its balance sheet and charging GMPF a rent for use whilst GMPF completed ground floor space in advance of the specific occupier fit out requirements had a number of compelling advantages

- Provided a practical solution for use of remaining space within the building;
- Provided a financial benefit to the Fund; and
- Provided a financial benefit to the Council.

The rationale and implications of this proposal had been discussed with the Council's and Fund's auditors. Neither auditor had objected to the proposal set out in the report in principle, subject to final confirmation of terms.

Members and Advisors sought assurances in respect of contingency plans in place should the building not be occupied for 25 years. The Assistant Director explained that, in those circumstances, the Fund would pay the outstanding rent discounted by investment returns and that a quasi lease was to be drawn up to include an early termination clause.

Ms Brown stated that she was reassured by the GVA report, (appended to the report) and sought further clarification with regard to the involvement of external auditors. The Assistant Director confirmed that the auditors had been involved throughout the process.

Mr Bowie echoed Ms Brown's comments and advised that additional governance would be beneficial to address any unforeseen change in circumstance in the future.

RESOLVED
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 25th anniversary of the date the Council 'purchased' the building (currently assumed to be 1 January 2043 and discount rate for NPV purposes 5.2%).

53. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions, Investments, submitted a report and delivered a presentation in relation to the Fund's consideration of Investment Management arrangements and the appointments of the Fund's external active Securities Managers.

Mr Dickson of Hymans Robertson then delivered a presentation which gave details of Stage 3 of the Fund's review of the investment structure, with Stages 1 and 2 having been discussed at the Fund's July and September Panel meetings respectively.

Mr Dickson explained that Stage 2 had been the main element of the overall structure review and Stage 3 covered a number of areas relating to the Fund that did not directly sit within the main element. One of the main aims of Stage 3 was to highlight a number of areas for potential further analysis by the Fund, as follows:

Employer Framework
Panel Members were informed that recent ALM studies carried out on behalf of the Fund showed there was scope to develop specific investment strategies for specific employers and groups of employers. The criteria for separate investment strategies would be linked to the funding position and maturity of a given employer. It was recommended that a framework and policy be developed that set out; (a) when separate employer strategies were to be used; and (b) when bespoke solutions would be offered to employers.

Scenario Triggers
No immediate changes were proposed to the existing scenario triggers at this time. Instead it was recommended that the width of the ranges around the triggers be considered in more detail.

Special Opportunities Portfolio ('SOP')
Mr Dickson explained that Hymans Robertson supported the existing remit for the SOP and recommended adopting points of reference for making investments in the SOP. In time, as the Main Fund became more diversified and the exposure to yielding assets increased, there was scope to spin investments out of the SOP and into explicit allocations within the Fund. As a first step, a 5% allocation to private debt was recommended.

Environmental, Social and Governance ('ESG') considerations
It was recommended that a clear business plan be developed to deliver on ESG related aspects. Focus should be on two main elements: sustainable investment and effective stewardship.

Governance
Progress made in this area to date was supported, e.g. established business plan, defined objectives etc. The introduction of an annual review of the investments decisions that had been made over the preceding 12 months was recommended. This would provide a feedback mechanism to maintain efficient and effective decision making going forward.

Mr Moizer made reference to developing bespoke employer strategies and sought clarification that this would be fund led rather than employer led. Mr Dickson answered in the affirmative.

Ms Brown requested details of the returns on private debt to date, in the SOP. The Chair agreed that this information would be provided separately.

Mr Powers commented on the need to diversify, given the increased number of strategies, however expressed the view that this needed to be done in a way that did not overcomplicate the governance of the Fund going forward.

RECOMMENDED
As specified in the report.

54. LGPS PERFORMANCE UPDATE

David Cullinan of PIRC attended before Members and gave a presentation for training purposes, in respect of LGPS Investment Performance.

The presentation covered the following areas:

- Universe Results;
- Latest Year Results;
- Longer Term Results;
- Risk and Return;
- Northern Pool;
- Size Perspective; and
- GMPF in context.

The Chair thanked Mr Cullinan for an informative presentation.

RECOMMENDED
That the content of the presentation be noted.

55. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing high level, investment performance information, including the value of the Pension Fund Investment Portfolio, the performance of the Main Fund, and the over/under performance of the external Fund Managers against benchmark.

The key information from the Quarter 3 Performance Dashboard was summarised. Global Equity markets had increased in value over the quarter, with Europe and Emerging Markets being the sand out performers. Volatility continued to be low relative to historical averages and returns from bond markets were mixed although Government bond yields ended the quarter higher. Total Main Fund assets had increased and continued to maintain an overweight position to equities and an underweight position to property.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS by over £3 billion and had outperformed its benchmark over the quarter and all periods (1, 3, 5 and 10 years) mainly due to stock selection. The active risk of the Main Fund was consistent at around 1% but risk in absolute terms (for both portfolio and benchmark) was lower than that observed historically. At the end of Quarter 3, each of the active managers had achieved positive performance on an absolute and relative basis over 1 year.

RECOMMENDED
That the content of the report be noted.

56. UPDATE ON INVESTMENT MANAGEMENT COSTS BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing Members with an update on investment management costs.

RECOMMENDED
That the content of the report be noted.

57. REPORTS OF THE MANAGERS

The Chair introduced Stephen Lee, Jonathan Parker and Christine Baalham from Investec Asset Management, who would be presenting before Panel today.

Mr Parker began by outlining Investec's adopted a '4Factor' investment philosophy and process to managing GMPF's portfolio. Companies were scored against the four factors of; Strategy, Earnings, Technicals and Value. Those companies who scored highly against these were subject to detailed fundamental, bottom-up research by an experienced team of analysts and portfolio managers and reviewed on a weekly basis for possible purchase, which should drive portfolio outperformance in the long term. He added that results were improved when at least 3 out of the 4 factors had been performing.

Mr Parker went on to detail the current themes in the portfolio, the top five positive and top five negative stock contributions over the six month period to 30 September 2017 and sector positions and regional allocations were also outlined. He explained that the portfolio had achieved positive performance on both an absolute and relative basis over the 1 year period. The team remained confident in the 4 factor system as the best way to achieve outperformance in the long term.

Ms Baalham then gave a presentation in respect of gender diversity in Asset Management. Ms Baalham explained that, in general, business leadership lacked gender diversity with only 10% of executive and board positions within asset management being filled by women and just 9% of Fund Managers were women.

Ms Baalham further explained how diversity reduced the likelihood of 'group think' i.e. 'where the desire for harmony overrides rational decision making'; and how an inclusive workplace enhanced talent retention and business performance.
The ongoing work of Investec Asset Management to address diversity issues was outlined and the Investec Diversity principles were detailed and discussed.

In respect of gender diversity, Mr Moizer made reference to the outperformance of women at university level and questioned why this talent was not being recruited in the industry. He also commented on the definite male bias in the asset management industry, which made it difficult for women to succeed.

The Chair thanked Investec for a very interesting and informative presentation.

RECOMMENDED
That the content of the presentation be noted.

58. UPDATE ON GMPF'S APPROACH TO RESPONSIBLE INVESTMENT

The Assistant Director of Pensions, Investments, submitted a report giving details of a three-level framework, created by PIRC, specialist advisor to the Fund, which set out potential approaches to Responsible Investment for LGPS Administering Authorities.

The report contained details of the Fund's initial self assessment against the framework and highlighted potential actions to enhance the fund's approach.

A summary was also given of feedback from the Fund's Stewardship Event of 19 October 2017, which would also inform the Fund's approach to Responsible Investment.

Mr MacDougall of PIRC attended before Members and also commented on the self assessment of the Fund's status level against the framework and on the Stewardship Event.

Mr MacDougall explained that the Stewardship Event had been a unique and very successful day. He made reference to the feedback from the survey, in particular the relatively few negative comments on the Fund's carbon risk strategy and the massive support for the Fund's approach to investment in housing.

In response to questions from Members, the Director of Pensions explained that approximately 200 people attended the event and, to date, a quarter had completed the survey, with responses still coming in, which were being collated and processed.

RECOMMENDED
That the content of the report be noted.

59. PENSIONS ADMINISTRATION UPDATE

Consideration was given to a report of the Pensions Policy Manager providing an update on recent administration activities, in particular:

- Key work and projects progressed over the last quarter;
- Work planned for the next quarter;
- Comments on current workload and performance.

The report also gave details of an intended wide-ranging review of the administration section and its workloads, to be carried out over the coming months. This was to ensure the section was well placed to manage work effectively going forward. Further updates would be provided as work on the review progressed.
RECOMMENDED
That the content of the report be noted.

60. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

Investec Trustee Training Day Location to be confirmed.	**4 December 2017**
Fundamentals Training Day 3 Park Plaza Hotel, Leeds	**5 December 2017**
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	**6-8 December 2017**
CIPFA Barnett Waddingham Seminars for Local Board Members	**26 February 2018 – London 28 February 2018 – Wolverhampton 2 March 2018 - Leeds**
PLSA Investment Conference EICC Edinburgh	**7-9 March 2018**
PLSA Local Authority Conference Cotswold Water Park Hotel, Gloucestershire	**21-23 May 2018**
CIPFA Barnett Waddingham Annual Event for Local Board Members London	**27 June 2018**
PLSA Annual Conference Liverpool	**17-19 October 2018**

61. DATES OF FUTURE MEETINGS

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

Management/Advisory Panel	23 March 2018
Local Pensions Board	14 December 2017 29 March 2018
Pensions Administration Working Group	19 January 2018 6 April 2018
Investment Monitoring & ESG Working Group	19 January 2018 6 April 2018
Alternative Investments Working Group	26 January 2018 13 April 2018
Property Working Group	2 February 2018 20 April 2018
Policy and Development Working Group	1 February 2018 22 March 2018
Employer Funding Viability Working Group	2 February 2018 20 April 2018

62. PRESENTATION TO RONNIE BOWIE AND PETER MOIZER

The Chair informed Members that Mr Bowie and Mr Moizer had each served 30 years as Advisors to the Fund. He thanked them both for their hard work, support and excellent advice over the years, which had undoubtedly contributed significantly to the success of the Fund.

The Chair then presented Mr Bowie and Mr Moizer with a gift.

Mr Bowie and Mr Moizer thanked the Chair and Members and responded in kind.

CHAIR