

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

16 October 2015

Commenced: 10.30 am

Terminated: 12.10 pm

Present: Councillors Taylor (Chair), Akbar, Pantall, Grimshaw and Mitchell

Apologies for Absence: Councillors Ricci, R Miah, Brett and M Francis

7. DECLARATIONS OF INTEREST

There were no declarations submitted by Members of the Working Group.

8. MINUTES

The Minutes of the meeting of Investment Monitoring and ESG held on 16 July 2015 were approved as a correct record.

9. UBS REPORT ON TRADING COSTS

RECOMMENDED:

That the item be deferred to a future meeting.

10. STATEMENT OF INVESTMENT PRINCIPLES

The Executive Director of Pensions submitted a report advising Members that the Statement of Investment Principles (SIP), adopted by the Panel in June 2010, needed to be updated to reflect various changes in the management arrangements of the Fund.

It was reported that an updated SIP had been drafted and placed on the Fund's website with an alert in the 'News and Updates' section and each employer had been alerted. The consultation ran from Tuesday 11 August 2015 to Friday 4 September 2015 and received 406 responses, 400 of which had been as a result of an organised petition based on an automated email template produced by Manchester Friends of the Earth.

Following the consultation period, and after considering the comments made, it had been proposed to incorporate one change to the draft version of the SIP relating to paragraph 8.1 in order to respond to the weight of comments received. The proposed change was consistent with the legal position and did not require any change to the Fund's policy.

RECOMMENDED:

That the Working Group supported the adoption of the revised Statement of Investment Principles by the Management Panel.

11. CLIMATE RISK PAMPHLET

The Executive Director of Pensions submitted a report summarising the debate that had taken place on climate risk at the previous meeting of the Working Group held on 16 July 2015.

Representatives from “Carbon Tracker” and UBS presented to the Working Group followed by an open ‘question and answer’ session moderated by Alan MacDougall of PIRC.

It had been suggested that a pamphlet summarising the debate be drafted for publication, which could be used to communicate the Fund’s approach to climate change and act as a useful contribution to the ongoing debate within this area.

It was reported that the draft pamphlet included opening remarks from the Chair of the Management Panel, an introduction and conclusion from Alan MacDougall and summaries of the Carbon Tracker and UBS presentation.

RECOMMENDED:

- (1) That the report be noted.**
- (2) That the Climate Risk Pamphlet be published following consultation with the Chair of the Management Panel.**

12. CAPITAL INTERNATIONAL CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Rob Beale, Richard Carlyle, Alison Fletcher and Stephen Gosztory from Capital Group to report on corporate governance activity (non-UK) in the last 12 months. Proxy voting was an activity taken on the Fund’s behalf to vote at shareholder meetings and decisions were made according to the best interests of the Fund and the voting policy.

A summary of proxy voting activity for the 12 months to September 2015 for the Greater Manchester Pension Fund and Capital International Emerging Markets Fund was outlined to the group. A case study of nominating directors in US companies was provided alongside a detailed analysis of the automotive industry.

A wide ranging discussion took place on the content of Capital’s report.

RECOMMENDED:

That the report be noted.

13. CAPITAL INTERNATIONAL REPORT ON TRADING COSTS

The Executive Director of Pensions submitted a report to facilitate Members’ scrutiny of Capital International’s approach to, and practice with regard to, trading costs.

The Panel considered the Greater Manchester Pension Fund’s (GMPF) ‘level one’ and ‘level two’ disclosure reports for the year to 30 June 2015. It was reported that in relation to the reports, Capital had adopted the use of Commission Sharing Agreements (CSA) from 1 January 2015.

Stephen Gosztory of Capital Group presented the ‘level two’ report, which provided an analysis of GMPF’s trading volumes and commissions and compared it to Capital’s average client commission rates.

Clarification was sought on the comparative disclosure table for the 12 months to 30 June 2014 and the 12 months to 30 June 2015. Ms Fletcher confirmed that it was not possible to combine the pre and post CSA methodology due to 2014 figures being ‘bundled’ and 2015 figures being ‘unbundled’.

RECOMMENDED:

That the report be noted.

14. UPDATE ON SHAREHOLDER LITIGATION

It was explained that two specialist law firms had been appointed by the Fund to provide portfolio monitoring services in relation to shareholder litigation. A representative of Spector Roseman Kodroff and Willis will present to the next meeting of the Working Group.

The Working Group welcomed Mark Solomon and Roy Jones of Robbins Geller Rudman & Dowd LLP who attended the meeting to present their portfolio monitoring services in relation to shareholder litigation to the Working Group.

The Working Group heard that the firm had a United States focus with global reach. The portfolio monitoring program provided details of investments losses attributable to alleged misconduct. The Working Group received information on the Fund's portfolio monitoring report including preliminary loss amounts in new securities class actions; international securities class actions; and upcoming claim deadlines.

The Working Group also received information on the claims filing and settlement report, which provided details about securities class actions in various stages of the claims process. The routine recoveries received by GMPF to date via the Custodian were outlined to the Group.

Clarification was sought on the proportion of Class Action cases in general which were successful. Mr Solomon confirmed that approximately 40%-50% of cases were rejected by the courts at the motion to dismiss stage and that over 90% of cases that succeeded past the motion to dismiss stage settled out of court.

RECOMMENDED:

That the report and presentation be noted.

15. ROUTINE PIRC UPDATE

The Executive Director of Pensions submitted a report on International Financial Reporting Standards and the associated press coverage for the Working Group's information.

RECOMMENDED:

That the report be noted.

16. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at the meeting.

CHAIR