

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

6 October 2015

Commenced: 2.00pm

Terminated: 3.30pm

| | | |
|-----------------|-------------------------------------|--------------------------------|
| Present: | Councillor Middleton (Chair) | Employer Representative |
| | Councillor Cooper | Employer Representative |
| | Richard Paver | Employer Representative |
| | Jayne Hammond | Employer Representative |
| | Catherine Lloyd | Employee Representative |
| | Mark Rayner | Employee Representative |
| | Chris Goodwin | Employee Representative |

Apologies for absence: **David Schofield – Employee Representative**

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 16 April 2015 were approved as a correct record.

10. EXPANSION OF GMPF LOCAL BOARD

The Executive Director of Pensions submitted a report informing members that revisions to the GMPF Local Board Terms of Reference had been approved by Full Council of Tameside MBC. The revised Terms of Reference increased the size of the Board to comprise 5 scheme member representatives and 5 employer representatives. A copy of the revised Terms of Reference was appended to the report.

The new Scheme member representatives are:

- Catherine Lloyd (UNISON)
- Chris Goodwin (UNITE)

The new Employer representatives are:

- Councillor Cooper (Tameside MBC)
- Jayne Hammond (Monitoring Officer, Bury Council)

The remaining seats on the Local Board would be filled by a pensioner member of the Fund and a representative of the Fund's non Local Authority employers. A process was underway to seek nominations for these positions, which was expected to be completed later this year.

RESOLVED

That the content of the report be noted.

11. GMPF MANAGEMENT PANEL UPDATE

The Executive Director of Pensions submitted a report providing an update for Board members on some of the key agenda items from the meeting of the GMPF Management Panel on 2 October 2015 as follows:

LAPF Investment Awards

The Fund won two awards at the 2015 LAPF Investments Awards:

- LGPS Fund of the Decade; and
- Infrastructure Project of the Year (with LPFA)

New Offices

The development of the fund's new offices, Guardsman Tony Downes House had been delivered in line with the timetable with staff moving in on 14 September 2015. The offices provided the capacity for future growth in the service. The facilities were designed to support working differently and flexibly as service delivery and service demands changed. Future meetings of Panel, Working Groups and Local Pensions Board would be held at Guardsman Tony Downes House.

Public Sector Cap on Exit Payments

In late July, the Government started a short consultation on a proposal to limit the aggregate exit payments payable by public sector boards in England to £95,000. This included employer 'strain payments' arising from early retirements, redundancy, severance payments and any other payments relating to the employee leaving their employment.

The Fund's response was from an administering authority's perspective and thus it focussed on the practical issues of implementing such a policy.

The Government had considered and responded to the consultation responses. It would be broadly progressing proposals as set out in the original consultation document.

Probation (MoJ) Transfer

Virtually all assets due had been received and nearly all the membership records were on the Fund's administration system.

There were still some exceptional matters outstanding and data cleansing continued to be progressed.

During the week commencing 24 August 2015, there were significant falls in equity markets. After discussions with the Advisors and after consulting the Chair, it was decided to take the opportunity to switch approximately £60m from Cash to UK equity within the MoJ portfolio, at advantageous prices compared to those prevailing during the past 12 months. The MoJ Portfolio was thereby moved closer to the current Main Fund asset allocation, in preparation for the assimilation of MoJ assets into the Main Fund.

LPFA Joint Venture

Since the last Panel meeting the joint transaction team had been busy evaluating deals and at present had three prospective deals, which were in final due diligence. These included a stake in privately owned regulated utility as previously reported to Panel, funding of anaerobic digestion plants and a transport infrastructure investment. The JV was also looking at participation in a club bid for a transportation asset. The team had also been establishing processes and resources for back office functions. This platform had the potential to play a part in the move towards LGPS funds pooling investments.

North West Impact Fund

The team were progressing a number of investments, including renewable energy, lending to SMEs and the supported living sector and completed investments with Enterprise Ventures

(lending to small businesses) and Albion (renewable energy). Efforts to collaborate with other LGPS funds were also progressing.

GMPVF – One St Peter’s Square

Agreements for lease were being progressed with two tenants.

Annual Benefits Statement

LGPS funds have a disclosure requirement to issue Annual Benefit Statements by 31 August. This had been a very challenging timetable for most funds and most had failed to meet this deadline in whole or in part. Under the new rules, this would normally require a letter to be sent to the Pensions Regulator from funds that had failed to comply. However, for this year, the Regulator was aware of the exceptional issues and individual funds had not been required to write to the Regulator.

For GMPF’s members, approximately 70% of employee members received their illustration before the deadline. The main reason was no data and incorrect data from employers. Data was still awaited from a small number of employers.

Guaranteed Minimum Pension

Members were reminded that, as part of the State Pension reforms, contracting-out of the Second State Pension was due to end in 2016. This necessitated a reconciliation between the records of pension funds and HMRC. Sorting out the differences was a major administrative task and substantial progress needed to be made by both funds and HMRC in 2016.

Annual Allowance and Lifetime Allowance

With effect from 6 April 2016, the lifetime allowance would reduce from £1.25m to £1m. For most members the Annual Allowance remained at £40k but for a small number of members a taper limited to pay had been introduced that could result in an Annual Allowance of £10k.

Fossil Fuels

An article was published in the Guardian regarding LGPS exposure to fossil fuels.

It was reported that at the Panel meeting, the Executive Director of Pensions made reference to the complex nature of the issues relating to investing in companies that generated a significant proportion of their sales and profits from fossil fuels. He reiterated the Panel’s responsibilities in safeguarding the pension promise of more than 340,000 members, and the fiduciary duty to look after members’ interests and the assets in the Fund. The Executive Director had further stated that it was critical that all financial risks to the fund were assessed, including those posed by fossil fuels.

The Advisers had also commented on this issue at the Panel meeting and had agreed that current exposure to Fossil Fuels was within the risk framework and that they were content that due process and governance had been followed.

Discussion ensued with regard to investment in and the Fund’s exposure to Fossil Fuels.

RESOLVED

That the content of the report be noted.

12. AUDIT OF 31 MARCH 2015 FINANCIAL STATEMENTS

Consideration was given to a report of the Executive Director of Pensions explaining that the Employer Funding Working Group had given detailed consideration to the accounts at its meeting on 7 August 2015. The Working Group (as required by International Standards on Auditing) reviewed the reasonableness of significant assumptions for estimates to be used in the accounts and approved the bases applied. A copy of the submission was appended to the report.

The Fund's Auditor's Grant Thornton had attended that meeting and provided a revised Audit Plan for consideration. Due to the next scheduled meeting of the GMPF Management Panel not being until 2nd October, the revised plan included the convening of an Urgent Matters Panel meeting to review amongst other matters the Audit Findings report prior to the statutory deadline of 30 September. Mark Heap of Grant Thornton had presented his report to the Panel (a copy of which was appended to the report). The Panel had considered the matters raised in and in particular noted the disclosure changes to the financial statement before approving the Fund's financial statements. The report had also included the management responses.

As part of the Audit process, Grant Thornton write to the Executive Director of Pensions and the chair of the Management panel requesting:

- (i) Detail on the management processes to prevent and detect fraud and to ensure compliance with law and regulation relating to operational issues as well as the financial statements; and
- (ii) Details on how the governing Body, (Pensions Management Panel) maintained oversight of these management processes.

A copy of the Fund's letter of representation, management letter to Grant Thornton and the Chair of the Fund's response to the schedule of questions were attached to the report.

RESOLVED

That the matters raised in the report by the District Auditor, be noted.

13. RISK MANAGEMENT AND AUDIT SERVICES

A report was submitted by the Executive Director of Pensions summarising the work of the internal risk Management and Audit Service for the period April to September 2015.

Details were given of final and draft reports issued during the period April to September 2015.

Information was also given of other work carried out in the period, including:

- Ministry of Justice – "Orphan" liability transfers;
- Updating the Audit Programme for the visits to Contributing Bodies;
- Post Audit Review; and
- Liaison with the National Fraud Initiative

With regard to the National Fraud Initiative, it was reported that this work was now undertaken by the Cabinet Office, every two years. Results received this year were currently being investigated. It was reported that there were five reports for the Pension Fund and the number of matches for each report was detailed.

Work in progress was also detailed as follows:

- Review of Expenditure re: No1 St Peters Square;
- Transfers to Defined Contribution Schemes; and
- Review of Administration Processes.

It was further reported that a detailed review of the internal audit plan was currently underway in conjunction with senior management, to ensure that the plan was still relevant and that audits did not need to be deferred or replaced to take account of actual days spent on audits, revised priorities and reduced resources in Internal; Audit. The consultations being held with management also provided the opportunity to review the work completed to date and ensured that the audit 'universe' was up to date and that any emerging risk or new request for assistance were taken into account. Any significant changes to the plan would be detailed in the next progress report to the Board.

RESOLVED

That the content of the report be noted.

14. MANAGING POTENTIAL CONFLICTS OF INTEREST

The Executive Director of Pensions submitted a report explaining that the LGPS Governance Regulations 2015 required each administering authority to be satisfied that members of their local board did not have a conflict of interest.

A policy for managing potential conflicts of interest on the Board had been drafted and was provided as an appendix to the report for consideration.

The Board agreed that they would like to receive some further training on their requirements regarding managing potential conflicts of interest at the next meeting. The draft conflicts policy would therefore be considered further at the next meeting.

RESOLVED

That the draft policy for managing potential conflicts of interest (as appended to the report) be considered further at the next meeting of the Board.

15. LOCAL BOARD TRAINING

The Assistant Executive Director of Pensions explained that the Pension Regulator's Code of Practice #14 set out the Regulator's expectations with regard to knowledge and understanding requirements and ongoing training for Board Members and further required that a training policy be established and maintained.

He further explained that details of a number of training opportunities were reported to each meeting of the Management/Advisory Panel and added that these opportunities were also open to Board members.

Discussion ensued with regard to the above and the following areas for training were identified:

- Managing conflicts of interest;
- Assessing employer covenant strength; and
- Internal Dispute Resolution Procedure.

The new Board members were asked to complete a self-assessment of their current knowledge and understanding which will be incorporated in the draft training plan for discussion at the next meeting.