

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

15 November 2018

Commenced: 3.00pm

Terminated: 5.00pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Councillor Cooper	Employer Representative
	Richard Paver	Employer Representative
	Jayne Hammond	Employer Representative
	Paul Taylor	Employer Representative
	David Schofield	Employee Representative
	Chris Goodwin	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative

Apologies for absence: Mark Rayner

17. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

18. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 9 August 2018, having been circulated, were signed by the Chair as a correct record.

Further to Minute 5, Local Board Terms of Office, members enquired whether or not any communication had been received from North West TUC in respect of the proposals and determination of the expiry of the term of office for each of the employee representatives. The Director of Pensions responded that a response had not been received to date.

Richard Paver reminded Board members that he would be retiring in May 2019. The Assistant Director of Pensions, Funding and Business Development, acknowledged this and explained that a replacement had been identified who would be invited to attend the next meeting of the Board, as an observer.

19. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
5,6,7,8,9,10,11,13	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.

20. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups from July to August 2018 and which were submitted for approval at the Management Panel meeting on 19 October 2018.

The recommendations of each of the working groups from the meetings that had taken place since the last meeting of the Local Board, were set out in the report.

The Director of Pensions highlighted that the minutes of the Investment Committee and Northern Pool GP (No 1) Limited Board meetings were now also being submitted to Panel meetings, in order to provide greater understanding and transparency.

RESOLVED

That the content of the report be noted.

21. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

Consideration was given to a report of the Assistant Director of Pensions, Investments, updating on the GMPF Management Panel's recent consideration of Investment Management Arrangements.

It was explained that over the course of 2017, the Fund conducted a review of its Investment Management arrangements. The Panel resolved to terminate the Capital mandate and the assets were temporarily transferred to L&G (passive manager) pending replacement arrangements.

Separately, as part of an overarching review of the Fund's approach to Responsible Investment, which was considered at the 17 November 2017 meeting of the Management Panel, it was anticipated that 'the Fund could consider investing in passive funds that actively sought to minimise ESG risks, rather than the current traditional market capitalisation weighted funds'.

During a number of past reviews of the Fund's annual Investment Strategy, Hymans and various GMPF managers had highlighted the potential of 'Factor Index investing' as an investment approach for GMPF, which would likely improve the overall risk/return trade-off for the Main Fund.

It was further explained that the Assistant Director (Special Projects) had been working with the Fund's preferred index provider (Sci Beta), and commissioned research from them into a version of their flagship indices that would offer the fund diversified multi-factor exposure to developed market Global Equity, coupled with significantly reduced carbon exposure and other important risk control design features.

A link to a webinar, hosted by Sci Beta, developing the issues that were presented to Panel, was provided in the report.

It was concluded that further reports would be received by Panel on other aspects of Investment Management arrangements, including the potential requirement for a new Securities Manager.

RESOLVED

That the content of the report be noted.

22. POOLING UPDATE

The Assistant Director of Pensions, Funding and Business Development submitted a report summarising the recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

The Assistant Director began by making reference to the very sad loss of the Chair of the Northern Pool, Councillor Ian Greenwood, who had passed away suddenly, at the beginning of the week. He explained that a meeting of the Northern Pool Shadow Joint Committee was scheduled to be held the following week, where arrangements for a new Chair going forward, would need to be discussed.

He then reported that the Northern Pool had submitted its most recent progress update to Government on 10 May 2018. This covered the period up to 13 April 2018.

It was explained that the Chair of the Pool and the Chairs of the participating funds met with Rishi Sunak MP on 23 May 2018, to discuss the current position of the Northern Pool and its proposal to pool listed assets via a joint venture. A written summary of the proposal was provided following the meeting which set out clearly how the Northern Pool's proposed structures met the relevant regulation and the Pooling Criteria and Guidance.

A letter received by the Northern Pool from the Minister in July was appended to the report. Also attached was a draft QC opinion, sought by the Northern Pool. Comments on both documents provided by the Pool's legal advisor, Clifford Sims, Squire Patton Boggs, were also appended.

Following the receipt of QC opinion, Officers of the Northern Pool funds attended a productive workshop with the Pool's legal advisors, Squire Patton Boggs, to further develop the Northern Pool's proposals and in particular how managers of public-market assets could most expediently be procured, appointed and monitored via the Northern Pool's proposed governance arrangements, whilst remaining compliant with LGPS regulations and guidance and financial services legislation.

Squire Patton Boggs were currently undertaking a further review of the current draft inter-authority agreement which would establish the Northern Pool joint-committee, which had up to now, been meeting in shadow form.

Another important piece of the governance framework was each Fund's Investments Strategy Statement (ISS), in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance. A revised section 8 of GMPF's ISS had been drafted and was appended to the report.

It was further reported that it was understood from comments made by civil servants and the LGA at recent Scheme Advisory Board and Cross-Pool meetings that Government was seeking to revise and expand the guidance on preparing and maintaining an Investment Strategy Statement. The revisions may result in the withdrawal of the Pooling Criteria and Guidance issued in November 2015. A consultation had recently commenced on technical amendments to LGPS benefits which was due to close on 29 November 2018. Whilst the consultation mainly related to benefit administration, it contained a provision to allow DCLG to issue statutory guidance, which had the potential to have significant implications for pooling.

In terms of the Autumn Progress Review, Members were informed that all LGPS pools were asked to submit a further progress report to Government, covering the period up to 30 September 2018.

The deadline for submission was 15 October 2018. As was the case for previous progress reports, MHCLG issued a template for pools to complete, with the template being more detailed than the ones issued for previous submissions.

The progress update summarised the Northern Pool's progress in meeting each of the Government's four headline pooling criteria as set out in the report.

Updates on the progress of the main ongoing workstreams for the Northern Pool were set in the report.

The minutes of the Northern Pool Shadow Joint Committee meeting which had taken place on 24 April 2018 were attached to the report for information.

Further details were also given of LGPS Pooling Developments nationally.

Detailed discussion ensued in respect of the information provided in the report, particularly with regard to the issues raised in the Minister's letter and the draft QC opinion. Members also commented on the provision for the DCLG to issue statutory guidance, contained within the consultation on technical amendments to LGPS benefits.

RESOLVED

That the content of the report be noted, including the proposed revisions to the Pooling section of the Investment Strategy Statement set out in the report and the ongoing development of the Pool.

23. ADMINISTRATION BUSINESS AND PROJECT PLANS

A report of the Pensions Policy Manager was submitted providing Local Board members with a summary of:

- An update on the 2018/19 business planning objectives set by the Administration section;
- A summary of the other strategic or service improvement administration projects being worked on currently;
- Comments on regular and other items of work currently being undertaken by the section.

Members commented on the move to monthly pay and contribution returns and sought clarification of improved communication with employers.

RESOLVED

That the content of the report be noted.

24. THE PENSIONS REGULATOR

A report of the Assistant Director, Funding and Business Development was submitted providing the Local Board with an update on work relating to the Pensions Regulator's Code of Practice number 14 that was currently being carried out; a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches; and a summary of the recent correspondence with TPR regarding one of GMPF's major employers.

The report also gave details of:

- Breaches of the law logged so far in 2018/19;
- Issues and Escalation Procedures relating to Late Payment of Contributions;
- Update on Breaches Relating to a specific GMPF employer;
- Scheme Return;
- Compliance Template and Peer Review Programme; and
- Development work on a GMPF 'Governance' Website.

RESOLVED

- (i) That the work being undertaken or planned to ensure GMPF complies with TRR's Code of Practice number 14 be noted;
- (ii) That the current breaches log and the decisions made by the Scheme Manager regarding reporting those breaches, be noted;
- (iii) That the progress on the case relating to breaches by a specific GMPF employer, be noted; and
- (iv) That the work being undertaken with the other Metropolitan Funds to progress the 'peer review' programme be noted.

25. LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

A report of the Pensions Policy Manager was submitted providing the Local Pension Board with an update on the latest developments regarding the Local Government Pension Scheme in the following areas:

- Public Service Pension Scheme Cost Management Process;
- Contribution Rates for Unfunded Public Sector Schemes;
- LGPS Cost Cap Mechanism;
- Change to Valuation Cycle in the LGPS;
- GAD Review of the Actuarial Valuations of LGPS Funds as at 31 March 2016; and
- Academies Update.

RESOLVED

That the content of the report be noted.

26. GMPF FACTS AND FIGURES

The Assistant Director of Pensions, Funding and Business Development, submitted a report, following a request from Board Members at a previous meeting. The report summarised key facts and figures relating to GMPF and the wider Local Government Pension Scheme.

RESOLVED

That the content of the report be noted.

27. HYMANS ROBERTSON'S LGPS CONFIDENCE ASSESSMENT

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, explaining that, Hymans Robertson, actuary to GMPF, had approached Members of LGPS Pension Committees and Local Pension Boards around the country, to gauge the confidence levels they had in their own knowledge and understanding of the LGPS. The report provided the GMPF Local Board with an update on the results of Hymans Robertson's LGPS confidence assessment.

RESOLVED

That the content of the report be noted.

28. RISK MANAGEMENT AND AUDIT SERVICES 2018/19

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the work of the Risk Management and Audit Service for the period up to 30 September 2018.

Details were given of final reports issued during the period as follows:

- Local Investments Impact Portfolio;
- ICT Device Management;
- Visit to Contributing Body – Salford Council;
- Visit to Contributing Body – Bury Council; and
- National Probation Service – Review of 2017/18 Year End Return.

Draft reports were also issued as follows:

- Visit to Contributing Body – Southway Housing Trust; and
- Contribution Income.

A summary of the Post Audit Reviews completed in 2018/19 to 30 September was presented, which detailed the number of recommendations made and implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there were no significant issues outstanding to report to the Local Board. It was further explained that a further six Post Audit Reviews were in progress, which would be reported to the Local Board at a future meeting.

Other work carried out in the period and work in progress as at 30 September 2018, was detailed and discussed.

RESOLVED

That the content of the report be noted.

29. URGENT ITEMS

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