

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

Thursday, 4 February 2016

Commenced: 2.30 pm

Terminated: 4.10 pm

Present: Councillors K Quinn (Chair), J Fitzpatrick, Taylor and Pantall

Apologies for Absence: Councillor Cooney

15. DECLARATIONS OF INTEREST

There were no declarations of interest.

16. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 11 December 2015 were approved as a correct record.

17. POOLING UPDATE

Consideration was given to a report of the Executive Director of Pensions and a presentation of the Assistant Executive Director of Pensions, which 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.

The Working Group were informed that the Government had published its pooling criteria on 25 November 2015 following the Chancellor's announcement in the summer budget that he would be seeking proposals for LGPS to pool their assets in order to improve net investment returns and facilitate increasing funds' allocation to infrastructure investment. The four primary criteria were for pools, which created improvements in scale, value for money, governance and facilitating infrastructure investment. Funds were required to provide high-level details of their pooling plans to Government by 19 February 2016 with full details of the pool's operation to be submitted by 15 July 2016.

It was reported that a group of 25 funds, including GMPF, had formed a joint working group to work together on a project to deliver a joined-up response to Government on options for LGPS investment pooling. The aim of the project was to deliver an authoritative and objective based assessment of options for pooling LGPS investments. All of the options for pooling were assessed against the Government criteria for pooling. The final report had been delivered to Government on 21 January 2016 and shared with all administering authorities, the LGA and other interested parties. Consideration was given to the summary version of the report, set out at appendix 1 of the report.

The Working Group heard that discussions regarding collaboration had been ongoing on a regular basis with a number of other, predominantly northern based LGPS funds and a draft memorandum of understanding, which set out the operation of the pool and the steps in its developments, had been produced.

The draft memorandum of understanding, which was appendix 2 of the report, was outlined to the Group. It was confirmed that this was a working document and GMPF's long term vision was a pool which provided a mix of internal and external investment management, collective investing in alternatives, which would build capacity and skills, become increasingly direct and increase scale

and reduce risk in infrastructure, and work with other pools on a national basis for some alternative assets.

The Legal Structures and the two main models (FCA Authorised Operating Company by participating funds and a Joint Committee) were outlined to the Group. The advantages and disadvantages of both models were explained and discussed. Governance arrangements, the role of the Pool Board and approach to infrastructure were highlighted.

RECOMMENDED:

That progress and developments, which have taken place since the December meeting of the Management Panel be noted.

18. INVESTMENT INITIATIVES

The Executive Director of Pensions submitted a report, which provided an update on progress for a number of specific investment initiatives undertaken by the Fund. Members were asked to note certain specific actions that had been taken under delegated authority following consultation with the Chair.

It was reported that since the last meeting of the Working Group actions had been implemented in the Impact Portfolio and increased commitments in two investments, which had been agreed following discussions between the Executive Director of Pensions and the Chair of the Fund, were noted.

The LPFA Joint Venture had actively pursued three deals, with an expectation of obtaining final approval, during a particularly demanding three month period. However, there was a probability that only a small proportion of deals would come to fruition. A pipeline of opportunities had been built and the team had declined a number of opportunities following an evaluation process. The team had worked with the LGA and other LGPS Pension Funds to promote a national infrastructure platform as part of the solution for pooling.

The Working Group were notified that in relation to the first phase of Matrix Homes all units had been completed and handed over with formal completion of sites planned for April 2016. GVA's latest forecast was that the overall construction cost would be in line with the target estimate.

With regard to Matrix Homes 2, it was reported that Manchester City Council (MCC) had identified five further sites, which they believed were suitable for development using the Matrix Homes Model. A "heads of terms" had been agreed between GMPF and MCC on the commercial arrangements for Matrix 2, subject to a viable scheme being devised.

It was further reported that Tameside Council and GMPF had agreed to work together to develop a number of sites across Tameside. GVA were working through a programme to prove the viability of development at six sites, which was due to conclude in April 2016. Planning proposals had been submitted and there was an on-going exercise to select an architect to design the schemes. GVA were continually updating the financial model for each site.

RECOMMENDED:

That the report be noted.

CHAIR