GREATER MANCHESTER PENSION FUND ADVISORY PANEL

11 March 2016

Commenced:	**10.00am**	**Terminated: 12.50pm**
Present:	**Councillor K Quinn (Chair)** **Councillors: Akbar (Manchester), Dean (Oldham), Francis (Bolton), Grimshaw (Bury), Halliwell (Wigan), Pantall (Stockport) and Ms Herbert (MoJ)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE), Mr Llewellyn (UNITE), Mr Thompson (UCATT)** **Local Pensions Board Members (in attendance as observers):** **Councillors Cooper and Middleton and Mr Schofield** **Advisors:** **Mr Bowie, Mr Moizer and Mr Powers**	
Apologies for Absence:	**Councillor Brett and Mr Flatley (GMB)**	

62. MEMBER TRAINING

Robert Plumb, Pensions Regulator, attended before Members to provide information with regard to the role of the Pensions Regulator.

63. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

64. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 11 December 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 11 December 2015 were signed as a correct record.

65. 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, 11, 12 & 13	**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.**

66. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 29 January 2016 were considered.

The Chair of the Working Group, Councillor Taylor, explained that UBS Global Investment Management had attended the Working Group to provide an explanation and detail the reasons behind, a 'redress payment' received by the Fund, in respect of certain payments made by UBS out of equity dealing commissions. The Working Group had received assurances that GMPF had not been disadvantaged by this error.

Legal and General had also attended the meeting and had given a presentation to the Working Group regarding their corporate governance activity over the last 12 months, which had included two case studies.

Representatives of PIRC had also given a presentation to the Working Group on Share Buybacks. PIRC advised that there was an increasing number of UK listed companies requesting authority to buy their own shares and highlighted that there was growing criticism of buybacks and the range of problems associated with them.

Councillor Taylor added that it had been a very interesting meeting and that it had been agreed that future agendas of these meetings would be tailored to allow more time for presenters to speak before Members.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 20 - DCLG Consultation Paper - Revoking and Replacing the Local Government Pension Scheme (Management and Investment) of Funds Regulations 2009, that the Executive Director of Pensions submits a response to DCLG as set out in draft form as an Appendix to the report, following consultation with the Chair of the Panel; and
(iii) With regard to Minute 25, Carbon Disclosure Project, - that the Working Group accepted the invitation to become a signatory, at no charge, to the four Carbon Disclosure Project information requests.

67. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 29 January 2016 were considered.

The Chair of the Working Group, Councillor J Lane, explained that there had been problems issuing annual benefit statements on time in 2015, however, the Pensions Administration Team were working hard to ensure that the year-end processes were much smoother than those for 2014/15.

The Working Group had also considered a draft 'Procedure for Reporting Breaches of the Law to the Pensions Regulator'. This was to complement Tameside's whistle-blowing policy and it applied to everyone that was involved in the administration and investment of the Fund. In the event of a breach being suspected, the Procedure requested that the Executive Director of Governance and Resources, who was the statutory S5 Local Government and Housing Act 1989 Monitoring Officer for the Administering Authority and Pension Fund, be consulted first to test whether a material breach had occurred or was likely to occur.

The Working Group had also received a report on revised guidelines for the payments of death grants, to better take into account more complex family situations.

A summary of the findings of the 2015 CIPFA Benchmarking Club for Administration was presented to the Working Group and the differences between GMPF and other Funds were discussed. The Fund's administration costs were confirmed as being relatively low and stable.

Councillor J Lane reported that the Pensioners Forum had been held on 9 October 2015. The Forum had been well attended and attendees had given, on the whole, very positive feedback.

The Working Group had also received a report on Pensions Increase (PI) payable on SERPS related Guaranteed Minimum Pensions. (GMPs). Traditionally some or all of this PI had been paid by the Government along with State pensions, but it was possible that the Government was going to transfer the liability for the PI at great cost, to LGPS Funds.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 18, Procedure for Reporting Breaches of the Law to the Pensions Regulator, that the draft procedure be approved;
(iii) With regard to Minute 19, Guidelines for the Payment of Death Grants and Additional Voluntary Contribution Pots, that the revised guidelines be approved; and
(iv) In respect of Minute 22, Pensions Increase on Guaranteed Minimum Pensions, that a letter be sent to the Department for Communities and Local Government seeking an urgent resolution of this matter.

68. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 5 February 2016 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Working Group had received two external manager presentations and that it had been a good, interactive meeting.

RECOMMENDED
That the Minutes be received as a correct record.

69. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 19 February 2016 were considered.

The Chair of the Working Group, Councillor S Quinn, explained that the Working Group had received a summary of activity in the management of the Overseas Property Portfolio.

La Salle had also reported on performance during the previous quarter and they were continuing to look at sales for some of the older portfolio assets which were dragging performance and were not expected to perform well in the longer term.

The presentation from GVA had focused on the new office development at First Street Manchester and a site visit had been organised for Members of the Working Group on 14 March 2016.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 18, Overseas Investments, that the minor amendments to the Investment Guidelines, as set out in the report, be approved.

70. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 12 February 2016 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported that the Working Group had been informed that the expenses for the period were likely to come in under budget.

The Working Group were also notified that outstanding employer debt had reduced and many of the largest debtors had recently paid in full.

An update was received on the work that had been ongoing regarding the bespoke investment strategy for Transport for Greater Manchester's section of the Fund and how these bespoke strategies could be extended to other employers and subject to panel approval some inflation protection would be put in place for this employer.

Further discussion had taken place at the Working Group in respect of increasing numbers of enquiries from employers looking to exit the Fund and the importance of a consistent approach to dealing with such enquiries. The Working Group had also discussed the possibility of allowing some employers to pay some of their contributions in advance. This could potentially be beneficial to both employers and the Fund.

Councillor Fitzpatrick concluded that at the next meeting of the Working Group would focus primarily on the upcoming actuarial valuation and that all members would be invited to attend.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 25, Pensions Increase on Guaranteed Minimum Pensions, that a letter be sent to the Department of Communities and Local Government seeking an urgent resolution of this matter;
(iii) With regard to Minute 27, Bespoke Investment Strategies, that consent be given to officers to begin implementation of the agreed strategy subject to receiving confirmation from Hymans Robertson on market pricing remaining acceptable; and
(iv) In respect of Minute 29, Advance Funding of Pension Contributions, that the Working Group support, in principle, the offer to employers to pay contributions in advance.

71. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 11 December 2015 and 4 February 2016, were considered.

The Chair of the Working Group, Councillor K Quinn, explained that the Working Group had discussed the progress made by the Fund towards meeting the government's requirements to pool assets with other LGPS Funds. The Fund had been in discussion with other, predominantly northern based Funds, and a memorandum of understanding regarding how the pool would operate, was being developed.

The Working Group had also discussed a number of specific investment initiatives undertaken by the Fund. The Working Group had been notified that the first phase of Matrix Homes was nearing completion and potential sites had been identified for the second phase of Matrix Homes.

The Working Group had further discussed in detail opportunities in the pipeline for the joint infrastructure vehicle with LPFA.

RECOMMENDED

(i) In respect of Minute 10, Pooling of Assets, that the content of GMPF's response to Government on criteria be noted, including details of 'red lines' that would prevent GMPF becoming party to an agreement with other Funds;

(ii) With regard to Minute 11, Collaboration with other LGPS Funds on Investments, that the change to the investment guidelines for GLIL in relation to concentration limits, as set out in the report, be approved;

(iii) In respect of Minute 13, Class Actions, that the officer recommendations, as set out in Table 1 of the report, in respect of outstanding class actions, be approved;

(iv) That a pilot case be run with GMPF seeking to act as lead plaintiff in a class action against the large pharmaceutical company identified in the report; and

(v) That RGRD be engaged to undertake a pilot case with RGRD identifying this first case and SRKW be engaged to act on GMPF's behalf in seeking to be lead plaintiff in the next suitable class action recommended by SRKW.

72. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the Local Pensions Board held on 19 January 2016 be noted.

73. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report updating Members on issues and matters of interest arising during the last quarter, as follows:

Pooling of Assets

It was reported that the progression of the Government's proposals for the pooling of assets was a key area of work for the Panel, Chair of the Fund and Officers. The Pool's submission was made to Government on 19 February 2016 in line with the timetable and a separate report would be presented to the Panel later in the agenda.

Local Board – New Members

The meeting of Council on 29 September 2015 had approved a move to 5 employee and 5 employer representatives for the Local Board, chaired by Councillor Middleton.

Interviews had been held to fill the vacant posts and the following appointments were made:

(i) a non-local authority employer - Paul Taylor, The Manchester College Group

(ii) pensioner representative - Pat Catterall

These appointments would be ratified at the Annual meeting of the Council to be held on Tuesday 24 May 2016.

Actuarial Valuation
Members were advised that the next actuarial valuation was due to be undertaken as at 31 March 2016, with revised employer contribution rates to take effect from 1 April 2017. This was a major task for all areas of the Pension Service and it was time critical for both employers and the administering authority. Progress would be monitored by the Employer Funding and Viability Working Group with the valuation being the main item at its next meeting. All members were invited to this meeting. Updates would be presented to Panel meetings throughout the year.

Mr Bowie, Actuary to the Fund, explained that full results would be available in September. He reported on very challenging financial markets over the first 6 weeks of 2016 and explained that if markets achieved a 4.8% per annum growth, then the Fund had a better than 50:50 chance of meeting its liabilities. He cautioned however, that investment returns may not be as high as expected, therefore, more would be required in deficit recovery.

He stated that there was an expectation that for AGMA authorities and major employers, there would be no material change in contribution rates for the next four years.

In response to a query from Members in respect of possible further cuts to Local Government funding and the impact this would have on public services, employers and employees, Mr Bowie made reference to the Executive Director's comments at recent Panel meetings with regard to the prospect of a shrinking workforce and the difficulties of trying to strike a sensible middle course. He added that the Fund was in a better position than many other Funds, going forward.

GMPVF – One St Peter's Square
Progress on lettings was reported, including details of the possible sale of One St Peter's Square.

First Street
It was reported that the Property Working Group had heard details of a new joint venture with a German company, to build a major office development at First Street, Manchester. Work had commenced on site and there was one pre-let.

Fossil Free Greater Manchester
Members were advised that, on 13 February 2016, Fossil Free Greater Manchester had campaigned in Manchester City Centre, seeking signatures for their divestment petition. This was followed up by an email to Members of the Advisory Panel, in which a number of actions were sought from the Fund, including:

- An immediate freeze on any new investment in fossil fuel companies;
- Divest from any company which is involved in the exploration or production of coal and unconventional oil or gas within 2 years and from all fossil fuel companies within 5 years; and
- Work with the Greater Manchester Combined Authority to develop and fund a sustainable low-carbon investment programme for Greater Manchester.

The Fund's response to this request was detailed in the report.

Global Credit Manager
It was reported that GMPF was seeking to establish a framework agreement of three active multi-credit managers with Hymans Robertson assisting on the procurement process. The application process was detailed and the six qualifying managers had been interviewed at the beginning of February 2016. The three highest scoring Global Credit Managers were chosen, and, assuming no objections were raised during the 10 day 'stand still' period, all three would be appointed to the Framework Agreement.

The next step was to issue a mini-competition questionnaire which would be reviewed by Hymans Robertson who would then issue a report with scoring. The final step of the procurement process was for each of the three framework managers to be interviewed by Members of the Panel and the appointment of a preferred manager in the first week of April 2016.

Scenario Planning
Members were reminded that at the meeting of the Panel held on 11 December 2015, a work programme prioritising 'Tactical Cash Scenarios' was agreed, and details were given of progress to date.

A report setting out detailed proposals, in line with progress reported, would be taken to the next meeting of the Policy and Development Working Group.

Consultation on Reforms to Public Sector Exit Payments
It was reported that Government had made it clear that it intended to take action to curb the incidence of, and costs associated with, early termination of employment, including local government.

Consultations had already been published relating to the recovery of termination payments for certain higher earners who were re-employed in the public sector within 12 months of having been made redundant, as well as introducing an overall cap on exit payments of £95,000. It had now published the final part of its trilogy of consultations looking at the reform of public sector exit payments. The latest consultation considered the options for change relating to the calculation of discretionary exit payment lump sums (over and above statutory redundancy payments) as well as the early release of pension benefits resulting from efficiency/redundancy terminations.

Options for consideration were detailed and it was explained that most of the suggestions, if taken forward by Government, could have implications for local government employers, who would be required to reconsider their policies around workforce management and termination policies. The consultation was due to close on 3 May 2016.

Investment Regulations Consultation
It was reported that the Investment Monitoring and ESG Working Group considered the Government's consultation on new investment regulations at its last meeting. A copy of the Fund's response was published on its web site at: http://www.gmpf.org.uk/documents/investments/regulationsresponse.pdf

RECOMMENDED
(i) That the content of the report be noted; and
(ii) In respect of Scenario Planning, the following recommendations be adopted:
- **(a) Restrict initial provision to covering triggers in relation to equity markets only;**
- **(b) Implement any increase and decrease in equity market exposure via the use of "Futures" in the equity market;**
- **(c) Use a dedicated Fund Manager account to operationalise the trigger monitoring and trading processes;**
- **(d) Remove the current 3% "tactical cash" benchmark holding as part of the upcoming annual Investment Strategy Review and allocate this to equity markets within the benchmark which forms the basis of the consultation exercise with the Fund Managers;**
- **(e) Ensure that a pre-invoked "veto" form part of the arrangements surrounding the operation of the equity market trigger; and**
- **(f) That a report setting our more detailed proposals be submitted to the next meeting of the Policy and Development Working Group.**

74. POOLING OF ASSETS

Consideration was given to a report of the Executive Director of Pensions and a presentation of the Assistant Executive Director – Funding and Business Development, providing 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 explained that a group of 25 Funds, including GMPF, 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. Hymans Robertson supported the project by providing technical support, project management and data analysis. The aim of the project was to deliver an authoritative and objective based assessment of options for pooling LGPS investments. With help from Hymans the working group quantified expected cost savings using data received for £140bn of assets out of the £200bn total for the LGPS as well as an estimate of the costs of setting up and running any new pooled vehicles. All of the options for pooling were assessed against the Government criteria for pooling. The final report was delivered to Government on 21 January 2016 and shared with all administering authorities, the LGA and other interested parties. A summary version of the report was appended to the report.

As reported at previous meetings of Panel and the Policy and Development Working Group, discussions regarding collaboration had been ongoing on a regular basis with a number of other, predominantly northern based LGPS Funds. During this process the Funds involved in discussions had developed a Memorandum of Understanding setting out the operation of a "Collective Asset Pool" and the proposed steps in its formation. The Memorandum of Understanding (a copy of which was appended to the report), had been signed by GMPF, Merseyside Pension Fund ('MPF') and West Yorkshire Pension Fund ('WYPF'). The 3 Funds had combined assets of around £35 billion, therefore clearly meeting the scale criteria (Government was looking for pools in excess of £25 billion).

The Funds provided a joint submission to Government on 19th February based on the Memorandum of Understanding, the key points of which were detailed and discussed. Structure, governance, costs and savings were also outlined.

It was further explained that the Pool remained open to other Funds to join based on the Memorandum of Understanding and this would remain the case up until final proposals were submitted to Government in July.

The report provided details of the composition of 8 other proposed pools.

In conclusion, it was explained that the process within Government for assessing pooling proposals would be that Sir John Kingman, 2nd Permanent Secretary to Treasury would preside over a cross-department group (expected to consist of HMT, Cabinet Office and DCLG) to assess each proposal shortly after the February submission and provide feedback to the pools.

It was also likely that there would be some discussion with the Financial Conduct Authority regarding investment decision making and the role it would play in monitoring this. It remained to be seen whether this dialogue was directly with Pools or via Government. All Pools were required to submit detailed proposals to Government by 15 July 2016 and significant work would be required for the foreseeable future.

Detailed discussion ensued with regard to the above and Members raised a number of issues, including; governance and decision making going forward and sovereignty of asset allocation.

RECOMMENDED
(i) That the progress and developments, which had taken place since the December 2015 meeting of the Panel, be noted; and
(ii) That the Memorandum of Understanding between GMPF and its pooling partners be supported.

75. MEDIUM TERM FINANCIAL STRATEGY

A presentation delivered by the Assistant Executive Director – Local Investments and Property explained that, during the financial year 2016/17 it was estimated that GMPF would pay £737m in pensions and receive £551m in contributions from employers and employees. The Fund had a value of £16,953m at 31 December 2015. The proposed management costs of £28.1m for 2016/17 including £22.2m on investment management represented a cost of £81 per member of the scheme. Taken separately the investment management costs equated to £64 per member or 0.13% of total assets on a projected basis, and the administration costs £17 per member.

It was further reported that the Business Plan set out key assumptions for 2016/17 and beyond. Where the actions had financial implications, separate approvals would be sought for any additional expenditure.

The reporting to panel on the budget last year changed significantly from previous years to reflect the CIPFA requirement to report on medium term financial and expenditure planning. The Fund was now approaching the end of the first year of the initial 2015-18 period.

The report built on last year's report, and:

(i) Reviewed the medium term outlook for the Pension Fund;
(ii) Reviewed the medium term expenditure requirement'
(iii) Sought approval for the 2016/17 expenditure budget;
(iv) Showed unit cost comparisons with other LGPS Funds; and
(v) Set out the key assumptions on which the estimates were based.

RECOMMENDED

(i) That the budget including development items for 2016/17 at £28.1 million be approved;

(ii) That future year estimates, medium term planning and costs comparison be noted; and

(iii) That the methodology for a revised 3 year financial plan, reset from the position as at 31 March 2016, be approved. The actual figures will be reported to Employer Funding Working Group before inclusion in the Annual Report.

76. BUSINESS PLAN

Consideration was given to a report and presentation of the Executive Director of Pensions, which outlined the issues facing the Pension Fund and suggested some key tasks for 2016/17 and future years.

It was reported that the Fund had a relatively strong starting position that had been influenced by the following:

- The Fund had a very good long term investment track record delivered at comparatively low cost and thus the Fund had a better funding level than most LGPS Funds;
- Services were delivered by the most appropriate means for the Fund using both in-house and external providers. External providers were used extensively to provide investment management services;
- The Panel were supporters of active management to deliver returns that were better than those given by the markets in the long term, but recognised that there would be periods when the Fund underperformed compared to other Funds; and
- The Fund had a relatively stable structure and a good history of all relevant parties striving to contribute to its success.

In managing the move to the pooling of assets, the aim was to maintain the Fund's strengths and capture the benefits of working with other Funds whilst understanding and mitigating the risks that such changes brought. The Fund needed to manage external and internal change deliver on its priorities and maintain focus on its objectives. Looking back to 2015, it was overall a good year with solid foundations built in a number of areas, but short term investment performance was disappointing and some backlogs of work had built up. Addressing these matters, reviewing investment strategy and the way it was implemented and successful delivery of new projects made 2016 a potentially very exciting year.

The new home for the Fund, the increased capacity it brought and the scope to develop capabilities to meet the needs of the changing environment should create new opportunities for the Fund. Doing the job very well, being able to demonstrate that it was done well and having the capacity to do more would be beneficial to existing employers and members and there may also be other unforeseen benefits – “the potential game changing opportunity”.

The risks associated with Pension Fund Investment Strategies had been very clearly highlighted in recent years, whereby changes in the value of the Fund’s assets did not, in the short term at least, move in line with the value of its liabilities. This had been illustrated by the volatility in funding levels over the last decade (and the last 3 months), the impact on the cost of the Scheme and knock on impact on employers. The implications of material changes in membership and the change in risks that the Fund was exposed to needed to be understood and where applicable, measures introduced to mitigate such risks. Delivering in this area was likely to be the main priority for the Fund in the medium term.

The continued success of the Fund’s investment performance would be driven by 5 factors:

(i) The regular review of the Fund’s investment strategy (asset allocation) by the Panel and the decisions on when and which new asset class (if any) to introduce.

(ii) Implementing that strategy through the pool with the appointment of suitable internal or external providers to deliver returns, diversification and maintain the security of the assets.

(iii) Understanding and communicating to employers the risks inherent in the approach adopted; and where appropriate taking measures to mitigate some of the investment risks.

(iv) Ensuring implementation/decision making is effective and appropriate monitoring and review procedures are in place.

(v) The ability to maintain standards of service and respond to the need for changes.

The legislative changes continued to be a major issue for the Panel and the Fund’s members and employers.

The work plan, as appended to the report, was driven by the pooling agenda and 2016 valuation, but there were a number of other important and wide ranging tasks that needed to be progressed. As things changed, it may be necessary to review the priority of certain tasks.

Members were further informed that the three yearly review of Investment Management arrangements was due to take place in 2016, however, in light of the pooling agenda, it was proposed that this be delayed for a period of one year and the current Managers, Capital International and UBS Global Asset Management be retained in the interim period. (Reference Minute 77 below)

RECOMMENDED
That the proposed key tasks, as set out in Appendix 1 to the report, be approved.

77. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Executive Director of Pensions submitted a report, which considered the Fund's Investment Management arrangements and the appointments of the Fund's external active multi-asset Securities Managers.

The report outlined WM research findings in relation to fundamental characteristics shared by Local Authority funds, which have exhibited long-term outperformance.

The WM research has not produced any convincing evidence which would contradict a view that the Fund's current and proposed arrangements remain broadly fit for purpose.

Reference was also made to the Asset Pooling proposals (Minute 74 refers) and the significant amount of time and effort to be spent over the next 12 to 18 months or so on developing the detail of pooling arrangements, many aspects of which would be discussed and formalised over the coming 12 months.

The report suggested that inception of further three year fee arrangements with the active multi-asset Managers may not be an optimal way forward whilst uncertainty around the pooling arrangements was high.

Similarly it was felt that a procurement exercise in respect of the Fund's Custodian would also benefit from greater clarity on the outcome of the pooling exercise.

It was further explained that the Chair of the Management Panel and the Executive Director of Pensions had both met with Capital International and UBS to outline the challenges and opportunities presented to all parties by the pooling agenda and the heightened significance of manager performance in this context.

RECOMMENDED

(i) That, in principle, the current three year fee arrangements with Capital International and UBS be extended for a further year and detailed proposals relating to the extension be considered at a future meeting of the Panel; and

(ii) That the Custodian procurement exercise be scheduled to occur after detail of the pooling arrangements has been settled, over the coming 12 to 18 months or so, in order to maximise potential cost savings to the pool.

78. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 30 September 2015 and 31 December 2015

A report of the Executive Director of Pensions was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 30 September 2015 and 31 December 2015.

RECOMMENDED
That the report be noted.

(b) External Managers' Performance

The Executive Director of Pensions submitted a report, which advised Members of the recent performance of the external Fund Managers.

It was noted that in the quarter to 31 December 2015, Capital had outperformed by 0.3% against their benchmark index of 6.6%. UBS had also outperformed by 0.1% against their benchmark index of 4.2% and Legal and General had broadly succeeded in tracking their benchmark.

Performance figures for the twelve months to 31 December 2015 were detailed which showed that Capital had underperformed their benchmark by 0.6% and UBS had also underperformed their benchmark by 1.4%. Legal and General had broadly succeeded in tracking their benchmark.

RECOMMENDED
That the content of the report be noted.

79. REPORTS OF THE MANAGERS

(a) UBS Global Asset Management

Ian Barnes, Head of UK and Ireland, Jonathan Davies, Head of Currency, Global Investment Solutions, Steve Magill, Portfolio Manager, UK Value Equities, and Guy Walker, Portfolio Manager, UK Value Equities attended before Members to present their quarterly report.

Mr Barnes began by commenting on volatile market conditions and added that, generally, developed markets had performed better than emerging markets. He stressed the need to be disciplined and to 'fall back' on fundamental investment beliefs.

Mr Barnes informed Members that, over the last quarter, the portfolio had grown by about 4% and had achieved a slight outperformance versus the market, however had still underperformed for the 12 month period. In respect of long term performance, the portfolio remained ahead of the benchmark since inception and over 3 and 5 year periods.

With regard to multi-asset performance, the slight outperformance over the last quarter was driven by the UK equity portfolio, overseas equities had also had very strong returns.

Mr Davies commented on asset allocation and currency and informed Members that, in his view, indexed linked bonds were good value relative to Gilts. He made reference to an overweighting in the portfolio to Japanese and European equities, however, explained that the weighting given to Japanese equities had subsequently been reduced considerably with more being allocated to UK equities.

Mr Magill gave details of UK equity performance, which had been good in the medium and long term but poorer in the short term. Mr Magill explained that it had been a difficult period for Value style investing but noted that there were now some good opportunities which should lead to future outperformance. Stock attribution and sector positions as at 31 December 2015, were detailed and discussed.

The Advisors were asked to comment.

Mr Moizer made reference to volatility in equity markets and sought UBS's views on this. He further sought views on the forthcoming referendum and the possibility of an exit from the EU.

Mr Magill, in his response, explained that within the UK Value team's process there was an emphasis on assessing the prospect of historic company performance being maintained, and whether this was reflected in the company share price. He added that a 3 – 5 year view was taken on share price and that UBS was unable to predict short term price movements.

With regard to the possibility of an EU exit, it was highlighted that this was clearly a political decision and there was a lot of uncertainty in the run up to the referendum. Mr Walker added that the portfolio was not structured to take advantage of an exit from the EU but if that decision was taken, then he expected certain sectors to benefit.

(b) Capital International

Stephen Gosztony, President and Mr Richard Carlyle, Equity Investment Director, Capital International, attended before Members to present their quarterly report.

Mr Gosztony began by commenting on the scale of market volatility in 2015 and stressed the importance of investing for the long term.

In respect of the results for the quarter, he reported that the portfolio outperformed the benchmark in every sector, however, he highlighted that more work was required in the emerging markets sector due to a weak longer term performance within the portfolio.

Mr Carlyle made reference to global equity returns, explaining that Japan had performed well and that there was a lot of potential within the Indian market.

He concluded by summarising the portfolio outlook as follows:

- US growth may be bolstered by consumer spending;
- European recovery was elusive but valuations were attractive;
- Growth in China had slowed but was likely to remain positive;
- Growth needed to be sought amid volatility.

There were no comments made by the Advisors.

80. A PROCEDURE FOR REPORTING BREACHES OF THE LAW TO THE PENSIONS REGULATOR

The Executive Director of Pensions submitted a report, which provided a draft procedure for reporting material breaches of the law to the Pensions Regulator.

RECOMMENDED
That the Executive Director - Governance and Resources (Borough Solicitor), be given delegated powers to adopt and maintain a Procedure for Reporting Breaches of the Law to the Pensions Regulator and will report annually to the Local Pensions Regulator.

81. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

Legal and General Trustee Education Seminars	
Introductory Seminar (08.30 – 12.30)	21 April 2016
Advanced Seminar (12.30 – 17.00)	21 April 2016
Risk Management (08.30 – 12.30)	22 April 2016
NAPF Local Authority Conference Cotswold Water Park Four Pillars Hotel Gloucestershire	16 – 18 May 2016
UBS Member Training Day Manchester venue to be advised	2 June 2016
Annual LGPS Trustees Conference 2016 MacDonald Hotel, Manchester	23 – 24 June 2016
LGA Annual Conference 2016	5 – 7 July 2016

Bournemouth International Centre

NAPF Annual Conference ACC Liverpool	19 – 21 October 2016
Capital International Training Day Manchester venue to be advised	1 December 2016
LAPFF Annual Conference Marriott Hotel Bournemouth	7 – 9 December 2016

82. 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	1 July 2016 23 September 2016 18 November 2016 10 March 2017
Local Pensions Board	30 March 2016
Pensions Administration Working Group	8 April 2016 15 July 2016 14 October 2016 27 January 2017 7 April 2017
Investment Monitoring & ESG Working Group	8 April 2016 15 July 2016 14 October 2016 27 January 2017 7 April 2016
Alternative Investments Working Group	15 April 2016 22 July 2016 21 October 2016 3 February 2017 13 April 2017
Property Working Group	5 August 2016 4 November 2016 17 February 2017 13 April 2017
Policy and Development Working Group	24 March 2016 26 May 2016 6 October 2016 2 February 2017 23 March 2017

Employer Funding Viability Working Group	22 April 2016 29 July 2016 28 October 2016 10 February 2017 21 April 2017

83. RETIREMENT OF THE EXECUTIVE DIRECTOR OF PENSIONS

The Chair announced that this was the last Panel meeting of Peter Morris, Executive Director of Pensions, who was retiring after 40 years' service, with Tameside Metropolitan Borough Council and the Greater Manchester Pension Fund.

The Chair, on behalf of Members of the Panel, thanked Peter for all his hard work and excellent leadership over the years, which had contributed significantly to the success of the Fund.

Mr Bowie, Mr Powers and Mr Moizer, Advisors to the Fund, also thanked Peter and wished him well for his future endeavours.

The Chair then presented Peter with a gift.

Peter Morris extended his heartfelt thanks to everyone for the gift and kind words. He wished all at the Fund good luck for the future.

CHAIR