

APPENDIX 1

Report To:	Pension Fund Management Panel
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions
Subject:	MANAGEMENT SUMMARY
Report Summary	The aim of this report is to provide a short commentary on issues and matters of interest arising during the last quarter.
Recommendations:	To note the progress on matters and issues raised in the Management Summary.
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	There are no material direct financial implications arising from this report.
Legal Implications: (Authorised by the Solicitor to the Fund)	Legal advice needs to be taken expediently on each of the individual projects referenced in the report as required.
Risk Management:	The report is primarily for information only.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL
	This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Paddy Dowdall, Assistant Executive Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk .

1. INTRODUCTION

- 1.1 The aim of this report is to provide a short commentary on issues and matters of interest arising over the last quarter.

2. POOLING OF ASSETS

- 2.1 The progression of the Government's proposals for pooling of assets is a key area of work for the Panel, Chair of the Fund and officers.
- 2.2 A separate report will be provided on progress. The final submission from the Pool is due to be made to Government by 15 July.

3. ACTUARIAL VALUATION 2016

- 3.1 The next actuarial valuation is being undertaken with an effective date of 31 March 2016. Revised employer contribution rates will take effect from 1 April 2017. This is a major task for all areas of the Pension Service and it is time critical for both employers and the administering authority. Progress is being monitored by the Employer Funding and Viability Working Group with the valuation being a very prominent item at its meetings this year. Updates will be presented to Panel meetings throughout the year.
- 3.2 As reported at previous Panel meetings, the Employer Funding and Viability Working Group is giving consideration to the case for giving employers a discount for paying employer contributions in advance. This matter has also been discussed with local authority treasurers, several of whom have expressed interest in participating. Discussions are progressing with the local authorities' auditors on potential accounting requirements regarding this matter.

4. GMPVF - ONE ST PETER'S SQUARE

- 4.1 An update will be given at the meeting on the progress of the lettings and the possible sale of One St Peter's Square.

5. CLIMATE CHANGE

- 5.1 On 18 May 2016 'Fossil Free Greater Manchester' (FFGM) published an open letter to the Chair of the Panel. The letter contained questions to the Chair of the Panel, following a Tameside Radio interview with the Chair and a member of FFGM. The questions related to the Fund's holding in coal mining companies, and the Fund's engagement strategy with fossil fuel companies. A copy of the letter is attached as **Appendix A**.
- 5.2 On 6 June 2016, the Chair of the Panel replied to the FFGM letter. The reply reiterated, amongst other things, that the Fund has no plans to divest from fossil fuel companies at this time. A copy of the reply is attached as **Appendix B**.

6. GMPF & LFPA INFRASTRUCTURE LLP (GLIL)

- 6.1 GLIL continue to proactively pursue a number of infrastructure investment opportunities across a variety of sub-sectors within the UK, achieving full Investment Committee approval for two deals in 2016 so far.

- 6.2 The first of these approvals was for the purchase of a minority stake in a regulated water utility. When we started the process to acquire this stake we believed there to be very little competition and thus expected that we could transact at a relatively attractive price. Unfortunately however, interest in the asset increased after another shareholder launched a process to sell a larger stake. Our offer for the original minority share was declined and whilst we then attempted to join a process to buy the larger stake, it became apparent that the complexities surrounding the transaction and the various existing shareholder interests were too great.
- 6.3 In January we were approached with an opportunity to buy a 21.7% stake in one of Europe's largest onshore wind farms from SSE for £150m. We had previously declined the opportunity in late 2015 because of an expectation that the process would be highly competitive. However, the scale and complexity of the transaction deterred many potential acquirers, leaving GLIL in a strong position to purchase the asset at a particularly attractive price. Crucially, SSE will remain majority holders of the asset, meaning that they are aligned to achieve maximum performance. Expected returns are approximately 1% per annum higher than market norms for onshore wind assets. The portfolio consists of 152 Siemens 2.3MW turbines located in South Lanarkshire. SSE is constructing a further 54 turbines for which we will have the option to buy a pro-rata share or have our shareholding diluted. We are very pleased with this deal because it has demonstrated to the market that we are able to source and execute attractive deals at a scale and complexity at which few others are able to transact.
- 6.4 The team have also spent significant time building a pipeline of opportunities, including a share in a large UK gas distribution network, a UK toll road and the financing of rolling stock. Given our already significant exposure to energy/renewable energy, we have declined a number of related opportunities, including a greenfield gas generation opportunity within Greater Manchester, a similar project in Cumbria and several solar opportunities.

7. RECOMMENDATION

- 7.1 To note the progress on matters and issues raised in the Management Summary.