

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

30 March 2016

Commenced: 2.00pm

Terminated: 4.20pm

Present:

Councillor Middleton (Chair)	Employer Representative
Councillor Cooper	Employer Representative
Richard Paver	Employer Representative
David Schofield	Employee Representative
Catherine Lloyd	Employee Representative
Mark Rayner	Employee Representative
Chris Goodwin	Employee Representative

Apologies for absence: Jayne Hammond

25. DECLARATIONS OF INTEREST

In noting that reports and minutes of Panel meetings were submitted for information only and no decisions were made, Board members declared their interests as follows, for transparency:

Member	Subject Matter	Type of Interest	Nature of Interest
Richard Paver	Agenda Items 4 & 7	Personal	Director of Matrix Homes; Board Member of Transport for Greater Manchester; and Committee Member of the Housing Investment Fund

26. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 19 January 2016 were approved as a correct record.

27. CHAIR'S OPENING REMARKS

The Chair, Councillor Middleton, welcomed everyone to the meeting, in particular Mrs Pat Catterall, Pensioner representative and Mr Paul Taylor, The Manchester College Group, who were in attendance as observers, with a view to their appointment to the Local Board being ratified at the meeting of Annual Council on 24 May 2016.

28. 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 GMPF Management/Advisory Panel held on 11 March 2016, 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.

Members were informed 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 19 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 had ensued at the meeting of the Panel with regard to the above and Members had raised a number of issues, including; governance and decision making going forward and sovereignty of asset allocation, similar concerns were also raised by Local Board Members.

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, had explained to the Panel that full results would be available in September 2016. 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 in future, then the Fund had a better than 50:50 chance of meeting its liabilities.

He stated that there was a desire that for Greater Manchester authorities and major employers, there would be no material change in contribution rates. However, if investment returns are not as high as expected then more will be required in deficit recovery in future.

In response to a query from Panel 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, Manchester

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 of the resolution adopted at the meeting of the Panel held on 11 December 2015, which included a work programme prioritising 'Tactical Cash Scenarios' 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 in the public sector, 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>

RESOLVED

That the content of the report be noted.

29. RISK MANAGEMENT AND AUDIT SERVICES – SUMMARY REPORT JANUARY – MARCH 2016

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the period January – March 2016.

Details were given of final and draft reports issued during the period.

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

- Advice – Access to Altair and Employers' Year end Return (compliance checks);
- Irregularities – none in this quarter.

With regard to the current status of the Internal Audit Plan for 2015/16, a status report was appended to the report, which showed that the actual days spent up to week 50 was 220. When work in progress had been completed, it was anticipated that the 250 days would be achieved.

Board members sought further information with regard to Post Audit Reviews and assurances were given that any issues identified were reported to the Council's Audit Panel. Members agreed that it would be useful if this information could also be included in a report to the Local Board, on an annual basis.

RESOLVED

That the content of the report be noted.

30. RISK MANAGEMENT AND AUDIT SERVICES – INTERNAL AUDIT PLAN 2016-17 AND 2018-19

The Head of Risk Management and Audit Services submitted a report, which gave details of the proposed Internal Audit Plan of work to be carried out in the three years from 2016-17 to 2018-19.

It was explained that the plan was intended to be a three year rolling plan, which would be reassessed every year. The Pension Fund was entering a period of change particularly in relation to Investments and Pooling, so the Internal Audit Plan would need to be reviewed when more information was available in relation to the future structure of the investment side of the Fund.

Board members made reference to the level of resources allocated and sought assurances that 300 days was considered to be the appropriate level of coverage.

The Head of Risk Management and Audit Services responded in the affirmative and added that 300 days gave good coverage across all areas.

Reference was also made to the production of Annual Benefit Statements in 2015 and the problems incurred by the Pensions Administration team obtaining accurate, timely year-end returns from employers, which resulted in a number of Annual Benefit Statements being sent after the statutory deadline of 31 August 2015.

The Assistant Executive Director, Pensions Administration, informed members of the Board that a lot of work was currently being done to improve the process, including the creation of an Improvement Working Group, to which a representative from Internal Audit had been invited.

The Head of Risk Management and Audit Services added that the year-end processing audit, currently included in 2017/18 in the 3 year plan, may need to be brought forward to 2016/17 in order to review issues raised from the 2015/16 year end process, at an earlier stage.

The Assistant Executive Director, Pensions Administration, agreed to report on progress at the next meeting of the Local Board.

RESOLVED

That the content of the report be noted.

31. LOCAL INVESTMENTS

Consideration was given to a report of the Executive Director of Pensions, giving information about the Fund's long-standing programme of local investments, which had delivered its twin aims of generating commercial returns and delivering a positive local impact.

It was reported that, last year, a submission had been made to the Scottish Parliament Local Government and Regeneration Committee, which provided a history of GMPF's local investment programmes and assessed the benefits and risks of local investments. A copy of the submission was appended to the report.

It was explained that the most significant component of GMPF's local investment programme had been the Greater Manchester Property Venture Fund (GMPVF), which had undertaken direct development and redevelopment of commercial property. The current investment guidelines for GMPVF were also appended to the report.

Board members were informed that the Fund had recently established an Impact Investing Portfolio, the aim of which was to deliver commercial returns and for the investments to have a social impact. The investment guidelines for the impact portfolio were also appended to the report.

The Assistant Executive Director, Local Investments and Property gave examples of three recent investments, for Board members information.

RESOLVED

That the content of the report be noted.

32. INTERNAL DISPUTE RESOLUTION PROCEDURE

The Executive Director of Pensions submitted a report providing information about the LGPS's statutory dispute resolution procedure.

Board members asked if statistical information with regard to Stage 1 appeals was available. The Assistant Executive Director agreed to make enquiries with the Administration and Communications Sub-Committee, to seek further information in respect of Stage 1 appeals.

Mr Schofield made reference to a presentation recently delivered to members of the Pensions Administration Working Group on ill-health retirements and asked when this would be rolled out to employers?

The Assistant Executive Director – Pensions Administration, explained that the presentation on ill-health retirements would hopefully be rolled out to employers this calendar year.

RESOLVED

That the content of the report be noted.

33. RETIREMENT OF PETER MORRIS, EXECUTIVE DIRECTOR OF PENSIONS

The Chair announced that this was the last Local Board meeting of Peter Morris, Executive Director of Pensions, who was retiring after 40 years service, with Tameside Metropolitan Borough Council, 27 of which had been with the Greater Manchester Pension Fund.

The Chair thanked Peter for all his hard work and wished him well for the future.

Peter Morris responded in kind.

CHAIR