

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 12 April 2019
Time: 10.00 am
Place: Guardsman Tony Downes House, Manchester Road,
 Droylsden, M43 6SF

NB: The basement car park will be open for your use on the day.

Item No.	AGENDA	Page No
GENERAL BUSINESS		
1.	CHAIR'S OPENING REMARKS 10.00AM	
2.	APOLOGIES FOR ABSENCE	
3.	DECLARATIONS OF INTEREST	
	To receive any declarations of interest from Members of the Panel.	
4.	MINUTES	
a)	MINUTES OF THE ANNUAL GENERAL MEETING	1 - 4
	To approve as a correct record the Minutes of the meeting of the Pension Fund Annual General Meeting held on 19 October 2018.	
b)	MINUTES OF THE PENSION FUND ADVISORY PANEL	5 - 16
	To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 18 January 2019.	
c)	MINUTES OF THE PENSION FUND MANAGEMENT PANEL	17 - 22
	To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 18 January 2019.	
5.	LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
a)	URGENT ITEMS	
	To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.	

b) EXEMPT ITEMS

The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.

Items	Paragraphs	Justification
7, 8a, 8b, 9a, 9b, 10, 11,12, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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.

6. PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES

a) LOCAL PENSIONS BOARD 23 - 28

To note the Minutes of the meeting held on 14 February 2019.

b) POLICY AND DEVELOPMENT WORKING GROUP 29 - 32

To consider the Minutes of the meeting held on 8 March 2019.

c) INVESTMENT MONITORING AND ESG WORKING GROUP 33 - 36

To consider the Minutes of the meeting held on 21 December 2018.

d) ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP 37 - 42

To consider the Minutes of the meeting held on 21 December 2018.

e) PROPERTY WORKING GROUP 43 - 46

To consider the Minutes of the meeting held on 20 December 2018.

ITEMS FOR DISCUSSION / DECISION

7. NORTHERN LGPS UPDATE 10.20AM 47 - 54

Report of the Assistant Director of Pensions, Funding and Business Development, attached.

8. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING 10.35AM

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, 0161 342 3050, carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
a)	UPDATE ON BENCHMARKING Report of the Assistant Director of Pensions, Investments, attached.	55 - 60
b)	PRESENTATION ON COSTS BENCHMARKING - 'WHAT GETS MEASURED GETS MANAGED' To receive a presentation from John Simmonds, CEM Benchmarking UK Ltd	61 - 90
9.	REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS 11.25AM	
a)	REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS Report of the Assistant Director of Pensions, Investments, attached.	91 - 92
b)	TRAINING: ASSESSING PERFORMANCE (WITH REFERENCE TO MULTI-ASSET CREDIT) To receive a presentation from William Marshall, Hymans Robertson.	93 - 110
10.	PERFORMANCE DASHBOARD 12.10PM Report of the Assistant Director of Pensions, Investments, attached.	111 - 114
11.	2019 ACTUARIAL VALUATION AND RELATED LGPS DEVELOPMENTS 12.20PM Report of the Assistant Director of Pensions, Funding and Business Development, attached	115 - 122
12.	ADVISOR COMMENTS AND QUESTIONS	
ITEMS FOR INFORMATION		
13.	GMPF EXTERNAL AUDIT PLAN 2018-2019 Report of the Assistant Director of Pensions, Local Investments and Property, attached.	123 - 124
14.	PENSIONS ADMINISTRATION UPDATE Report of the Pensions Policy Manager attached.	125 - 130
15.	FUTURE TRAINING DATES Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.	

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PLSA Local Authority Conference, Gloucestershire	13-15 May 2019
The Pensions Age Northern Conference, Leeds	13 June 2019
LGPS Local Pension Board Annual Event	26 June 2019
CIPFA Annual Conference, ICC Birmingham	9 – 19 July 2019
PLSA Annual Conference, Manchester	16-18 October 2019

16. DATES OF FUTURE MEETINGS

Management/Advisory Panel	19 July 2019 (AGM) 18 October 2019 17 January 2020 17 April 2020
Local Pensions Board	13 June 2019 8 August 2019 11 October 2019 12 December 2019 26 March 2020
Policy and Development Working Group	13 June 2019 19 September 2019 19 December 2019 6 March 2020
Investment Monitoring and ESG Working Group	12 July 2019 27 September 2019 20 December 2019 20 March 2020
Administration and Employer Funding Viability Working Group	12 July 2019 27 September 2019 20 December 2019 20 March 2020
Property Working Group	13 June 2019 19 September 2019 19 December 2019 6 March 2020

WORKING PAPERS - APPENDICES

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22.	APPENDIX 7F - LOCAL PENSION BOARD RESPONSE 28. 03. 19	191 - 192

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GREATER MANCHESTER PENSION FUND - AGM

19 October 2018

Commenced: 1.30 pm

Terminated: 2.35 pm

Present: Councillors Warrington (Chair)
Councillors: Ball, Barnes, Drennan, Llewellyn, Mistry, Patrick and Fairfoull

Apologies for Absence: Councillors: Andrews, Cooney, J Fitzpatrick, Grimshaw, Halliwell, J Lane, Mitchell, O'Neill, Pantall, Quinn, Ricci, Smith, Taylor, Ward and Ms Herbert
Ms Baines, Mr Drury, Mr Flatley, and Mr Thompson.

Other Representatives who provided their details:	Organisation:
Debbie Blackburn	Aquinas College
Nigel Modlinsky	Manchester Airport Group
Aleem Ahmed	Rochdale Development Group
Martin Evans	University of Bolton
Karen Gilfoy	Manchester City Council
John Hoskins	Oldham Council
Shahida Latif-Haider	Wythenshawe Community Housing Group
Cathy Lees	Tameside MBC
Anthony Sever	Positive Steps
Rachel Nield	University of Salford
Graeme Bentley	Trafford Council
Scott Wayne	Taylor Shaw
Ian Hilton	The Sovereign Trust
Lloyd Muyoka	LTE Group
L Blackshaw	MMU
D Thomas	MCC
D Clermont	Southway Housing Trust
H Purdue	Stagecoach
B Gohil	Onward Homes Ltd
S Green	MMU
Gareth Davies	Rochdale MBC
Yvonne Dunease	Rochdale MBC
Andy Shaw	New Bridge MAT
Jonathan Davies	Stockport MBC
Stuart Henderson	Together Housing
Nina McGlashan	Rochdale MBC
Emma Tarbatt	Stockport Homes
Sophie Dobson	Stockport Homes
Maria Cook	FCHO
Helen Allen	FCHO
Maggie Walker	Fossil-free activist
Sam O'Brien	Fossil-free activist

1. MINUTES

The Minutes of the Annual General Meeting held on 22 September 2018 were noted.

2. CHAIR'S INTRODUCTION

The Chair welcomed the representatives of the various participating organisations to the meeting and thanked them for their attendance. She added that this was her first Annual General Meeting as the Chair of the Fund since the sad passing of the former Chair, Councillor Kieran Quinn, in December 2017.

3. REVIEW OF THE YEAR

The Director of Pensions began by explaining that traditionally, the Annual Report and Accounts was presented at the AGM having been received at the Management/Advisory Panel meeting, immediately preceding it. However, following a change in the law, which brought forward the Accounts deadline to July from September, the Annual Report and Accounts was approved at the last meeting of the Panel (Meeting of 20 July 2018 refers). It was therefore proposed that the AGM would move to July, going forward.

The Director of Pensions reported that the Fund currently held assets to the value of approximately £23bn and that it was the 11th biggest pension fund in the UK and 153rd largest pension fund in the world. The long term approach for the management of the Fund continued to deliver an improved funding position and excellent investment performance on a nominal and relative basis over the past year and over the longer term. A lot of work had also been undertaken to produce an enhanced approach to climate change, which needed to be carefully managed. High standards of administration had been achieved with continuing improvements in performance and customer service.

The Director of Pensions then introduced Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property), Euan Miller, Assistant Director of Pensions (Funding and Business Development), Tom Harrington, Assistant Director of Pensions, (Investments), and Emma Mayall, Pensions Policy Manager who each provided details of the work and key tasks undertaken over the year and set out in the annual report which was published on the GMPF website at : <https://www.gmpf.org.uk/documents/annualreport/2018.pdf> in respect of:-

- Accounts 2017/18
- Investment Pooling
- Fund Performance;
- Greater Manchester Pension Fund and London Pensions Fund Authority Infrastructure LLP (GLIL) portfolio;
- Key employer statistics; and
- Administration Costs and Performance, including the development of the 'My Pension' on-line facility.

Questions were then invited from the floor.

4. IMPACT OF THE PENSIONS REGULATOR

Steven Law of Hymans Robertson, Actuary to the Fund, outlined the importance of providing accurate data in a timely manner. Data was the employer's responsibility and was vital to the Fund, not only for producing benefit statements and highlighting possible tax issues for members but it was also used to measure the health of the Fund and assisted in key decision making. An

example of the importance of data quality was provided alongside the possible consequences of submitting incorrect data and the impact of errors, big or small, which could have a significant effect on deficit and employer contributions.

The Assistant Director of Pensions, Funding and Business Development, advised of the role of the Pensions Regulator and outlined the requirements of the Governance and Administration of Public Service Pension Schemes, ensuring administration and data were of good quality and that contributions were collected in a timely way from employers. He added that this would be a focus going forward.

The Assistant Director detailed the implications for GMPF of non-compliance and informed of the new Pensions Administration Strategy which would be going out to consultation in the near future.

Questions were then invited from the floor.

CHAIR

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GREATER MANCHESTER PENSION FUND ADVISORY PANEL

18 January 2019

Commenced: 10.00am

Terminated: 12.35pm

Present: Councillor Warrington (Chair)

Councillors: Andrews (Manchester), Grimshaw (Bury), Halliwell (Wigan), Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale) and Pantall (Stockport)

Employee Representatives:

Mr Drury (UNITE), Mr Flatley (GMB), Ms Fulham (UNISON), Mr Llewellyn (UNITE), Mr McDonagh (UNISON) and Mr Thompson (UNITE)

Local Pensions Board Members (in attendance as observers):

Councillor Fairfoul

Advisors:

Mr Bowie, Mr Moizer, Mr Powers and Ms Brown

Apologies for absence: Councillors Ball (Oldham) and Barnes (Salford)

43. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and informed everyone that the current value of the Fund was £22.7 billion. She explained that the funding level had fallen over the last few months, mainly due to a sell-off in equities. However, the funding level remained above that identified in the previous valuation and the Fund remained on track compared to actuarial expectation. This would add pressure to employer rates as part of the valuation considering the potential changes in benefits as part of cost sharing.

Global equity markets had suffered in the final quarter of a volatile year, wiping out any gains during the year. Ongoing concerns over global trade wars and a rush to sell-off IT stocks all contributed to poor performance. It was expected that this would be detrimental to overall fund performance, especially given the sizeable market cap exposure, although the overall fall in gilt yields would have helped Fund performance over the quarter.

The Chair further commented on the uncertainty surrounding a Brexit deal and advised that since the last meeting of the Fund, the Director, Hymans and the advisors had been looking at the Fund's governance and what could be done to ensure that the Fund was not only the best in local government, but also an exemplar of world class governance to achieve a 'governance dividend'. This would benefit stakeholders through improved risk adjusted investment returns and greater resilience in the face of investment and regulatory uncertainty.

The Chair formally recorded her thanks to Investec and UBS who provided extremely interesting and thought provoking training in December 2018. She further thanked everyone for ensuring that the training events were well attended.

The Chair made reference to continued calls for representatives and trustees of the Fund to disinvest from fossil fuel companies and assertions of investment in fracking. She gave assurances that the Fund was not supporting or investing in fracking although there was substantial investment in traditional fossil fuel companies.

Further reference was made to the complex and challenging issue of the financial decarbonisation of the economy, particularly for long-term investors such as pension funds. However, the Fund

were committed to becoming carbon neutral by 2050 and continually looking to accelerate this without jeopardising the Fund's ability to meet its liabilities and maintain relatively low contribution rates from employers. An exercise was undertaken last year to understand the Fund's Carbon footprint in order to have a clear baseline from which to measure progress. Progress would be regularly evaluated in line with the Fund's objective of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that affordable and sustainable pensions for employers and taxpayers could continue to be delivered.

The Fund would continue to use its position on the Local Authority Pension fund (LAPFF) and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest. 80% of the Fund's stakeholders agreed with the stance that this consultative approach was more effective than divesting holdings to others, who may not share the same commitment to responsible investment.

The Chair informed of her pledge to support Greater Manchester, where a great many of the Fund's employees, employers and pensioners lived and worked, to be the UK's leading digital and low-carbon city. One of the issues the Director of Pensions was considering further was the Fund undertaking the Carbon Literacy Project and details of how this could be taken forward would be reported to a future Panel meeting.

The Chair made reference to concerns that had been raised about all Local Government Pension Scheme funds holding shares in BAE Systems, a British multinational defence, security and aerospace company and was the largest defence contractor in Europe and the World's 3rd largest defence company. It was also the largest manufacturer in Britain sustaining thousands of jobs. These were complex dilemmas and the Local Authority Pension Fund Forum had been asked to commission some work and advice into this particular legitimate concern.

The Chair reminded Members that the Northern LGPS pool Stewardship Conference was being held on Wednesday 23 January 2019 at Aintree Racecourse, which would provide the opportunity to discuss the collective view on developing strong stewardship arrangements for our assets and in particular the Fund's Responsible Investment Policy.

The Chair made reference to the recent Supreme Court ruling that the Palestine Solidarity Campaign had the right to challenge the Court of Appeal's May 2018 ruling that upheld the Government's right to restrict LGPS funds from divesting contrary to UK foreign and defence policy.

A consultation on Fair Deal had recently been released within the LGPS to provide protection for staff in any outsourcing arrangements, whilst a good and important change – this could change the way admitted bodies enter and leave the Fund when services were outsourced and would need careful consideration. A response to the consultation would be considered at the next meeting although this would be after the end of the consultation process so the Director of Pensions would be authorised to submit a response.

The Scheme Advisory Board had released the benefit changes they were recommending to the Department (MHCLG) as part of their cost control mechanism in the LGPS. This package of benefit changes was expected to increase employer contribution rates around 0.9% of pay for a typical LGPS fund. However, there would be funds and employers (especially those with salary levels below nationwide averages) where the increase could be significantly more. Officers were working with Hymans to identify the effect on different types of employer in the Fund to aid informal valuation messaging and would report back.

Of significant importance and concern, the Minister issued during the first week of January, consultation on the draft statutory guidance on Pooling, which on the face of it appeared to differ significantly from both the Fund's and his approach. In particular, that the Fund should be delivering high performance at low cost, within clear and local accountable governance by elected Members and trade union reps, to ensure pension liabilities were met in an affordable way to employers and taxpayers alike.

In conclusion, the Chair, made reference to the Fund's constancy of purpose in focusing on today's key issues, and the challenge and value that each Member and Trustee brought to the Fund, which has meant that the Fund had outperformed other Local Authority pension funds on a like for like basis by £3.5 billion.

44. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

45. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 19 October 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 19 October 2018 were signed as a correct record.

46. 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
7, 8, 9, 10, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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.

47. LOCAL PENSIONS BOARD

The Chair of the Local Pensions Board, Councillor Fairfoull, reported that it had been a productive meeting where discussion related to the Fund's investments included the Management Panel's review of investment management arrangements and the ongoing progress in forming the Northern LGPS.

The Board had further received the results of Hymans Robertson's LGPS confidence assessment which attempted to assess the knowledge and understanding of local pension boards and pension committees across the LGPS. The GMPF Board members were well aware of the need to continue personal development.

In addition to reports on administration, internal audit activities and meeting the requirements of the Pensions Regulator, the Board received a report summarising useful and interesting facts and figures about GMPF.

RESOLVED

That the Minutes of the proceedings of the Local Pensions Board held on 15 November 2018 be noted.

48. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 20 December 2018 were considered.

Councillor Cooney, in the Chair, reported that discussion at the meeting had included the regular assessment of GMPF's fund managers against the manager monitoring framework and the ongoing progress in forming the Northern LGPS, both of which were on the agenda today.

Consideration was also given to a potential long-term investment strategy for one of the Fund's largest private sector employers that could potentially significantly reduce risk to the Fund. This was in its early stages and advice was being sought from Hymans, the Fund's actuary. This would require further consideration from the working group and Panel in due course.

The progress of the GLIL infrastructure portfolio and the Impact and Invest for Growth portfolios was also discussed. The group supported the proposed pacing models for future investments in the Impact and Property portfolios.

RECOMMENDED

- (i) **That the Minutes be received as a correct record;**
- (ii) **With regard to Specialist Adviser – Private Equity and Infrastructure, that the proposals contained within the appendices to the report be agreed;**
- (iii) **In respect of the Pooling Update, that further discussion be ongoing in respect of the issues highlighted by the CEM benchmarking data, at future meetings of the working group;**
- (iv) **In respect of Insuring Pension Liabilities, that an advice paper from Hymans be sought, addressing the issues set out in Section 5 of the report;**
- (v) **In respect of Investment Initiatives – GLIL:**
 - **that the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair of the Fund, be noted; and**
 - **that the specific issues raised by the Advisors be addressed by officers and reported to a future meeting of the working group.**
- (vi) **In respect of the Pacing Model Impact Portfolio:**
 - **the progress to date be noted, including that the strategy on Local Impact Investments remained as reported in previous years;**
 - **that the annual review of the 4 year pacing strategy be noted and that the commitments of £80 million per annum, subject to further annual review, be agreed; and**
 - **that the updated Investments guidelines, which had been updated for minor factual changes, be agreed.**
- (vii) **In respect of Property Investment: Deployment and Performance Monitoring, that the investment proposal, as detailed in the report, be supported.**

49. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 28 September 2018 were considered.

The Chair of the Working Group, Councillor Cooney, reported that it had been a busy and productive meeting as the remit of the Working Group now incorporated that of the Alternative Investments Working Group.

The Fund's specialist adviser, Capital Dynamics, presented its half-yearly reviews of GMPF's Private Equity and Infrastructure portfolios as at 30 June, 2018. Both these portfolios continued to develop well, with 'since inception' returns of 16.8% per annum and 11.3% per annum respectively. In addition, a presentation was received from representatives of Infracapital, who provided information on the firm's differentiated strategy, including two investment case studies.

Following a report on GMPF's Special Opportunities Portfolio, which continued to provide a useful vehicle for achieving the key twin aims of providing a test bed for new strategies and achieving good returns, recognition was made of the significant work officers had undertaken during the year to increase the rate of new fund commitments.

In addition to other routine reports, Members received PIRC's assessment of the latest LAPFF report on 'Asset Managers and Stewardship'

RECOMMENDED

That the Minutes be received as a correct record.

50. ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration, Employer Funding and Viability Working Group held on 28 September 2018 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick reported that the group had discussed the latest developments regarding the measurement of the costs of public service pension schemes and the potential implications for the LGPS. Benefits were expected to increase from April 2019 in order to meet the cost cap. However, this was likely to increase costs for employers from 2020 onwards.

The consultation on further restructuring of the probation service and any potential impact on GMPF was also discussed.

Members further received a Communications update which included details of further progress on the roll-out of the member self-service facility on the GMPF website and the customer service and feedback project.

Updates were also provided on the continued progress of ongoing projects such as GMP reconciliation and the move to receiving pay and contributions data from employers on a monthly basis.

RECOMMENDED

That the Minutes be received as a correct record.

51. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 27 September 2018 were considered.

The Chair of the Working Group, Councillor Quinn, advised that there was an update on the progress of the review into La Salle performance and overall allocation to property that had identified a number of issues including key concerns over benchmarking and performance measurement, which officers would report on to future meetings. She was aware that considerable work was being undertaken outside the meeting.

There was a report from Sheffield Political Economy Research on a project they had done on looking at localising pension fund investments, GMPF was seen a leader on this but it was recommended that the whole sector needed to contribute to maximise the impact by pension funds on their local economy.

There were also quarterly reports from GVA and La Salle.

RECOMMENDED

That the Minutes be received as a correct record.

52. NORTHERN LGPS UPDATE

The Director and Assistant Director of Pensions, Funding and Business Development, provided an update on recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, on 3 January 2019, MHCLG Local Government Finance Reform and Pensions emailed stakeholders to advise that the Ministry had been preparing new statutory guidance on LGPS asset pooling. This was intended to set out the requirements on administering authorities, replacing previous guidance, and built on previous Ministerial communications and guidance on investment strategies.

MHCLG were inviting views on draft statutory guidance on asset pooling. This would be an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS. The consultation would remain open for 12 weeks and would close on 28 March 2019. Officers were considering what the impact of the proposals were to the Northern Pool and GMPF.

A copy of the consultation document and the guidance it replaced were appended to the report.

The Assistant Director then delivered a presentation outlining the timeline of events since the first mention of the Pooling agenda in the Summer budget in June 2015 and gave information in respect of the current situation and regulatory requirements and detailed progress versus the original criteria.

Detailed discussion ensued in respect of the draft guidance and in particular, how it impacted on the Northern Pool and the implications for the Fund.

The Director set out next steps to address the Panel's concerns and how independent advice would be taken from a QC given the significant impact on the Fund.

RECOMMENDED

- (i) That the content of the report, including the recent progress of the Northern LGPS and the autumn progress report submitted to government, be noted.**
- (ii) The Director be authorised to submit representations and objection to the MHCLG Local Government Finance Reform and Pensions consultation on pooling issued the 3 January 2019 and incur any resources to ensure that GMPF's stakeholders interests and in turn that of Northern LGPS are properly represented.**

53. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing Members with an update on investment management cost benchmarking for the Northern LGPS over 2017/18.

RECOMMENDED

That the content of the report be noted.

54. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions, Investments, submitted a report in relation to the Fund's consideration of Investment Management arrangements. A presentation was also received from John Dickson of Hymans Robertson.

John Dickson, Hymans Robertson, then presented the third part of the Fund's review of investment structure, with stages 1 and 2 having been discussed with the Fund at the July and October 2018 meetings (respectively), of the Management Panel.

Mr Dickson explained that at the October meeting, much of the focus was on the Fund's approach to accessing equity markets, including the split between index-tracking and active management and the merits of introducing a factor-based investment strategy. Following discussion at the meeting, it was agreed to introduce a 10% allocation to an index-tracking factor-based equity mandate. It was also agreed to adopt a central target position of $\frac{2}{3}$ active: $\frac{1}{3}$ index-tracking for the Fund's listed equities and investment grade bonds, albeit the final split would depend upon a number of the points, as discussed in the report.

The report and presentation outlined:

- Overall portfolio summary;
- Decision framework;
- Multi-asset and specialist mandates, including the role of the Special Opportunities Portfolio; and
- Areas for further work.

Mr Dickson then outlined a number of recommendations in respect of: Portfolio Construction, Multi-asset/specialist mandates and the Special Opportunities Portfolio, which included the deployment of remaining Capital assets with a specialist manager, funded from the assets currently managed by L&G; and in terms of specialist exposure, that Investec's mandate be increased from its current 5% target to 7% as a partial step to increasing the Fund's active equity split. He further explored the potential implications of this recommendation on investments in the Special Opportunities Portfolio.

Mr Dickson further explained that anticipated items for discussion at the next meeting of the Panel included:

- Approach to investment-grade bonds; and
- Cash Management.

The Advisers were then asked to comment.

Mr Powers expressed his support of the recommendations as outlined in the report, commenting that the approach fit with the Fund's investment beliefs.

Mr Moizer concurred with Mr Powers view and noted the industry trend away from active management.

The Chair thanked Mr Dickson for a very interesting and in-depth presentation.

RECOMMENDED

That the content of the report and presentation be noted and that the recommendations, as specified in Section 7 of the Hymans Robertson report, be approved.

55. FACTOR INDEXING PORTFOLIO – STAGE 2 – IMPLEMENTATION UPDATE

The Assistant Director of Pensions - Special Projects, submitted a report updating Members on the progress made by Officers in establishing a Factor Indexing allocation and portfolio.

At the October Panel, Officers were given delegated authority to implement a Factor Investing Portfolio amounting to 10% of the Main Fund by value (currently in the region of £2.2bn).

This report gave an update on the progress made since the October Panel, providing a flavour of where GMPF is within the overall project.

In his comments, the Assistant Director outlined how:

- The added value (or outperformance) of Factor Indexing portfolios is expressed over the long term and this will be a relatively “punchy” portfolio with a tracking error of the order of 3%pa in GBP terms. It was noted that the tracking error limits for the Funds’ Active Managers are 4.5%pa and 7%pa respectively, but these managers have rarely come close to these limits, at least in the more recent past.
- The preferred Index Provider offers a number of “risk controls” which aim to increase the short term consistency of outperformance that investors can expect.
- Officers were aiming to ensure a good balance between the probability of outperforming over short to medium time frames whilst garnering significant outperformance over the longer term.
- In early December, Officers commissioned a Phase 3 research report from the preferred Index Provider to help with the “balancing” of objectives. The results of this study were due the following week.

In terms of the Transitioning Plan/Timing, initial consideration had been given to the source of the assets that would fund the new portfolio, and to the preferred process for transferring assets to the new portfolio.

Officers had also given consideration to the GMPF Main Fund Manager benchmark allocation changes that would be required as a result of transferring assets to the new portfolio.

The Assistant Director noted that:

- The focus going forward was to settle upon the preferred use of available risk controls, to complete relevant legal documents and to then transition assets to initiate the portfolio.
- Officers were currently working towards a target date of 30 April 2019. Outstanding issues were highlighted as ‘in progress’ in an appendix to the report. Officers would be aiming to implement the Factor Indexing portfolio prior to the target date in the absence of any significant unforeseen challenges.

Discussion ensued with regard to the progress outlined in the report.

Mr Bowie drew attention to the indicative outperformance and tracking error numbers contained within the report and commented upon the apparent attractiveness of the proposed portfolio.

The Assistant Director noted that he had long considered that an Information Ratio (outperformance divided by tracking error) of 0.5 was good, an information ratio of 1 was exceptionally good, and an information ratio in excess of 1 was “very special”. He also noted that the outperformance figure given within the report was a prudent reflection of the back tested

performance of the index, which was suggestive of a potential Information Ratio towards the “very special” end of the spectrum. It was noted that if the new portfolio was initially successful and fulfilled expectations, then the allocation could be increased.

The Assistant Director also noted that the preferred Index Provider data goes back 40 years, but that this is for the US only. The Developed World data does not go back this far and the carbon reduction data only goes back 8 to 9 years when carbon footprint began to be systematically measured.

Mr Moizer advised caution in respect of expectations around the potential outperformance of the new portfolio, noting that back tested performance for this kind of product is often brilliant, but actual ongoing live performance can be less impressive.

The Assistant Director reiterated the prudence of the numbers given in the report but acknowledged the general point made by Mr Moizer. He also pointed out that the strength of the preferred Index Provider’s approach comes from its rigorous grounding in the academic literature, and not from data mining. The outperformance comes from rewarded risks which some Investors do not want to take at any particular time.

RECOMMENDED

That the content of the report be noted and further updates will be made to Panel.

56. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

The Assistant Director of Pensions, Investments, submitted a report detailing the Fund’s approach to manager monitoring and summarised the results from the Monitoring Escalation Protocol as at 30 September 2018.

The overall status levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were summarised within the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions which could be used to form a view on the manager’s prospects of outperforming going forward. These would include the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made, and the underlying investment philosophy itself.

It was reported that the ‘Comments’ section in Appendix A to the report had been enhanced to incorporate a qualitative update in relation to each of these metrics.

RECOMMENDED

That the content of the report be noted.

57. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions, Investments, providing high level, investment performance information, including the value of the Pension Fund Investment Portfolio, the performance of the Main Fund, and the over/under performance of the external Fund Managers against benchmark.

The key information from the Quarter 3 (2018) Performance Dashboard was summarised. At the end of 2017, market commentators were viewing 2018 as one of global expansion. This seems to have peaked and global growth (with the exception of the US) was lower and more regionally divergent than anticipated. Despite continued volatility, global equity markets enjoyed a strong

quarter of returns in the three months to end September. Developed equity markets, particularly the US, performed strongly, while emerging markets overall were flat in local currency terms. Other equity markets were more muted. In government bond markets, long-dated gilt yields rose over the quarter, matching similar moves in the US. The rise in indexed gilt yields was a little less, possibly reflecting August's inflation surprise and rising concerns about Brexit. In the UK, the Bank of England chose to raise interest rates in August to 0.75% in line with market expectations, while in the US, the Federal Reserve also raised interest rates to 2.25%. In corporate bond markets, although credit spreads (the additional yield available on corporate bonds compared to government bonds from the same region) fell slightly across major developed markets, returns for Q3 were positive reflecting an ongoing supportive backdrop of improving global economic growth. High yield bonds performed strongly over the quarter, particularly in the US, as total returns were less impacted by rising underlying government bond yields, given the lower duration (sensitivity to changes in interest rates) of the high yield market.

Over the quarter total Main Fund assets increased by £288m to £23.1 billion. Within the Main Fund, there was an underweight position in equities (of around 2% versus target). Also, the property allocation continued to be underweight (of around 3%) versus its benchmark. There was an overweight position in the Special Opportunities Portfolio (of around 1%) primarily due the funding of the Factor Based Investment that occurred in February.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS fund, equating to over £3.3 billion of additional assets. The Main Fund marginally underperformed its benchmark over the quarter, was in line with its benchmark over 1 year but remained ahead of its benchmark over 1, 3, 5 and 10 years periods, mainly due to stock selection. The active risk of the Main Fund was broadly consistent at around 1% over 1, 3, 5 and 10 years but risk in absolute terms (for both portfolio and benchmark) was lower than that observed historically. At the end of Quarter 3, over a 1 year period, two of the active managers had underperformed their respective benchmarks while the other active manager was broadly in line with its benchmark.

RECOMMENDED

That the content of the report be noted.

58. MEDIUM TERM FINANCIAL STRATEGY

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, seeking approval for an expenditure budget for GMPF for 2019/2020 with a medium term financial plan. An update version would be included in the Annual report for 2018/19.

RECOMMENDED

- (i) That the expenditure budget for 2019/2020 be approved;**
- (ii) That the Medium Term Financial Plan be approved;**
- (iii) That the Medium Term Financial Plan be updated for information available including Fund value at 31 March 2019 and included in the Annual Report for 2018/2019; and**
- (iv) That the intention to review all budgets annually and undertake a zero based budget approach be noted.**

59. LGPS UPDATE

The Assistant Director of Pensions, Funding and Business Development, submitted a report providing Panel Members with an update on the latest developments regarding the Local Government Pension Scheme, as follows:

- LGPS Cost Cap Mechanism;
- GMP Equalisation;
- LGPS Regulation Amendments 2018 (S12018/1366);

- Pension Dashboard; and
- Local Government Pension Scheme: Fair Deal – Strengthening Pension Protection Consultation.

RECOMMENDED

That the content of the report be noted.

60. PENSIONS ADMINISTRATION UPDATE

Consideration was given to a report of the Pensions Policy Manager, detailing key items of work affecting or being carried out by, the administration section over the last quarter:

- 'My Pension' development and roll out;
- Transition to monthly pay and contribution returns;
- Pension Saving Statements and tax seminars;
- Guaranteed Minimum Pension (GMP) Reconciliation; and
- Website redevelopment.

RECOMMENDED

That the content of the report be noted.

61. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

Northern Pool Stewardship Conference Aintree Racecourse, Ormskirk Road, Liverpool. L9 5AS	23 January 2019
CIPFA Local Board Spring Seminar	25 February 2019
PLSA Investment Conference EICC Edinburgh	6 – 8 March 2019
PLSA Local Authority Conference, Gloucestershire	13-15 May 2019
PLSA Annual Conference Manchester	16-18 October 2019

62. DATES OF FUTURE MEETINGS

Management/Advisory Panel	12 April 2019 19 July 2019 (AGM) 18 October 2019 17 January 2020 17 April 2020
Local Pensions Board	14 February 2019 13 June 2019 8 August 2019 11 October 2019 12 December 2019 26 March 2020

Policy and Development Working Group

**8 March 2019
13 June 2019
19 September 2019
19 December 2019
6 March 2020**

Property Working Group

**8 March 2019
13 June 2019
19 September 2019
19 December 2019
6 March 2020**

Investment Monitoring and ESG Working Group

**22 March 2019
12 July 2019
27 September 2019
20 December 2019
20 March 2020**

Administration and Employer Funding Viability Working Group

**22 March 2019
12 July 2019
27 September 2019
20 December 2019
20 March 2020**

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

18 January 2019

Commenced: 10.00am

Terminated: 12.35pm

Present: Councillor Warrington (Chair)

Councillors: Andrews (Manchester), Cooney, Drennan, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), J Lane, Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale), Pantall (Stockport), Quinn, Ricci, Smith, Taylor and Ward

Apologies for Absence: Councillors Ball (Oldham) and Barnes (Salford), Patrick and Ms Herbert

43. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and informed everyone that the current value of the Fund was £22.7 billion (down £1.1 billion since September 2018). She explained that the funding level had fallen over the last few months, mainly due to a sell-off in equities. However, the funding level remained above that identified in the previous valuation and the Fund remained on track compared to actuarial expectation. This would add pressure to employer rates as part of the valuation considering the potential changes in benefits as part of cost sharing.

Global equity markets had suffered in the final quarter of a volatile year, wiping out any gains during the year. Ongoing concerns over global trade wars and a rush to sell-off IT stocks all contributed to poor performance. It was expected that this would be detrimental to overall fund performance, especially given the sizeable market cap exposure, although the overall fall in gilt yields would have helped dampen poor Fund performance over the quarter.

The Chair further commented on the uncertainty surrounding a Brexit deal and advised that since the last meeting of the Fund, the Director, Hymans and the advisors had been looking at the Fund's governance and what could be done to ensure that the Fund was not only the best in local government, but also an exemplar of world class governance to achieve a 'governance dividend'. This would benefit stakeholders through improved risk adjusted investment returns and greater resilience in the face of investment and regulatory uncertainty. A report would be submitted to the next meeting on how this may be achieved.

The Chair formally recorded her thanks to Investec and UBS who provided extremely interesting and thought provoking training in December 2018. She further thanked everyone for ensuring that the training events were well attended.

The Chair made reference to continued calls for representatives and trustees of the Fund to disinvest from fossil fuel companies and assertions of investment in fracking. She gave assurances that the Fund was NOT supporting or investing in fracking although there was substantial investment in traditional fossil fuel companies.

Further reference was made to the complex and challenging issue of the financial decarbonisation of the economy, particularly for long-term investors such as pension funds. However, the Fund were committed to becoming carbon neutral by 2050 and continually looking to accelerate this without jeopardising the Fund's ability to meet its liabilities and maintain relatively low contribution rates from employers. An exercise was undertaken last year to understand the Fund's Carbon footprint in order to have a clear baseline from which to measure progress. Progress would be regularly evaluated in line with the Fund's objective of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that affordable and sustainable pensions for employers and taxpayers could continue to be delivered.

The Fund would continue to use its position on the Local Authority Pension fund (LAPFF) and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest. 80% of the Fund's stakeholders agreed with the stance that this consultative approach was more effective than divesting holdings to others, who may not share the same commitment to responsible investment.

The Chair informed of her pledge to support Greater Manchester, where a great many of the Fund's employees, employers and pensioners lived and worked, to be the UK's leading digital and low-carbon city. One of the issues the Director of Pensions was considering further was the Fund undertaking the Carbon Literacy Project and details of how this could be taken forward would be reported to a future Panel meeting.

The Chair made reference to concerns that had been raised about all Local Government Pension Schemes holding shares in BAE Systems, a British multinational defence, security and aerospace company and was the largest defence contractor in Europe and the World's 3rd largest defence company. It was also the largest manufacturer in Britain sustaining thousands of jobs. These were complex dilemmas and the Local Authority Pension Fund Forum had been asked to commission some work and advice into this particular legitimate concern.

The Chair reminded Members that the Northern Pool Stewardship Conference was being held on Wednesday 23 January 2019 at Aintree Racecourse, which would provide the opportunity to discuss the collective view on developing strong stewardship arrangements for our assets and in particular the Fund's Responsible Investor Policy.

The Chair made reference to the recent Supreme Court ruling that the Palestine Solidarity Campaign had the right to challenge the Court of Appeal's May 2018 ruling that upheld the Government's right to restrict LGPS funds from divesting contrary to UK foreign and defence policy.

A consultation on Fair Deal had recently been released within the LGPS to provide protection for staff in any outsourcing arrangements, whilst a good and important change – this could change the way admitted bodies enter and leave the fund when services were outsourced and would need careful consideration. A response to the consultation would be considered at the next meeting before the end of the consultation process.

The Scheme Advisory Board had released the benefit changes they were recommending to the Department (MHCLG) as part of their cost control mechanism in the LGPS. This package of benefit changes was expected to increase employer contribution rates around 0.9% of pay for a typical LGPS fund. However, there would be funds and employers (especially those with salary levels below nationwide averages) where the increase could be significantly more. Officers were working with Hymans to identify the effect on different types of employer in the Fund to aid informal valuation messaging and would report back.

Of significant importance and concern, the Minister issued during the first week of January, consultation on the draft statutory guidance on Pooling, which on the face of it appeared to differ significantly from both the Fund's and his approach. In particular, that the Fund should be delivering high performance at low cost, within clear and local accountable governance by elected Members and trade union reps, to ensure pension liabilities were met in an affordable way to employers and taxpayers alike.

In conclusion, the Chair, made reference to the Fund's constancy of purpose in focusing on today's key issues, and the challenge and value that each Member and Trustee brought to the Fund, which has meant that the Fund had outperformed other Local Authority pension funds on a like for like basis by £3.5 billion.

44. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

45. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 19 October 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 19 October 2018 were signed as a correct record.

46. 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
7, 8, 9, 10, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23 ,24, 25, 26, 27, 28, 29, 30, 31	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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.

47. LOCAL PENSIONS BOARD

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

48. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 20 December 2018 were considered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

49. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 28 September 2018 were considered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

50. ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration, Employer Funding and Viability Working Group held on 28 September 2018 were considered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

51. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 27 September 2018 were considered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

52. NORTHERN POOL UPDATE

A report of the Director and Assistant Director of Pensions, Funding and Business Development, was submitted and a presentation delivered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

53. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

A report of the Assistant Director of Pensions, Investments, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

54. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions, Investments, was submitted and a presentation by John Dickson, Hyman Robertson was delivered.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

55. FACTOR INDEXING PORTFOLIO – STAGE 2 – IMPLEMENTATION UPDATE

A report of the Assistant Director of Pensions, Investments, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

56. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

A report of the Assistant Director of Pensions, Investments, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

57. PERFORMANCE DASHBOARD

A report of the Assistant Director of Pensions, Investments, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

58. MEDIUM TERM FINANCIAL STRATEGY

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

59. LGPS UPDATE

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

60. PENSIONS ADMINISTRATION UPDATE

A report of the Pensions Policy Manager was submitted.

RESOLVED

That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

61. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

Northern Pool Stewardship Conference	23 January 2019
Aintree Racecourse, Ormskirk Road, Liverpool. L9 5AS	
CIPFA Local Board Spring Seminar	25 February 2019

**PLSA Investment Conference
EICC Edinburgh**

6 – 8 March 2019

**PLSA Local Authority Conference,
Gloucestershire**

13-15 May 2019

**PLSA Annual Conference
Manchester**

16-18 October 2019

62. DATES OF FUTURE MEETINGS

Management/Advisory Panel

**12 April 2019
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Viability Working Group**

**22 March 2019
12 July 2019
27 September 2019
20 December 2019
20 March 2020**

CHAIR

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

14 February 2019

Commenced: 3.00pm

Terminated: 5.10pm

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

Apologies for absence: Mark Rayner

30. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and introduced Michael Cullen, Borough Treasurer at Stockport MBC, who was attending the meeting as an observer, with a view to replacing Richard Paver when he ended his term of office with the Local Board in May 2019.

The Chair, on behalf of the Local Board, thanked Richard for his hard work and wished him well for the future. He further welcomed Mr Cullen to the meeting.

In respect of terms of office for union representatives, the Director of Pensions commented that, further to discussion at previous meetings on this matter, she would pursue a response from the TUC in respect of this matter and report further at the next meeting of the Board.

31. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

32. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 15 November 2018, having been circulated, were signed by the Chair as a correct record.

33. 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>
5,8,9,10,11, 12,13,14	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.

34. 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 September 2018 to January 2019 and which were submitted for approval at the Management Panel meeting on 18 January 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 updated the Board in respect of the successful Northern Pool Stakeholder event, which had taken place on 23 January 2019 at Aintree Racecourse and had been very well attended including by the Local Board. She added that all three funds in the Northern Pool had now signed up to the Responsible Investment Policy.

RESOLVED

That the content of the report be noted.

35. GMPF BUDGET 2019/20 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, who explained that the report had been submitted to the Management Panel meeting on 18 January 2019 seeking their approval of the expenditure budget for GMPF for 2019/2020 with a medium term financial plan.

RESOLVED

That the Expenditure Budget for GMPF for 2019/2020 and the medium term financial plan, as approved by the Management Panel on 18 January 2019, be noted.

36. UPDATE ON GMPF'S PENSIONS TAX SUPPORT

A report was submitted by Assistant Director of Pensions, Funding & Business Development, updating Board members on the Pensions tax support provided to GMPF members likely to be affected by either the Lifetime Allowance or the Annual Allowance.

It was reported that the support offered had been taken up by a significant number of members and had garnered positive feedback. Indications were that the additional support provided had also helped ease the administrative burden for GMPF in this area.

RESOLVED

That the content of the report be noted.

37. LOCAL GOVERNMENT PENSION SCHEME UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding & Business Development, which provided an update on the latest developments regarding the Local Government Pension Scheme as follows:

- GMP Equalisation;
- LGPS Regulation Amendments 2018 (S12018/1366);
- Pension Dashboard; and
- New Fair Deal.

RESOLVED

That the content of the report be noted.

38. LGPS COST MECHANISMS

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted providing the Board with an update on the LGPS cost cap mechanisms and the potential result in changes to LGPS benefits.

RESOLVED

That the content of the report, including the potential impact on the LGPS and GMPF, be noted.

39. 2019 ACTUARIAL VALUATION

The Assistant Director of Pensions, Funding and Business Development, explained that the 31 March 2019 actuarial valuation process was about to commence. The valuation would determine employer contribution rates from 1 April 2020. The report provided a high level update on some of the key factors which would likely influence the valuation outcomes;

The report gave details of:

- Funding Strategy Statement;
- 2016 Valuation Results and Subsequent Experience;
- Setting Assumptions for the 2019 Valuation;
- Public Service Pension Scheme Cost Management Process;
- Scheme Advisory board Suggested Benefit Changes;
- Pause in the Cost Cap Process;
- Advance payment of Contributions; and
- Preparing for the Valuation.

The report summarised that, although the effective date of the next actuarial valuation was approaching, there were still areas of material uncertainty regarding the benefits to be valued and the expected cost of funding the benefits. Updates would be provided to the GMPF Management Panel, the Local Board and employers on a regular basis going forward.

RESOLVED

That the content of the report be noted.

40. 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.

In terms of correspondence with Government, it was explained that the Northern Pool had submitted its most recent progress update to Government on 22 October 2018. This covered the period up to 30 September 2018. A link to the progress report and its appendices was provided in the report. MHCLG had acknowledged receipt of the submission; however, no formal response had been received to date.

It was also reported that, on 3 January 2019, MHCLG released its draft statutory guidance on LGPS asset pooling for 'informal' consultation, a copy of which was appended to the report. The guidance set out the requirements on administering authorities and was intended to replace previous guidance, and built on previous Ministerial communications and guidance on investment strategies.

The consultation would remain open for 12 weeks to allow the various interested parties the opportunity to respond with the consultation closing on 28 March 2019.

The draft statutory guidance had blurred the original 4 criteria in the 2015 guidance, and in its place had introduced 6 sections, covering, structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. A copy of a presentation delivered to the Management Panel and Northern Pool Shadow Joint Committee, explaining in further detail the various implications of the draft statutory guidance, was appended to the report.

Updates on the progress of the main ongoing workstreams for the Northern Pool were set out in the report, including the decision taken at the meeting of the Shadow Joint Committee on 10 January 2019 to change the name of the Pool to Northern LGPS, which was deemed to be more representative of the purpose of the Pool and had other practical advantages such as being easier to find via internet search engines.

The minutes of the Northern Pool Shadow Joint Committee meetings which had taken place on 20 September and 22 November 2018, were attached to the report for information.

Further details were also given of LGPS Pooling Developments nationally.

Discussion ensued in respect of the information provided in the report, particularly in respect of the draft guidance and the implications for the Northern LGPS and the Fund.

RESOLVED

- (i) That the content of the report be noted, including the autumn progress report submitted to Government and the implications of the new pooling guidance which had recently been released for consultation; and**
- (ii) That a copy of the Fund's response to the consultation on the draft statutory guidance be circulated to Board members.**
- (iii) That the Chair and/or Director be authorised to submit representations and objection to the MHCLG Local Government Finance Reform and Pensions consultation on pooling issued the 3 January 2019 to ensure that GMPF's stakeholders interests are properly represented**

41. 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 overpayment and debt monitoring and how this process could be improved.

RESOLVED

That the content of the report be noted.

42. 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 information about Pensions Regulator activity in the last quarter.

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;
- Actions progressed to improve or strengthen compliance;
- The Pensions Regulator and Peer Review Programme with Metropolitan Fund colleagues; and
- The Pensions Regulator's Public Service Governance and Administration Survey 2018.

In terms of the Breaches Log, members sought clarification in respect of issues involving a specific GMPF employer and sought reassurance that this matter was being monitored and escalated in a timely way.

The Director of Pensions suggested that an invitation to a future meeting of the Management Panel and Local Board be extended to the Pensions Regulator.

RESOLVED

- That the work being undertaken or planned to ensure GMPF complies with TPR's Code of Practice number 14 be noted;**
- That the current breaches log and the decisions made by the Scheme Manager regarding reporting those breaches, be noted;**
- That the progress on the case relating to breaches by a specific GMPF employer, be noted;**
- That the work being undertaken with the other Metropolitan Funds to progress the 'peer review' programme be noted; and**
- That the Pensions Regulator be invited to attend a future meeting of the Management Panel and Local Board.**

43. 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 31 December 2018.

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

- Contribution Income;
- National Probation Service (NPS) – Review of Assumed Pensionable Pay (APP);
- Visit to Contributing Body – Southway Housing Trust (Manchester) Ltd;
- Visit to Contributing Body – Salford University; and

- Visit to Contributing Body – Manchester Metropolitan University.

Draft reports were also issued as follows:

- Control Report – Pension Overpayment Fraud;
- Visit to Contributing Body – Oldham College; and
- Transfer to Assets from Capital Group.

A summary of the Post Audit Reviews completed to 31 December 2018 was presented, which detailed that the majority of the recommendations made had been implemented.

Other work carried out in the period and work in progress as at 31 December 2018, was detailed and discussed at length including fraud generally.

RESOLVED

That the content of the report be noted.

44. URGENT ITEMS

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

CHAIR

**GREATER MANCHESTER PENSION FUND
POLICY AND DEVELOPMENT WORKING GROUP**

8 March 2019

Commenced: 10.30am

Terminated: 11.45am

IN ATTENDANCE:

**Councillor Warrington
Councillor Cooney
Councillor J Fitzpatrick
Councillor Taylor
Councillor Quinn
Councillor Pantall
Mr Thompson
Sandra Stewart
Tom Harrington
Paddy Dowdall**

Euan Miller

**Dan Hobson
Neil Cooper
Andrew Hall
Kevin Etchells
Abdul Bashir**

UNITE

**Director of Pensions
Assistant Director of Pensions (Investments)
Assistant Director of Pensions (Local Investments & Property)
Assistant Director of Pensions (Funding & Business Development)
Senior Investments Manager
Senior Investments Manager
Investments Manager
Investments Manager
Investments Manager**

APOLOGIES FOR ABSENCE:

Councillor M Smith

19. DECLARATIONS OF INTEREST

There were no declarations of interest.

20. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 20 December 2018, having been circulated, were agreed as a correct record.

21. INVESTMENT INITIATIVES – GLIL

The Assistant Director of Pensions, Local Investments and Property, submitted a report providing an update on progress with specific investment initiatives undertaken by the Fund, including GLIL. The report provided an update on:

- Investment activity;
- Performance;
- Pipeline; and
- Asset management activity.

Members were further asked to note certain specific actions which had been taken under delegated authority following consultation with the Chair.

RECOMMENDED

That the content of the report be noted, including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair of the Fund.

22. IMPACT AND INVEST FOR GROWTH PORTFOLIOS

The Assistant Director of Pensions, Local Investments and Property, submitted a report providing an update on progress with specific investment initiatives undertaken by the Fund, including the impact and invest for Growth Portfolios.

RECOMMENDED

That the content of the report be noted.

23. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

The Assistant Director of Pensions, Investments, submitted a report detailing the Fund's approach to manager monitoring and summarised the results from the Monitoring Escalation Protocol as at 31 December 2018.

The overall status levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were summarised within the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions which could be used to form a view on the manager's prospects of outperforming going forward. These would include the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made, and the underlying investment philosophy itself.

A detailed discussion ensued in respect of individual managers' performance and it was:

RECOMMENDED

That the content of the report be noted.

24. POOLING UPDATE

The Director and Assistant Director of Pensions, Funding and Business Development, provided an update on recent activity of the Northern LGPS (formerly Northern Pool) and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, on 3 January 2019, MHCLG Local Government Finance Reform and Pensions emailed stakeholders to advise that the Ministry had been preparing new statutory guidance on LGPS asset pooling. This was intended to set out the requirements on administering authorities, replacing previous guidance, and built on previous Ministerial communications and guidance on investment strategies.

MHCLG were inviting views on draft statutory guidance on asset pooling. This would be an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS. The consultation would remain open for 12 weeks and would close on 28 March 2019. Officers were considering what the impact of the proposals were to the Northern LGPS and GMPF.

A copy of the consultation document and the guidance it replaced were appended to the report.

The Assistant Director then outlined the timeline of events since the first mention of the Pooling agenda in the Summer budget in June 2015 and gave information in respect of the current situation and regulatory requirements and detailed progress versus the original criteria.

Detailed discussion ensued in respect of the draft guidance and in particular, how it impacted on the Northern LGPS and the implications for the Fund. Members further discussed the nature and content of the response to the consultation and considered the need for separate responses from the Fund and the Northern LGPS.

In terms of press coverage of the Northern LGPS, the Director of Pensions agreed to circulate details of press releases to date, for Members information.

RECOMMENDED

- (i) That the content of the report, including the recent progress of the Northern LGPS and the implications of the new pooling guidance recently released for consultation, be noted;**
- (ii) That separate responses to the consultation be submitted from Greater Manchester Pension Fund and Northern LGPS; and**
- (iii) That details of press releases to date in respect of Northern LGPS, be circulated to Members.**

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

21 December 2018

Commenced: 9.00 am

Terminated: 10.30 am

Present: Councillors Cooney (Chair), Andrews, Halliwell, Mitchell, O'Neill, Pantall, Mr Drury and Mr Llewellyn

In Attendance:

Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Pensions (Investments)
Michael Ashworth	Investments Manager
Abdul Bashir	Investments Manager

Apologies for Absence: Councillors J Lane, Ricci, Taylor, Ward and Mr Flatley

21. DECLARATIONS OF INTEREST

There were no declarations of interest.

22. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group meeting held on 28 September 2018 were approved as a correct record.

23. UPDATE FROM PIRC

Representatives of PIRC Ltd, Alan MacDougall, Managing Director and Janice Hayward, Client Services Director, presented a draft Responsible Investment Policy for the Northern LGPS pool.

The Working Group were informed that pools are subject to increased scrutiny of how they will approach responsible investment.

The Northern LGPS pool RI policy differs from others as it is focused locally, it is tailored to the pool and makes clear that meaningful ESG activity must take account of important holdings and of unique investments such as in infrastructure.

The Policy sets out core governance expectations and stresses good employment practices. It also highlights the ESG risks related to public service provision, and emphasises pre-disclosure of all voting decisions which would make the Northern LGPS pool the most transparent UK investor. It also advocates ensuring 100% of assets are compatible with net zero-emissions ambition by c.2050.

PIRC is currently collating feedback from the Northern LGPS pool members, with a view to finalising the policy in early 2019.

RECOMMENDED

That the report be noted.

24. LEGAL & GENERAL CORPORATE GOVERNANCE REVIEW

The Working Group welcomed James Sparshott and David Patt of Legal & General, who attended the meeting to present their report on Corporate Governance and Responsible Investment, over the last 12 months.

It was reported that growth of responsible investment is due to:

- Innovation in ESG data and analytics
- Regulatory pressures
- Matching values to sponsor/members
- Increasing client demand
- Improved ESG client reporting
- Shift from ethics to financial materiality

It was explained that a data driven approach is taken on ESG Scores and Legal & General receive feedback from companies who are keen to improve their score.

Engagement with companies can last a number of years, and during this time there will be collaborative engagement between CEO's, Chairmen and other Investors. David Patt explained that when voting Legal & General do not usually abstain, and do vote against a resolution if it is not in line with their policies.

David Patt outlined Legal & General's Climate Impact Pledge and their Engagement framework. He explained that companies are assessed on their climate and energy impact, transparency, board /governance structure, strategy of resilience and innovation, reputation and public policy. Poor performance in these areas could result in Legal & General voting against a resolution, or a public announcement to draw attention to the issue.

It was reported to the group that the voting policy is reviewed annually by Legal & General to ensure it is rigorous, and that engagement with the companies is equally as important as voting. A chart was presented and highlighted that compared with other large asset managers, Legal & General are:

- Highest level of support for resolutions on climate change disclosure.
- Top supporter of resolutions calling on companies to report on their political spending.
- Highest level of opposition to company management on the issue of executive pay.

The Group discussed the engagement priorities and in particular, the impact of the green paper on adult social care, demographic changes and gender pay gap.

RECOMMENDED

That the report be noted

25. CDP (FORMERLY THE CARBON DISCLOSURE PROJECT)

Tom Harrington, Assistant Director of Pensions (Investments), submitted a report outlining an invitation to become a signatory to the four Carbon Disclosure Project (CDP) information requests – the CDP, the CDP Water Disclosure, the CDP Carbon Action and the CDP Forest Footprint Disclosure.

As a signatory to the CDP information requests, GMPF will receive access to all company responses as required. The CDP analyse the responses and produce reports and associated research pieces, which are made available to signatories on their website. CDP have the largest

database in the world of primary information on company policies and practices relating to climate change. Last year the Fund accepted an invitation to become a signatory.

RECOMMENDED

That the working group accept the invitation to become a signatory to the four CDP information requests outlined in the report, subject to an annual administration fee of £1,115 plus VAT.

26. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

The Assistant Director of Pensions (Investments) submitted a report advising Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the quarter.

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter ended September 2018. Stocklending income during the quarter was £98,546 compared to £92,926 in the same quarter of 2017, and Commission 'recaptured' was £2,018 compared to £16,969 in the same quarter of 2017.

The report outlined that income from these activities was very sensitive to market conditions, therefore the amounts generated were expected to vary from one quarter to another and from one year to another.

RECOMMENDED:

That the report be noted.

27. UPDATE ON ACTIVE PARTICIPATION IN CLASS ACTIONS

The Assistant Director of Pensions (Investments) submitted a report, which provided Members with an update on litigation in which GMPF sought to actively recover losses in the value of its shareholdings in various companies as a result of actions taken by those companies.

A quarterly update explaining active Class Actions and Antitrust Litigations, which remain outstanding, was presented to Members, and recent developments relating to each action was provided.

RECOMMENDED:

That the report be noted.

28. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

21 December 2018

Commenced: 11.00 am

Terminated: 12.10 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, Halliwell, Mitchell, O'Neill, Mr Drury, Mr Llewellyn and McDonagh

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Emma Mayall	Pensions Policy Manager
Victoria Plackett	Pensions Operations Manager
Adrian Aguilera	Project & Policy Support Officer

Apologies for Absence: Councillors J Lane, Ricci and Mr Flatley

12. DECLARATIONS OF INTEREST

There were no declarations of interest.

13. MINUTES

The Minutes of the Administration, Employer Funding and Viability Working Group held on 28 September 2018 were approved as a correct record.

14. ADMINISTRATION BUSINESS & PROJECT PLANS

The Pensions Operations Manager submitted a report, which gave a summary on the 2018/19 business planning objectives set by the administration section, other strategic or service improvement administration projects and comments on regular and other items of work currently being undertaken. Significant progress has been made in relation to the structure review and staff engagement. A report was taken to the Employee Consultation Group meeting in October. These have been accepted with feedback received from a two week consultation being largely positive. Further work has been undertaken to enhance and improve the functionality of the My Pension module for member communications. Additional information on My Pension has been provided in the Communication Activities report.

The Administration section is currently working on a number of projects. Included within the report is a table which shows a details and key points to note of projects currently being worked on. These included GMP Reconciliation, Trivial Commutations, monthly postings and I-connect, Year-end processing, data and The Pensions Regulator (TPR), Valuation 2019, Pension Administration Strategy and PASA accreditation.

RECOMMENDED

That the report be noted.

15. COMMUNICATION ACTIVITIES

The Pensions Operations Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter.

Website statistics, data on emails and telephone calls to the Helpline and Twitter statistics over the period were appended to the report. In addition, further information continued to be gathered regarding the nature of the calls to the Helpline, which provided a greater understanding of the questions that members had regarding their pension, which could help to improve the Fund's communications to its members and employers. The main communication related tasks for the next quarter were outlined and related to the continuing the roll out of the My Pension online self-service module and on researching options for redesigning the GMPF website.

It was reported to the working group that an update was provided on the new member self-service module 'My Pension', which was launched in July 2018. Uptake statistics by employer were provided alongside feedback from members who had completed the registration process, both of which were positive. 'My Pension' was made available to all members in July 2018. The majority of work carried out this quarter has been on resolving issues or making improvements identified from the feedback received so far. Work has also been done on installing the calculator function for deferred members.

An update was also provided on the Customer Service and Feedback project. A feedback zone had been designed for the GMPF website that could capture complaints, compliments or general feedback in a consistent way and allow officers to implement any necessary procedural changes to improve the service. It was reported that the Fund had received 11 compliments and 13 informal complaints during the quarter. A number of formal complaints were currently under the Internal Dispute Resolution Procedure, the details of which were appended to the report.

RECOMMENDED:

That the report be noted.

16. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project, including statistics on the reconciliation matches and mismatches as at early-December 2018.

Work has continued on recalculating benefits. To date almost 3,000 pensions have been recalculated. A breakdown of these recalculations can be found appended to the report.

An updated project milestone plan and statistical analysis of the number of matches, mismatches and queries were appended to the report and explained to the Group. Project update meetings continued to take place fortnightly in order to monitor progress. It was reported that work on the project was progressing well and in line with the timeframes. An exercise will be carried out to update member records accordingly and to establish the final position. All further updates on this project will be provided as part of future general update reports.

RECOMMENDED:

That the report be noted.

17. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 7 MONTHS TO OCTOBER 2018

The Assistant Director of Pensions (Local Investments & Property) submitted a report comparing the administration expenses budget against the actual results for the 7 months to 31 October 2018.

It was reported that there was an under-spend of £1,589,000 against the budget of £16.282 million. The main reasons for the variation related to staff vacancies across service streams, lower than expected investment management fees, lower than expected bank charges and nominee fees and commission recapture owing to work which had been understated to reduce costs in these areas.

RECOMMENDED:

That the report be noted.

18. GMPF AGED DEBT AS AT 31 OCTOBER 2018

The Assistant Director of Pensions (Local Investments & Property) submitted a report summarising the aged debt for the Fund as at 31 October 2018. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which had not yet been repaid.

The Director of Pensions advised that a review was being undertaken to improve performance and early indications, that this was having an effect that could be seen in the reduced local authority debt. A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. A 'red' status was currently in place for Employer Related aged debt as the outstanding amount was above the agreed threshold of £100,000. The largest component of Employer Related aged debt was unpaid contributions, much of which was in respect of strain costs associated with early retirement or member transfer. It also included fees for the production of actuarial work and administration fees charged to newly admitted bodies to the Fund.

The report detailed all aged debt (31 days and over) as at 31 October 2018 alongside comparison to the previous quarter; total aged debt was £1.933 million at 31 December 2018 compared to £3.366million at 31 August 2018.

The key trends were highlighted; property aged debt had decreased from £0.491 million at August 2018 to £0.671 million at October 2018 and Employer and Overpaid Pension Aged Debt had decreased from £2.874 million to £1.263 million.

For the 12 months to 31 October 2018 2.77% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.9%. Tables that showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and discussed with the Group.

RECOMMENDED:

That the report be noted.

19. GMPF EXPENDITURE BUDGET 2019/20

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which asks the working group to approve the expenditure budget for 2019/20 alongside a medium term financial plan.

It was reported that the estimate of expenditure for 2019/20 is £35.075 million, which represents a 13.8% increase on the budget approved for 2018/19. The key changes are appended to the report and reflect the implementation of policies approved by the Management Panel including changes to investment management arrangements which make up the vast majority of the changes.

RECOMMENDED:

That the report be noted.

20. UPDATE ON GMPF'S PENSIONS TAX SUPPORT

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which updates the group on the pensions tax support provided to GMPF members likely to be affected by either the Lifetime allowance or the Annual Allowance.

The Local Pensions Board at its 9 August 2018 meeting asked the Fund to consider ways in which it could provide further support to its members on tax matters. To satisfy the request made for increased support, officers of the fund devised a 3 stage process. Stage 1 involved a group seminar led by an independent expert. Stage 2 included Individual guidance sessions to help member learn how to calculate their tax liabilities and how to make payment of their taxes. In Stage 3 members received formal individual financial advice from a FCA regulated LGPS specialist advisor looking into the detailed specifics of a members individual case.

It was reported to the working group that 210 GMPF members attended one of the main seminar events, with 87 members attending the individual guidance sessions. Feedback forms were handed to attendees of the main seminar events, the feedback was very positive and members welcomed the support. The Director of Pensions said she would come back with a report setting out proposals as to how such advice would become part of normal work programme going forward as significant number of members became affected by the tax requirements.

RECOMMENDED

That the report be noted.

21. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Assistant Director of Pensions (Local Investments & Property) submitted a report which provides information about scheme members' AVC Investments as at 31 March 2018.

Additional Voluntary Contributions ('AVCs') allow Scheme members to pay more to build up extra savings for their retirement. When members make AVCs they pay money into a separate AVC plan and build up a pot of money, which is then used to provide additional benefits on retirement. The Prudential Assurance Company Limited is the chosen AVC provider for GMPF.

As at 31 March 2018, the GMPF Prudential AVC scheme had 6,121 contributing members, with total funds invested in excess of £70 million. There are also a small number of AVC accounts administered by providers other than Prudential. These were inherited by GMPF from other LGPS funds as a result of the Probation Service and First Group transfers.

It was reported to the working group that as of 31 March 2018 73% of members' assets in the GMPF AVC Scheme were invested in the prudential With-Profits Fund. Over a period of 10 years the AVC With-Profits Fund had received average returns of 7.35%.

At the 31 March 2018, just over 5% of members assets in the GMPF AVC Scheme were invested in the Deposit Fund. The returns on the AVC Deposit averaged 0.4% per annum over 5 years.

It was reported to the group the performance of a variety of unit linked funds on offer to AVC members. Two tables included within the report showed the best performing funds relative to benchmark and the worst performing funds.

A detailed review of the GMPF's AVC arrangements is currently in progress. The initial stage was presented to members at the January 2018 meeting of the group. It was reported to the group that during the last few months GMPF has been in discussion with prudential regarding whether there is scope for a further reduction in annual management charges on the unit linked funds, given quantity of assets held in the GMPF AVC Scheme.

Following a comprehensive review of the GMPF AVC Scheme Prudential are unable to offer a further price reduction at this time. Prudential have however committed to keep the situation under review pending a review by GMPF of the current fund range offered to members in the coming months. Prudential have also indicated they are willing to consider in future having differential pricing for our larger LGPS. Historically all 73 of Prudential's Local Government clients have been subject to the same charging structure.

It was reported that the second stage of the AVC review will be to assess the range of funds available to members, the lifestyle options and the choice of default fund. Currently the default fund is the With- Profits fund. However, before moving onto the second stage a decision needs to be made regarding whether GMPF retains Prudential as their ongoing AVC provider for the time being.

RECOMMENDED

That the report be noted.

22. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

20 December 2018

Commenced: 09:00hrs

Terminated: 10:30hrs

Present: Councillors Cooney (Chair), M Smith, Patrick and Mr Thompson

In Attendance:

Sandra Stewart	Director of Governance & Pensions
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Kevin Etchells	Investments Manager
Andrew Hall	Investments Manager
Daniel Hobson	Senior Investments Manager

Apologies for Absence: Councillors Quinn, Ward and Grimshaw.

23. MINUTES

The Minutes of the Property Working Group held on 27 September 2018 were approved as a correct record.

24. DECLARATIONS OF INTEREST

There were no declarations of interest.

25. MANAGEMENT SUMMARY

The Assistant Director of Pensions (Local Investments and Property) submitted a report, which provided an overview of property investment and a commentary on issues and matters of interest arising over the last quarter in relation to the Fund's property investments.

It was reported that the performance of LaSalle continued to be an area of concern. The project to review strategy for deployment of capital and performance monitoring continue and the latest draft action points were reported separately on the agenda.

The allocations to property investments and their current weightings as at 30 September 2018 were outlined to the Group. Direct Portfolio (direct and specialist indirect) Investments current weighting was 4.59%, Indirect investments was 1.52%, GMPCF investments showed a weighting of 1.03%, Overseas investments was 1.05% and Other Investments had a weighting of 0.31%. The total of these investments had a weighting of 8.51% which as a proportion of the main fund was 10%.

As a result of the outcomes the project plan for deployment and performance monitoring had been revised and was appended to the report for the Group's consideration. Further meetings had been arranged and progress would be reported back to the Group at future meetings. Members enquired how any underperformance would be addressed. It was confirmed that due to the long term nature the strategy was to continue with the existing business plan and the Director would be meeting with them to raise the Panel's concerns.

RECOMMENDED:

That the report be noted.

26. PROPERTY INVESTMENT DEPLOYMENT AND PERFORMANCE MONITORING

The Assistant Director of Pensions (Local Investments and Property), introduced the report to update members on progress for property investment focusing on deployment of capital and performance monitoring. The progress of this review had been reported to previous meetings of this working group.

A meeting was held with Fund advisors, the senior management group, and property team on the 18 October 2018. The purpose of the meeting was to update on La Salle and to review the other portfolios with a focus on:

Portfolio strategy

- Current allocation and portfolio summary
- Performance returns and benchmarking
- Key risk exposures including debt
- Internal and external management resources
- Management costs

RECOMMENDED

That the report be noted.

27. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA Quarterly report for Quarter 4 2018. A report had been submitted, which summarised the financial allocation to the committed projects and the indicative allocation required for projects currently undergoing due diligence. The report also contained an update on progress achieved during the quarter and actions to be undertaken for the forthcoming quarter across all Greater Manchester Property Venture Fund development sites.

An update on fire safety was provided. The fire safety review of the GMPVF portfolio was ongoing and the existing portfolio was being monitored and any requirements would be reported as appropriate.

The presentation focussed on the performance of the Greater Manchester Property Venture Fund, 2018 priorities and the progress to date on new and existing opportunities. The investments were outlined to the Working Group and split into 'committed sites' 'advanced due diligence' and 'active review'. New projects would be identified over the coming year in order to try and maintain the current capital deployment.

Charts detailing the portfolio overview by sector showed diversification over the four sectors (office, suburban residential, city centre residential and other) with an increase in committed and pipeline sites. A year by year portfolio investment projection was shown, which detailed a steady increase to 2020 in capital deployed.

Priorities for the forthcoming year were outlined and included a continued focus on residential investment in particular suburban opportunities, monitoring the city centre residential market, asset management of Greater Manchester Property Venture Fund investments to maximise income and development opportunities, monitoring debt and equity projects with partners, continuing to seek new opportunities in all market sectors and supporting the Greater Manchester economy. There had been one rejected opportunity during the quarter and the reasons for that rejection were outlined.

New and progressing opportunities were presented and discussed with the Working Group, including First Street Manchester, Island Site, Circle Square, Whitehouse 100 Runcorn and Fresenius Runcorn.

The report detailed financial performance information for each site to show the current market valuation when compared to the cost value to the Fund, together with the Internal Rate of Return from the date of acquisition, taking into account all income and expenditure to date. It was expected that sites would not show a positive return until development had been completed. A fee expenditure incurred on development activity during the quarter was also shown for each site.

The Working Group was also provided with a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last three quarters to September 2018 and the current prediction on final viability.

RECOMMENDED:

That the report be noted.

28. LASALLE QUARTERLY REPORT

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management who attended the meeting to present the GMPF main property portfolio quarterly report for Quarter 3 2018. An update was provided on the value of the direct and indirect property assets, portfolio composition, transactional activity, key estate management issues, including rent reviews, lease renewals, voids, debtors and capital expenditure, as well as a general market overview.

With regards to portfolio performance, it was reported that the value of the portfolio had increased since the previous quarter and contained 51 assets with a value of £1.057 million, which increased to £1,126 million when commitments were included. The vacancy rate was 11.5%, which was above the benchmark of 7.2%, due to two recent acquisitions, and the average lease length was 7.8 years, which was below the benchmark of 11.7 years. The net initial yield was 3.8%, slightly below the benchmark of 4.5% and the equivalent yield was 5.2%, slightly below the benchmark of 5.5%.

A capital market dashboard for UK property was provided. The overall risk assessment for the UK remained stable with a low probability of an imminent downturn and potential economic and political risks remained. Market conditions were cautiously optimistic and eight of the nine Red, Amber, Green indicators were green (positive) with caution surrounding Retail capital growth and yield impact.

An update on portfolio progress was provided. In relation to asset management the following initiatives were highlighted:-

- Intu Chapelfield shopping centre, Norwich
- Bene't Street, Cambridge
- Briggate, Leeds
- Gracechurch Street, London

Four retail sales had progressed during the quarter - two had been completed with two sales under offer.

A review of activity against strategic objectives over the year was outlined that included acquisitions of dominant, high quality assets, selected sales of existing assets, let vacancies, lease renewals and rent reviews, improvement of sustainability metrics and capital expenditure to add value.

A new annual strategy report with a revised set of objectives had been created that focused on sales, letting of key vacancies, creation of income certainty, improvement of sustainability metrics, acquisitions and performance forecasts.

RECOMMENDED:
That the report be noted.

29. URGENT ITEMS

There were no urgent items.

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of the Local Government Act 1972.

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Report To:	PENSION FUND MANAGEMENT PANEL	
Date:	12 April 2019	
Reporting Officers:	Sandra Stewart, Director of Pensions Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property)	
Subject:	2018/2019 EXTERNAL AUDIT PLAN	
Report Summary:	A report of Mazars LLP is attached at Appendix 13A , which sets out the external auditor’s approach to the 2018/2019 audit.	
Recommendations:	That the Management Panel note the contents of the report.	
Financial Implications: (Authorised by the Section 151 Officer)	The estimated audit fee for 2018/2019 is £43,383.	
Legal Implications: (Authorised by the Solicitor to the Fund)	It is a requirement that the Fund’s accounts are externally audited.	
Risk Management:	In undertaking the audit, the auditor will identify the business risks and assess the Fund’s own risk management and internal control environment. The auditor will also consider the financial performance and provide reassurance that the accounts provide a “true and fair view”.	
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:	Appendix 13A	Audit Strategy Memorandum Year ending 31 March 2019

Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

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Report To: **PENSION FUND MANAGEMENT PANEL/ADVISORY PANEL**

Date: 12 April 2019

Reporting Officer: Sandra Stewart - Director of Pensions
Emma Mayall - Pensions Policy Manager

Subject : **PENSIONS ADMINISTRATION UPDATE**

Report Summary: This report provides an update on the following key items:

- Business planning objectives
- Other key projects and work areas
- Technology and system developments
- The Pensions Regulator and compliance
- Administration section performance
- Anticipated future challenges

Recommendation(s): It is recommended that the Panel note the report.

Financial Implications:
(Authorised by the Section 151 Officer) One of the key objectives of the administration section is to provide value for money, delivering a service that is both meeting its member's needs and its legal obligations whilst doing so in an efficient and cost-effective way.


Legal Implications:
(Authorised by the Solicitor to the Fund) Whilst striving to deliver a value for money service, GMPF must ensure compliance with the LGPS regulations and other relevant statutory guidance. It must also have regard to The Pension Regulator's Code of Practice and guidance.

Risk Management: There are no key risks to highlight.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**

This report does not contain information that warrants its consideration in the absence of the Press or members of the public.

Background Papers: Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden

 Telephone: 0161 301 7242

 e-mail: emma.mayall@gmpf.org.uk

1. BACKGROUND AND INTRODUCTION

- 1.1 This report provides an update on the following items:
- Business planning objectives
 - Other key projects and work areas
 - Technology and system developments
 - The Pensions Regulator and other compliance activities
 - Administration section performance
 - Anticipated future challenges

2. BUSINESS PLANNING OBJECTIVES

- 2.1 Significant progress against the administration business plan objectives for 2018/19 has been made over the last quarter.
- 2.2 A new structure for the Administration section was put in place with effect from 2 January 2019. Most of the work relating to implementing the structure has now been completed. There are a number of transition plans in place to manage the movement of work from one team to another and some other tasks are still to be completed. Feedback so far has been very positive and plans are in place to conduct a review in June 2019 to identify if the intended objectives are being achieved.
- 2.3 The changes made are now allowing focus to be brought to some of the other business plan objectives. This includes concentrating more resource on providing support to employers, reviewing workflow processes and improving member communications.
- 2.4 The implementation of the online system *My Pension* is one of the objectives where significant progress has been made. Approximately 40,000 members have now registered and have the ability to update their personal details, make death grant nominations and access information about their benefits through their *My Pension* account. E-mails and letters are being sent out each day to members to inform them that this service is now available. Drop-in sessions to help members to register have been scheduled and a programme of roadshows and other events is planned to encourage members to sign-up. In addition, all new joiners will now receive information about *My Pension* in the first letter they receive and all the information they need about joining GMPF and the LGPS will be added to their online account.
- 2.5 Significant progress has also been made on the project to transition from receiving year-end pay and contribution returns from employers to monthly data collection. Over 40 employers are now submitting monthly returns and a programme for on-boarding all other employers before March 2020 is in place. Workshops have been held, or are scheduled, with all ten local authorities, all of which are planning to on-board from July 2019 onwards.
- 2.6 The transition to monthly data collection, the roll out of *My Pension* and the review of workflow processes will therefore remain key business plan objectives for 2019/20. In addition, work will begin on implementing a new module of the Altair pension database known as 'Enhanced Admin to Payroll'. This module will streamline and enhance current processes used to add new pensioners to the payroll. A project will also be undertaken to revise the Fund's websites. A review of the telephone software used by the Customer Services section will also be carried out.

3. OTHER KEY PROJECTS AND WORK AREAS

- 3.1 Work to revise and update the service's business continuity and disaster recovery plans is underway. New Business Impact Assessment templates are in the process of being

completed and a new overarching plan is being put together. The plans and all associated documentation will be reviewed by colleagues in Risk and Internal Audit and a test will be carried out in the summer.

- 3.2 Production of the annual report and accounts for 2018/19 is now underway. New CIPFA guidance relating to the content of reports is expected shortly. Draft guidance issued in the autumn will be used to assess the changes needed to the format and content of this year's report.
- 3.3 Annual benefit statements for deferred members for the year ending 31 March 2019 are in the process of being finalised and will be uploaded to *My Pension* accounts at the end of May 2019.
- 3.4 The process to gain PASA accreditation began last quarter with the first assessment by independent assessors RSM Limited having been carried out on 14 and 15 March 2019. RSM are due to issue a report confirming their findings shortly and provide confirmation of the date of their next visit.

4. TECHNOLOGY AND SYSTEM DEVELOPMENTS

- 4.1 Alongside the implementation of i-connect, the software system used to facilitate monthly data collection, a scheduled Altair software update (release 9.1) was successfully implemented in February 2019.
- 4.2 The financial ledger system, Agresso, was also updated during the last quarter.

5. THE PENSIONS REGULATOR AND OTHER COMPLIANCE ACTIVITIES

- 5.1 Each autumn all LGPS funds are required to complete and submit an annual scheme return to the Pensions Regulator (TPR). This year, funds were required to include on the return their common and conditional data scores. GMPF's scores were 94% and 87% respectively. The main element of missing data is that of member addresses and therefore an address and member tracing project is to be undertaken over the next 12 months to attempt to improve the number of correct and complete addresses on file.
- 5.2 Monthly meetings to review breaches and potential breaches of the law continue to take place. Steps are being taken to improve compliance, with procedures around the late payment of contributions and strain costs in particular having been strengthened. Work will continue to build on and further improve the escalation procedures around these areas over the coming months.
- 5.3 A review is underway of the procedures used when pension overpayments occur. The aim of the review is to improve how invoices are issued and how overpayments are recovered. Pension overpayments can occur as a result of the death of a member, due to the member becoming reemployed or due to revised information being received from an employer.
- 5.4 Work is still being undertaken to ensure continued compliance with data protection regulations. A number of steps have been taken to improve the recording of data breach incidents and to ensure learning is captured. A joint project with colleagues from other Tameside MBC departments will be undertaken to see if training for colleagues or compliance checking processes can be further improved.
- 5.5 A new Complaints and Disputes board was established last quarter to consider all Internal Dispute Resolution Procedure (IDRP) cases and all notable complaints. It is hoped that this board will enable complaints to be dealt with in a more consistent way, will lead to an

improvement in learning points being captured and to members receiving a satisfactory resolution at the earliest possible point in the process.

6. ADMINISTRATION SECTION PERFORMANCE

- 6.1 Performance levels have generally remained consistent across all measures over the last quarter. However, changes introduced through amendment regulations and changes to actuarial factors have resulted in some delays for members. Regulation changes allowing deferred members to access their benefits from age 55 has led to an increase in requests for benefits to be brought into payment being received. Response times were extended but are now returning to normal levels. Changes to actuarial factors also resulted in some types of pension transfer needing to be stockpiled until new factors were received. Plans are in place to clear the resulting backlogs within a reasonable timeframe.
- 6.2 31 LGPS Funds took part in the CIPFA benchmarking exercise comparing data and costs for the 2017/18 year. GMPF's net cost per member was £18.46 compared with an average across all 31 funds that took part of £21.16.

7. ANTICIPATED FUTURE CHANGES AND CHALLENGES

- 7.1 On 20 December 2018, the Government lost a Court of Appeal ruling that found that the transitional protections introduced as part of the reforms to the Firefighters' and Judges Pension schemes were age discriminatory. In both schemes, members who on 1 April 2012 were within 10 years of their Normal Pension Age were protected so they would see no change to the level of benefits or when they could expect to receive them. This ruling has implications for all public service schemes that contained similar transitional protections, including the LGPS. Therefore the Government has announced a pause in the cost cap process for public service pension schemes whilst it appeals the judgement. On 8 February 2019 the Scheme Advisory Board (SAB) confirmed that it had no option but to suspend its own cost management process pending the outcome of the McCloud appeal process. When the process recommences, it is likely that the SAB will progress previous proposals to make a number of changes to the benefits package for members.
- 7.2 The LGPS (Miscellaneous Amendment) 2018 Regulations came into force on 10 January 2019 but with certain provisions having effect from earlier dates. Key changes introduced included:
- A general power for the Secretary of State to issue statutory guidance
 - Technical amendments to allow early access to benefits for deferred members who left before 1 April 1998
 - A provision for survivors of registered civil partners or same sex marriages to receive benefits that replicate those provided to widows.
- 7.3 On 10 January 2019, the Government launched a consultation on proposed amendments to the LGPS that are intended to implement the New Fair Deal Policy protecting the pension position of local government workers who are compulsorily transferred as part of an outsourcing arrangement. Mechanisms for the transfer of assets and liabilities when LGPS employers merge are also included.
- 7.4 The Government has also indicated that further consultations are to be issued shortly.
- 7.5 The number and scale of changes made to the LGPS, or affecting it, is likely to result in number of challenges for LGPS funds over the next twelve months.

8. PENSION ADMINISTRATION BENCHMARKING

- 8.1 For some considerable time the Fund has been involved with the CIPFA benchmarking. However, we have been challenging its value to us given we are the largest LGPS Fund and really our only comparator is Strathclyde. Whereas we need to be comparing ourselves and learning from the world's top funds. Accordingly, we have been working with CEM Benchmarking to see how we could pursue this. CEM are looking to create a LGPS benchmarking group with the top 10 LGPS funds. We have stated we will engage with accessing the CEM Administration worldwide comparators even if no other LGPS fund decides to take part.

9. RECOMMENDATION

- 9.1 It is recommended that the Panel note the report.

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