

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 19 July 2019
Time: 10.00 am
Place: Guardsman Tony Downes House, Manchester Road,
Droylsden, M43 6SF

Item No.	AGENDA	Page No
GENERAL BUSINESS		
1.	CHAIR'S OPENING REMARKS	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel.	
3.	APOLOGIES FOR ABSENCE	
4.	URGENT ITEMS To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	
5.	MINUTES	
a)	MINUTES OF THE PENSION FUND ADVISORY PANEL To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 12 April 2019.	1 - 12
b)	MINUTES OF THE PENSION FUND MANAGEMENT PANEL To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 12 April 2019.	13 - 20
6.	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	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

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
9, 10, 11, 12, 13a, 13b, 13c, 15, 16, 17, 21, 22, 23, 24, 25, 26, 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	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.

- 7. PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES**
- a) LOCAL PENSIONS BOARD** 21 - 26
To note the Minutes of the meeting held on 13 June 2019.
- b) POLICY AND DEVELOPMENT WORKING GROUP** 27 - 34
To consider the Minutes of the meeting held on 13 June 2019.
- c) INVESTMENT MONITORING AND ESG WORKING GROUP** 35 - 38
To consider the Minutes of the meeting held on 22 March 2019.
- d) ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP** 39 - 46
To consider the Minutes of the meeting held on 22 March 2019.
- e) PROPERTY WORKING GROUP** 47 - 50
To consider the Minutes of the meeting held on 8 March 2019.
- 8. WORKING GROUP TERMS OF REFERENCE** 51 - 62
Report of the Director of Pensions, attached.

ITEMS FOR DISCUSSION / DECISION

- 9. TRAINING ITEM - PRESENTATION ON CLIMATE CHANGE - INVESTING IN A JUST TRANSITION** 63 - 66
To receive a presentation from Nick Robins, Professor in Practice – Sustainable Finance, London School of Economics and Political Science.
- 10. 2019 ACTUARIAL VALUATION** 67 - 70
Report of the Assistant Director of Pensions, Funding and Business Development, attached.
- 11. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2019/20** 71 - 108
Report of the Assistant Director of Pensions, Investments, attached.

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 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

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| 12. | PERFORMANCE DASHBOARD
Report of the Assistant Director of Pensions, Investments, attached. | 109 - 112 |
| 13. | ANNUAL PERFORMANCE REPORTS | |
| a) | LONG TERM PERFORMANCE 2018/19 - MAIN FUND AND ACTIVE MANAGERS
Report of the Assistant Director of Pensions, Investments, attached. | 113 - 116 |
| b) | CASH MANAGEMENT
Report of the Assistant Director of Pensions, Investments, attached. | 117 - 122 |
| c) | PROPERTY INVESTMENT PERFORMANCE MONITORING
Report of the Assistant Director of Pensions, Local Investments and Property, attached. | 123 - 134 |
| 14. | GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT
Report of the Assistant Director of Pensions, Local Investments and Property, attached. | 135 - 138 |
| 15. | SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS
Report of the Assistant Director of Pensions, Funding and Business Development, attached. | 139 - 148 |
| 16. | ADVISOR COMMENTS AND QUESTIONS | |

ITEMS FOR INFORMATION

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| 17. | NORTHERN LGPS UPDATE
Report of the Assistant Director of Pensions, Funding and Business Development, attached. | 149 - 154 |
| 18. | PENSIONS ADMINISTRATION UPDATE
Report of the Pensions Policy Manager attached. | 155 - 158 |
| 19. | DATES OF FUTURE MEETINGS | |

Management/Advisory Panel	18 October 2019 17 January 2020 17 April 2020
Local Pensions Board	8 August 2019 11 October 2019 12 December 2019 26 March 2020
Policy and Development Working Group	19 September 2019 19 December 2019 6 March 2020
Investment Monitoring and ESG Working	27 September 2019

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Group	20 December 2019 20 March 2020
Administration and Employer Funding Viability Working Group	27 September 2019 20 December 2019 20 March 2020

20. FUTURE TRAINING DATES

Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.

LGC Investment & Pensions Summit, Celtic Manor	5-6 September 2019
UBS Trustee Training, Manchester	18 September 2019
CIPFA Introduction to the LGPS – hosted by Northern Trust, London	25 September 2019
PLSA Annual Conference, Manchester	16-18 October 2019
LGE Fundamentals Training, Day 1, Leeds	17 October 2019
LGE Fundamentals Training, Day 2, Leeds	14 November 2019
Annual LAPFF Conference, Bournemouth	4-6 December 2019
LGE Fundamentals Training, Day 3, Leeds	5 December 2019
LGE Annual Conference, York	23-24 January 2020

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GREATER MANCHESTER PENSION FUND ADVISORY PANEL

12 April 2019

Commenced: 10.00am **Terminated:** 12.25pm

Present: Councillor Cooney (in the Chair)

Councillors: 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):

Councillors Fairfoull and Cooper, David Schofield

Advisors:

Mr Bowie and Mr Powers

Apologies for absence: Councillors Warrington, Ball (Oldham) and Barnes (Salford); Lynn Brown and Peter Moizer (Advisors to the Fund)

63. APPOINTMENT OF CHAIR

RECOMMENDED

In the absence of the Chair, Councillor Warrington, that Councillor Cooney be appointed in the Chair for this meeting only.

64. CHAIR'S OPENING REMARKS

Councillor Cooney, in the Chair, began by explaining that the Chair, Cllr Brenda Warrington and Lynn Brown were absent as they were presenting in a Municipal Journal shortlisted award that clashed with the meeting. He also noted the apologies from Professor Peter Moizer one of very few in his over 30 year tenure. He unfortunately has been summoned to London to talk about examination review board criteria.

Councillor Cooney further explained that the Fund had been very busy particularly following Councillor Paul Doughty, Chair of the Northern LGPS, stepping down from his role as Chair, and that he (Councillor Cooney) had been nominated and agreed by Members of the Northern LGPS Shadow Joint Committee as the Chair of the Northern LGPS going forward.

Cllr Cooney explained that during the first week of January 2019, the Minister issued a consultation on his draft statutory guidance on Pooling. Representatives of the Northern LGPS had met with the Minister last week in order to discuss Northern LGPS' and the Fund's objections to the consultation and proposed guidance. They further reminded the Minister of the Fund's 'constancy of purpose', which had meant the Fund had outperformed other Local Authority pension funds on a like for like basis by £3.5 billion. Since pooling commenced in 2016, £1.5 billion 'added value' had been achieved. A Pooling update was an item later on the agenda.

As well as meeting the Minister, representatives of the Fund attended the LAPFF All party Parliamentary Group, chaired by Clive Betts MP, which was also considering the Draft Statutory Guidance on Asset Pooling in the Local Government Pension Scheme, where concerns were raised in respect of moving too quickly to a particular model without using the correct process. It was proposed that the APPG could recommend that evaluation of pooling experience so far could go on the agenda of the MHCLG (Ministry) Select Committee for an inquiry in the Autumn.

Clive Betts said that it would be helpful if the importance of the issue was shared more widely amongst MPs and so he suggested Pension Funds should contact MPs to ask them to write to Committee Chair, Clive Betts MP. This would be taken up with local MPs.

The Chair reported that the total Fund valuation as of today was £24.1 billion, which marginally exceeded the predicted end of 3 year Total Fund valuation of £23.8 billion. This was up from £22.5 billion as at 31/12/18 in the dashboard. The Fund had now more than recovered the Q4 2018 'losses' when there was a significant drop before Christmas.

The funding level had increased to about 98% and remained above that identified in the previous valuation and the Fund remained on track compared to actuarial expectation.

It was also reported that the final tranche of First Group assets from West Yorkshire Pension Fund had been received making a total of just over £450 million.

Councillor Cooney commented on the excellent attendance and engagement at the Northern LGPS Stakeholder event held in January 2019 at Aintree Racecourse, where the Responsible Investor Policy was launched. A summary of the event was detailed on the Northern LGPS website.

At the last meeting of the Management Panel, discussion ensued with regard to a press article raising concerns that the Fund along with other Local Government Pension Schemes, were holding shares in BAE Systems, a multinational defence, security, and aerospace company and was the largest defence contractor in Europe and World's third largest defence company. It was also the largest manufacturer in Britain sustaining thousands of jobs.

Due to the complex nature of such issues, Councillor Cooney confirmed that the Fund had asked LAPFF to commission some work and advice into particular concerns and a scoping paper had been prepared on engagement with Defence companies who had sales to Saudi Arabia, which would be discussed by LAPFF the following week.

Councillor Cooney advised that the Chair had been approached by the Midland Bank Clawback Campaign in respect of the Fund's almost £200 million shareholding in HSBC plc seeking support for their resolution for the abolition of 'clawback' of state pension from HSBC's defined benefit pension scheme, which the proponents of the resolution argued that this practice disproportionately penalises the lowest paid scheme members. He further advised that, following contact with PIRC, an alert had been forwarded to all LAPFF members recommending that members vote for the resolution primarily to encourage the Company to procure an independent actuarial review of the case.

The Fund had also joined the initiative targeting Facebook, Google and Twitter that the NZ Super Fund announced earlier in the month. The objective of the engagement was for social media companies to strengthen controls to prevent the live streaming and distribution of objectionable content, such as the shootings that took place in Christchurch on Friday 15 March 2019.

Representatives and Trustees of the fund continued to receive calls to disinvest from Fossil Fuel companies and assertions that the Fund was investing in fracking. Councillor Cooney gave assurances that the Fund was not supporting or investing in fracking, although it does have substantial investment in traditional fossil fuel companies such as Centrica (formerly known as British Gas).

Members were advised that the Fund had committed to becoming carbon neutral by 2050 and was 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 objectives 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.

It was explained that the Fund would continue to use its position on the 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 that this consultative approach was more effective than divesting holdings to others, who may not share the same commitment to responsible investment.

With this in mind, the Fund co-filed a BP Resolution requesting that BP set out its business strategy consistent with the goals of the Paris Agreement on climate change. BP's board planned to support the resolution at their Annual General Meeting this year. This action demonstrated that the Fund was helping to ensure that climate change was firmly on the boardroom agenda, which was especially important for the oil and gas sector.

The Fund had also signed up to 'Just Transition', as delivering a just transition would be key to the UK's success in building a zero-carbon and resilient economy. It was noted, however, that this needed to be done in a sustainable way that supported an inclusive economy, with a particular focus on workers and communities across the country. The Paris Agreement on climate change stated that its Parties take into account 'the imperatives of a just transition of the workforce and creation of decent work and quality jobs in accordance with nationally defined development priorities'. It was hoped that a representative of 'Just Transition' would present to a future meeting of the Management Panel.

65. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

66. MINUTES

The Minutes of the proceedings of the meeting of the Annual General Meeting held on 19 October 2018 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 January 2019 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 January 2019 were signed as a correct record.

67. 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, 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, 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.

68. 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 cost management process, proposed improvements to LGPS benefits and the appeal by Government of findings of age discrimination in the Judges and Firefighters pension schemes which could also have implications for the LGPS. Member benefits looked set to be amended and changed in the near future.

Discussion also ensued in respect the Government's consultation seeking to apply the new Fair Deal policy within the LGPS. Government was seeking to strengthen pension's protections for transferred employees and to standardise a new procedure of entry into the LGPS for admission bodies.

In addition to reports on administration, internal audit activities and meeting the requirements of the Pensions Regulator, the Board received a summary of take-up of the pensions tax support offered to affected members of the Fund.

RESOLVED

That the Minutes of the proceedings of the Local Pensions Board held on 14 February 2019 be noted.

69. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 8 March 2019 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.

As already mentioned, the recent consultation on new pooling guidance was seeking to make significant changes to the pooling agenda and was quite a change of policy. The Working Group supported the response of the Northern LGPS to the consultation and agreed to also submit responses from GMPF.

The progress of the GLIL infrastructure portfolio and the Impact and Invest for Growth portfolios were also discussed.

RECOMMENDED

- (i) **That the Minutes be received as a correct record;**

- (ii) **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**
- (iii) **In respect of Pooling Update:**
 - **that the recent progress of the Northern LGPS and the implications of the new pooling guidance recently released for consultation be noted;**
 - **that separate responses to the consultation be submitted from Greater Manchester Pension Fund and Northern LGPS; and**
 - **Details of press releases to date in respect of Northern LGPS be circulated to Members.**

70. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 21 December 2018 were considered.

The Chair of the Working Group, Councillor Cooney, reported that Legal & General updated Members on their Corporate Governance activity and provided examples of key engagements along with voting statistics for 2017.

Members were also provided with an informative update from PIRC on the draft Responsible Investment Policy for Northern LGPS, as agreed at the January 2019 meeting of the GMPF Management Panel. The policy differed from other pools' as it was also focused locally, it was tailored to the pool and made clear that meaningful ESG activity must take account of important holdings and of unique investments, such as infrastructure.

The Policy set out core governance expectations and stressed good employment practices. It also highlighted the ESG risks related to public service provision, and emphasised pre-disclosure of all voting decisions which made the Northern LGPS by far the most transparent UK investor. It also advocated ensuring 100% of assets were compatible with net zero-emissions ambition by c.2050. The finalised policy was launched at the Northern LGPS Stewardship Day at Aintree Racecourse in January 2019.

RECOMMENDED

- (i) **That the Minutes be received as a correct record; and**
- (ii) **In respect of CDP (formerly the Carbon Disclosure Project), that the Working Group accept the invitation for the Fund 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.**

71. 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 21 December 2018 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported that the group had discussed the Fund's review of Additional Voluntary Contributions arrangements in great length. AVCs allowed Scheme members to pay more to build up extra savings for their retirement. Objectives of the review included assessing the current choice of default fund and giving consideration to reducing the wide number of legacy AVC provider inherited from other LGPS funds.

Discussion also ensued regarding the communications work that had been taking place recently. Of particular note, was the communication work performed to raise the profile of 'My Pension'. My Pension was the online functionality introduced for active members so that they could change their contact details or get up-to-date estimates of their pensions.

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.

72. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 20 December 2018 were considered.

Councillor Cooney, in the Chair, advised that, in addition to the quarterly reports from La Salle and GVA there was a consideration of the overall allocation to Property and the performance. Work had continued on this outside of the meeting and conclusions would be reached in June and would feed into the Investment Strategy.

RECOMMENDED

That the Minutes be received as a correct record.

73. NORTHERN LGPS UPDATE

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

It was explained that on 3 January 2019, MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation, a copy of which was appended to the report. Parties that were being consulted included pools, administering authorities and local pension boards.

The guidance set out the requirements on administering authorities and was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015.

As per discussion at the previous meeting, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place, the guidance had six sections covering: structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. The presentation delivered to the Northern LGPS Shadow Joint Committee at its previous meeting considered in further detail the potential implications of the draft statutory guidance.

A letter was sent on 8 February 2019 to the Minister responsible for Local Government Pensions, Rishi Sunak MP, requesting a meeting to discuss the implications of the draft guidance for Northern LGPS. A copy of the letter was appended to the report.

An initial Northern LGPS response to the consultation was sent to the Minister on 19 March 2019, a copy of which was appended to the report. A detailed commentary on individual paragraphs of the new guidance was also provided as an appendix to the Pool's response. This had been drafted by the Pool's legal advisor Squire Patton Boggs. The Chambers, previously used by the Pool, had been instructed to provide opinion on specific aspects of the new draft guidance and how this interacted with existing legislation. Final opinion was received on 28 March 2019 and this was sent to Government (copy of which was appended to the report).

Separate to the joint Northern LGPS response, the GMPF Management Panel and Local Board had sent their own individual responses to the consultation which included support for the Pool response. Links to the responses were provided in the report.

Members were advised that all of the responses to the consultation had been made publically available on the GMPF website and it was expected that they would receive some press coverage. Coverage of the Northern LGPS to date was summarised in an appendix to the report.

Following receipt of the initial Northern LGPS response to the consultation, the Minister's office sought to arrange a meeting with the Northern LGPS shadow joint committee and the meeting had taken place on 3 April 2019.

Government had not announced any expectation of when it may publish consultation responses or issue final guidance. An update would be provided at the next meeting of the Panel in July 2019.

It was explained that, pending further developments on replacement pooling guidance, it was imperative that the Northern LGPS was fully compliant with the guidance that was currently in force. In order to demonstrate this, two key steps which were required to be completed were the approval of the inter-authority agreement, which would establish the Northern LGPS joint committee and the updating of each fund's Investment Strategy Statement (ISS), in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance. The Directors of GMPF and WYPF had authority from their administering authorities to implement the inter-authority agreement when finalised and MPF was seeking to receive this authority shortly, however some delays had been experienced, due in part to the issuing of the new draft guidance.

Another important piece of the governance framework was each fund's Investment Strategy Statement (ISS). Due to the ongoing dialogue with Government, the Northern LGPS funds had not updated the pooling section of their ISS since they were first published. The Management Panel provided its approval for updates to the GMPF ISS at a previous meeting and this was expected to be published shortly on the GMPF website and as part of the 2019 Annual Report.

The intention was for the pooling section of the ISS to be consistent across all of the Northern LGPS funds, therefore further minor amendments may need to be made following consideration by GMPF's pooling partners.

Updates on the progress of the main ongoing workstreams for the Northern LGPS were set out in the report. LGPS Pooling national developments were also outlined.

The minutes of the meetings of the Northern LGPS Shadow Joint Committee on 22 November 2018 and 10 January 2019 were appended to the report for information.

Detailed discussion ensued in respect of the consultation and the ongoing engagement/dialogue with the Minister's office. The Director of Pensions made further reference to the importance of formalising the governance arrangements for the Joint Committee and each administering authority ratifying their position formally.

RECOMMENDED

That the content of the report be noted, including developments since the previous meeting in particular the responses submitted to the consultation on new statutory draft guidance.

74. 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 Fund and the Northern LGPS over 2017/18

RECOMMENDED

That the content of the report be noted.

75. PRESENTATION ON COSTS BENCHMARKING – ‘WHAT GETS MEASURED GETS MANAGED’

Members received a presentation from John Simmonds, CEM Benchmarking UK Ltd on understanding both GMPF’s and Northern LGPS’s costs.

The Advisors commented on a very helpful presentation and discussion ensued in respect of the various factors involved in setting an appropriate benchmark.

The Chair thanked Mr Simmonds for his informative presentation.

RECOMMENDED

That the content of the presentation be noted.

76. 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, presented the fourth and potentially final part of the Fund’s review of investment structure, with stages 1, 2 and 3 having been discussed with the Fund at the July and October 2018 and January 2019 meetings (respectively), of the Management Panel.

Mr Dickson explained that at the October 2018 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. An explicit 10% allocation to an index-tracking factor-based equity mandate had since been introduced to the Fund’s asset allocation. 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.

The January 2019 report examined the current split of the Fund’s equities by region and manager/mandate including the merits of aggregating the LGIM mandates into a simpler governance structure. To maintain the current active-index tracking split, it was agreed to fund the factor-based equity mandate from the current LGIM holdings, and that any changes to the UK/overseas equities split should take pace in the UBS mandate where possible. The Fund’s target allocation to alternatives had been increased as agreed and would continue to be funded from the LGIM portfolio. Looking at the ex-Capital assets it was agreed that the allocation to the Fund’s specialist managers should be increased as opposed to appointing a replacement multi-asset manager, to ensure that the Fund’s governance was not complicated unnecessarily.

Mr Dickson explained that, in October 2018, a high-level decision framework was provided, which highlighted several factors that should influence investors’ final decisions, including available governance and ensuring the strategy was true to the Fund’s investment beliefs. This had been applied at a high level to the review of the Fund’s approach to managing investment grade bonds and its strategic allocation to cash. A key aspect of the decision framework was to acknowledge, and work within the Fund’s constraints (e.g. governance budget).

Mr Dickson further explained that one of the constraints that had been assumed in the report, following earlier discussions at the Panel meetings in October 2018 and January 2019, was that no additional managers were appointed at this time, to avoid overly complicating the Fund’s governance arrangements.

Mr Dickson then summarised the key points discussed in the report as follows:

- Information on the Fund's existing bond allocation and recommendations around future changes that should be made to the portfolio;
- Current cash holdings and recommendations as to how these may evolve in the short term to more efficiently meet the Fund's liquidity requirements.

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

- The precise breakdown of the bond allocation into the simplified two step framework;
- A detailed proposal for the implementation of a default currency hedging policy within the passive bond allocation; and
- A detailed proposal setting out the options for the evolution of the Main Fund's external cash holdings.

The Advisors were then asked to comment.

Mr Powers made reference to the Fund's direction of travel and the importance of the active managers' having sufficient scope to implement their views within their mandates. He further commented on cash management.

RECOMMENDED

That the content of the report and presentation be noted and that the recommendations, as specified in Section 4 of the Hymans Robertson report, be approved.

77. ASSESSING PERFORMANCE (WITH REFERENCE TO MULTI-ASSET CREDIT)

William Marshall, Hymans Robertson, delivered a training item on the Multi Asset Credit mandate managed by Stone Harbor, the Fund's most recently funded external mandate.

RECOMMENDED

That the content of the presentation be noted.

78. 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 4 (2018) Performance Dashboard was summarised. The reality of market returns in 2018 was somewhat different to the returns forecast by market commentators who were forecasting low but positive returns. In Q4 2018, both credit and equity markets responded negatively, and volatility as measured by the VIX, rose to over 35% at one point. Uncertainty over the outlook for economic growth, central bank policy and geopolitics all impacted equity markets over Q4 2018 and resulted in the worse annual performance since the global financial crises for many equity markets. Investors appeared to have focussed on the 'bearish' aspects of the economy (e.g. political concerns, trade wars, US government shut down, Brexit and political unrest in France and Italy) leading to a sharp sentiment driven sell-off in equity markets. Performance divergence across global sectors showed defensive stocks, such as utilities, performed strongly as markets fell while more growth orientated and cyclical sectors, such as technology and industrials, underperformed. Oil and gas was the worst performing sector as a result of declining oil prices. In-line with equity market falls, increased economic uncertainty meant rising spreads on most forms of credit assets over the quarter (leading to falls in price), and a rise in government bond prices globally (as safe haven assets were in demand resulting in a decline in government bond yields. Both conventional and index-linked gilt yields fell over the quarter, with

index-linked yields falling more than equivalent conventional yields at medium maturities and by less at longer maturities.

Over the quarter total Main Fund assets decreased by just under £1.4 billion to £21.7 billion. Within the Main Fund, there was an overweight position in equities (of around 0.5% versus target). Also, the property allocation continued to be underweight (by around 2%) versus its benchmark.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS fund, equating to over £3.1 billion of additional assets. The Main Fund underperformed its benchmark over the quarter and 1 year periods but remained ahead of its benchmark over longer time periods (3, 5 and 10 years), 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 4, over a 1 year period, all three of the active managers had underperformed their respective benchmarks whilst one manager continued to outperform over longer time periods.

RECOMMENDED

That the content of the report be noted.

79. ACTUARIAL VALUATION AND RELATED LGPS DEVELOPMENTS

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, which informed Members that the next actuarial valuation was due for all LGPS funds in England and Wales with an effective date of 31 March 2019. The report provided an overview of the valuation process.

The report outlined/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 payments of contributions; and

Preparing for the valuation

RECOMMENDED

That the content of the report be noted, including the valuation timescales and the factors potentially impacting the valuation outcomes.

80. GMPF EXTERNAL AUDIT PLAN 2018-2019

Consideration was given to a report of the External Auditor, Mazars LLP, which set out their approach to the 2018/19 audit.

It was noted that the estimated audit fee for 2018/2019 was £43,383.

RECOMMENDED

That the content of the report be noted.

81. 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:

- Business planning objectives;

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

RECOMMENDED

That the content of the report be noted.

82. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

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

83. 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
Property 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**

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

12 April 2019

Commenced: 10.00am

Terminated:12.25pm

Present: Councillor Cooney (in the Chair)

Councillors: Councillors: Drennan, Grimshaw (Bury), Halliwell (Wigan), J Lane, Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale) and Pantall (Stockport), Quinn, Ricci, Smith, Taylor and Ms Herbert (MoJ).

Apologies for Absence: Cllrs Warrington, Ball (Oldham), Barnes (Salford), J Fitzpatrick and Ward.

63. APPOINTMENT OF CHAIR

RECOMMENDED

In the absence of the Chair, Councillor Warrington, that Councillor Cooney be appointed in the Chair for this meeting only.

64. CHAIR'S OPENING REMARKS

Councillor Cooney, in the Chair, began by explaining that the Chair, Cllr Brenda Warrington and Lynn Brown were absent as they were presenting in a Municipal Journal shortlisted award that clashed with the meeting. He also noted the apologies from Professor Peter Moizer one of very few in his over 30 year tenure. He unfortunately has been summoned to London to talk about examination review board criteria.

Councillor Cooney further explained that the Fund had been very busy particularly following Councillor Paul Doughty, Chair of the Northern LGPS, stepping down from his role as Chair, and that he (Councillor Cooney) had been nominated and agreed by Members of the Northern LGPS Shadow Joint Committee as the Chair of the Northern LGPS going forward.

Cllr Cooney explained that during the first week of January 2019, the Minister issued a consultation on his draft statutory guidance on Pooling. Representatives of the Northern LGPS had met with the Minister last week in order to discuss Northern LGPS' and the Fund's objections to the consultation and proposed guidance. They further reminded the Minister of the Fund's 'constancy of purpose', which had meant the Fund had outperformed other Local Authority pension funds on a like for like basis by £3.5 billion. Since pooling commenced in 2016, £1.5 billion 'added value' had been achieved. A Pooling update was an item later on the agenda.

As well as meeting the Minister, representatives of the Fund attended the LAPFF All party Parliamentary Group, chaired by Clive Betts MP, which was also considering the Draft Statutory Guidance on Asset Pooling in the Local Government Pension Scheme, where concerns were raised in respect of moving too quickly to a particular model without using the correct process. It was proposed that the APPG could recommend that evaluation of pooling experience so far could go on the agenda of the MHCLG (Ministry) Select Committee for an inquiry in the Autumn.

Clive Betts said that it would be helpful if the importance of the issue was shared more widely amongst MPs and so he suggested Pension Funds should contact MPs to ask them to write to Committee Chair, Clive Betts MP. This would be taken up with local MPs.

The Chair reported that the total Fund valuation as of today was £24.1 billion, which marginally exceeded the predicted end of 3 year Total Fund valuation of £23.8 billion. This was up from £22.5

billion as at 23/12/18 in the dashboard. The Fund had now more than recovered the Q4 2018 'losses' when there was a significant drop before Christmas.

The funding level had increased to about 98% and remained above that identified in the previous valuation and the Fund remained on track compared to actuarial expectation.

It was also reported that the final tranche of First Group assets from West Yorkshire Pension Fund had been received making a total of just over £450 million.

Councillor Cooney commented on and thanked Members for, the excellent attendance and engagement at the Northern LGPS Stakeholder event held in January 2019 at Aintree Racecourse, where the Responsible Investor Policy was launched. A summary of the event was detailed on the Northern LGPS website.

At the last meeting of the Management Panel, discussion ensued with regard to a press article raising concerns that the Fund along with other Local Government Pension Schemes, were holding shares in BAE Systems, a multinational defence, security, and aerospace company and was the largest defence contractor in Europe and World's third largest defence company. It was also the largest manufacturer in Britain sustaining thousands of jobs.

Due to the complex nature of such issues, Councillor Cooney confirmed that the Fund had asked LAPFF to commission some work and advice into particular concerns and a scoping paper had been prepared on engagement with Defence companies who had sales to Saudi Arabia, which would be discussed by LAPFF the following week.

Councillor Cooney advised that the Chair had been approached by the Midland Bank Clawback Campaign in respect of the Fund's almost £200 million shareholding in HSBC plc seeking support for their resolution for the abolition of 'clawback' of state pension from HSBC's defined benefit pension scheme, which the proponents of the resolution argued that this practice disproportionately penalises the lowest paid scheme members. He further advised that, following contact with PIRC, an alert had been forwarded to all LAPFF members recommending that members vote for the resolution primarily to encourage the Company to procure an independent actuarial review of the case.

The Fund had also joined the initiative targeting Facebook, Google and Twitter that the NZ Super Fund announced earlier in the month. The objective of the engagement was for social media companies to strengthen controls to prevent the live streaming and distribution of objectionable content, such as the shootings that took place in Christchurch on Friday 15 March 2019.

Representatives and Trustees of the fund continued to receive calls to disinvest from Fossil Fuel companies and assertions that the Fund were investing in fracking. Councillor Cooney gave assurances that the Fund was not supporting or investing in fracking, although it does have substantial investment in traditional fossil fuel companies such as Centrica (formerly known as British Gas).

Members were advised that the Fund had committed to becoming carbon neutral by 2050 and was 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 objectives 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.

It was explained that the Fund would continue to use its position on the 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 that this consultative approach was more

effective than divesting holdings to others, who may not share the same commitment to responsible investment.

With this in mind, the Fund co-filed a BP Resolution requesting that BP set out its business strategy consistent with the goals of the Paris Agreement on climate change. BP's board planned to support the resolution at their Annual General Meeting this year. This action demonstrated that the Fund were helping to ensure that climate change was firmly on the boardroom agenda, which was especially important for the oil and gas sector.

The Fund had also signed up to 'Just Transition', as delivering a just transition would be key to the UK's success in building a zero-carbon and resilient economy. It was noted, however, that this needed to be done in a sustainable way that supported an inclusive economy, with a particular focus on workers and communities across the country. The Paris Agreement on climate change stated that its Parties take into account 'the imperatives of a just transition of the workforce and creation of decent work and quality jobs in accordance with nationally defined development priorities'. It was hoped that a representative of Just Transition would present to a future meeting of the Management Panel.

65. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

66. MINUTES

The Minutes of the proceedings of the meeting of the Annual General Meeting held on 19 October 2018 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 January 2019 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 January 2019 were signed as a correct record.

67. 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, 8a, 8b, 9a, 9b,	3&10, 3&10, 3&10,	Disclosure would or would be likely to prejudice

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, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.
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68. LOCAL PENSIONS BOARD

RESOLVED

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

69. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 8 March 2019 were considered.

RESOLVED

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

70. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 21 December 2018 were considered.

RESOLVED

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

71. 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 21 December 2018 were considered.

RESOLVED

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

72. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 20 December 2018 were considered.

RESOLVED

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

73. NORTHERN LGPS UPDATE

A report of the Director and 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.

74. 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.

75. PRESENTATION ON COSTS BENCHMARKING – ‘WHAT GETS MEASURED GETS MANAGED’

Members received a presentation from John Simmonds, CEM Benchmarking UK Ltd on understanding both GMPF’s and Northern LGPS’s costs.

RESOLVED

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

76. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

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

RESOLVED

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

77. ASSESSING PERFORMANCE (WITH REFERENCE TO MULTI-ASSET CREDIT)

William Marshall, Hymans Robertson, delivered a training item on the Multi Asset Credit mandate managed by Stone Harbor, the Fund’s most recently funded external mandate.

RESOLVED

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

78. 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.

79. ACTUARIAL VALUATION AND RELATED LGPS DEVELOPMENTS

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.

80. GMPF EXTERNAL AUDIT PLAN 2018-2019

Consideration was given to a report of the External Auditor, Mazars LLP, which set out their approach to the 2018/19 audit.

RESOLVED

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

81. 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.

82. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

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

83. DATES OF FUTURE MEETINGS

Management/Advisory Panel	19 July 2019 (AGM) 18 October 2019 17 January 2020 17 April 2020
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Property Working Group	13 June 2019 19 September 2019

Investment Monitoring and ESG Working Group

**19 December 2019
6 March 2020**

**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**

CHAIR

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GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

13 June 2019

Commenced: 3.00pm

Terminated: 5.15pm

Present: Councillor Fairfoull (Chair) Michael Cullen Jayne Hammond Paul Taylor David Schofield Chris Goodwin Catherine Lloyd Pat Catterall	Employer Representative Employer Representative Employer Representative Employer Representative Employee Representative Employee Representative Employee Representative Employee Representative
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Apologies for absence: Councillor Cooper

1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

2. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 14 February 2019, having been circulated, were signed by the Chair as a correct record.

3. 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, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16	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.

4. 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 December 2018 to March 2019, and which were submitted for approval at the Management Panel meeting on 12 April 2019.

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.

RESOLVED

That the content of the report be noted.

5. 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.

It was explained that on 3 January 2019, MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation, a copy of which was appended to the report. Parties that were being consulted included pools, administering authorities and local pension boards.

The guidance set out the requirements on administering authorities and was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015.

As per discussion at previous Shadow Joint Committee meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place, the guidance had six sections covering: structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. The presentation delivered to the Northern LGPS Shadow Joint Committee at its meeting on 10 January 2019 considered in further detail the potential implications of the draft statutory guidance.

An initial Northern LGPS response to the consultation was sent to the Minister on 19 March 2019. A detailed commentary on individual paragraphs of the new guidance was also provided as an appendix to the Pool's response. This had been drafted by the Pool's legal advisor, Squire Patton Boggs. The Chambers previously used by the Pool, had been instructed to provide opinion on specific aspects of the new draft guidance and how this interacted with existing legislation. Final opinion was received on 28 March 2019 and this was sent to Government (links to this were provided in the report).

The Pool's response to the consultation had been made publically available on the Northern LGPS website and it received significant press coverage, details of which were provided in an appendix to the report.

It was reported that Members of the Northern LGPS Shadow Joint Committee met the Minister on 3 April 2019 and discussed the Pool's key concerns with the draft guidance and potential amendments which could make the guidance more acceptable to the Pool. Following the meeting with the Minister, the Chair received a letter from the Minister thanking the Northern LGPS Pool for attending their meeting to discuss its concerns regarding the draft guidance. A copy of the letter was appended to the report. Further to the letter, MHCLG Civil Servants met with Northern LGPS officers on 16 May 2019. During the meeting there were discussions about the Northern LGPS' approach to pooling, whether FCA regulation would be appropriate and the cost-efficiency of the Northern LGPS.

It was further explained that, pending further developments on replacement pooling guidance key steps required for the Pool include: the approval of the inter-authority agreement which would establish the Northern LGPS joint committee, the updating of each fund's Investment Strategy Statement (ISS) in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance and continued updating of the Northern LGPS website to include the required performance, cost and stewardship information.

Each fund participating in the Pool was required to disclose pool-related information in their 2018/19 annual reports. A consistent approach to reporting was agreed at the Northern LGPS Shadow Joint Committee meeting on 16 May 2019.

LGPS Pooling national developments were also detailed in the report.

RESOLVED

That the content of the report and the developments since the previous meeting, in particular the final response submitted to the consultation on new statutory draft guidance and subsequent dialogue with Government, be noted.

6. HYMANS ROBERTSON GOOD GOVERNANCE PROJECT SURVEY

The Assistant Director of Pensions, Funding and Business Development, submitted a report informing the Local Board about the GMPF Management Panel's response to Hymans Robertson's governance survey, which formed part of the 'Good Governance' project it was facilitating for the Scheme Advisory Board. It was explained that GMPF already operated governance arrangements which were broadly similar to option 2 of Hymans' proposals, as did many of the other metropolitan LGPS funds.

RESOLVED

That the content of the report be noted.

7. GMPF AUDIT 2018/19 AND DRAFT ACCOUNTS

Consideration was given to a report of the External Auditor, Mazars LLP, which set out their approach to the 2018/19 audit.

It was noted that the estimated audit fee for 2018/2019 was £43,383.

RESOLVED

That the content of the report, including the GMPF Audit Plan 2018/19 as approved by the GMPF Management Panel on 12 April 2019; and the draft GMPF Accounts 2018/19, be noted.

8. ANNUAL REPORT

A report was submitted by the Assistant Director of Pensions, Funding and Business Development, explaining that, in line with best practice, GMPF had previously included a report on the activity of the Local Board within the GMPF Annual Report. The GMPF Annual Report 2018/19 would be submitted to the GMPF Management Panel on 19 July 2019 for approval.

In respect of a query from Local Board members regarding terms of office for union members, the Director of Pensions explained that a response was still awaited from the TUC and it was agreed that the Director would report back at the next meeting of the Board.

RESOLVED

That the content of the report be noted.

9. EXIT PAYMENT CAP

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, informing Local Board members about the latest developments regarding the proposed public sector cap on exit payments.

It was explained that, on 10 April 2019, Government had opened a consultation on restricting exit payments in the public sector, including local government. The consultation would run for twelve weeks and would close on 3 July 2019. A link to the consultation was provided in the report. It was expected that there would be an LGPS specific consultation in the near future, but exact dates were not yet known.

RESOLVED

That the content of the report be noted.

10. ADMINISTRATION UPDATE

The Pensions Operations Manager submitted a report providing a summary of the following:

- An update on the 2019/20 business planning objectives set by the Administration section;
- Other strategic or service improvement administration projects currently being worked on;
- Comments on regular and other items of work currently being undertaken by the section; and
- Wider LGPS issues and items, including expected changes to the structuring of the Probation Service.

The report further commented on the CIPFA document entitled 'Administration in the LGPS: a guide for pensions authorities', published in March 2019.

RESOLVED

That the content of the report be noted.

11. 2019 ACTUARIAL VALUATION

The Assistant Director of Pensions, Funding and Business Development, explained that the 31 March 2019 actuarial valuation process had commenced for all LGPS funds in England and Wales. 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; and
- Setting Assumptions for the 2019 Valuation.

It was explained that the annual update meeting for employers would be held on 19 July 2019 following the Management Panel meeting. The agenda would include a presentation from the GMPF actuary outlining the valuation process and potential outcomes. This would be at a 'whole fund' level and would not be employer specific. The Actuary may also comment on Hymans Robertson's 'Club Vita' programme which was used to analyse life expectancy trends and set assumptions.

RESOLVED

That the content of the report be noted, including the valuation timescales and the factors potentially impacting the valuation outcomes.

12. THE PENSIONS REGULATOR

A report of the Assistant Director, Funding and Business Development and the Assistant Director for Pensions Administration 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.

Further to issues raised at the last meeting of the Board in respect of a specific GMPF employer, Members sought reassurance that this matter was being addressed. The Director of Pensions acknowledged the concerns raised and assured Board members that dialogue/communication was ongoing with the employer concerned in order to bring about a speedy resolution to the issue.

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; and
- Updates from the Pensions Regulator.

RESOLVED

- (i) **That the work being undertaken or planned to ensure GMPF continues to comply with TPR's Code of Practice number 14 be noted; and**
- (ii) **That the current breaches log and the decisions made by the Scheme Manager regarding reporting those breaches, be noted.**

13. CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK CONSULTATION

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, giving information about the recently released consultation on proposed changes to the actuarial valuation cycle, Part 1 Scheme Employers, the introduction of deferred debt arrangements in the LGPS and clarification on the circumstances in which exit credits could be paid.

RESOLVED

That the content of the report be noted.

14. RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2018/19

The Head of Risk Management and Audit Services submitted a report summarising the work performed by the Service Unit and provided assurances as to the adequacy of the Greater Manchester Pension Fund's system of internal control. Key achievements of the service provided to the Pension Fund for 2018/19 were detailed. The full year position of the audit plan was appended to the report. Actual days spent as at 31 March 2019 were 285 which equated to 95% and 93% of planned audits were completed in those days.

With regard to anti-fraud work and irregularity investigations, it was reported that data sets for the NFI 2018 Data Matching Exercise were uploaded in October 2018 and the matches identified for Tameside were received in February 2019. The results were in the process of being investigated.

In respect of Risk Management and Insurance, approved priorities for 2018/19 were detailed. Key Performance Indicators for 2018/19 applicable to the Pension Fund were detailed in the report. It was reported that four of the five performance indicators had been achieved, however it was further acknowledged that not all the measures used were fully within the control of the team.

The report concluded that, from the work undertaken during 2018/19, the Local Board could take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, were suitably designed and applied effectively. Where improvements had been highlighted, managers had agreed to implement the suggested recommendations and this would aid the management of risks and support the overall control environment.

The draft Annual Governance Statement for 2018/19 was presented to the Council's Audit Panel on 4 June 2019 for approval. The final Annual Governance Statement would be presented to the next meeting of the Local Board.

RESOLVED

That the content of the report and the performance of the Risk Management and Audit Service during 2018/19, be noted.

15. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2018/19

Consideration was given to a report of the Head of Risk Management and Audit Services presenting the planned work for the Risk Management and Audit Service for 2019/20.

RESOLVED

- (i) That the Internal Audit Plan for 2019/20 (as at Appendix 1 to the report) be noted, including the planned work for the Risk Management and Insurance Team;**
- (ii) That the Audit Strategy for 2019/20 (as at Appendix 2 to the report) be noted;**
- (iii) That the Audit Charter for 2019/20 (as at Appendix 3 to the report) be noted; and**
- (iv) That the Quality Assurance and Improvement Programme for 2019/20 (as at Appendix 4 to the report) be noted.**

16. 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**

13 June 2019

Commenced: 11.00am

Terminated: 1.20pm

IN ATTENDANCE:

Councillor Cooney (in the Chair)	
Councillor M Smith	
Councillor Pantall	
Mr Thompson	UNITE
Ronnie Bowie	Advisor to the Fund
Peter Moizer	Advisor to the Fund
Mark Powers	Advisor to the Fund
Lynn Brown	Advisor to the Fund
Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Pensions (Investments)
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Steven Taylor	Assistant Director of Pensions (Special Projects)
Neil Cooper	Senior Investments Manager
John Dickson	Hymans Robertson

APOLOGIES FOR ABSENCE:

Councillor Warrington

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 8 March 2019, having been circulated, were agreed as a correct record.

3. 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 March 2019.

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.

4. PRIVATE EQUITY – REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Director of Pensions, Investments, submitted a report and Members received a presentation, which provided a review of activity and of the strategy and implementation approach regarding investment in private equity.

The report and presentation outlined:

- Current approach to investing in Private Equity;
- Implementation during calendar year 2018;
- Current position against current strategy;
- Review of strategy; and
- Review of Implementation.

An annual report covering Private Equity activity during 2018, produced by the Fund's specialist advisor, Capital Dynamics, was appended to the report.

Discussion ensued with regard to the above and it was:

RECOMMENDED

- (i) **The medium term strategic allocation for private equity remains at 5% by value of the total Main Fund assets;**
- (ii) **The target geographical diversification of the private equity portfolio remains:**

Geography	Target Range
Europe inc UK	35% to 50%
USA	35% to 50%
Asia & Other	10% to 20%

- (iii) **The investment stage diversification of the private equity portfolio remains:**

Stage	Target Range
Lower Mid-Market & Growth	10%-20%
Mid-Market	45%-55%
Large Buyout	30%-40%

- (iv) **The scale of commitment to funds to be £240m per annum, to maintain exposure at or around the 5% target strategic main Fund allocation.**
- (v) **GMPF's private equity strategy is implemented appropriately sized commitments to Northern Private Equity Pool such that the anticipated deployment will be consistent with the pacing recommendation at 8.5.**
- (vi) **It be recognised that the portfolio may not fall within the target ranges at (ii) and (iii) above from time to time to reflect, inter alia, portfolio repositioning.**

5. PRIVATE DEBT – REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Director of Pensions, Investments, submitted a report and Members received a presentation, which updated the Working Group on investment activity in respect of the Private Debt portfolio during 2018, described the current portfolio and reviewed the strategy for the portfolio and its implementation.

The report and presentation outlined:

- Current approach to investing in Private Debt;
- Implementation during calendar year 2018;
- Actual position against current strategy;
- Review of Strategy; and
- Review of Implementation.

Discussion ensued in respect of the above and it was:

RECOMMENDED

- The medium term strategic allocation for private debt remained at 5% by value of the total Main Fund assets;**
- The large geographical diversification of the private debt portfolio remained as follows:**

Geography	Target Range
Europe	40% to 50%
USA	40% to 50%
Asia & Other	0% to 20%

- The portfolio should continue to be populated by partnership commitments to funds where the vast majority of investments are senior secured loans.**
- The scale of commitment to funds to be £450 m per annum, to work towards achievement of the strategy allocation by 2023.**
- It be recognised that the portfolio may not fall within the target ranges at (ii) above from time to time to reflect, inter alia, portfolio repositioning.**

6. INFRASTRUCTURE – REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Director of Pensions, Investments, submitted a report and Members received a presentation, update members of the Working Group on investment activity in respect of the Infrastructure funds portfolio during 2018, to describe the current portfolio and to review the strategy for the portfolio and its implementation.

An annual report produced by the fund's specialist advisor, Capital Dynamics, was appended to the report, covering Infrastructure activity during 2018. Capital Dynamics advisory relationship with the Fund in respect of Infrastructure will end in July 2019 as a result of its withdrawal from the market.

The report and presentation outlined:

- Current approach to investing in Infrastructure;
- Implementation during calendar year 2019;
- Actual position against current strategy;
- Review of Strategy; and
- Review of Implementation.

Discussion ensued in respect of the above and it was:

RECOMMENDED

- The medium term strategic allocation to Infrastructure funds remained at 5% by value of total main Fund assets;**
- The target geographical diversification of the infrastructure portfolio remains:**

Geography	Target Range
Europe	50% to 70%
North America	20% to 30%
Asia & Other	0% to 20%

(iii) **The target stage diversification of the infrastructure portfolio remains:**

Investment Stage	Relative Risk	Target Range
Core & Long Term Contracted	Low	30% to 40%
Value Added	Medium	40% to 60%
Opportunistic	High	0% to 20%

- (iv) **The pace of new fund commitments is increased to £240m per annum to work towards achievement of the strategy by 2022.**
- (v) **The Private markets team continues to implement the Infrastructure strategy via 3 year programmes of commitments, across between 2 and 4 new funds per annum (averaging 3 new funds per annum).**
- (vi) **Commitments to primary funds to be made directly to partnership vehicles.**
- (vii) **It is recognised that the portfolio may not fall within the target ranges at (ii) and (iii) above from time to time to reflect, inter alia, portfolio repositioning.**

7. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2019/20

Consideration was given to a report and presentation of the Assistant Director of Pensions, Investments, to facilitate a discussion of key relevant points between Working Group members and the Advisors in order to inform the finalised version of the report to Panel.

It was reported that the Investment managers and Advisors believed that the current investment strategy was broadly capable of delivering the required returns over the long term (albeit there were short/medium term caveats). Economic uncertainties remained, with a medium term outlook, which could potentially encompass a number of unattractive scenarios. In such circumstances, it was not apparent that any significant changes to the Fund's approach would prove beneficial, other than the diversification methods already being employed by the Fund.

The increasing maturity profile of the Fund employers as public sector spending reductions continued, were likely to reduce the tolerance of the Fund to its volatility of returns between years. Hymans Robertson were currently undertaking work with officers on this issue. Options were being considered for better aligning Employers' investment strategies to their own funding position, which would help to reduce the funding level volatility of individual employers, and therefore the Fund as a whole.

Attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers as issues raised during the 2019 Actuarial Valuation continued to be followed up.

Members were informed that, historically, the Main fund benchmark had contained an allocation of 10% to Property. Actual exposure to property had long under-achieved this target exposure and currently amounted to around 8% of Main Fund assets. It was not considered reasonable to expect La Salle to be able to move too rapidly towards the 10% benchmark allocation. In light of this, the approach of utilising a 'realistic benchmark' allocation in respect of Property had been used and would rise from 8% to 10% over the coming three years. Separately, 'realistic' benchmarks for Private Equity, Infrastructure Funds, Private Debt and Local Investments would be increased to reflect the progress made in implementing these portfolios during 2018/19. The likelihood of reaching these strategic benchmark weights would of course depend on how markets behaved over that timeframe, with the rapidly rising equity markets of recent years meaning an increased £ amount allocation was required to reach the target weights.

One immediate implication of the increasing maturity of the Fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets, and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Funds' Investment Managers. This would continue to be funded from the L&G policy that was formed following the assimilation of the Probation Assets. This would continue to reduce somewhat the post assimilation concentration of assets with L&G.

During the second half of 2017, officers funded the allocation to Stone Harbor's Multi-Asset Credit portfolio. This was sourced entirely from equities, with £287 million being transferred from Capital and the remainder from L&G. Separately, the Capital mandate was terminated in Q3 of 2017 following the triennial review of Investment Management arrangements. The assets were temporarily transferred to L&G pending the implementation of replacement arrangements. These replacement arrangements would take the form of a 10% Main Fund allocation to Factor Based Investment and a 2% increase in the global equity mandate managed by Investec.

Following last year's Investment Strategy Review, the fund introduced a Main Fund allocation to Private Debt, funded from a reduction in equities to diversify the Main Fund, reducing the reliance on Public Equities as the source of growth assets. The Private Debt allocation within the Special Opportunities Portfolio was promoted into a standalone Main Fund allocation. Additional commitments to Private Debt had since been made and the portfolio was now 0.7% of the total value of the Main Fund. Officers had reviewed the Fund's current exposures to Private Debt across the Main Fund to potentially enhance portfolio construction, oversight and monitoring.

It was concluded that the Fund was facing a range of strategic and tactical investment related issues, each having their own 'research agenda' in terms of background work, policy formulation and practical implementation. How the Fund addressed these issues and implements suitable changes would be a critical determinant of its standing in 5 or 10 years' time.

Discussion ensued with regard to the above and the Advisors commented on the consequences of diversification. There was a broad consensus that the current position was the right one, however, a need for close monitoring of the strategy was required, going forward.

RECOMMENDED

- (i) Change the Fund's investment grade bond allocation split to 50:25:25 corporate/bonds/index-linked gilts/fixed interest gilts, with a consistent split of 50:50 UK/Overseas to be applied across all three asset classes;**
- (ii) That all overseas currency exposure within the passive bond allocation (LGIM mandate) be hedged back to Sterling as the default;**
- (iii) That the existing process for managing the Fund's 'Internal' cash, i.e. the 1% of Fund assets (c£230 million) currently held in cash by the Tameside MBC Treasury Department, is maintained; and in respect of the Fund's 'external' cash – invest LGIM's cash mandate in a mix of cash and cash plus funds to increase the returns being generated by the cash allocation, with UBS's cash mandate unchanged;**
- (iv) In respect of UK: Overseas split of Public Equity – that the principle of increasing the overseas proportion of public equity, which has been phased for tactical and dollar averaging reasons, be paused;**
- (v) That there be no material change to asset allocations;**
- (vi) That the use of an equity protection strategy was not necessary; and**
- (vii) In respect of setting a risk budget, that further development work be done on this issue and reported to a future Panel meeting.**

8. UPDATE ON LEVERAGE AND PRIVATE DEBT

A report was submitted by the Assistant Director of Pensions, Investments, informing Working Group members that discussions with the Advisors during May 2018, in connection with the Property Portfolio, raised the profile of leverage and private debt exposures, as areas of focus. The report provided an update on each.

RECOMMENDED

That the content of the report be noted and the proposed way forward, as detailed in Section 5 of the report, be agreed.

9. FACTOR INDEXING PORTFOLIO – UPDATE REPORT

Consideration was given to a report of the Assistant Director of Pensions, Special Projects, updating the Working Group on the progress made by officers in establishing a Factor Indexing allocation and portfolio.

It was explained that, at its meeting on 19 October 2018, the Panel considered a report on the Fund's Review of Investment Management arrangements, which focused on a proposal for the introduction of Factor Indexing allocation and portfolio. A subsequent update report was considered at the January 2019 meeting of the Panel. As project work progressed, it became apparent that additional work was required beyond that anticipated at the Panel meeting in January 2019. The additional work had been predominantly, but not exclusively, focused on two main areas. The first related to the risk/return characteristics of the preferred index and the second related to certain contractual arrangements. There had also been additional work relating to changes in index methodology recently announced by the preferred index provider. Officers plan to transition the assets after a forthcoming rebalancing date in order to avoid unnecessary trading costs.

With regard to next steps, it was explained that after completion of further work on certain implications of the preferred version of the index, a final choice of preferred index would be made. Following this, the legal documents would require sealing.

The preferred Replicator would then need a period of around one month to set up the necessary counterparty agreements. During this period the transition plan would be finalised. Assets would then be transitioned to the Replicator in accordance with the transition plan.

RECOMMENDED

That the content of the report be noted.

10. GLOBAL EQUITY 'PURCHASE/SALE' TRIGGER PROCESS – UPDATE OF FAIR VALUE ESTIMATE TRIGGER POINTS AND SIZE OF SWITCH

The Assistant Director of Pensions, Investments, submitted a report explaining that, in May 2016, the Policy and Development Working Group considered detailed proposals regarding a 'trigger process' for Global Equities. These proposals were adopted by the Panel. No changes to the trigger process were being proposed.

The report provided an overview of the evolution of the Global Equity metric over 2018/19, vis-a-vis the trigger points. In accordance with the adopted formalised process, the report also proposed an updated estimate of Fair Value for global equities, associated updated trigger points and an update in relation to the 'size' of the maximum asset switch to be targeted, all for adoption by the Panel at its July 2019 meeting.

RECOMMENDED

- (i) That the content of the report be noted;**
- (ii) That the updated Fair Value estimate, the associated updated trigger points and the updated 'size' of the maximum asset switch to be targeted, as detailed in the report, be adopted by the Panel.**

11. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, detailing a review of GMPF's AVC arrangements, which was currently ongoing. A comprehensive report setting out the proposed changes was due to be brought to the July meeting of the Management Panel meeting, for consideration.

It was explained that Prudential had recently informed GMPF that they intended to wind-up a number of legacy 'lifestyle options' used by GMPF members and the AVC funds of those members would need to transfer to alternative lifestyle options or other available AVC funds. In order to give members an appropriate amount of time to consider their options this aspect of the AVC review required consideration in advance of the July Management Panel meeting.

The Working Group was informed that Hymans Robertson had advised that a new lifestyle option be created and that Members in the legacy lifestyle options be transferred to this new option. Details of which were appended to the report.

RECOMMENDED

- (i) That the content of the report be noted; and**
- (ii) That the introduction of a new bespoke lifestyle option be supported, including the transfer of members from the lifestyle option which Prudential was seeking to close, to this new lifestyle option.**

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

22 March 2019

Commenced:
9.00 am

Terminated: 10.26 am

Present: Councillors Cooney (Chair), Ricci, Ward, Halliwell, Mitchell, Pantall, Mr Flatley, Ms Fulham, Mr Llewellyn,

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Tom Harrington	Assistant Director of Pensions (Investments)
Neil Cooper	Head of Pensions Investments (Private Markets)
Raymond Holdsworth	Investments Manager
Lorraine Peart	Investments Officer

Apologies for Absence: Councillors Barnes and Mistry

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group meeting held on 21 December 2018 were approved as a correct record.

31. RESPONSIBLE INVESTMENT UPDATE

Representatives of PIRC Ltd, Alan MacDougall, Managing Director and Janice Hayward, Client Services Director presented PIRC's 2019 UK Shareowner Voting Guidelines and 2018 Annual Corporate Governance Review.

The Working Group was informed that PIRC applied these guidelines to all listed companies covered on the UK market including companies that were incorporated outside the UK.

Mr MacDougall summarised and set out PIRC's expectations of what is asked of companies they engage with, including adopting clear values and high ethical standards throughout the company; Being able to account for shareowner capital and achieving an appropriate return on it; developing a culture of transparency and accountability and focusing on strategic issues; developing appropriate checks and balances to deal with conflicts of interests; maintaining effective systems of financial control and risk management; creating fair remuneration structures that reward the achievement of business objectives at all levels, and, recognising and managing impacts on all stakeholders.

The Group was informed of the Key Principles of PIRC's Shareowner Voting Guidelines and the focus for 2019.

Mr MacDougall explained the challenges still faced as follows: Whistleblowing concerns; Stewardship Code share-voting disclosure framework by asset managers; Shareowner Consultation; Board Level Employee Representation and the Publishing of a Board Director Skills Matrix in company Annual Reports and Accounts.

Discussion ensued with regard to the Board Director Skills Matrix. Mr MacDougall explained that the importance of the Skills Matrix is that it would help manage expectations of pay and conditions.

The Working Group was given a presentation detailing PIRC's Corporate Governance Annual Review 2018. Particular attention was given to the percentage of votes against director elections and FTSE 350 Board gender diversity.

RECOMMENDED

That the report be noted.

32. INVESTEC CORPORATE GOVERNANCE REVIEW

The Working Group welcomed representatives from Investec, Naasir Roomanay, ESG Analyst, Deirdre Cooper, Portfolio Manager and Stephen Lee, Head of UK Client Management, who attended the meeting to provide an update on Corporate Governance activity in the last 12 months.

The Group was informed of the progress achieved over the year, which included the expanded ESG component of Investec's fundamental company research notes, highlighting engagement opportunities, an increase in the number of engagements on ESG issues and the completion of a project which considered the use of multiple ESG factors. Investec informed the Working Group that the focus is now to further develop and roll out the improved ESG component of their fundamental research notes, to encourage activity particularly in Asia and expand the analytical work around ESG factors.

The Working Group was advised of the ESG trends that Investec would focus on during 2019. This included a response to the Taskforce on Climate related Financial Disclosures, anti-biotics in the food supply chain, understanding impact measurement and Sustainable Development Goals and water management.

The Working Group was updated on the progress of Investec's engagements with companies as part of a stronger strategic commitment to aligning business with the Paris Agreement.

A discussion ensued on the importance of ESG including the climate and also working conditions.

RECOMMENDED

That the report be noted.

33. INVESTEC REVIEW OF TRADING COSTS

The Assistant Director of Pensions (Investments) submitted a report, which facilitated Members' scrutiny of Investec's approach to, and practice with regard to, trading costs. Investec's Order Execution Policy and Greater Manchester Pension Fund's 'Level Two' report for the year to 31 December 2018 were appended to the report.

Stephen Lee of Investec presented Greater Manchester Pension Fund's 'Level Two' report for the 12 month period to 31 December 2018. The 'Level Two' report provided an analysis of Greater Manchester Pension Fund's trading volumes and commissions. It was confirmed that officers of the Fund had reviewed the 'Level Two' report and any questions had been satisfactorily answered by Investec.

RECOMMENDED

That the report be noted.

34. 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 Recaptured during the quarter.

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter ended December 2018. Stocklending income during the quarter was £191,008 compared to £168,218 in the same quarter of 2017, and Commission 'recaptured' was £5,660 compared to £1,852 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.

35. URGENT ITEMS

There were no urgent items.

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

22 March 2019

Commenced:
11.00 am

Terminated: 12.17 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, Ball, Grimshaw, Halliwell, Mistry, Mitchell, Mr Flatley, Mr Llewellyn and McDonagh

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Adrian Aguilera	Project & Policy Support Officer
Tracey Boyle	Head of Pensions Accountancy
Victoria Plackett	Pensions Operations Manager
Emma Mayall	Pensions Policy Manager

Apologies for Absence: Councillor Ricci

23 DECLARATIONS OF INTEREST

There were no declarations of interest.

24 MINUTES

The Minutes of the Administration, Employer Funding and Viability Working Group held on 21 December 2018 were approved as a correct record.

25 BUSINESS PLANNING

The Pensions Policy Manager submitted a report that provided the Working Group with a summary of the progress against the business plan objectives that were set for the Administration area for 2018/19. It included details of the draft business plans for the Administration, Funding and Accountancy teams for 2019/20.

The Pensions Policy Manager outlined the proposed business plan items for 2019/20 appended to the report. The project to revise the fund's website was highlighted as a significant project. The working group were informed that a soft market test had been carried out and work on procuring a partner to help carry out this work was now underway.

RECOMMENDED

That the report be noted.

26 STRATEGIC UPDATE

The Assistant Director (Funding & Business Development) submitted a report that updated the Working Group on the Administration Strategic Service. The Assistant Director (Funding & Business Development) outlined the administration projects and areas of work being undertaken across the Administration, Funding and Accountancy teams. The Group was informed that business continuity and disaster recovery planning business plan would be finalised in April and testing would be carried out in June. The Working Group was informed that work on the Annual report and Accounts

was underway and that work was being done to ensure GDPR compliance and wider proposals and issues affecting LGPS.

The Assistant Director (Funding & Business Development) explained that a court ruling 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 reduction to the level of benefits or when they could expect to receive them without reduction. Government is understood to be looking to appeal this judgement.

The Government on the 10 January 2019 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.

RECOMMENDED

That the report be noted.

27 DEVELOPMENT & TECHNOLOGIES UPDATE

The Pensions Policy Manager submitted a report to the Working Group, providing a summary of the work and projects being carried out by the developments and technologies are of the Pension Administration.

The Working Group was updated on the implementation of the I-Connect System, final testing of the software had been taking place since the beginning of January and the system went live in the last week of February. The Employer Services area was then able to on-board the first employer.

The Pensions Policy Manager informed the Working Group that the enhanced Admin to Payroll Module was about to become available and would improve the interface between the administration and payroll modules of Altair. Implementation of this software should result in greater accuracy, as significantly less manual input would be required in order to add new members to the payroll. It should also reduce the resource needed to carry out this process, as checks that were currently carried out manually would be carried out automatically by the software.

The Working Group was informed of the My Pension developments, it was reported that changes were being made to the processes used when new members join GMPF. From April 2019, all new joiners would receive an activation key on joining and would be asked to register for My Pension and access their online account to view their new starter pack. Pensioner members would be able to see a copy of their P60 online for the first time in April together with an online copy of the Grapevine newsletter. Plans would also underway to enable them to notify a change of bank details through My Pension.

There was a statutory obligation to provide members with a P60 and so where members request a paper version of this document in future it would be provided. All pensioners would receive a paper P60 in April together with a Grapevine newsletter to tell them that they would receive a paper copy as standard for the last time in April 2019 unless they requested one.

Members enquired on the accuracy of the current Payment Module. The Pensions Policy Manager informed members that the current level of accuracy as high and that this software would remove the requirement to cross-check manual input and thus reduce resource needed to carry out the process.

RECOMMENDED

That the report be noted.

28 COMMUNICATIONS & ENGAGEMENT UPDATE

The Pensions Policy Manager submitted a report that provided the Working Group with a summary of the work and projects being carried out by the Communications and Engagement area of Pension Administration.

Members were informed that since the last Working Group, 14 service complaints have been received. Four of these related to a delay in the payment of deferred benefits and three related to the recent decision to cease the provision of paper payslips for pensioner members. A total of 15 compliments were submitted through the feedback zone, spread across a number of service areas regarding the speed at which members received a response, the quality of information provided and the support given to members.

The Pensions Policy Manager informed the Working Group that work had begun on the production of the Annual Report for 2018/19. A project team had been set up and project meetings have been scheduled. CIPFA guidance was yet to be released to confirm the 2018/19 standards that funds must adhere to. However, based on draft guidance, GMPF did not expect there to be significant changes to the reporting requirements that were in force last year.

RECOMMENDED

That the report be noted.

29 MEMBER SERVICES UPDATE

The Pensions Operations Manager submitted a report that provided the Working Group with a summary of the work and projects being carried out by the Member Services area of Pension Administration.

The Working Group was informed that work was due to begin on procuring a new partner to assist with address and member tracing. A number of steps had been taken to ensure correct address data was held, including enhancing the address selection functionality within Altair, giving members the ability to update their own address using My Pension and improving address data cleansing procedures. However, address data was currently missing for around 5.25% of members and therefore GMPF was looking to work with a partner to assist with tracing members at their new address.

The Pensions Operations Manager advised the Working Group that performance against key performance indicators remain consistent across all areas. Changes to the regulations allowing deferred members to access their benefits from age 55 led to an increase in requests for benefits to be brought into payment being received. Response times were extended but were now returning to normal levels.

The number of retirement estimates being produced for members had reduced significantly due to the estimate facility being available to members within My Pension. Unless the member was within 6 months of their estimated retirement date, officers were advising the members that they could generate their own estimate through My Pension once they had registered.

The Working Group was informed that changes were currently being made to enable new joiners to receive information through their My Pension account when they joined.

The Pensions Operations Manager advised the Working Group that the process of dealing with death grant cases that fell outside the normal payment policy guidelines has been greatly improved since the Death Grant Board was introduced. Further work was scheduled to revise the payment guidelines and improve upon the letters issued.

RECOMMENDED

That the report be noted.

30 EMPLOYER SERVICES UPDATE

The Pensions Operations Manager submitted a report with a summary of the work and projects being carried out by the Employer Services area of Pension Administration.

The Working Group was informed that the meetings for the 2019 Valuation process had now commenced. Testing of the extract and upload process to the Hyman's Robertson data portal was due to commence this month. A test submission will also highlight issues with the actual data which may require investigation and resolution prior to the submission deadline.

The Pensions Operations Manager provided an update on employer meetings and training. Local Authority employer meetings are generally held each quarter, this quarter they were focussed on the transition to monthly data collection. The remit and agenda for future quarterly meetings was being considered.

In January and February 2019, GMPF facilitated a number of training sessions for employers. Representatives from 7 Local Authorities attended the training with 110 employer liaison officers being trained from a wide range of employers over a number of sessions.

The Working Group was informed that there continues to be a significant number of employers applying to join GMPF with 44 Admission Body and 36 Academy applications currently being progressed.

The Pensions Operations Manager updated the Working Group on the transition to monthly data collection. There was a planned programme of on-boarding now in progress and it is expected that 100 employers would be on-boarded by April 2019. The move to monthly returns for these employers would mean that there was no requirement for them to submit a year-end return for the 2018/19 year.

RECOMMENDED

That the report be noted.

31 2019 ACTUARIAL VALUATION

The Assistant Director (Funding and Business Development) submitted a report providing a high level update on some of the key factors, which would likely influence the valuation outcomes and set out an overview of the valuation project.

The Working Group was informed that the actuarial valuation process would determine the funding position of GMPF at 31 March 2019 and contribution rates for each participating employer from 1 April 2020. Traditionally actuarial valuations in the LGPS had been undertaken every 3 years; however it was understood that Government is seeking to align the local valuation cycle in the LGPS with the 4-yearly valuation cycle for other Public Service Pension Schemes. The contribution rates set at this valuation may once again apply for a 3-year period, however this could then be followed by a 2-year period prior to the commencement of the 4-year cycle. Alternatively, this valuation could set contribution rates for a 5 year period, potentially with the ability to refuse the rates in special circumstances.

An updated, Funding Strategy Statement setting out amongst other things the methodology for setting contribution rates, is expected to be issued to employers for consultation over summer 2019 following consideration by the Working Group at its 12 July 2019 meeting and the GMPF Management Panel at its 19 July 2019 meeting.

The Working Group were informed that significant areas of uncertainty were the impact of the Public Service Pension Scheme Cost Management Process and the pending appeal by Government against a finding that the transitional measures introduced in the Firefighters and Judges pension schemes were discriminatory, which could have wide-ranging implications for all Public Service Pension Schemes.

Members enquired on the possible changes to the assumptions from the 2016 valuation. Members questioned why there may be a reduction in the assumed rate of improvements in life-expectancy. The Assistant Director (Funding & Business Development) informed members that increases in life expectancy across the population as a whole had not risen as quickly as anticipated over the last few years. However analysis of the experience of GMPF members would be required. The Assistant Director (Fund & Business Development) informed the Working Group that a report will be submitted to a future meeting of the Working Group on this subject.

RECOMMENDED

That the report be noted.

32 FAIR DEAL

The Assistant Director (Funding & Business Development) submitted a report to provide the Working Group with an update on the Fair Deal proposals and their possible impacts.

On 10 January 2019, Government published its consultation on draft amendment regulations designed to implement its Fair Deal policy within the LGPS. The draft amendment regulations seek to introduce a new regulation into the LGPS Regulations 2013. Under this new regulation, an LGPS employer must ensure that 'protected transferees' were given access to membership of the LGPS for as long as they remain a protected transferee and had an entitlement to membership of the scheme.

The Working Group was informed that the consultation proposed that service providers did not necessarily need to become admission bodies in the LGPS to participate in the scheme. Instead, 'deemed employer' status could be used instead. In practice, for outsourced employees they would be legally employed by their contractor, but for pension purposes their employer would be the original scheme employer such as a Local Authority or Academy school.

In recent years, there had been an increase in the number of scheme employers involved in mergers or takeovers. This increase was partly a consequence of reforms within the public sector such as Local Authority schools becoming academies and changes to further education funding. These new scheme employers had themselves been merging and changing at a rapid pace.

The Assistant Director (Funding & Business Development) informed the Working Group that the Government was proposing to amend the regulations so that when a scheme employer was merged into or taken over by another organisation, the responsibility for their pensions liabilities automatically transferred to the successor body (unless specific legislative provisions state otherwise). Government hoped that mergers and takeovers would occur without unintended consequences in respect of an employer's LGPS liabilities through this method.

Members of the Working Group enquired on the potential implications of the Deemed Employer status. Members stated the importance that the deemed employer retained liability for employer contributions.

RECOMMENDED

That the report be noted.

33 AVC REVIEW

The Assistant Director (Funding & Business Development) submitted a report asking the Working Group to support making the strategic changes to the AVC fund range and default fund set out in the report.

Additional Voluntary Contributions ('AVCs') allowed Scheme members to pay more to build up extra savings for their retirement. When members make AVCs they paid money into a separate AVC plan and built up a pot of money which was then used to provide additional benefits on retirement.

Further to discussions at previous meetings of the working group, a detailed review of GMPF's AVC arrangements was in progress. At its December 2018 meeting, the Working Group recommended that Prudential be retained as GMPF's ongoing AVC provider for the time being.

Following this decision a second stage of the review was to consider the appropriate fund range to offer to members, the lifestyle options (members who have chosen a lifestyle option automatically have their AVC fund gradually moved into lower-risk asset classes as they approach retirement) and the choice of default fund for any members who would not wish to make their own fund choices. Currently the default fund was the With-Profits fund.

The Working Group was informed that there was considerable overlap between some of the funds and arguably too much choice for members, which would make selecting funds unnecessarily challenging. Rationalising the available options may achieve both a reduction in the governance burden of providing oversight of the AVC fund range and assist members in making appropriate investment choices. A specialist team at Hymans Robertson had analysed GMPF's current AVC fund range and had provided advice on how the fund range could be effectively streamlined.

The Assistant Director (Funding & Business Development) proposed that a further report is produced for the next meeting of the Working Group or the Management Panel setting out in detail the actions required and timescales for making the strategic changes to the AVC arrangements outlined in this report.

RESOLVED

- (i) That the report be noted.**
- (ii) That a report is produced for the next meeting of the Working Group or the Management Panel, setting out actions required and timescales for making the strategic changes to the AVC arrangements outlined in this report.**

34 ADMIN EXPENDITURE

The Assistant Director of Pensions (Local Investments & Property) submitted a report to compare the administration expenses budget against the actual results for the 10 months to January 2019.

The report detailed the administration expenses incurred by the Fund. Comparison was made against the budget for the same period which was derived from the Original Estimate for 2018/2019 approved by the members at the Management Panel Meeting of 23 March 2018.

RECOMMENDED

That the report be noted.

35 STATEMENT OF ACCOUNTS

The Assistant Director of Pensions (Local Investments & Property) submitted a report that informed Members about the governance arrangements for approval of the accounts for Greater Manchester

Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. The report asked Members to note the key assumptions for estimates used in the GMPF accounts.

The report outlined the provisional timetable for approval of accounts and audit reports for 2018/19. The plan, drawn up to meet legal requirements, is that the pre-audit accounts of both TMBC and GMPF be signed off by the S151 officer of the Council by 31 May 2019.

RECOMMENDED

That the report be noted.

36 AGED DEBT

The Assistant Director of Pensions (Local Investments & Property) submitted a report that summarises the aged debt for the Fund as at 31 January 2019. 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 report detailed that total aged debt was £2.072 million at 31 January 2019 compared to £1.933 million as at 31 October 2018. The key trends were highlighted. It was considered a very high probability that the vast amount of property and employer debt would ultimately be recovered. A calculation at 31 March 2018 established that the risk of non-payment across the total annual debts was negligible. A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed.

RECOMMENDED

That the report be noted

37 EMPLOYER UPDATE

The Assistant Director of Pensions (Funding & Business Development) submitted a report that summarised recent significant developments in respect of the operator of 3 Community Rehabilitation Companies who deliver probation services and at one of GMPF's major admitted bodies.

In July 2018, the Ministry of Justice (MoJ) opened a consultation on reorganising Probation Services to ensure the financial viability of CRCs in the short-term and to ensure the continuation of community alternatives in probationary services. The consultation closed on 21 September, however the results had not yet been published. The consultation made no direct reference to pension considerations. With the exception of the potential administration workload referred to above, the proposed changes did not appear to present significant risks to the Fund, primarily due to the process developed alongside the MoJ in 2014 to ensure an orderly transition of funding arrangements on the change of CRC ownership.

The Working Group was informed that the consultation had proposed to create 10 probation regions in England and configure service delivery within each area with one CRC per probation region. It appeared likely that most Probation Services in Wales would revert to the public sector.

RECOMMENDED

That the report be noted.

38 URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

Friday, 8 March 2019

Commenced:
9.00 am

Terminated: 10.12 am

Present: Councillors Quinn (Chair), Drennan, Patrick, Grimshaw, Mr Thompson and Cooney

In Attendance:

Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
Kevin Etchells	Investments Manager
Andrew Hall	Investments Manager
Richard Thomas	Investments Officer

Apologies for Absence: Councillors M Smith and Ward

30. MINUTES

The Minutes of the Property Working Group held on 20 December 2018 were approved as a correct record.

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MANAGEMENT SUMMARY

The Assistant Director of Pensions (Local Investments & 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 continued and the latest draft action points were reported separately on the agenda.

The allocations to property investments and their current weightings as at 31 December 2018 were outlined to the Group. Direct Portfolio (direct and specialist indirect) Investments current weighting was 4.83%, Indirect investments was 1.66%, GMPVF investments showed a weighting of 1.22%, Overseas investments was 1.22% and Other Investments had a weighting of 0.34%. The total of these investments had a weighting of 9.27% which as a proportion of the main fund was 10%.

RECOMMENDED:

That the report be noted.

33. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING UPDATE

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

La Salle had provided estimated 2018 returns, which had continued to underperform its respective benchmark and gave rise for concern. This would be considered further in the upcoming meeting.

Members enquired how any underperformance would be addressed. Members expressed concern over the high vacancy rate and decisions made on a number of properties. The Assistant Director of Pensions (Local Investments & Property) informed members that a review was taking place of the benchmark and that La Salle had been asked to provide information on investments made for other clients in order to review their decisions.

RECOMMENDED

That the report be noted.

34. AVISON YOUNG / 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 1 2019. A report was 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 on going 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, 2019 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'. It was explained that 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, 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 December 2018 and the current prediction on final viability.

RECOMMENDED:

That the report be noted.

35. 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 4 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 regard to portfolio performance, it was reported that the value of the portfolio had decreased since the previous quarter and contained 49 assets with a value of £1.046 million, which increased to £1,110 million when commitments were included. The vacancy rate was 11.9%, which was above the benchmark of 7.2% and the average lease length was 7.7 years, which was below the benchmark of 11.7 years. The net initial yield was 4%, 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 was rated as 'Caution' suggesting a moderate probability of an immediate downturn, linked to significant political and economic risks around the UK's exit from the EU; the overall balance of risk measures remained positive. Market conditions were cautiously optimistic and 5 of the nine Red, Amber, Green indicators were green (positive) with caution surrounding Retail capital growth, yield impact, recession risk and corporate bond spreads.

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

- Intu Chapelfield shopping centre, Norwich
- Knightswick Centre, Canvey Island
- Premier Inn, Waterloo

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.

Members expressed concern that the vacancy rate remained above the benchmark and that the performance of shopping centres across the UK indicated that vacancy rate may continue to be high.

RECOMMENDED:
That the report be noted.

36. URGENT ITEMS

There were no urgent items.

Agenda Item 8

Report To: GMPF MANAGEMENT PANEL

Date: 19 July 2019

Reporting Officer: Sandra Stewart - Director of Pensions

Subject : REVIEW TO SCHEME GOVERNANCE & WORKING GROUPS

Report Summary: The report sets out the final implementation of the review agreed last year and in particular the inclusion of property within the Investment Monitoring and ESG, which now includes oversight of all investments. The Funds success has routed in its simplicity and good and effective governance. We need to review to ensure fit for purpose and to do that we need to revise in the interim to address pooling and the need to comply with best practice re governance as we go for PASA accreditation. The interim proposal allows us to ensure:

- Focus on risks and improve accountability
- Ensure in short term retain focus on property
- Enable appropriate time to work with advisors on way forward that is long term and in line with the best global funds and academic research.

Recommendation(s):

1. Note the governance depicted in **Appendix A** together with the revised terms of reference set out in **Appendix B**.
2. Note and approve the revised Working Group membership at **Appendix C** subject to any minor changes to be agreed with the Deputy Vice Chair of the Fund.
3. Note the calendar of meetings at **Appendix D** agreed last year with a forward plan of meetings to be brought to the next meeting.

Financial Implications:
(Authorised by the Section 151 Officer)

To ensure that the Fund remains efficient and effective.

Legal Implications:
(Authorised by the Solicitor to the Fund)

Set out in the report.

Risk Management:

The purpose of the changes is to ensure that Trustees have good oversight and effectively manage risks.

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:

Appendix A:	Schematic of LGPS Governance Roles and proposed revised structure for GMPF
Appendix B:	TORs for working groups
Appendix C:	Working Group Membership
Appendix D:	Pension meeting Calendar dates

Further information can be obtained by contacting Sandra Stewart
Director of Pensions, Greater Manchester Pension Fund,
Guardsman Tony Downes House, 5 Manchester Road, Droylsden

 Telephone: 0161 342 3028

 e-mail: Sandra.stewart@tameside.gov.uk

1. INTRODUCTION

- 1.1 An organisation’s guiding principles—its mission, objectives, investment beliefs and investment processes—provide both the glue that binds and the compass that directs everybody along the same path. Good governance is the means to ensure that objectives are met whilst keeping to our core beliefs and guiding principles.
- 1.2 At its launch of 18 September 2017, to raise the standards of governance of pension arrangements, the Pensions Regulator identified that Good Governance can be described thus:

“Good governance is about having motivated, knowledgeable and skilled Trustees in place. It’s also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives. It helps you to effectively oversee:

- *administration and record-keeping*
- *funding (where the scheme has defined benefits) and investment*
- *communications with members*

As a Trustee, it’s your responsibility to make sure your scheme is well run. You should spend time and resources getting your scheme governance right. This will help you to minimise risk and maximise opportunities for your scheme and your members. Investing in good governance is likely to save you in the long run, delivering good value for members and sponsoring employers, and improving member outcomes.”

- 1.3 There are a number of academic studies of “what makes a good pension fund”. Consistent themes that appear include clarity of objectives, well defined beliefs and a focus on investment strategy whilst ensuring of course that we are complying with our statutory requirements to pay pensions liabilities accurately and on time.
- 1.4 The Fund has been and is evolving steadily over time, in response to the ongoing regulatory changes and external challenges and increasing frequent changes to the administrative framework that have impacted upon the governance causing incremental changes such as the introduction of Pension Boards in April 2015 under the provisions of the Public Service Pensions Act 2013 and pooling as proposed under the 2016 regulations
- 1.5 Given all this, it is fundamental that the Fund’s governance evolves accordingly.
- 1.6 The Governance was reviewed last year, a schematic of the current governance is set out at **Appendix 8A**. The formal meetings cycle is as follows:

Formal Governance Meeting	No of meetings a year (cycle)
Management and Advisory Panel	4
Pensions Board	4
Policy & Development Working Group	4
Investment Monitoring and ESG	4
Pension Administration Funding & Viability Working Group	4
Northern Pool	10
Investment Committee	10
Northern Pool Private Equity Partnership	10
Total	50

- 1.7 On the 12 July 2018, the Pensions Administration Standards Association (PASA), the independent body dedicated to driving up standards in pensions’ administration, announces

the publication of its Administration Governance Trustee Checklist. This has been developed in response to The Pensions Regulator's (TPR) drive to improve the Governance of Pension Schemes, under its 21st Century Trusteeship initiative.

- 1.8 The Pensions Regulator has identified that trustees should focus on the key areas which are vital for good member outcomes, including administration and recordkeeping. The checklist is an additional tool to help trustees to evidence and action appropriate levels of governance over their administration provider.
- 1.9 It is often thought that investment governance is best where information flow and related portfolio needs are constantly monitored so as not to miss any opportunities and ensure best-positioning. However, evidence shows that the constant flow of stimulus merely invites action and can divert attention away from matters that are slow-moving but important. Further, the best long-term opportunities typically evolve over time, rather than arriving with a bang for a fleeting moment. A long-term investor probably has more to gain than lose by slowing down the information flow and decision cycle.
- 1.10 The condensing of the working groups ensures we don't lose any of the oversight but we ensure that time and resources are used more effectively to ensure the necessary and appropriate focus. Importantly this will ensure that Trustees have a wider oversight and clarity as to how all the moving parts works as the working groups became too focused.
- 1.11 The terms of reference of the various working groups are set out at **Appendix 8B**.
- 1.12 The proposed representatives are set out at **Appendix 8C**.
- 1.13 Additionally, the Administering Authority has created two observer roles. The intention being to strengthen governance within the Fund. The role is to enhance the scrutiny of decision making and provide the Pension Management and advisory Committee with additional experience and knowledge impartial from Fund officers and to create some resilience for the Administering Authority in knowledge and experience whilst ensuring we retain confidentiality of the Fund's business.
- 1.13 The 3 December 2008 Governance compliance statements statutory guidance - <http://lgpsregs.org/timelineregs/Statutory%20Guidance%20and%20circulars/statguide.htm> at Para 42 – refers to:

An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate. It is accepted, however, that certain fund authorities may have devised, or wish to devise, other ways of ensuring the effective scrutiny of their decision-making and performance and it should therefore be borne in mind that the appointment of an independent observer is not to be taken as an absolute requirement in this guidance, provided that authorities are satisfied that their alternative arrangement would match the sort of standards rehearsed in the NAPF's follow-up report on the Myners' principles (recommendation 7) and the government's response to it published in March 2008.

1.14 With this in mind the Administering Authority have appointed the following as Observers to the Fund:

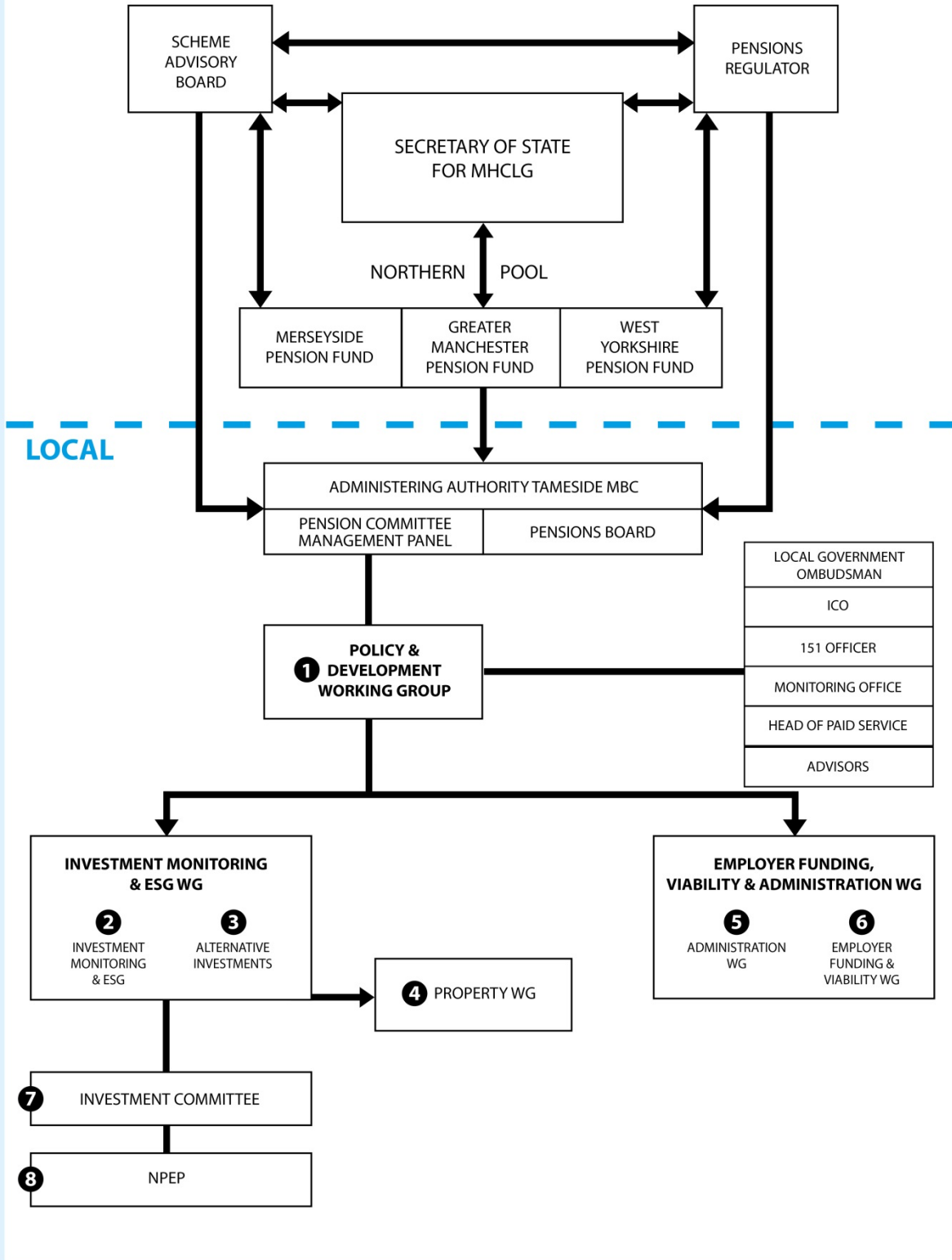
Cllr John Pantall	Long standing former representative for Stockport MBC
Cllr Oliver Ryan	Executive Member for Finance & Growth for the Administering Authority

1.15 The Pension Fund and Working Groups calendar dates are set out at **Appendix 8D**.

2 RECOMENDATIONS

4.1 As set out at the front of the report.

LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE ROLES



APPENDIX B

TERMS OF REFERENCE FOR REVISED WORKING GROUPS

A.	TERMS OF REFERENCE FOR THE LOCAL BOARD
A1	The purpose of the Board is to assist Tameside MBC in its role as the administering authority of the Fund. Such assistance is to:
A2	(a) secure compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme and;
A3	(b) to ensure the effective and efficient governance and administration of the Fund.

B.	TERMS OF REFERENCE FOR POLICY AND DEVELOPMENT WORKING GROUP
B1.	To consider and make recommendations to the Management Panel on major strategic issues, including; <ul style="list-style-type: none"> a) Proposed structural or governance changes in LGPS b) Proposals for joint working with other funds/institutions
B2.	To consider in detail the ongoing appropriateness of the Fund's investment strategy and investment management arrangements and make recommendations to Panel.
B3.	To consider any types of investment, which do not fall under the remit of any other working group and whether to broaden the scope of other working groups as required.
B4.	To monitor and evaluate the progress of new investment programmes and determine whether and when responsibility for monitoring and evaluation should pass to Alternative Investment or Property Working Groups.
B5.	To consider the resource implications of investment programmes and make recommendations to Panel.
B6.	To consider in detail opportunities for local investment that may satisfy the twin aims of commercial returns and supporting the area, and make recommendations on the allocations to these categories of investment to the Management Panel
B7.	To consider in detail the recommendations of the Funds' advisors and plan for their implementation.
B8.	To provide guidance to the Director of Pensions in exercising her delegated powers.

C.	TERMS OF REFERENCE FOR INVESTMENT MONITORING & ESG
C1.	Review and develop the strategy together with monitoring the implementation and performance of the strategy for the Fund's investments in: a) Private Equity b) Infrastructure, c) Property d) Special Opportunities, and e) other Alternative Investments
C2.	Receive reports from 'managers' of underlying investment vehicles or investments, as appropriate
C3.	Receive and consider reports from Fund officers and external advisers on other matters relating to the Fund's Private Equity, Infrastructure and Special Opportunities portfolios and other Alternative Investments
C4.	Consider any other matters relating to the wider investment opportunities commonly referred to as Alternative Investments.
C5.	Make recommendations to the Fund's Advisory and Management Panel in relation to matters falling within the scope of the Working Group.
C6.	Oversee and periodically review the Fund's approach to Environmental, Social and Governance issues including proxy voting.
C7.	Consider reports from the Fund's active and passive Fund Managers regarding their approach to corporate governance, including their proxy voting records
C8.	Consider reports from the Fund's active Fund Managers regarding their Investment Management Association (IMA) disclosures of transaction costs.
C9.	Consider reports from the Fund's third party, specialist corporate governance advisor (PIRC) on the 'Local Authority Pension Fund Forum' (LAPFF) and other matters.
C10.	Receive and consider reports on Property Investment related matters, e.g. debt collection

E.	TERMS OF REFERENCE FOR ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP
E1.	<p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p> <ul style="list-style-type: none"> (a) Ensuring the solvency of each of the notional sub-funds allocated to individual employers, whilst at the same time; aiming to maintain the stability and affordability of employer contributions (b) Using reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations. (c) To address the different characteristics of employers or groups of employers to the extent that this is practical and cost effective.
E2.	<p>This will be achieved by considering the interaction, at the individual employer level of:</p> <ul style="list-style-type: none"> (a) Funding strategy – i.e. assumptions and contribution rates (b) Investment strategy – ensuring appropriate given liability profile and risk tolerance (c) Employer covenant strength – making allowance for any risk reduction measures such as guarantees, bonds and pooling arrangements
E3.	<p>In connection with the above, the working group will:</p> <ul style="list-style-type: none"> (a) Consider policy for admitting new employers to the Fund and any conditions of joining which should be applied (b) Oversee the triennial actuarial valuation process (c) Receive and consider reports from Fund officers on developments in the LGPS and wider defined benefit pensions environment which may have an impact on funding
E4.	<p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p>
	<ul style="list-style-type: none"> (a) The effective administration of the LGPS, including: <ul style="list-style-type: none"> • the performance of the Pensions Office and employing authorities regarding the standards set out in the pensions administration strategy; • Pensions Office policies and procedures; • pension administration benchmarking; • proposed responses to national consultations relating to or affecting the LGPS • the Pensions Office’s response to wider pension issues and national developments affecting pension administration • the implementation of changes affecting the LGPS and / or the administration of pensions (b) training and support of: <ul style="list-style-type: none"> • members of the Pension Fund, Advisory Panel • employing authority colleagues including approved doctors (c) effective communication with Fund members and employing authorities, including: <ul style="list-style-type: none"> • The Pensions Office Helpline • written communications, and also e-comms including the website, e-mail alerts and GMPF on-line (d) the effective use and maintenance of Pensions Office systems and other physical resources (e) the provision of Scheme additional voluntary contributions (f) business continuity plans and procedures (g) any other matter that materially relates to pension administration
E5.	<p>Consider reports from TMBC’s “Internal Audit and Risk Management” service regarding approving the Annual Internal Audit Plan and considering quarterly progress updates</p>
E6.	<p>Consider reports from external auditors regarding the Fund’s external audit arrangements and the Annual External Audit Plan.</p>
E7.	<p>Consider reports setting the Fund’s administration expenses budget and thereafter monitoring:</p> <ul style="list-style-type: none"> a) the Fund’s administration expenditure against budget; b) the value of the Fund’s aged debt

APPENDIX C

WORKING GROUP MEMBERSHIP – 2019 / 2020

POLICY & DEVELOPMENT				
1.	Cllr Warrington (Chair)	Tameside		
2.	Cllr M Smith	Tameside		
3.	Cllr Cooney	Tameside		
4.		Tameside		
5.				
6.	Mr Thompson	UNITE		
7.	Ms Herbert	MoJ		
8.	Cllr Pantall	Observer		
9.	Cllr Ryan	Observer		
INVESTMENTS & ESG			ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP	
1.	Cllr Cooney (Chair)	Tameside		Cllr M Smith (Chair) Tameside
2.	Cllr Ward	Tameside		Cllr Ricci Tameside
3.	Cllr Ricci	Tameside		Cllr Patrick Tameside
4.	Cllr J Fitzpatrick	Tameside		Cllr Drennan Tameside
5.	Cllr Newton	Tameside		Cllr Wills Tameside
6.	Cllr J Homer	Tameside		Cllr Sharif Tameside
7.	Cllr M Smith	Tameside		Cllr Cooney Tameside
8.	Cllr Parkinson	Bolton		Cllr Parkinson Bolton
9.	Cllr Andrews	Manchester		Cllr Andrews Manchester
10.	Cllr Jabbar	Oldham		Cllr Jabbar Oldham
11.	Cllr O'Neill	Rochdale		Cllr O'Neill Rochdale
12.	Cllr Mitchell	Trafford		Cllr Mitchell Trafford
13.	Cllr Taylor	Stockport		Cllr Joan Grimshaw Bury
14.	Cllr Barnes	Salford		Cllr Halliwell Wigan
15.	Mr Drury	UNITE		Mr Drury UNITE
16.	Ms Fulham	UNISON		Mr McDonagh UNISON
17.	Mr Llewellyn	UNITE		Mr Llewellyn UNITE
18.	Mr Flatley	GMB		Mr Flatley GMB
19.	Cllr Pantall	Observer		Cllr Pantall Observer
20.	Cllr Ryan	Observer		Cllr Ryan Observer

APPENDIX D

Pension Fund and Working Groups calendar dates:					
Pension Fund	Friday 10.00am	19 July 2019	18 October 2019 (AGM)	17 January 2020	10 April 2020
Policy and Development	Thursday 11am	13 June 2019	19 September 2019	19 December 2019	6 March 2020
Investment Monitoring & ESG	Friday 9.00 am	12 July 2019	27 September 2019	20 December 2019	20 March 2020
Administration, Employer Funding & Viability	Friday 11.00 am	12 July 2019	27 September 2019	20 December 2019	20 March 2020
Local Pensions Board	Thursday 3.00 pm	8 August 2019	11 October 2019	12 December 2019	26 March 2020

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Report To:	GMPF MANAGEMENT/ADVISORY PANEL
Date:	19 July 2019
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2018-2019
Report Summary	This report is submitted for information and Members are asked to note the completion of the governance arrangements for the audit of GMPF Accounts 2018/19.
Recommendations:	Members are asked to <ul style="list-style-type: none">(i) Note the completion of governance arrangements for approval of GMPF accounts.(ii) Note the Audit Completion Report from Mazars(iii) Approve the Annual Report
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material.
Legal Implications: (Authorised by the Solicitor to the Fund)	The administering authority must produce an annual report and accounts in line with statutory provisions.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Paddy Dowdall, Assistant Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

1.1 This report covers four sections:

- Governance Arrangements for the approval of the accounts;
- Audit Completion Report
- Simplified summary of the accounts for this year.
- Annual Report

2. GOVERNANCE ARRANGEMENTS

2.1 The Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making body for the Council is the Audit Panel which receives accounting policies reports and the report of the external auditor following the audit of the accounts, for both GMPF and the Council, the Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received for both, but in practice delegates the responsibility for GMPF to GMPF.

2.3 The audit process will be completed from a GMPF perspective at today's meeting subject to Management Panel agreement, with the acceptance of the audit report and signing of the letters of assurance by management and the Chair, which are attached as **Appendices 14A and 14B** to this report.

3. AUDIT COMPLETION REPORT

3.1 The report from Mazars is attached for information as **Appendix 14C**. The report is very positive and no material issues were raised by the auditors who are here to present their findings. Their report is attached as an appendix to this report.

4. SIMPLIFIED ACCOUNTS SUMMARY

4.1 The table below shows the key financial movements during the financial year to 31 March 2019 taken from the accounts:

	£m	£m	£m
Fund Value at 31 March 2018			22,497
Contributions and Benefits			
Employee contributions	146		
Employer contributions	447		
Pension benefits Paid		804	
Net Transfers	295		
Management Costs			
Investment		25	
Administration		6	
Oversight		2	
Investments			
Income	432		
Change in market value of investments	864		
Total change in value of Fund			1,347
Fund Value 31 March 2019			23,844

5. ANNUAL REPORT

5.1 The annual report is attached for approval

<https://www.gmpf.org.uk/annualreport/unauditedandunapproved.pdf>

6. RECOMMENDATIONS

6.1 To note the completion of governance arrangements for the approval of GMPF's accounts.

6.2 To note the Audit Completion Report from Mazars.

6.3 To approve the Annual Report.

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Report To: **GMPF MANAGEMENT PANEL/ADVISORY PANEL**

Date: 19 July 2019

Reporting Officer: Sandra Stewart – Director of Pensions
Emma Mayall – Assistant Director for Administration

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
- 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
- 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 2019/20 has been made over the last quarter.

2.2 The transition to monthly data collection is progressing as planned. 96 employers have already on boarded to the monthly process and work is underway to on board those employers that are scheduled to transition during the next quarter.

2.3 The number of members who have now registered the online system *My Pension* continues to increase each month. Over 77,000 members have now registered for the service and all annual statements for deferred members were uploaded in May. Statements for contributing members will be uploaded during July and August. Notifications to those who have not yet registered will continue to be issued in batches each month over the next six months or so.

2.4 Work has been carried out on testing 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. The new module is scheduled to be implemented in the autumn.

2.5 The project to redevelop the funds websites is underway and the Fund is currently undertaking a procurement process to find a partner to work with on this project. The invitation to tender (ITT) was issued in April and an evaluation of the bids was undertaken in May and June to determine the winning bidder. The due diligence process for the winning bidder began at the end of June and will be followed by a stand-still period, in line with procurement procedures. The planned contract start date is August, when work with the appointed company will begin.

3. OTHER KEY PROJECTS AND WORK AREAS

3.1 The processing of year-end data for those employers who had not transitioned to monthly returns before April 2019 is almost complete. Work has also been progressing on testing the data files that are due to be provided to the actuary for the valuation.

3.2 A new Business Continuity Plan (BCP) has been drawn up in line with the new Tameside MBC standard BCP template. The first scenario testing of the new plan took place during the week commencing 1 July.

3.3 The process to gain PASA accreditation has continued this quarter. Feedback from independent assessors RSM Limited was received in April following a desktop review of GMPF's written submission and supporting evidence.

4. THE PENSIONS REGULATOR AND OTHER COMPLIANCE ACTIVITIES

- 4.1 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.
- 4.2 Three Complaints and Disputes Board meetings have taken place during the last quarter. The Board has considered 16 cases with complaints ranging from the change to benefits following the GMP reconciliation exercise to the decisions taken regarding ill health retirements.
- 4.3 The Local Government Association (LGA) published an updated version of its discretionary policies guidance in April 2019. This guidance contains an exhaustive list of mandatory policies that must be formulated, as well as non-mandatory policies that may be formulated and which must be published and kept under review by Scheme Employers and Administering Authorities. In order to ensure compliance, a review exercise is underway to compare GMPF's published policies with those required under the latest version of the guidance.

5. ADMINISTRATION SECTION PERFORMANCE

- 5.1 Performance levels have generally remained consistent across all measures over the last quarter. The changes introduced through amendment regulations and changes to actuarial factors have resulted in some delays for members. In particular, the changes to the regulations allowing deferred members to access their benefits from age 55 led to an increase in requests for benefits to be brought into payment being received. Response times were extended to allow for the increase in requests. Although response times continue to reduce, we have not yet returned to standard response times. Therefore, this area is continuing to be monitored closely.

6. ANTICIPATED FUTURE CHANGES AND CHALLENGES

- 6.1 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. On 27 June 2019, the Supreme Court denied the government's request for an appeal. Therefore, further news on the next steps in the process is currently awaited.

7. RECOMMENDATION

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

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ASSURANCE PROVIDED BY THOSE CHARGED WITH GOVERNANCE GMPF 2018/19

Ref	Question	Panel Response
1	<p>How do you exercise oversight of management's processes in relation to undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</p>	<p>The Council and Fund have assessed the risk of material misstatement in the financial accounts and measures to mitigate the risks have been put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Pension Fund has an experienced team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. On an ongoing basis regular monitoring is undertaken, and there are reconciliations between investment managers and custodian for investments and with the actuary for benefits and contributions through the Heat system</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
2	<p>How do you exercise oversight of management's processes in relation to identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist.</p>	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance at seminars and fraud groups to ensure that learning is shared and participation in Webinars.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported in summary to the Audit Panel and in detail to the Internal Standards Panel.</p> <p>Financial systems are reviewed on a regular basis and high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p> <p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>

Ref	Question	Panel Response
3	<p>How do you exercise oversight of management's processes in relation to communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct).</p>	<p>Contract Term and Conditions and Partnership agreements are in place.</p> <p>Articles published in the Wire, Chief Executive's Brief and on the staff portal. Manager Team briefings. Code of Conduct in place and on the staff portal. Employment contracts, job descriptions and person specifications and induction.</p> <p>Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent on the staff portal and the public website.</p> <p>Whistleblowing policy in place.</p> <p>Professional staff (e.g. Investment Professionals, Accountants, Solicitors, and Auditors) are also bound by codes of ethics issued by their professional bodies.</p>
4	<p>How do you oversee management processes in relation to communicating to you the processes for identifying and responding to fraud or error?</p>	<p>Progress reports are presented to the Audit Panel and Pension Fund Working Groups by the Head of Risk Management and Audit and these details work undertaken in relation to Fraud.</p> <p>The results of the National Fraud Initiative NFI which cover both Fraud and error are also reported by the Head of Risk Management and Audit.</p>
5	<p>How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?</p> <p>Are you aware of any breaches of internal control during 2018/19? If so, please provide details?</p>	<p>The Head of Risk Management and Audit Services reports to every Audit Panel and Pension Fund Working Groups, and the reports contain an update on fraud cases. The Panel receives and approves the Fraud Response Plan, Internal Audit Strategy and Charter.</p> <p>All fraud investigations are regularly reported to the Standards Panel.</p> <p>The Annual Governance Statement is presented to the Audit Panel and the process involves that all Directors sign an Assurance Statement and complete a Self-Assessment Checklist to confirm that internal controls have been in place in their Directorate during the year.</p> <p>Where control weaknesses are identified as part of an Internal Audit or investigation recommendations to improve the control environment are included in an Action Plan included in the Final Report.</p>
6	<p>How do you gain assurance that all relevant laws and regulations have been complied with?</p> <p>Are you aware of any instances of non-</p>	<p>The Annual Governance Statement (AGS) and the associated assurance framework is presented to the Audit Panel, where Directors sign an Assurance Statement which covers that laws and regulations have been complied with.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>No</p>

Ref	Question	Panel Response
	compliance during 2018/19? If so, please provide details.	
7	<p>Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p> <p>If so, please provide details.</p>	No
8	<p>Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?</p> <p>If so, please provide details?</p>	<p>This is led by the Director of Pensions and documented through the Funding Strategy Statement.</p> <p>We believe that the Fund's GMPF's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's GMPF's needs. We believe that no further disclosures relating to the GMPF's ability to continue as a going concern need to be made in the financial statements.</p>
9	<p>Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?</p>	No
10	<p>Do you suspect fraud may be occurring within the organisation?</p>	<p>All reported allegations are considered by Internal Audit and either investigated or assistance is provided to management.</p> <p>All cases are reported to the Audit Panel and Pension Fund working groups, and the Standards Panel by the Head of Risk Management and Assurance.</p>
11	<p>Have you identified any specific fraud risks within the Council/Pension Fund?</p>	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance by officers at seminars, fraud groups and</p>

Ref	Question	Panel Response
		<p>participation in Webinars ensures that learning is shared and intelligence is obtained.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported to the Standards Panel.</p> <p>Financial systems are reviewed on a regular basis.</p> <p>The high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p> <p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>
12	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?</p> <p>If not where are the risk areas?</p>	<p>Managers are responsible for implementing systems of internal control and this is confirmed annually in the Assurance Statement and Self- Assessment completed by each Director as part of the Annual Governance Statement process.</p> <p>Internal controls are reviewed by Internal Audit using a risk based audit plan and a standardised system of internal audit. Each audit is concluded by the production of a Final Report which details the recommendations made in terms of any system weaknesses and includes the management response together with a named responsible officer and deadline date. A Post Audit Review is undertaken 6 months (3 months where a low level of assurance is given) after the final is issued to ensure that all recommendations have been implemented. Any significant issues would be reported to the Audit Panel.</p> <p>At the conclusion of a fraud/irregularity investigation a control report is produced making recommendations to systems and again the report includes management responses, a named officer and a deadline date. A Post Audit Review is also conducted to ensure the recommendations have been implemented.</p> <p>As the organisation moves to flatter structures and smaller teams; the audit team has to be responsive to the effects of these changes on the traditional controls like segregation of duties and look for compensating controls/automatic system controls to ensure that the control environment is not adversely affected and the Council put at risk.</p>
13	How do you encourage staff to report their concerns about fraud?	Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.

Ref	Question	Panel Response
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances in the accounts where fraud is more likely to occur?	No
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No
20	Could a false accounting entry escape detection? If so, how?	No The potential for a false accounting entry to escape detection is considered to be very low due to the segregation of duties and compensating controls, reconciliations and review processes in place across all financial systems. A false accounting entry would require collusion between a number of officers across different teams and is therefore considered to be extremely unlikely.
21	Are there any external fraud risk factors, such as collection of revenues?	No

Ref	Question	Panel Response
22	Are you aware of any organisational or management pressure to meet financial or operating targets?	No
23	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No pressure is being applied or incentives offered to meet financial or operating targets. All senior officers within the Finance Team are members of professional bodies and bound by a code of ethics.
24	What arrangements has the Council and Pension Fund put in place in response to the Bribery Act 2010?	The Council has put in place guidance for Managers and Employees which is available on the Staff Portal

Signed:

.....
Councillor Brenda Warrington

Chair Of Greater Manchester Pension Fund

.....
Councillor Vincent Ricci

Chair of Audit Panel Tameside Council

Chair of Audit Panel

Date: 5 June 2018

UNDERSTANDING MANAGEMENT PROCESSES AND ARRANGEMENTS GMPF 2019

Question	Management Response
<p>1 What processes are in place at the Council GMPF to undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);</p>	<p>The Council has assessed the risk of material misstatement in the financial accounts and measures to mitigate the risks have been put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Pension Fund has an experienced team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. On an ongoing basis regular monitoring is undertaken, and there are reconciliations between investment managers and custodian for investments and with the actuary for benefits and contributions through the Heat system</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
<p>2 What processes are in place at the Council to identify and respond to risks of fraud;</p>	<p>Within Internal Audit a dedicated resource is available to respond to all reported fraud. The arrangements in place have been measured against CIPFA's Code of Practice - Managing the Risk of Fraud and Corruption and are compliant.</p> <p>Intelligence is obtained from numerous fraud websites, from NAFN Data and Intelligence Services which is hosted by Tameside MBC and the North West Chief Audit Executives Fraud Sub Group.</p> <p>A Whistleblowing Policy is available on Council's Website and the Intranet for staff/public to raise concerns and whistleblowing referrals are received.</p>
<p>3 What processes are in place at the Council to communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct);</p>	<p>Article in Live Wire</p> <p>Chief Executive's Brief</p> <p>Team Briefs</p> <p>Contracts of Employment/Codes of Conduct</p> <p>Gifts and Hospitality Protocol</p> <p>Professional staff are also bound by their Professional Bodies Ethical Codes of Practice.</p>
<p>4 What processes are in place at the Council to communicate to the Audit Panel the processes for identifying and responding to fraud</p>	<p>The Head of Risk Management and Audit presents reports to the Audit Panel throughout the year as follows:</p> <ul style="list-style-type: none"> • Planned Work Report – May • Progress Reports – October and March • Annual Report – May

	Question	Management Response
	or error?	The planning report sets out the audit plan for the coming year which is risk based, using criteria which includes Susceptibility to Error/Fraud.
5	How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?	<p>The Annual Governance Statement (AGS) and the associated assurance framework providing assurance that laws and regulations have been complied with as Directors have to sign an Assurance Statement which is based on the completion of a detailed self-assessment which covers this aspect.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>Legal Bulletins are circulated by the Director of Governance and Pensions (Borough Solicitor) to all managers keeping them up to date with changes in the law.</p>
6	Are there any actual or potential litigation or claims that would affect the financial statements?	No
7	What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.	<p>Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements. This review includes: Review of all Member disclosed interests, obtaining declarations from all Directors and Assistant Directors, review of payments and receipts totals by supplier and comparison to declared interests. The identified related parties are reviewed by Senior Officers in the finance team and disclosures approved by the Assistant Director of Finance and Director of Finance.</p> <p>The review of related parties for 2018/19 is currently in progress and will be concluded by early May 2019.</p>
8	Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?	No

	Question	Management Response
9	Do you suspect fraud may be occurring within the organisation?	No
10	Have you identified any specific fraud risks within the Council or Pension Fund?	Financial systems are reviewed on a cyclical basis to ensure that they are fit for purpose and the controls are operating effectively. No major issues have been identified in any of the systems.
11	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	<p>Internal Audit has undertaken a number of audits/reviews during 2018/19 to review the Council's internal control processes and the results of their work are reported to the Audit Panel and GMPF Working Groups by the Head of Risk Management and Audit Services. Where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.</p> <p>Senior Management is responsible for the control environment and work with Internal Audit throughout the year to ensure that any proposed changes to systems and processes do not adversely affect the control environment.</p> <p>All Directors sign Assurance Statements annually for the Annual Governance Statement to confirm that internal controls have been in place in their Directorate during the year.</p> <p>The Head of Risk Management and Audit presents an Annual Report to the Audit Panel in May summarising the work of Internal Audit and providing an opinion on the control environment.</p>
12	If not where are the risk areas?	All Internal Audits and Investigations generate a Draft and Final Report which detail recommendations made to improve the control environment where improvements are identified. Post Audit Reviews are undertaken six months (three months where a low level of assurance was given) after the Final Report was issued to ensure recommendations have been implemented, thus improving the controls in place.
13	How do you encourage staff to report their concerns about fraud?	Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No

	Question	Management Response
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances in the accounts where fraud is more likely to occur?	No
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No
20	Could a false accounting entry escape detection? If so, how?	The potential for a false accounting entry to escape detection is considered to be very low due to the segregation of duties and compensating controls, reconciliations and review processes in place across all financial systems. A false accounting entry would require collusion between a number of officers across different teams and is therefore considered to be extremely unlikely.
21	Are there any external fraud risk factors, such as collection of revenues?	No
22	Are you aware of any organisational or management pressure to meet financial or operating targets?	No
23	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to	No pressure is being applied or incentives offered to meet financial or operating targets. All senior officers within the GMPF Team are members of professional bodies and bound by a code of ethics.

	Question	Management Response
	you or colleagues to meet financial or operating targets?	
24	What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council has put in place guidance for Managers and Employees which is available on the Staff Portal.

Signed:

Kathy Roe

Director of Finance (Section 151 Officer)

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Audit Completion Report

Greater Manchester Pension Fund
Year ending 31 March 2019

CONTENTS

1. Executive summary
 2. Significant findings
 3. Internal control recommendations
 4. Summary of misstatements
- Appendix A – Draft management representation letter
- Appendix B – Draft auditor’s report
- Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Tameside Metropolitan Borough Council as Administering Authority of Greater Manchester Pension Fund are prepared for the sole use of the Council / Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Mazars LLP
One St. Peters' Square
Manchester
M2 3ED

Members of the Audit Panel
Tameside Metropolitan Borough Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

[Date]

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 12 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on [RI telephone number].

Yours faithfully

Karen Murray
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Greater Manchester Pension Fund ('the Fund') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Panel meeting on 22 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 of this report outline the detailed findings from our work on the financial statements, and also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of Unquoted Investments

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in conjunction with the work for Tameside MBC as Administering Authority, in line with the group instructions issued by the NAO, by the deadline of 31 August 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. We have received no such objections or questions in relation to the Fund from local electors. At the time of drafting there is still the opportunity for objections to be made and we will update the Panel on the final position and consideration.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2019. At the time of preparing this report there are no significant matters outstanding, however, there are a number of items that remain to be completed:

- receipt of the final, signed Statement of Accounts;
- receipt of the final, signed Letter of Representation; and
- receipt of the responses from management and Chairs of relevant Panels in respect of fraud awareness.

We will provide the Audit Panel with an update in relation to the few minor outstanding matters as part of the presentation of this report, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Overall Materiality

We set overall materiality at the planning stage of the audit at £225m using a benchmark of 1% of net assets. Our final assessment of materiality, based on the final financial statements and qualitative factors we considered it appropriate to maintain the reported figure of £225m, using the same benchmark.

Fund Account (specific materiality)

We set specific materiality for the Fund Account at the planning stage of the audit as £80m, using a benchmark of 10% of benefits payable. Our final assessment of materiality, based on the final financial statements and qualitative factors is £80m, using the same benchmark.

Triviality

We set our trivial threshold, the level under which individual errors are not communicated to the Audit Panel, at £7m based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Panel in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work in respect of: <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion We have not identified any instances of the override of controls. We have no issues which we would like to bring to your attention in respect of this identified significant risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of unquoted investments for which a market price is not readily available

Description of the risk

The values for certain classes of investment assets held by the Fund by their nature include more subjective and inherent risks of material misstatement. This is particularly applicable to those assets which are based on unobservable inputs, and also the level of professional judgement, required when calculating capital statements and net asset values.

How we addressed this risk

We addressed this risk by completing the following procedures:

- agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- agree the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- where audited accounts are available, check that they are supported by a clear opinion; and
- where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.

Audit conclusion

We have no issues which we would like to bring to your attention in respect of this identified significant risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Fund's circumstances.

We have undertaken procedures and testing sufficient to understand and confirm that the Fund has appropriately prepared financial statements for the year ended 31 March 2019 on the basis of going concern. We are also satisfied that the audit of said financial statements provides adequate assurance over the revenue recognition practices and reported results for the year.

Draft accounts were received from the Fund on 28 May 2019 and were of a good quality, supported by a set of comprehensive and good quality working papers.

Significant matters discussed with management

There have been no significant or material items where we have required to hold formal discussions with management in relation to the Fund's financial statements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit at the date of drafting the report.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. At the time of drafting the report for the Panel, the final date for potential objections has not yet passed and we will provide a verbal update at the Panel meeting.

Modifications required to our audit report

We have not identified any issues that have led us to conclude that we need to issue a modified audit opinion.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

Investment valuations for a small proportion of the portfolio, within quoted investments, had been reported on an incorrect basis because the wrong market pricing had been applied by HSBC.

Potential effects

Had the wrong market pricing been applied to all of the quoted investments in the portfolio, there could be a potential material error in the value included in the accounts.

Recommendation

The Fund should liaise with and confirm that both external valuation specialists, fund managers, and custodians are using the correct exchange price when reporting.

Management response

The Fund has engaged a new supplier for the investment accounting function, from HSBC to Northern Trust (the Fund's Custodian). The Fund is also conducting a review of the internal processes in place for the reconciliation of reports from Northern Trust and the Fund Managers.

Management consider that these two measures will strengthen the arrangements in place, and significantly reduce the risk of incorrect reporting of the value of investments.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £7m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Net Assets Statement Cr: Change in Market Value			11,436	11,436
Total unadjusted misstatements			11,436	11,436

The Fund has been provided with a small sample of the investment portfolio where the incorrect quoted investment pricing had been selected. The difference between the mid and bid prices represents 0.06% of the assets where it has been incorrectly identified and reported.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

During the course of the audit we have not identified any significant amendments to the disclosures included in the Fund's accounts. We have recommended a small number of enhancements to the disclosures included, to improve transparency and clarity of the existing disclosures.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Tameside Metropolitan Borough Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

[Date]

Dear Karen

Greater Manchester Pension Fund - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund and Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant Pension Fund and Council Panel meetings and other committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund and Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund and Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund and Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund and Council have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund and Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund and Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Pension Fund and Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund and Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Finance

Chair of Audit Panel



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Tameside Metropolitan Borough Council Report on the financial statements

Opinion on the financial statements of Greater Manchester Pension Fund

We have audited the financial statements of Greater Manchester Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

give a true and fair view of the financial transactions of Greater Manchester Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

APPENDIX B

DRAFT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body and as administering authority for the Greater Manchester Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Karen Murray
For and on behalf of Mazars LLP
Address
[Insert date]

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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Director

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Manager

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