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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 11 December 2020
Time: 10.00 am
Place: Zoom Meeting

Item No.	AGENDA	Page No

GENERAL BUSINESS

1 CHAIR'S INTRODUCTORY REMARKS 10.00AM

2 APOLOGIES FOR ABSENCE

3 DECLARATIONS OF INTEREST

To receive any declarations of interest from Members of the Panel.

4 MINUTES

4a MINUTES OF THE PENSION FUND ADVISORY PANEL 1 - 16

To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 18 September 2020.

4b MINUTES OF THE PENSION FUND MANAGEMENT PANEL 17 - 22

To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 18 September 2020.

5 LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

5a URGENT ITEMS

To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.

5b EXEMPT ITEMS

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

Items	Paragraphs	Justification
8, 9, 10, 11, 12, 13, 14, 15, 16,	3&10, 3&10, 3&10, 3&10, 3&10, 3&10,	Disclosure would, or would be lik prejudice the commercial interests

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

21, 22, 23, 24, 25, 26, 27, 28. 29, 30, 31	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.

ITEMS FOR DISCUSSION/DECISION

To consider the attached report of the Assistant Director of Pensions, Funding and Business Development.

13 NEW REGULATIONS ON EMPLOYER FLEXIBILITIES 135 - 140

To consider the attached report of the Assistant Director of Pensions, Funding and Business Development.

14 MULTI-ACADEMY TRUST CONSOLIDATION 141 - 146

To consider the attached report of the Assistant Director of Pensions, Funding and Business Development.

15 ADVISOR COMMENTS AND QUESTIONS

ITEMS FOR INFORMATION

16 LGPS UPDATE 147 - 152

To consider the attached report of the Assistant Director of Pensions Administration.

17 GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020 - AUDIT FINDINGS REPORT 153 - 156

To consider the attached report of the Assistant Director, Local Investments and Property.

18 FUTURE DEVELOPMENT OPPORTUNITIES

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

Hymans Robertson Webinar – Keeping the LGPS Connected	12 January 20: 11.30 – 12.00
Hymans Robertson Webinar – Keeping the LGPS Connected	27 January 20: 2.30 – 3.00
Hymans Robertson Webinar – Keeping the LGPS Connected	10 February 2(10.00 – 10.30
Hymans Robertson Webinar – Keeping the LGPS Connected	25 February 2(3.00 – 3.30
LGC Investment & Pensions Summit, Leeds	3 – 5 March 2(
Hymans Robertson Webinar – Keeping the LGPS Connected	11 March 2021 11.00 – 11.30
Hymans Robertson Webinar – Keeping the LGPS Connected	23 March 2021 10.30 – 11.00

19 DATES OF FUTURE MEETINGS

To note the dates of future meetings to be held on:-

Management/Advisory Panel	19 Mar 2021 16 July 2021

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

	17 Sept 2021 10 Dec 2021 18 Mar 2022
Local Pensions Board	14 Jan 2021 8 April 2021 29 July 2021 30 Sept 2021 13 Jan 2022 7 April 2022
Policy and Development Working Group	4 Mar 2021 24 June 2021 2 Sept 2021 25 Nov 2021 3 Mar 2022
Investment Monitoring and ESG Working Group	22 Jan 2021 16 April 2021 30 July 2021 1 Oct 2021 21 Jan 2022 8 April 2022
Administration and Employer Funding Viability Working Group	22 Jan 2021 16 April 2021 30 July 2021 1 Oct 2021 1 Jan 2022 8 April 2022

WORKING PAPERS - APPENDICES

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

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GREATER MANCHESTER PENSION FUND ADVISORY PANEL

18 September 2020

Commenced:	**10.00am**	**Terminated: 12.40pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Cunliffe (Wigan), Grimshaw (Bury), Jabbar (Oldham), Mitchell (Trafford), and Taylor (Stockport)** **Employee Representatives:** **Mr Drury (UNITE), Mr Flatley (GMB), Ms Fulham (UNISON)** **Fund Observers:** **Councillors Pantall** **Local Pensions Board Member (in attendance as observer):** **Councillor Fairfoull**	
Advisors:	**Mr Bowie, Mr Moizer, Mr Powers and Ms Brown**	
Apologies for absence:	**Councillors Andrews (Manchester), Barnes (Salford), O'Neill (Rochdale), Parkinson (Bolton), Messrs Llewellyn (UNITE), McDonagh (UNISON) and Thompson (UNITE)**	

21. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and commented on the extreme turbulence experienced to date in 2020, both in everyone's day-to-day lives and financial markets. She explained that, throughout the period, the safety and welfare of employees had been paramount and investment and service delivery had been adapted to address the Pandemic, which continued to affect everyone. The Chair was pleased to report that both staff and the Fund were bearing up to challenges and the current value of the Fund was £24.5 billion.

Over recent months, work had been undertaken with managers to understand which opportunities were most likely to provide genuine, accessible investments for the Fund and the property market reaction to the situation would be reported later in the agenda.

Reference was made to Responsible Investment and that the consideration of a broad range of risks and opportunities beyond headline economic indicators was now accepted as standard good practice. However, the Chair highlighted that without radical change, the current and historic drain on the planet's resources and way we interact with each other, would lead to irreversible impacts for future generations.

In 2015, the 17 Sustainable Development Goals were the product of a global call to action from UN member states to improve the world, and the lives of people in it, by the year 2030. The issues requiring most attention included Goal 13: '*Take urgent action to combat climate change and its impacts'*, where we were 'far from target'. Global inaction meant that radical changes in policy and regulation would become more likely in future, creating greater uncertainty for companies and investors alike.

Institutional investors had significant leverage to influence change for good, with better standards being driven from companies in which the Fund invested and by relocating capital in favour of those wishing to make, or were contributing to, progress. This did not need to come at a financial cost. It was through inaction that institutional investors stood to suffer a long-term cost, ultimately impacting on their beneficiaries. Inaction from institutional investors would be subject to higher levels of public scrutiny in future, the plans to make reporting in line with the Taskforce for Climate-Related Financial Disclosures mandatory for the largest pension schemes.

The Chair advised that the DWP was consulting on the introduction of mandatory reporting and governance of climate risks for large UK occupational pension schemes. Whilst not in scope, the consultation noted that MHCLG *'will make provision for the Local Government Pension Scheme, in line with their responsibility for the investment and governance of the LGPS'*.

In line with the intention to decarbonise the Fund and the continuing approach to take steps to embed climate risk considerations into the Fund's governance arrangements, the Chair was pleased to advise that the Fund had been voluntarily publishing these disclosures for the last 4 years and the latest report was published on the website.

The Taskforce for Climate-Related Financial Disclosures, of which the Fund was a supporter, recommended the measurement and disclosure of a metric known as the weighted average carbon intensity (WACI). The WACI provided an indication of a portfolio's exposure to carbon intensive companies. Over the four years the Fund had measured this metric, the Fund's WACI had been significantly below the benchmark WACI, with both the benchmark and the Fund's WACI trending downwards since 2018. Currently the Fund's holding were 25% less carbon intensive than the market. In addition to this, the Fund was also the biggest LGPS investor in renewables. Members were informed that a representative of Trucost would be presenting later in the agenda, to provide an independent measure of the Fund's position and the second report on responsible investment activity during the quarter.

With regard to MHCLG regulations, the Chair informed the Panel that on 26 August the latest partial response to the May 2019 consultation, 'changes to the local valuation cycle and management of employer risk' had been published. The accompanying amendment regulations had also been made and were due to come in to force from 23 September 2020. The new regulations provided more flexibility to funds to manage employer risk in three key areas, via firstly, inter-valuation reviews of employer contributions, secondly spreading of exit debts and thirdly Deferred Debt Agreements. The regulations required funds to have policies in place around these new powers and MHCLG intended to develop guidance in collaboration with Scheme Advisory Board (SAB) and CIPFA. The speed at which the regulation had been drafted and put into force reflected the concern around administering authorities and employers being able to manage and mitigate risks arising from the COVID-19 pandemic.

The Chair further informed Members that the government first announced plans to cap exit payments in the public sector in 2015 and, on 10 April 2019, HM Treasury launched a consultation on draft regulations to implement the cap. HM Treasury published its response to the consultation on 21 July 2020. It was now understood that government intended to have the cap implemented before the end of the calendar year. The exit payment cap was set at a total of £95,000 and wo9uld apply to all public sector employers. Exit payments included redundancy payments, severance payments and pension strain costs, which arose when an LGPS pension was paid unreduced before a member's normal pension age. It appeared that Statutory Redundancy Payments were affected under the proposals also, and every person who was made redundant would be affected, rather than just the better paid, as originally suggested by the cap. Under the proposed new rules, anyone who was made redundant over 55 would have to choose between taking unreduced pension (and then losing their Statutory Redundancy entitlement) or take their statutory redundancy but have their pension either reduced or deferred. All this was regardless of the size of their exit package. The MHCLG consultation was not clear on this, and the impact on statutory redundancy had only become apparent.

This exit cap had implications not only for employees but also for the Fund. Currently the pension strain cost that an employer paid on redundancy of a member of the age of 55, was calculated at a local fund level using factors provided by the actuary, which reflected local funding assumptions and risks. The local approach to calculating the strain meant that members in different funds with the same accrued pension may have a different strain cost to take into account in the calculation of the exit payment limit. Therefore, MHCLG had asked the Government Actuary's Department (GAD) to produce standardised factors for use in these calculations in order to remove the inequality between members in different funds. However, this would lead to less accurate assessments of the strain costs for the employers and could result in employers paying less in strain costs at the time of the exit. Any shortfalls would feed into an employer's position at the next triennial valuation and may result in contribution increases at that time.

The Chair explained that, although this policy was first announced back in 2015, there was now a very short timeframe for implementation and for the required changes to Regulations to be made. Any member leaving from an employer subject to the cap, after the end of the year, would have to have the employer strain cost calculated using the new standardised strain factors when available and members' pensions reduced subsequently. As a result, it would be difficult to provide redundancy cost estimates to employers over the next few months. There would also be two different processes for early retirements. Employers who were outside of the public sector exit cap had members who were still entitled to unreduced benefits on redundancy regardless of the strain cost, which the employer must meet in full. The Chair added that it was imperative to ensure that stakeholders were sighted on these changes and consultations as well as prepare for the work arising across the whole fund and for the Actuary.

22. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

23. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 July 2020 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 July 2020 were noted.

24. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and

(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	**Paragraphs**	**Justification**
8, 9, 10, 11, 12, 13, 14, 15, 16, 25, 26, 27, 28, 29, 30, 31	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10,**	**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 stakeholders and/or tax payers.**

25. LOCAL PENSIONS BOARD

The Chair of the Local Board Councillor Fairfoull advised that the Board had a very engaging meeting. The National Knowledge Assessment was discussed, which showed that GMPF had achieved the highest score out of all participating Funds. The Board did well answering questions about pensions accounting, financial markets and investment performance.

The Board also reflected on GMPF's cybersecurity arrangements and the new cybersecurity policy that was being developed. The Chair stressed the importance of safeguarding members' data and ensuring that the cybersecurity guidance, as set out by the Pensions Regulator, was complied with. The risks were heightened due to the increased level of remote working from GMPF and its employers.

Pension scams were also discussed. Unfortunately, these scams were reported to have been increasing across the UK. The Board discussed the steps GMPF takes to protect members from falling victim to such scams.

As usual, the Board also reviewed the monitoring of late payment of contributions or late submissions of data from employers. Given the current economic difficulties it was encouraging that there had been little evidence of more employers paying late.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 30 July 2020 be noted.

26. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 31 July 2020 were considered

The Chair of the Working Group, Councillor Cooney, explained that both UBS and Ninety One attended the meeting and gave informative updates on their Responsible Investment activity and trading costs over the last 12 months.

UBS made reference to the energy transition, outlining the positive role that energy companies could play in driving a transition to a lower carbon energy mix. UBS had considered the impact of "stranded assets" on valuations and saw this as relatively contained from a financial perspective.

Members were also provided with an update from Hymans who presented the outcome of their climate change scenario analysis for the Fund. The analysis concluded that a rapid and concentrated policy response, leading to positive adaptation to climate change, would have the most positive impact on the funding position. Hymans observed that the results supported the work that the Fund had been doing in integrating Responsible Investment best practice into the investment strategy.

RECOMMENDED
- **(i) That the minutes be received as a correct record; and**
- **(ii) In respect of Update on Active Participation in Class Actions, that the Fund adopts the approach to active participation in class actions as set out in the report.**

27. ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration and Employer Funding Viability Working Group held on 31 July 2020 were considered

The Chair of the Working Group, Councillor Smith, advised that a report was received on bespoke employer investment strategies and the merits of transitioning mature employers to more prudent investment strategies or adjusting current bespoke employer strategies, was discussed. The Asset-Liability Modelling produced by the Fund's actuary suggested that in the vast majority of cases the current investment strategies adopted were fit for purpose.

The consultation aiming to reform the Retail Prices Index measure of inflation (RPI) so that it aligned with the Consumer Prices Index (CPI) was also discussed. The Group were informed that if the proposed amendment to RPI went ahead as planned, this would have a number of impacts on pension schemes and pensioners and would reduce the expected returns on the inflation-linked Government bonds that GMPF owned.

GMPF's administration expenditure was reviewed, which was within the forecast budget for 2020/2021.

The administration strategic service update was also reviewed, including updates relating to member services, employer services, developments & technologies and communication and engagement. Of particular note were details of the new GMPF website launch and the efficiencies which had arisen from the introduction of monthly data collection from employers.

RECOMMENDED

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

(ii) In respect of the Administration Member Services Update, that the intention to change the leaver notification process be noted;

(iii) In respect of the Administration Developments & Technologies Update, that the new Developments & Technologies internal strategy and objectives be approved;

(iv) In respect of the Administration Communications & Engagement Update, that the Director of Pensions be authorised to procure new contact centre software within the available budget; and

(v) In respect of the Temporary Funding of Portfolios within the Designated Fund, that the following position be adopted:
'Ordinarily, the assets of the Main Fund should not be used to temporarily supplement the assets, or meet the cashflow needs, of any portfolio within the Designated Fund'.

28. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 3 September 2020 were considered.

The Chair of the Working Group, Councillor Warrington, advised that UBS attended the Working Group to present their performance review for the year ending 30 June 2020, which was reported on in detail later in the agenda.

UBS provided a UK & European Equity Review and an Asset Allocation Review, which focused on the Value style of equity investing.

The Director of Pensions gave details of proposed enhancements to the reporting of performance for the internally managed portfolios by our officers of non-public market assets, which would build on the Performance Dashboard and leverage the capabilities of the Northern LGPS pool's common custodian.

The remainder of the meeting focused on the annual performance updates for the various internal portfolios and it was an opportunity to reflect on the great work that the officers had been undertaking for the last challenging 12 months.

Mr Powers made reference to a proposal he had made at the Policy and Development Working Group meeting held on 3 September 2020 in relation to the growing proportion of the Fund managed by the internal team, and how they add value. The benefits of the proposal would include, amongst other things, serving as a training aid and providing an audit trail. It was agreed that Officers would report back to future meetings on the proposal.

RECOMMENDED
That the Minutes be received as a correct record.

29. RESPONSIBLE INVESTMENT UPDATE Q3 2020

The Assistant Director of Pensions Investments, submitted a report providing Members with an update on the Fund's responsible investment activity during Q3 2020.

It was explained that the Fund was a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, the Fund was required to publicly report its responsible investment activity through the PRI's 'Reporting Framework'.

Upon becoming a PRI signatory, the Fund committed to the following six principles:

1. We will incorporate ESG issues into investment analysis and decision making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles

A summary of the Fund's Responsible Investment activity for Q3 2020 against the six PRI principles was detailed in the report.

The Northern LGPS Stewardship Report and the LAPFF Quarterly Engagement Report for Q3 2020 were attached as appendices to the report.

Members were informed that officers of the Fund completed the annual carbon footprinting exercise of its listed equity and corporate bonds during the quarter. The backward-looking analysis took a snapshot of the holdings as at 31 March each year and the carbon footprint was measured using an external provider. The forward-looking measure evaluated holdings as at 31 December each year and companies were assessed on their alignment to a sub-2°C global temperature increase based on publicly available plans.

As referred to by the Chair in her opening remarks, the Taskforce for Climate-Related Financial Disclosures (TCFD), of which the Fund was a supporter, recommended the measurement and disclosure of a metric known as the weighted average carbon intensity (WACI). The WACI provided an indication of a portfolio's exposure to carbon intensive companies.

The Fund's WACI over time was displayed in a graph in the report. Over the four years the Fund had measured this metric, the Fund's WACI had been significantly below the benchmark WACI, with both the benchmark and the Fund's WACI trending downwards since 2018.

RECOMMENDED
That the content of the report be noted.

30. APPROACH TO CLIMATE RISK

David Feroce of Trucost presented before Members and explained the scope of the work commissioned by GMPF to conduct a carbon footprint analysis of specific portfolios.

Discussion ensued with regard to the content of the presentation and the Advisors and Members commented on the complex nature of investment decisions, whilst continuing to strive for an orderly and just transition to a net zero emissions economy.

The Chair thanked Mr Feroce for an informative presentation.

RECOMMENDED
That the content of the presentation be noted.

31. CARBON FOOTPRINTING

Consideration was given to a report of the Assistant Director of Pensions Investments, providing an update on the Fund's Carbon Footprinting Assessment of its active equity and corporate bond holdings. The report also provided a 'mapping' exercise of the Fund's holdings against analysis undertaken by the Transition Pathway Initiative, a global, asset-owner led initiative which assessed companies' preparedness for the transition to a low carbon economy.

The report concluded that Carbon footprinting techniques had improved over recent years, as the availability of data improved, and methodologies became standardized. However, many investors considered them to be a 'blunt' tool and disclosure of data remained open to improvement although disclosure had improved since last year. To further understand the environmental impact of the Fund there was a need to widen the range of asset classes and include Scope 3 emissions. This could be done as technologies improved and more data became available to be able to better measure emissions.

For the Fund, the findings of the annual carbon footprinting exercises represented a significant step in fulfilling the following aims:

- Understanding portfolio exposure to climate risk;
- Identifying and tracking companies for engagement; and
- Communicating both internally and externally, including engagement with companies and Fund Managers.

Taking the results of the carbon footprint along with the engagement via LAPFF, CA100+,TPI, IIGCC and PRI the Fund could take a holistic approach in tackling climate change with the aim of reducing carbon emissions.

RECOMMENDED
That the content of the report be noted.

32. POOLING UPDATE

The Assistant Director of Pensions, Funding and Business Development submitted a report providing an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

It was reported that, on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.
Government was yet to publish a response to the consultation, likely due in part to the court case described in the report; and the 2015 guidance therefore remained in force.

It was further reported that in September 2016, the Secretary of State for MHCLG issued guidance for Administering Authorities on preparing and maintaining an Investment Strategy Statement. The guidance was made under wide ranging powers granted by the Public Service Pensions Act 2013. The guidance stipulated that it was inappropriate to pursue boycotts, divestment and sanctions which were contrary to UK Government policy.

Shortly after the guidance was issued it was challenged by two claimants, including the Palestine Solidarity Campaign. They argued the Secretary of State did not have the power to impose such investment restrictions on administering authorities. The case was recently referred to the Supreme Court who ruled that the guidance was unlawful as MHCLG had gone beyond its original remit under the Public Service Pensions Act 2013 by establishing what LGPS funds could invest in, whereas the power in the 2013 Act only allowed MHCLG to set out how administering authorities should approach investment decisions.

The outcome of the case brought into question the ability of Government to introduce prescriptive pooling guidance, such as that issued for consultation in January 2019, without a change to primary legislation.

Updates on the progress of the main ongoing workstreams for the Northern LGPS were provided in the report.

It was explained that Government requested a progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2020 and an estimate of costs savings achieved and those expected in future. The Northern LGPS progress update was appended to the report. As at 31 March 2020 the Northern LGPS Pool had generated net cost savings of over £40m.

Members were informed that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2020 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. At their July meeting the Northern LGPS Joint Committee agreed that a Pool Annual Report be produced, which funds would have the option of including in their respective annual reports. This would act to provide some of the information to satisfy CIPFA guidance and could be used by the funds in their communications with stakeholders to provide evidence of the Pool's progress against its objectives. The current draft of the Pool Annual Report was appended to the report. The Pool Joint Committee agreed that the Fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

Details of LGPS Pooling developments nationally were also provided in the report.

RECOMMENDED
That the content of the report be noted.

33. EXIT PAYMENT CAP

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted summarising the latest developments regarding the proposed cap on exit payments for public sector employees leaving employment, as already referred to in the Chair's opening remarks.

It was explained that on 10 April 2019 HM Treasury opened a consultation on restricting exit payments in the public sector, including local government. The consultation subsequently closed on 3 July 2019. HM Treasury responded to the consultation's findings on 21 July 2020.

Government legislated for a cap of £95,000 on exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016. The 2015 act set out the duty to implement the cap through secondary legislation. Following HM Treasury's consultation response and the overall commitment to the £95K Exit Cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published an LGPS specific consultation on how to introduce the exit cap measures in the LGPS. This consultation was released on 7 September 2020, with a deadline for responses of 9 November 2020. The exact date for the commencement of the £95K exit cap was still to be determined, but it was expected to be in force by the end of 2020 should there be no further complications.

The original consultation was formulated to stop large pay-outs to public sector workers, which Government considered to be unfair to tax payers. HM Treasury cited in its consultation that payments at and above £100,000 cost £0.2 billion in 2016-2017. The exit cap aimed to limit the total amount of exit payments made to a person, in respect of a relevant public sector exit, to £95,000. It had now been clarified that the cap would apply to the following exit payments:

- any payment on account of dismissal by reason of redundancy;
- any payment on voluntary exit;
- any payment to reduce or eliminate an actuarial reduction to a pension on early retirement or in respect of the cost to a pension scheme of such a reduction not being made;
- any severance payment or other ex gratia payment;
- any payment in respect of an outstanding entitlement;
- any payment of compensation under the terms of a contract;
- any payment in lieu of notice; and
- any payment in the form of shares or share options.

In HM Treasury's response it clarified that it would apply the exit cap to pensions despite several respondents suggesting that this would unfairly impact long-serving but modestly paid members. HM Treasury's reasoning for the decision was that pension strain costs were usually one of the biggest components to an employees' exit payment and therefore should be within the scope of the exit cap.

In the consultation response HM Treasury also provided other clarifications such as the intention to introduce the cap in one phase as opposed to several phases as was originally intended. Likewise, it provided some clarification on the order of payments when a public sector exit event occurred; the leaving employee must receive their statutory redundancy payment in precedence over other 'exit payments'. There was a waiver mechanism that allowed employers to waive the exit cap subject to compliance with the directions given by HM Treasury or the specific consent of HM Treasury.

Some of the proposed changes had already been published in earlier consultations, notably the overall Government Response in February 2016. Building on that, the consultation set out the following as the proposed approach for public sector employers within the LGPS:

A general reform of redundancy payments, to involve a maximum of three weeks' pay per year of service, an overall ceiling of 15 months' pay and a maximum salary of £80,000 p.a. which could be used in the calculation.

Under the existing LGPS Regulation S30(7); if a member after reaching the age of 55 was made redundant from their employment or employment was terminated by mutual consent on grounds of business efficiency then they were entitled to an immediate unreduced pension. This could lead to large early retirement "strain costs" for employers. The "strain cost" was effectively the difference in value between the cost of the unreduced pension and the cost of a reduced pension assuming the standard actuarial reduction to reflect early payment had been applied.

MHCLG was proposing that the LGPS Regulations be amended to incorporate the following provisions:

- That strain costs could not exceed the overall cap contained in the Exit Payment Regulations (£95k);
- Strain costs would be further reduced by the value of any Statutory Redundancy Payment required to be paid (which the employee would still receive as a cash payment);
- Where the employer paid any amount of strain cost in respect of an employee's exit, an employer may not grant an employee any discretionary redundancy payment;
- A further reduction would be made to reflect any voluntary payments made to cover grant of additional pension under regulation 31 of the LGPS Regulations 2013;
- Any reduction in the strain cost due to the above limitations may be made up by the worker from his own resources;
- The member would receive an actuarially adjusted pension benefit in line with the revised strain cost under these suggested provisions;
- Members could also opt for a standard actuarial reduction on early retirement to keep their other exit payments, or to become a deferred member of the Scheme with standard actuarial reductions applying at a future retirement date.

It was explained that the above would apply to different employers in different ways. In particular the reform of redundancy payments would apply to local authority employers in England and Wales. The £95,000 cap would apply to those employers which were the responsibility of the UK government and designated as "public sector" (the Scottish government, Welsh government and Northern Ireland Executive had some flexibility to determine policy for devolved employers). It was unclear from the consultation whether the reforms involving the strain costs would apply across the LGPS in England and Wales and would affect all employers in those Funds (i.e. not just public sector employers).

Whist the restrictions for workers breaching the £95,000 cap had been well-publicised, there was a more wide-ranging effect, which applied to all redundancies over age 55 and was unexpected. An example was given and it was explained how the proposals could materially affect any member.

The issues for LGPS funds and employers would be wide-ranging. They would affect governance arrangements, retirement processes, calculations, and communications with both employees and employers. The main areas for consideration were detailed and discussed.

With regard to next steps, it was proposed that the Director of Pensions would submit a consultation response on behalf of the GMPF Management Panel highlighting the issues set out in the report. Panel members were encouraged to share the views of their authority or trade union for incorporation into the response. The GMPF Local Pensions Board were meeting on 1 October and it may also wish to submit a response to the consultation or to provide its support to the Management Panel's response.

Further clarity would be sought from MHCLG regarding which employers were in scope for each of the proposed changes. Notification of the consultation and the proposed changes would be sent to employers and employers would be encouraged to submit their own response to the consultation.

Discussion ensued with regard to the information provided and Members and employee representatives commented on the worrying and complex nature of the issues raised in the report and the relatively brief timeframe to respond to the consultation.

RECOMMENDED
That the content of the report be noted, and the proposed next steps in developing a response to the consultation and communicating with employers, be supported.

34. COVID 19 RISK MANAGEMENT AND BUSINESS PLANNING

Consideration was given to a report of the Director of Pensions providing an update on the following key items:

- The Business Plan;
- The overarching risk register; and
- Key risks and plans relating to the ongoing management of business continuity due to Covid-19.

It was explained that each year, GMPF prepared an annual business plan to provide strategic direction and to assist with the planning and monitoring of performance. Details of the proposed Business Plan, including the strategic objectives of GMPF for the current year, were detailed in the report.

Evaluating risk and monitoring the effectiveness of controls was a vital part of good governance and ran alongside business planning activities. The Fund needed to be able to demonstrate its strength in this area to relevant external parties, such as the Pensions Regulator. The overarching risk register was reviewed and updated at least once each quarter and the latest version was included in the report.

Members were informed that business continuity arrangements remained essentially unchanged from those outlined at the last Management Panel meeting in July 2020. There were several key areas of risk that continued to be closely monitored. There were also areas where plans were being put in place to ensure work continued to be carried out effectively.

The health and wellbeing of colleagues continued to be a high priority and further work had been carried out recently to review and update all service level and individual risk assessments relating to the risk posed by Covid-19 and by the move to home-working. There continued to be a high level of emphasis on ensuring managers focused on enabling good communication with their teams and that all colleagues had access to any support they might need at this time. Plans to prioritise and implement additional technologies to support homeworking and strengthening business continuity arrangements were in place and work on this area would continue in the next quarter.

The Senior Management Team had continued to monitor communications issued by pension industry partners and linked organisations, and to attend webinars and similar online events in order to keep up to date with the latest news and thinking.

Each Assistant Director then addressed the Panel and gave an update with regard to the current situation in their area of the service as follows:

Administration – the Assistant Director of Pensions Administration reported that the day to day running of the section and the completion of tasks remained essentially unchanged. Most activities were being carried out as normal and completed within the usual timescales**.**

The number of notifications of deaths received had continued to reduce, with numbers being around expected levels for this time of year. Processing times for all payments are within internal targets, with more than 97% of all pension payment case types being processed within 10 working days. Waiting times for calls remained high, mainly due to the issue of annual benefit statements for contributors and calls relating to the address tracing exercise that was being carried out. Work had progressed on the assessment of new telephone software to provide greater functionality and reporting and a decision regarding this was expected to be made shortly.

Work on other key projects had also continued. There had been further enhancements to the new website, pension savings statements were being issued to those who exceeded the annual allowance and a program of online events for members was underway, with over 450 members having booked onto one of these so far.

The main areas of risk that continued to be closely and regularly monitored were around resource, staff wellbeing, system availability and cyber security. Colleagues had been encouraged to attend an online wellbeing course being delivered by HR, and they had also all been asked to revisit and update all risk assessments to ensure they are up to date. Reminders had been issued about the importance of remaining cyber aware and colleagues had been asked to refresh their knowledge on the relevant policies that applied to cyber security, data protection and working from home safely.

One of the main challenges going forward would be to maintain good communication and engagement among teams and colleagues. It would be important to ensure teams did not feel isolated or detached from their colleagues as home working continued and were able to maintain and build relationships across teams and sections. A further challenge will be to ensure effective planning for some of the large-scale changes and projects that were to be undertaken. These would be areas of focus for the team managers over the coming quarter.

Employer Funding – The Assistant Director of Pensions, Funding and Business Development, reported that, whilst many GMPF employers were likely being severely impacted by the ongoing economic restrictions, as yet there were no confirmed employer insolvencies. However, it remained likely that some GMPF employers would face insolvency over the next few months as Government support measures were unwound.

The impact of the ongoing economic restrictions would vary considerably between different sectors. Sectors expected to be severely impacted, or where considerable uncertainty remained included sport/leisure providers, bus companies and further and higher education.

There had been no noticeable change to the timeliness of contribution payments from employers and this continued to be regularly monitored and reported to the Local Pension Board.

Wherever possible, employer funding plans were tailored to the funding risk of the employer. Therefore, employers that were not tax-raising bodies or that did not have a guarantee from a tax-raising body tended to have a higher funding level and/or lower risk investment strategy. This reduced the risk of GMPF incurring material losses on unexpected employer cessation events.

Local authorities had been notified of the risks of acting as guarantor to GMPF admission bodies.

Investments – The Assistant Director of Pensions Investments provided provisional valuation and performance data for periods to 31 July 2020 and actual performance data for the quarter to 30 June 2020.

From a risk management perspective, a significant update provided since the position set out at the April 2020 meeting of the Management Panel related to cashflow. The Main Fund had a 3.2% strategic allocation to cash. The split was displayed in a table in the report along with the actual allocations as at 31 March 2020 and 31 July 2020.

The availability of actual cashflow data had allowed for experience to 31 July 2020 to be analysed. Although covering only a short period, officers had compared actual cashflow versus that estimated. The forecast of net cashflow requirements at an aggregate level had been broadly correct, albeit experience had shown that the forecast net cash requirements were slightly too high thus far.

There was an inherent difficulty in estimating private market cashflows and given current market conditions, there was likely to be a greater variance from month-to-month than had historically been the case. In addition, estimates of net cashflow would be very sensitive to the assumptions made and the use of alternative assumptions could lead to materially different estimates.

As a result of the experience to date and the ongoing heightened uncertainty, officers did not propose any revisions to the previously provided estimate nor the proposed course of action; that was, no action was proposed in terms of raising additional cash or investing surplus cash and the tactical overweight to internal cash would be retained. This position would be kept under review at forthcoming meetings of the Policy and Development Working Group and the Panel.

Local Investments, Property and Direct Infrastructure/Accountancy and Legal – The Assistant Director of Pensions, Local Investments and Property, explained that for direct property, rental collections continued to be severely impacted by both the underlying economic effects of the crisis and government advice effectively suspending recovery action on rents. This is focused predominantly on the retail sector despite some resumption of activity. The restrictions on recovery action applied until 30 September 2020.

For development properties, construction was pretty much back at normal speed. The key issues remained working through effects on overall profitability. In the residential market, sales and rentals in suburban areas were very strong. Demand for rental property in city centres remained high but sales were weak.

There was no specific change for the impact of Covid 19 on GLIL or Impact portfolio and Policy & Development Working Group received reports on these portfolios at its meeting on 3 September 2020.

The delivery of Accountancy and Legal services remained consistent with Administration and was going well with very little service disruption as the measures put in to ensure resilience had proved effective. The focus was on anticipating issues ahead and ensuring that this continued, whilst maintaining longer term development of staff and processes.

The report concluded by giving details of the risk log for this specific business continuity event and the high level risk register, both of which were appended to the report.

The Chair thanked the Director and officers for a very informative and comprehensive report.

RECOMMENDED
(i) That the content of the report, including the risk register and the controls in place to mitigate each risk, be noted; and
(ii) That the Business Plan, as appended to the report, be approved.

35. INVESTMENT MANAGEMENT ARRANGEMENTS

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

It was explained that the Investment Management arrangements of the Fund reflected a wide range of significant decisions concerning how the Fund chose to position itself in terms of the management of its assets. These significant decisions included, inter alia, a consideration of the choice of benchmark and the detail of any bespoke benchmark, and whether, for example, to adopt active versus passive management or specialist versus multi-asset management. A sequential approach to considering these matters was deemed to be beneficial.

The proposed areas that officers would focus on as part of the review of Investment Management arrangements were detailed and those which officers considered a higher priority, were identified. Progress against these ‘areas of focus’ would be reported to future Panel meetings.

The Advisors endorsed the areas of priority identified particularly in respect of the review of Value Investing and sought further clarification in respect of the negotiation of fee arrangements, going forward.

RECOMMENDED
That the content of the report be noted.

36. 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 2 (2020) Performance Dashboard was summarised. The current market environment was characterised by huge uncertainty and the potential for prolonged periods of high volatility. Financial markets continued to be driven by developments in the COVID-19 pandemic, and the economic effect of lockdown measures imposed around the world. Stock correlations and factor divergence remained high but well down on Q1 2020.

The second quarter witnessed a striking disconnect between the best performance by global equity markets in twenty years and the worst global economy in living memory due to the impact of the COVID-19 pandemic. Although economic data remained negative, it was a very strong quarter for equity and corporate bond markets as governments provided unprecedented levels of support, central banks implemented previously announced easing and economies began to re-open. Global equity indices rose 18.4% in local currency terms. Technology was again the best performing sector and, after a relatively resilient first quarter, defensive sectors, such as utilities, telecoms and healthcare, had lagged.

Sovereign bond yields changed little in the US and Germany but UK 10-year gilts had fallen a further 0.2%. Index-linked gilt yields had fallen further than conventional gilt yields, resulting in a slight rise in implied inflation. Corporate bond spreads spiked in the first quarter of the year, but the expansion of central bank support led to a substantial tightening of spreads. Global speculative-grade credit spreads fell from 9.2% p.a. to 6.4% p.a., further supported by the specific details of the Fed’s purchases and a rise in oil prices from $22 to $41 per barrel (energy companies comprise c.10% of the US high yield market)

Over the quarter total Main Fund assets increased by £2,200 million to £23.2 billion. Allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continued apace with allocations expected to increase further over the coming years. Following the review of Investment Strategy, further changes to the ‘realistic’ strategic allocations to alternatives would be made in Q3 2020. Within the Main Fund, there was an overweight position in cash (of around 1.6% versus target respectively). The property allocation continued to be underweight (by around 3.0%) versus its benchmark. This was more than offset by an overweight position in Alternatives.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.0 billion of additional assets.

The Main Fund underperformed its benchmark over Q2 2020. Relative performance over 1, 3 and 5 years was now negative. The Main Fund was broadly in line with its benchmark over 10 years and performance since inception remained strong.

Active risk of the Main Fund was broadly consistent at around 1% over 1, 3, 5 and 10 years. Risk in absolute terms (for both portfolio and benchmark) increased substantially over Q2 2020 and remains above that observed historically. This was largely a reflection of the significant volatility seen in markets due to the coronavirus pandemic. Whilst risk was expected to remain elevated, it had reduced over Q2 2020 and was expected to moderate over the coming months as the effects of the pandemic subsided.

As at the end of Quarter 2; the Fund’s active securities managers had underperformed their respective benchmarks over a 1 year and 3 year period. The long-term performance of one Manager remained strong, however, performance over the past 2 years had been poor, resulting in negative relative performance over 1, 3 and 5 year periods. The performance history of the Factor Based Investing portfolio was extremely short (less than 1 year), so at this very early stage no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

37. IPD PROPERTY FUND INDICES – WHAT IT ALL MEANS

Luke Pakes of MSCI attended before Members and gave a detailed presentation in respect of the performance of property as an asset class and the relative performance of GMPF portfolios.

The Chair thanked Mr Pakes for a very interesting and informative presentation.

RECOMMENDED
That the content of the presentation be noted.

38. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020

The Assistant Director of Pensions, Local Investments and Property, submitted a report, which provided an update on the progress of governance arrangements for the audit of GMPF Accounts 2019/20, following the last report to the Panel in July 2020.

It was reported that the auditors had been conducting their work on the GMPF Audit and IAS 19 assurance during July and August. At the present time there were no indications of material concerns. Letters of Assurance from the management of the Fund and those charged with governance would be provided to the auditors.

At completion of audit, a findings report would be agreed with management and would be presented to Tameside Audit Panel ahead of the statutory deadline of 30 November 2020. Following this, the Annual report would be published ahead of statutory deadline of 31 December 2020.

RECOMMENDED
That the content of the report be noted.

39. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Annual Conference, ACC Liverpool	**14 – 16 October 2020**
Schroders Trustee Training, Leeds	**20 November 2020**
LAPFF Annual Conference, Bournemouth	**2 – 4 December 2020**

40. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**11 Dec 2020** **19 Mar 2021** **16 July 2021** **17 Sept 2021** **10 Dec 2021** **18 Mar 2022**

Local Pensions Board	**1 Oct 2020** **14 Jan 2021** **8 April 2021** **29 July 2021** **30 Sept 2021** **13 Jan 2022** **7 April 2022**
Policy and Development Working Group	**26 Nov 2020** **4 Mar 2021** **24 June 2021** **2 Sept 2021** **25 Nov 2021** **3 Mar 2022**
Investment Monitoring and ESG Working Group	**2 Oct 2020** **22 Jan 2021** **16 April 2021** **30 July 2021** **1 Oct 2021** **21 Jan 2022** **8 April 2022**
Administration and Employer Funding Viability Working Group	**2 Oct 2020** **22 Jan 2021** **16 April 2021** **30 July 2021** **1 Oct 2021** **1 Jan 2022** **8 April 2022**

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

18 September 2020

Commenced:	**10.00am**	**Terminated:12.40pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Cooney, Cunliffe (Wigan), Grimshaw (Bury), Jabbar (Oldham), Mitchell (Trafford), Patrick, Ricci, Sharif, M Smith, Taylor (Stockport), Ward and Ms Herbert** **Fund Observers:** **Councillor Pantall (Stockport)**	
Apologies for Absence:	**Councillors Andrews (Manchester), Barnes (Salford), Drennan, J Fitzpatrick, J Homer, Newton, O'Neill (Rochdale), Parkinson (Bolton), Wills**	

21. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and commented on the extreme turbulence experienced to date in 2020, both in everyone's day-to-day lives and financial markets. She explained that, throughout the period, the safety and welfare of employees had been paramount and investment and service delivery had been adapted to address the Pandemic, which continued to affect everyone. The Chair was pleased to report that both staff and the Fund were bearing up to challenges and the current value of the Fund was £24.5 billion.

Over recent months, work had been undertaken with managers to understand which opportunities were most likely to provide genuine acc3essible investments for the Fund and the property market reaction to the situation would be reported later in the agenda.

Reference was made to Responsible Investment and that the consideration of a broad range of risks and opportunities beyond headline economic indicators was now accepted as standard good practice. However, the Chair highlighted that without radical change, the current and historic drain on the planet's resources and way we interact with each other, would lead to irreversible impacts for future generations.

In 2015, the 17 Sustainable Development Goals were the product of a global call to action from UN member states to improve the world, and the lives of people in it, by the year 2030. The issues requiring most attention included Goal 13: '*Take urgent action to combat climate change and its impacts'*, where we were 'far from target'. Global inaction meant that radical changes in policy and regulation would become more likely in future, creating greater uncertainty for companies and investors alike.

Institutional investors had significant leverage to influence change for good, with better standards being driven from companies in which the Fund invested and by relocating capital in favour of those wishing to make, or were contributing to, progress. This did not need to come at a financial cost. It was through inaction that institutional investors stood to suffer a long-term cost, ultimately impacting on their beneficiaries. Inaction from institutional investors would be subject to higher levels of public scrutiny in future, the plans to make reporting in line with the Taskforce for Climate-Related Financial Disclosures mandatory for the largest pension schemes.

The Chair advised that the DWP was consulting on the introduction of mandatory reporting and governance of climate risks for large UK occupational pension schemes. Whilst not in scope, the consultation noted that MHCLG *'will make provision for the Local Government Pension Scheme, in line with their responsibility for the investment and governance of the LGPS'*.

In line with the intention to decarbonise the Fund and the continuing approach to take steps to embed climate risk considerations into the Fund's governance arrangements, the Chair was pleased to advise that the Fund had been voluntarily publishing these disclosures for the last 4 years and the latest report was published on the website.

The Taskforce for Climate-Related Financial Disclosures, of which the Fund was a supporter, recommended the measurement and disclosure of a metric known as the weighted average carbon intensity (WACI). The WACI provided an indication of a portfolio's exposure to carbon intensive companies. Over the four years the Fund had measured this metric, the Fund's WACI had been significantly below the benchmark WACI, with both the benchmark and the Fund's WACI trending downwards since 2018. Currently the Fund's holding were 25% less carbon intensive than the market. In addition to this, the Fund was also the biggest LGPS investor in renewables. Members were informed that a representative of Trucost would be presenting later in the agenda, to provide an independent measure of the Fund's position and the second report on responsible investment activity during the quarter.

With regard to MHCLG regulations, the Chair informed the Panel that on 26 August the latest partial response to the May 2019 consultation, 'changes to the local valuation cycle and management of employer risk' had been published. The accompanying amendment regulations had also been made and were due to come in to force from 23 September 2020. The new regulations provided more flexibility to funds to manage employer risk in three key areas, via firstly, inter-valuation reviews of employer contributions, secondly spreading of exit debts and thirdly Deferred Debt Agreements. The regulations required funds to have policies in place around these new powers and MHCLG intended to develop guidance in collaboration with Scheme Advisory Board (SAB) and CIPFA. The speed at which the regulation had been drafted and put into force reflected the concern around administering authorities and employers being able to manage and mitigate risks arising from the COVID-19 pandemic.

The Chair further informed Members that the government first announced plans to cap exit payments in the public sector in 2015 and, on 10 April 2019, HM Treasury launched a consultation on draft regulations to implement the cap. HM Treasury published its response to the consultation on 21 July 2020. It was now understood that government intended to have the cap implemented before the end of the calendar year. The exit payment cap was set at a total of £95,000 and wo9uld apply to all public sector employers. Exit payments included redundancy payments, severance payments and pension strain costs, which arose when an LGPS pension was paid unreduced before a member's normal pension age. It appeared that Statutory Redundancy Payments were affected under the proposals also, and every person who was made redundant would be affected, rather than just the better paid, as originally suggested by the cap. Under the proposed new rules, anyone who was made redundant over 55 would have to choose between taking unreduced pension (and then losing their Statutory Redundancy entitlement) or take their statutory redundancy but have their pension either reduced or deferred. All this was regardless of the size of their exit package. The MHCLG consultation was not clear on this, and the impact on statutory redundancy had only become apparent.

This exit cap had implications not only for employees but also for the Fund. Currently the pension strain cost that an employer paid on redundancy of a member of the age of 55, was calculated at a local fund level using factors provided by the actuary, which reflected local funding assumptions and risks. The local approach to calculating the strain meant that members in different funds with the same accrued pension may have a different strain cost to take into account in the calculation of the exit payment limit. Therefore, MHCLG had asked the Government Actuary's Department (GAD) to produce standardised factors for use in these calculations in order to remove the inequality between members in different funds. However, this would lead to less accurate assessments of the strain costs for the employers and could result in employers paying less in strain costs at the time of the exit. Any shortfalls would feed into an employer's position at the next triennial valuation and may result in contribution increases at that time.

The Chair explained that, although this policy was first announced back in 2015, there was now a very short timeframe for implementation and for the required changes to Regulations to be made. Any member leaving from an employer subject to the cap, after the end of the year, would have to have the employer strain cost calculated using the new standardised strain factors when available and members' pensions reduced subsequently. As a result, it would be difficult to provide redundancy cost estimates to employers over the next few months. There would also be two different processes for early retirements. Employers who were outside of the public sector exit cap had members who were still entitled to unreduced benefits on redundancy regardless of the strain cost, which the employer must meet in full. The Chair added that it was imperative to ensure that stakeholders were sighted on these changes and consultations as well as prepare for the work arising across the whole fund and for the Actuary.

22. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

23. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 July 2020 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 July 2020 were signed as a correct record.

24. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:
(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	**Paragraphs**	**Justification**
8, 9, 10, 11, 12, 13, 14, 15, 16, 25, 26, 27, 28, 29, 30, 31	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**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.**

25. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 30 July 2020 were considered.

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

26. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 31 July 2020 were considered

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

27. ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration and Employer Funding Viability Working Group held on 31 July 2020 were considered

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

28. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 3 September 2020 were considered

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

29. RESPONSIBLE INVESTMENT UPDATE Q3 2020

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

30. APPROACH TO CLIMATE RISK

David Feroce of Trucost presented before Members and explained the scope of the work commissioned by GMPF to conduct a carbon footprint analysis of specific portfolios.

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

31. CARBON FOOTPRINTING

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.

32. POOLING UPDATE

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

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

33. EXIT PAYMENT CAP

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

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

34. COVID 19 RISK MANAGEMENT AND BUSINESS PLANNING

A report of the Director of Pensions was submitted.

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

35. INVESTMENT MANAGEMENT ARRANGEMENTS

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.

36. 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.

37. IPD PROPERTY FUND INDICES – WHAT IT ALL MEANS

Luke Pakes of MSCI attended before Members and gave a detailed presentation in respect of the performance of property as an asset class and the relative performance of GMPF portfolios.

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

38. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020

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

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

39. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Annual Conference, ACC Liverpool	**14 – 16 October 2020**
Schroders Trustee Training, Leeds	**20 November 2020**
LAPFF Annual Conference, Bournemouth	**2 – 4 December 2020**

40. DATES OF FUTURE MEETINGS

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CHAIR

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

1 October 2020

Commenced: 15:00 **Terminated: 16:50**

Present:	**Councillor Fairfoull**	**Employer Representatives**
	Paul Taylor	**Employer Representatives**
	Michael Cullen	**Employer Representatives**
	David Schofield	**Employee Representatives**
	Chris Goodwin	**Employee Representatives**
	Pat Catterall	**Employee Representatives**
	Fund Observer: Councillor Ryan	
Apologies for Absence:	**Councillor Cooper**	
	Mark Rayner and Catherine Lloyd	

17. DECLARATIONS OF INTEREST

There were no declarations of interest.

18. MINUTES

The minutes of the meeting of the Local Pensions Board on the 30 July 2020 were accepted as a correct record.

19. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020

Consideration was given to the report of the Director of Pensions / Assistant Director for Local Investments and Property. The report outlined the progress of the governance arrangements for the audit of GMPF Accounts 2019/20.

As previously reported, there were changes this year to the governance procedures for approval of the GMPF Annual Report and Accounts due to the impact of the Covid 19 crisis. The deadline for the audit of local government accounts was changed to 30 November 2020. For GMPF, the main concerns were the valuation of illiquid investments caused by acute public market volatility at the year-end date.

The draft GMPF accounts were presented at the last meeting and the audit was close to completion.

The auditors had been conducting their work on the GMPF Audit and IAS 19 assurance during July and August. At the present time, there were no indications of material concerns.

Letters of Assurance from the management of the Fund and those charged with governance would be provided to the auditors.

At completion of audit, a findings report would be agreed with management and would be presented to Tameside MBC Audit Panel ahead of the statutory deadline of 30 November. Following this, the GMPF Annual Report would be published ahead of the statutory deadline of 31 December.

RESOLVED
That the report be noted.

20. ADMINISTRATION UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with a summary of the projects being worked on in addition to the key business plan objectives.

Members were advised that work this quarter had focussed on setting up the project to move files to OneDrive and SharePoint.

Work on investigating and implementing new call centre functionality was the main item where work had progressed. Workshops were held during August 2020 to identify GMPF's detailed requirements for a new system and demonstrations from two different suppliers were scheduled for September.

GMPF had been taking part in the Pension Dashboards Programme Data Working Group as the LGPS fund representative and intended to continue to support the work being undertaken by the Money and Pensions Service (MaPS) by testing possible dashboard solutions as they were developed.

Work had begun on the objective of improving the measuring and reporting of employer performance. Officers had begun work to categorise the ways in which employer performance could be identified, assessed, recorded and reported.

The Head of Pensions Administration detailed progress on other key developments and service improvement projects.

Work on member self service had focused on making documentation and correspondence available to members through their online account. Procedures had been amended to enable those entitled to refunds to receive and submit correspondence through their account. The next process to be changed would be for contributors who were retiring.

A data extract of members for whom the fund did not have a home address on record was supplied to Target Professional Services. It was explained that updated addresses for over a third of these had been received. Consideration would be given on the next stages of the project.

An update on complaints and disputes, since the last meeting was provided to members. Over 70% of these were relating to the difficulties in getting through to the Customer Services team. A total of seven compliments were submitted through the feedback zone. Many of these were compliments about the quality of the service and thanking individual staff members.

A new complaints system (i-casework) was due to be implemented in October and senior colleagues within the Administration section had all been trained on how to use the system. The new system brought improvements for the process of recording complaints and the provision of management information, which would assist with service improvements going forward.

The Head of Pensions Administration delivered a presentation on information and statistics relating to transfers paid out under freedom and choice regulations since April 2020. Members were advised that from a funding perspective there was currently no concern over the number of transfers out. It was stated that since the start of the Covid-19 pandemic GMPF had been closely monitoring the number of members wishing to exercise their right to transfer their benefits out of the LGPS. Current information suggested that there had not been a material increase in transfers out. This would continue to be monitored and any concerns would be reported to future meetings of the Board.

An update on the McCloud project was also presented, it was explained that a project team had been established, the Fund had participated in a regional funds' discussion meeting attended by MHCLG representatives. Work was underway on drafting GMPF's response to the consultation, which is to be finalised next week. Members were presented with an overview of the McCloud project work streams.

RESOLVED
That the Local Pensions Board note the report.

21. EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development, which summarised the latest developments regarding the proposed cap on exit payments for public sector employees leaving employment.

Members of the Local Pensions Board were reminded that the Government legislated for a cap of £95,000 on exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016. The 2015 act set out the duty to implement the cap through secondary legislation titled The Restriction of Public Sector Exit Payments Regulations 2020.

Following HM Treasury's consultation response and the overall commitment to the Exit Cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published an LGPS specific consultation on how to introduce the exit cap measures in the LGPS. This consultation was released on 7 September 2020, with a deadline for responses on 9 November 2020.

It was reported that the Restriction of Public Sector Exit Payments Regulations 2020 received parliamentary approval on the 23 September 2020. This was prior to the LGPS changes becoming effective, which was likely to prove problematic for LGPS funds, employers undertaking redundancy exercises and impacted members.

Members were presented with different scenarios and how the Exit Cap would impact them.

The Assistant Director of Funding and Business Development explained that this left a window where GMPF was technically still required to pay a full early retirement pension to anybody over 55 being made redundant but if it cost over £95,000 then the employer would be in breach of the Exit Payment Cap. It was expected that guidance would be received from MHCLG. Further, there was an intention to standardise how strain costs are calculated between funds, however, whilst the Government Actuary Department had published draft guidance it was not expected that this would come into effect until January.

The next steps would be to submit a consultation response on behalf of the GMPF Management Panel highlighting the issues. The Management Panel approved this approach at its last meeting. Further clarity would be sought from MHCLG regarding which employers were in scope for each of the proposed changes.

RESOLVED
That the Board note the information contained in the report and the proposed next steps in developing a response to the consultation and communicating with employers.

22. SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions and Assistant Director for Funding and Business Development, which summarised the recommendations made by the GMPF Working Groups over the period from July 2020 to September 2020.

The Assistant Director of Funding and Business Development summarised the agenda items discussed and the recommendations made by the GMPF Working Groups and decisions made by the GMPF Management Panel during the previous quarter.

At the meeting of the Administration, Employer Funding and Viability Working Group on the 31 July 2020 the Working Group considered a variety of reporting topics including pensions administration, the Retail Prices Index consultation and asset liability modelling for certain GMPF employers.

At the meeting of the Investment Monitoring and ESG Working Group on the 31 July 2020, the Working Group considered a number of items including an ESG update, a presentation from UBS and Ninety-One on trading costs and a report from Hymans Robertson's asset liability model of the Main Fund and climate change scenarios. Most reports were for noting only.

The Policy and Development Working Group met on the 3 September 2020 and considered a number of reports for noting.

The meeting of the Management Panel on the 18 September approved various recommendations made by the Working Groups. A report was considered on the proposed changes to the LGPS Regulations to allow for the introduction of the £95,000 public sector exit payment cap. The Panel supported the proposed next steps in developing a response to the consultation and communicating with employers. The Management Panel also reviewed the risk management report, risk register and 2020/21 business plan.

RESOLVED
That the report be noted.

23. BUSINESS PLANNING AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which detailed the Business Plan approved by the GMPF Management Panel. The report also delivered an update on the Risk Register and the key risks and plans relating to the ongoing management of business continuity due to Covid-19.

The Assistant Director for Pensions Administration outlined the funds eight Strategic Objectives, which were designed to meet the Funds statutory duties and to enhance the reputation of GMPF and the value it adds to its stakeholders.

The Business Plan was split into sections. Fund-wide, Administration, Employer-Funding, Investments, Local Investments, Property and Direct Infrastructure and Accountancy and Legal.

It was reported that health and wellbeing of colleagues continued to be a high priority and further work had been carried out to review and update all service level and individual risk assessments relating to the risk posed by Covid-19 and by the move to home-working. The Senior Management Team had continued to monitor communications issued by pension industry partners, linked organisations, attend webinars and similar online events in order to keep up to date with the latest news and thinking.

With regards to Administration, the day to day running of the section and the completion of tasks remained unchanged. Most activities were being carried out as normal and completed within the usual timescales. The number of notifications of death received had continued to reduce, with numbers being around expected levels for this time of year. Processing times for all payments were within internal targets, with more than 97% of all pension payment case types processed within 10 working days. Waiting times for calls remained high, mainly due to the issue of annual benefit statements for contributors and calls relating to the address tracing exercise that was being carried out.

It was stated that work on key projects had continued. The main areas of risk that continued to be closely and regularly monitored were around resources, staff wellbeing, system availability and cyber security.

The Assistant Director of Employer Funding and Business Development reported that whilst many GMPF employers were likely being severely impacted by the economic restrictions and behavioural changes brought about by the Covid-19 pandemic, as yet there were no confirmed employer insolvencies. However, it remained likely that some GMPF employers would face insolvency over the next few months as Government support measures were unwound. There had been little change to the timeliness of contribution payments from employers and this continued to be regularly monitored and reported to the Local Pension Board.

The Assistant Director of Investments stated that additional resource had gone into monitoring the liquidity of the Fund. This was to make sure that the Fund had sufficient cash available to pay pensions and to meet commitments to private funds if the investment manager was to call on money committed. This would help ensure that the Fund was not a forced seller of equities during a downturn.

The Director of Pensions summarised the Business Plan for the Local Investments, Property and Direct Infrastructure section. Rental collections continued to be impacted by both the underlying economic effects of the crisis and government advice effectively suspending recovery action on rents. This was focused predominantly on the retail sector despite some resumption of activity.

RESOLVED
That the report and the Business Plan at Appendix A be noted.

24. THE PENSIONS REGULATOR

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development / Assistant director of Pensions Administration. The report summarised the operation of the internal controls which GMPF had in place to ensure continued compliance with the expectations of the Pension Regulator (TPR) and in particular, TPR's Code of Practice number 14. It also provided an update on the activities of TPR in the LGPS and in the UK pensions industry generally.

Members of the Board received an update attached as **Appendix 4,** on the expected contribution payments which had not been received by GMPF by the 19th of the month following the month to which they related for the period from June 2020 to July 2020 inclusive.

The Assistant Director of Administration explained that the fund was looking at the ability to direct debit employers for contributions, this could help with the timeliness of contribution payments.

The report summarised that all parties involved with the governance and administration of public service pension schemes must report breaches of the law to TPR where they believed failure to comply was likely to be of 'material significance' to TPR. A copy of the current breaches log (excluding late payments of contributions) was attached as **Appendix 1.** The criteria that officers used to assist them in assessing whether a breach might be deemed 'material' was also attached at **Appendix 2.**

RESOLVED
That report be noted.

25. NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development, which updated the Local Pensions Board on the Ministry of Housing, Communities and Local Government's partial response to the review of interim valuations and flexibility on exit payments consultation and the new regulations, which came into effect on 23 September 2020.

It was stated that previously that when an employer's last active member left, the employer became an exiting employer under the LGPS Regulations, which subsequently led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit potentially being paid to the employer.

It explained that under the new regulations, Administering Authorities had the flexibility to defer the employer exiting the Scheme when its last active member left. The new 'deferred employer' status allowed an employer to continue contributing until their existing liabilities were fully funded without accruing any further future service liabilities. The terms and conditions for the deferral arrangements were expected to be set out in a deferred debt agreement.

In practical terms, the new approach would see these employers participate in triennial actuarial valuations and would have their assets/liabilities assessed as was the case with normal active employers. It would be up to Administering Authorities to stipulate the time horizon upon which a deferred employer could meet their obligations. Employers would be expected to comply with normal employer obligations and would not be released from their obligations until all liabilities were fully funded or the employer had faced a relevant event.

It was stated that the introduction of deferred employer status would be welcomed by many admission bodies who feared triggering a large exit debt. There were some employers, such as charities, that could not afford an exit debt but would struggle to meet their ongoing funding obligations. The amendment regulations had introduced a specific power to allow Administering Authorities to spread employer exit payments instead of payment via a single lump sum.

The regulation changes had additionally introduced the ability for Administering Authorities to conduct interim valuations for one or more employers in order to allow the adjustment of contribution rates via a revision to the Rates and Adjustments certificate. Subject to the Administering Authority's policy, employers would be entitled to request an interim valuation if they met certain prerequisite criteria.

With regards to next steps, the amendment regulations would be considered by the GMPF Management Panel at its 11 December meeting. It was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities in its Funding Strategy Statement (FSS). Any material change to the FSS would require a consultation with employers. As a result, a formal GMPF policy in this area would not be finalised until Spring 2021. However, employers who were considering applying to use the flexibilities could gather information and develop their business case in the intervening period.

RESOLVED
That the report be noted.

26. RISK MANAGEMENT AND AUDIT SERVICES APRIL TO SEPTEMBER 2020

Consideration was given to a report of the Head of Risk Management and Audit Services, which summarised the work of the Risk Management and Audit Service for the period 1 April to 11 September 2020.

The progress report covered the work carried out on the 2020/21 plan for the period 1 April to 11 September 2020. The team had been working remotely from home since 18 March 2020, due to Covid-19.

The progress report showed the actual days spent against the planned days for 2020/21 detailed at **Appendix 1**. The Risk Management and Audit Service had spent 133.54 days against the 320 planned days up to 11 September 2020.

It was reported there was one employer audit report issued during this period, which received a Medium Level of Assurance**.** The key issues identified were discussed.

There were three draft reports issued, the results would be reported to the next meeting of the Local Pensions Board.

It was stated one post audit review had been completed, where it was found all recommendations had been implemented.

With regards to other work carried out in the period, the Pension Fund reported two Information Security Incidents during the reporting period. These were investigated and where control issues were identified recommendations were made to ensure that these issues did not occur in the future. Further, Advice and support was given in relation to the Data Protection Impact Assessment (DPIA) for the introduction of data validation on the GMPF website.

Members of the Board received an update on work that was in progress. Due to the ongoing COVID–19 Pandemic, the program of Visits to Contributing Bodies would need to be undertaken remotely. The new processes developed would involve relying heavily on the information provided by the employers, therefore, a trial with employers would take place. If these visits proved successful then further visits would be arranged with other employers scheduled for a visit in the 2020/21 Internal Audit Plan.

RESOLVED
That the report be noted.

27. POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding & Business Development, which provided an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

Members were reminded that on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted include pools, administering authorities and local pension boards.

The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As discussed at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

It was stated the Government was yet to publish a response to the consultation and the 2015 guidance therefore remained in force.

It was reported that the Government had requested a progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2020 and an estimate of costs savings achieved and those expected in future. The Northern LGPS progress update was appended to the report at **Appendix A**. As at 31 March 2020 the Northern LGPS Pool had generated net cost savings of over £40m.

It was reported that each of the partner funds in the Northern LGPS Pool was in the process of producing 31 March 2020 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. In recent years, this guidance had been expanded to include a section on accounting for asset-pooling arrangements.

At their July meeting, the Northern LGPS Joint Committee agreed that a Pool Annual Report be produced, which funds would have the option of including in their respective annual reports.

The current draft of the Pool annual report was attached at **Appendix B**. The Pool Joint Committee had agreed that the fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

RESOLVED
That the report be noted.

28. URGENT ITEMS

There were no urgent items.

CHAIR

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

2 October 2020

Commenced: 09:00 **Terminated:** 10:40

Present: Councillors Cooney (Chair), Andrews, Ward, Ricci, M Smith, Parkinson, O'Neill, Mitchell, Taylor,

Mr Drury, Mr Llewellyn and Mr Flatley

Fund Observer Councillor Pantall

In Attendance:

Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Investments
Paddy Dowdall	Assistant Director of Local Investments and Property
Neil Cooper	Head of Pension Investment (Private Markets)
Michael Ashworth	Senior Investments Manager
Kevin Etchells	Senior Investment Manager (Property)
Andrew Hall	Investment Manager (Local Investments)
Mushfiqur Rahman	Investments Manager
Lorraine Peart	Investments Officer
Richard Thomas	Investments Officer

Apologies for Absence: Councillors J Fitzpatrick, Newton, J Homer, Jabbar, Barnes, Mrs Fulham

Fund Observer: Councillor Ryan

33. DECLARATIONS OF INTEREST

There were no declarations of interest.

34. MINUTES

The minutes of the meeting of the Investment Monitoring and ESG Working Group on the 31 July 2020 were accepted as a correct record.

35. RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a report of the representatives of PIRC on the 2020 PIRC Consultation Pay for a New World.

Alan McDougall, Managing Director of PIRC stated that it was commonly accepted that the current approach to executive pay had been broken for many years. There had been a consistent theme that quantum of pay did not matter and that the directional effect of the method of pay schemes was what counted. It was stated that PIRC research in 2018 showed that companies that had spent the most on remuneration consultancy had amongst the highest levels of opposition to pay at annual general meetings.

It reported that PIRC believed that the alignment with shareholders needed to be retired. Not only did schemes not align but executives were employees of the company with duties to it. The duties included the new s172 duties should already set the alignment.

PIRC's proposed new pay policy was summarised to the Working Group, Alan MacDougal outlined the 5 principles for a new approach to pay policy.

1. A going rate true market salary not mark to model.
2. Director service contracts approved by a vote.
3. A single profit pool to be distributed company wide, to be voted on as to the amount of the pool and distribution method.
4. Exceptional bonuses only paid as a result of an event that had occurred worthy of a bonus and to be put to the vote.
5. No LTIPs.

It was highlighted that PIRC had concluded that the concept of alignment with shareholders for pay purposes was a fallacy because the risk and responsibilities were different.

It was reported that the Pay for a New World proposal had been sent to the FTSE 350 and PIRC's clients, responses were expected by the end of October.

Members of the Working Group discussed the importance of job descriptions, which detailed the responsibilities of the executives.

RECOMMENDED
That the report be noted.

37. PRINCIPLES FOR RESPONSIBLE INVESTMENT REPORTING FRAMEWORK

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Investments.

As a direct signatory to the PRI, the Fund was required to publicly report on its responsible investment activity through the PRI's 'Reporting Framework'. The Fund was required to report its responsible investment activity to the PRI for 2019 by 31 March 2020. This report set out the principles of responsible investment and summarised the feedback received on the responses to the PRI's 'Reporting Framework.

As at 31 March 2020, there were 3,038 PRI signatories representing $103.4 trillion of assets. The PRI described the six Principles as "voluntary and aspirational". For most signatories, the commitments were a work-in-progress and provided direction for their responsible investment efforts, rather than a checklist with which to comply.

It was reported that in July 2020, the Fund received feedback on its responses to the PRI's 'Reporting Framework' in relation to its responsible investment activity for 2019. The Fund received an 'Assessment Report'.

It was stated that the asset classes held by the Fund determine the sections of the PRI '*Reporting Framework*' that the Fund was required to report on, and consequently the sections where the Fund has been assessed. The Fund's Fixed Income - Securitised holdings were assessed for the first time this year.

The Fund exceeded the PRI median score in the Strategy and Governance and the Listed Equity - Active Ownership modules where the Fund draws heavily on the work undertaken with the Local Authority Pension Fund Forum. The Fund matched the PRI median score for the Listed Equity and government Fixed Income modules.

Whilst there was no change to the Fund's PRI score from the previous year, due to an improvement in the PRI median score the Fund scored a grade lower than the PRI median score for the corporate and securitised Fixed Income modules.

Analysing the breakdown of the scoring, the Fund scored lower than the PRI median score in the Selection, Appointment & Monitoring questions of the Fixed Income modules. The Fund's Investment Management arrangements involved a small number of deep relationships, with extremely low turnover of external managers. As no selection or appointment of a Fixed Income external manager had taken place for a number of years, it had not been possible to demonstrate improvements in the Fund's selection and appointment process from an ESG perspective.

The Fund had investigated potential enhancements to the monitoring of its Fixed Income investments in relation to ESG issues.

RECOMMENDED
That the report be noted.

36. AVISON YOUNG / GMPVF PRESENTATION

Consideration was given to a presentation of Avison Young, which detailed an overview of the position of the GMPVF portfolio.

Gareth Conroy Director of Avison Young outlined the financial performance of the GMPVF portfolio. The financial outlook over different risk categories Income Generating, Equity, Mezzanine and Senior Debt. The amount that could be spent over the different categories and the amounts committed to. Further, Members of the Working Group were presented with the investments against different property sectors including, Office, Suburban Residential and City Residential. Gareth Conroy presented the performance of the portfolio projected year by year.

Jonathan Stanlake, Director of Avison Young delivered a presentation on the Development Portfolio, which highlighted the progress of a number of different properties. The presentation covered properties, which were near completion, where significant progress was due to be made and the performance of income producing properties. It was highlighted that the impact of Covid-19 on the income producing portfolio would be seen in the rent collection figures which would be produced after 29 September 2020.

It was reported that the focus for the coming year would be on affordable housing and suburban housing and sustainability and zero carbon

Members of the Working Group were presented with affordable and suburban housing investments, which had been made as part of the GMPVF portfolio, which totalled 294 new homes and £24 million.

Jonathan Gibson, Director and Head of Sustainability, detailed the work that was being taken in the wider industry on achieving "zero carbon". Members of the Working Group were given a summary of the targets and timescales that the World Green Building Council global project were working to.

A case study was presented to the Working Group of a net zero office building. The building had been designed to reduce occupier energy use, including less dense occupation, cloud computing functions over in-house servers, mixed mode ventilation, air source heat pumps and increased energy efficiency through fabric design and material selection which had reduced embodied carbon as well. It was highlighted that the additional cost a net zero building was estimated to be 3.5%-5%, this was for a building that was on average 65% more efficient, this could result in a significant operational saving.

RECOMMENDED
That the report be noted.

38. MANCHESTER CITY CENTRE RESIDENTIAL MARKET

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Local Investments and Property.

Following an earlier report produced in 2018, the Fund had commissioned an updated report from Salford and Ulster Universities, to provide an independent view on the current Manchester City Centre Residential Market and expected future demand. Also provided, was the presentation delivered by the report authors to the Funds Investment Committee meeting 14 September 2020, on the report findings.

The Investment Manager for Local Investments stated that population growth over previous years had been concentrated in the city centre. Between 2006-2016 the population doubled in Manchester City Centre , the population was nearing 600,000 and was one of the fastest growing cities in Europe. Members were presented with a map of the areas, which had been experiencing large population growth between 2006-2016.

It was explained that previously Manchester had outperformed other English cities when compared to growth in the economy and growth in employment. However in recent years Manchester had not outperformed other cities but had still performed well.

The Investment Manager for Local Investments summarised the policy environment, it was stated that the Council had reaffirmed its commitment to deliver 50,000 affordable homes through to 2037. It was reported that prices of city centre apartments had risen steadily however over the last 12 months the rate of increase in prices had reduced.

It was reported that there was a glut of new stock in some sub markets, the new build price growth had slowed. Rental markets had performed well, rent had continued to rise over the last 2 years with a rental premium for the first 18 months.

The future pipeline supply was detailed to the Working Group, it was highlighted that the vast majority of the apartments under construction were scheduled to complete in 2020. It was explained that the residential growth had peaked. Future residential development would likely be affordable accommodation, which would be difficult to achieve in the city centre.

It was stated that going forward investors and developers would be required to diversify their future schemes and to explore opportunities beyond build to rent. The continued growth of the city as a driver of the regional economy provided opportunities for increased provision of quality office and leisure space.

RECOMMENDED
That the report be noted.

39. URGENT ITEMS

There were no urgent items.

CHAIR

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

2 October 2020

Present:	Councillors M Smith (Chair), Andrews, Cooney, Drennan, Grimshaw, Patrick, Parkinson, Ricci, Sharif, Wills, O'Neill and Mitchell, Mr Drury, Mr Llewellyn and Mr Flatley Fund Observers: Councillors Pantall & Ryan	
In Attendance:	Sandra Stewart	Director of Pensions
	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Tom Harrington	Assistant Director (Investments)
	Emma Mayall	Assistant Director (Pensions Administration)
	Victoria Plackett	Head of Pensions Administration
	Adrian Aguilera	Project & Policy Support Officer
	Jane Wood	Member Services Strategic Lead
	Matthew Simensky	Section Manager Employer Services
	Rachael Foster	Investment Officer
Apologies for Absence:	Councillors Jabbar and Cunliffe and Mr McDonagh	

1 DECLARATIONS OF INTEREST

There were no declarations of interest.

2 MINUTES

The minutes of the meeting of the Administration, Employment Funding and Viability Working Group held on the 20 December 2019 were approved as a correct record.

3 ADMINISTRATION STRATEGIC SERVICE UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development / Assistant Director for Administration. The report provided the Working Group with a summary of the strategic improvement administration projects or areas that were currently being worked on by the Administration Funding and Accountancy teams.

It was reported that business continuity plans and the approach being taken to manage the impact of the Coronavirus outbreak on service delivery remained the same. Over 95% of colleagues continued to work from home and the focus on ensuring key priorities were delivered remained unchanged. Wellbeing support was being provided for staff and some wellbeing sessions had been arranged where attendees were given practical advice about how to maintain their health and wellbeing. So far, three sessions had been arranged and a further one was scheduled for next month.

There was an expectation that the current situation could result in an increase in members leaving the scheme and a surge of redundancy cases if employers were looking to reduce their workforces. Workloads were being monitored closely to ensure that any changes and increased demands could be dealt with and managed effectively.

Members of the Working Group were advised that work had continued on several objectives being undertaken to strengthen compliance with the Pension Regulator's Codes of Practice.

The transition to monthly data collection from employers had been continued, with almost all employers sending data monthly.

Detailed common and scheme-specific data reports were run on an annual basis to determine GMPF's data scores. This year's reports were run in June 2020. The headline scores were 96.5% for common data and 94.9% for scheme-specific data.

It was highlighted that the lack of valid addresses for a significant number of deferred members impacted negatively on the data scores. The 3.5% failures for common data solely related to missing address data. Due to the success of the recent address tracing project undertaken, this would improve the data score for this element.

With regards to the bulk transfer from citrus pension plan, GMCA requested that GMPF accept a bulk transfer of members' benefits from the Citrus Plan in order to help simplify arrangements for members and minimise the costs to GM Authorities of terminating the contract. GMPF received a bulk transfer payment of £46.4m on 12 September 2020 and was expected to receive a further payment of approximately £7m later in September.

It was stated that MHCLG had issued a consultation in July 2020 outlining the proposals with regards to McCloud. GMPF would be responding to the consultation before the closing date of 8 October 2020.

It was explained that the Money and Pensions Service (MaPS) were leading on the initial phase of the project to implement pension's dashboards. This included bringing together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The industry delivery group had been renamed the Pensions Dashboards Programme (PDP).

The PDP had asked GMPF to take part in the next phase of the project in testing the first iterations of the pensions dashboard that was expected to take place later in the year. Although this would require resource from GMPF colleagues, it would be of benefit to GMPF in the long run to be able to see the proposed system and whether there were any data issues to address in advance.

RECOMMENDED
That the report be noted and for GMPF taking part in the next phase of the Pensions Dashboard Project to be approved,

4 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the work and projects being carried out by the Communications & Engagement area of Pensions Administration.

It was stated that in line with current business plan objectives, work had been undertaken in recent months to review the contact centre functionality that was available in the market that would support the move to providing a greater digital offering to members. Significant progress had been made over the past two months. GMPF were working with TechAlign to procure the most appropriate solution and early meetings indicate that suitable software was available.

Following the demonstrations and the identification of a preferred solution, a procurement exercise would be undertaken, and an implementation plan would be developed. A further update on progress would be provided at the next Working Group meeting.

The Head of Pensions Administration explained the initial 12-month website redevelopment contract with Clay10 came to an end on the 1 August 2020. GMPF had entered a 6-month support phase during which any outstanding work would be completed. Over the next quarter, the development and use of the feedback tab, the addition of an online survey and work with focus groups would be carried out to identify where changes needed to be made in order to ensure the website met stakeholder needs.

It was reported that over 131,200 members had now registered for the online service. With processes for new starters and those entitled to deferred benefits already online and with further processes being moved online over the coming months, it was expected that the number of registrations would increase steadily. However, campaigns would be run in collaboration with scheme employers to further encourage take up.

With regard to customer services activities, call volumes had continued to remain consistent over the last three months. Queries regarding My Pension had been received with many users requiring help registering or accessing their account.

Members of the Working Group were advised of the complaints, suggestions and compliments received. Since the last meeting, 22 service complaints had been received. Over 70% of these were relating to the difficulties in getting through to the Customer Services team. A total of seven compliments were submitted through the feedback zone. Many of these were compliments about the quality of the service and thanking individual staff members.

RECOMMENDED
That the report be noted.

5 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the work and projects carried out by the Developments & Technologies section of Pension Administration.

Members of the Working Group heard that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued. Work this quarter had focussed on how GMPF data files could be transferred to the Cloud using services hosted by Microsoft. This would facilitate a more flexible working approach, reduce risks linked to data storage and enable teams to work more efficiently and effectively in the future. This project also encompassed the creation and implementation of a new GMPF specific Cyber Security policy. A new draft policy was being worked on, with a more detailed update planned to be provided at the next Working Group meeting.

It was reported that the latest Altair software release, Altair 11, was implemented into the live service in September 2020. GMPF took part in the testing of the new release and carried out extensive testing and reporting findings back to Aquila Heywood. Following the testing and feedback being received, Aquila Heywood carried out further development work on the system resulting in the release being implemented slightly later than initially planned on 15 September 2020.

In addition as part of the CLASS group arrangement, Aquila Heywood looked to deliver system improvements or developments requested by funds. Two key developments were included within this release. The first being the ability to delete full or partial member data in bulk. This would enable GMPF to review its policy on member data retention and make changes where necessary to ensure compliance with GDPR. The second development was to provide new functionality in My Pension to enable members to generate their own transfer out calculations

The Complaints and Disputes Board continued to meet monthly and all learning points were passed back to the relevant team. Regarding formal disputes received since April 2020, there had been six stage 1 dispute cases considered and six stage 2 cases.

RECOMMENDED
That the report be noted.

6 ADMINISTRATION MEMBER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pensions Administration, which provided the Working Group with a summary of the work and projects being carried out by the Members Services section of Pensions Administration.

Members were advised of the key work items across the member services section. Of the 44 cases identified for review following the Brewster judgement, the Bereavements team had reviewed 43 cases with one still to be reviewed. Of the 43 cases reviewed, 39 potential beneficiaries had been written to and nine of these cases had now been processed for payment. Officers would continue to progress these cases in the coming quarter. The review of the area of work relating to pensions overpayments was continuing and an analysis of the current outstanding member related debt could be found in **Appendix 1**.

It was stated that the transition of the payment of AVC's from the Contributing Members team to the respective benefit teams was now complete and an improvement had been implemented to pay AVC's directly to members at the point of retirement.

It was reported that work had commenced on this year's Pensions Savings Statements exercise, which was to provide all members who had exceeded the annual allowance tax limit with a statement containing details of their pension savings in GMPF.

The review of the Key Performance Indicators was continuing, Altair workflows were in the process of being amended in order to match the revised performance standards. In the interim period six key indicators were being monitored.

The Member Services Strategic Lead summarised member feedback in **Appendix 3**. The results highlighted several areas for improvement, and officers would be reviewing the feedback and investigating whether any changes could be made to current processes to improve the experience for members.

With regard to the planned changes to the early leaver process, the Working Group were advised that a pilot exercise was underway with Manchester City Council. Once the pilot was complete and any improvements identified had been implemented, the change of process would be made available to all employers who had on boarded to iConnect.

Members of the Working Group were given an update on the member address tracing project. Target carried out an automated search for these members to identify a likely new address and returned approximately 10,000 positive results. Target wrote to those members and updated addresses had been received for 5,600 of these members.

Of the 5,000 members where no new address could be found using the automated search, a manual trace was done for 150 of those to establish if a manual trace was effective. However, only 19 new addresses were verified out of these 150 members. Therefore, consideration would be given to the next stages of the project and what other steps could be taken to try to locate the 8,400 members.

RECOMMENDED
That the report be noted.

7 ADMINISTRATION EMPLOYER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pension Administration, which provided the Working Group with a summary of the work and project being carried out by the Employer Services area of Pensions Administration.

It was reported that there continued to be a significant number of employers applying to join GMPF with 45 applications being processed. A further 41 enquiries had also been made by employers considering applying for admission. Members received a list of all applications ongoing and those applications agreed or closed over the last quarter enclosed at **Appendix 1.**

GMPF continued to work with those employers who had not yet transitioned to monthly data collection to do so. A total of 582 employers had on-boarded onto iConnect, leaving 29 employers still to on-board; 12 of these related to Oldham MBC and their associated employers and a further 7 related to new employers only recently admitted to the Fund.

All local authorities, except for Oldham MBC, had now on-boarded. Oldham MBC's on-boarding date was anticipated to be November 2020 to align with their move to a new payroll system. Due to delays caused by the coronavirus pandemic, the remaining employers yet to on-board had been given a deadline extension to 31 December 2020.

Members were advised that most employers were on-boarded by 31 March 2020 as a result the number of year-end queries received this year was significantly reduced. There were only 168 outstanding queries relating to the year-end submissions for 2019/20.

The Employer Support team were working on a new set of performance measures for GMPF employers. These would cover aspects such as the timeliness of information submitted to GMPF, responsiveness to queries and payment of contributions. Once finalised, performance reports would be sent regularly to employers highlighting any concerns or issues.

Meetings were held each month where senior officers discussed employer contribution payments, employer debt and employer performance. Where contributions or other employer debts were not paid within the expected timescales, senior officers were actively engaging with these employers. The current position relating to employer debt could be found in **Appendix 3.**

The LGA-run 'Understanding the Employer Role' was held online via Microsoft Teams in August. The next session would also be presented online and would take place over two days on 24/25 November 2020. In addition to employer representatives attending the course, several GMPF staff also attended to further broaden their knowledge.

RECOMMENDED
That the report be noted.

8 EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development, which summarised the latest developments regarding the proposed cap on exit payments for public sector employees leaving employment.

Members of the Working Group were reminded that the Government legislated for a cap of £95,000 on exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016. The 2015 act set out the duty to implement the cap through secondary legislation titled The Restriction of Public Sector Exit Payments Regulations 2020.

Following HM Treasury's consultation response and the overall commitment to the Exit Cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published an LGPS specific consultation on how to introduce the exit cap measures in the LGPS. This consultation was released on 7 September 2020, with a deadline for responses on 9 November 2020.

It was reported that the Restriction of Public Sector Exit Payments Regulations 2020 received parliamentary approval on the 23 September 2020. This was prior to the LGPS changes becoming effective, which was likely to prove problematic for LGPS funds, employers undertaking redundancy exercises and impacted members.

Members were presented with different scenarios and how the Exit Cap would impact them.

The Assistant Director of Funding and Business Development explained that this left a window where GMPF was technically still required to pay a full early retirement pension to anybody over 55 being made redundant but if it cost over £95,000 then the employer would be in breach of the Exit Payment Cap. It was expected that guidance would be received from MHCLG. Further, there was an intention to standardise how strain costs are calculated between funds, however, whilst the Government Actuary Department had published draft guidance it was not expected that this would come into effect until January.

The next steps would be to submit a consultation response on behalf of the GMPF Management Panel highlighting the issues. The Management Panel approved this approach at its last meeting. Further clarity would be sought from MHCLG regarding which employers were in scope for each of the proposed changes.

RECOMMENDED
That the report be noted.

9 NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development, which updated the Local Pensions Board on the Ministry of Housing, Communities and Local Government's partial response to the review of interim valuations and flexibility on exit payments consultation and the new regulations, which came into effect on 23 September 2020.

It was stated that previously that when an employer's last active member left, the employer became an exiting employer under the LGPS Regulations, which subsequently led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit potentially being paid to the employer.

It explained that under the new regulations, Administering Authorities had the flexibility to defer the employer exiting the Scheme when its last active member left. The new 'deferred employer' status allowed an employer to continue contributing until their existing liabilities were fully funded without accruing any further future service liabilities. The terms and conditions for the deferral arrangements were expected to be set out in a deferred debt agreement.

In practical terms, the new approach would see these employers participate in triennial actuarial valuations and would have their assets/liabilities assessed as was the case with normal active employers. It would be up to Administering Authorities to stipulate the time horizon upon which a deferred employer could meet their obligations. Employers would be expected to comply with normal employer obligations and would not be released from their obligations until all liabilities were fully funded or the employer had faced a relevant event.

It was stated that the introduction of deferred employer status would be welcomed by many admission bodies who feared triggering a large exit debt. There were some employers, such as charities, that could not afford an exit debt but would struggle to meet their ongoing funding obligations. The amendment regulations had introduced a specific power to allow Administering Authorities to spread employer exit payments instead of payment via a single lump sum.

The regulation changes had additionally introduced the ability for Administering Authorities to conduct interim valuations for one or more employers in order to allow the adjustment of contribution rates via a revision to the Rates and Adjustments certificate. Subject to the Administering Authority's policy, employers would be entitled to request an interim valuation if they met certain prerequisite criteria.

With regards to next steps, the amendment regulations would be considered by the GMPF Management Panel at its 11 December meeting. It was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities in its Funding Strategy Statement (FSS). Any material change to the FSS would require a consultation with employers. As a result, a formal GMPF policy in this area would not be finalised until Spring 2021. However, employers who were considering applying to use the flexibilities could gather information and develop their business case in the intervening period.

RECOMMENDED
That the report be noted.

10 ADMINISTRATION EXPENDITURE MONITORING STATEMENT

Consideration was given to a report of the Director of Pensions, which compared the administration expenses budget against the actual result for the 5 months to August 2020.

This report detailed the administration expenses incurred by the Fund for the 5 months to 31 August 2020. Comparison was made against the budget for the same period of £14,620,000, which was derived from the Original Estimate for 2020/2021 approved by the members at the Management Panel Meeting of 17 January 2020.

In the five months to 31 August 2020 there was an under-spend of £1,256,000 against the budget of £14,620,000 for that period as detailed in **Appendix 1**.

RECOMMENDED
That the report be noted.

11 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

26 November 2020

Commenced: 11:00am **Terminated: 12.45pm**

IN ATTENDANCE

Councillor Warrington (Chair)	
Councillor Cooney	
Councillor M Smith	
John Thompson	**Trade Union Representative (UNITE)**
Councillor Pantall	**Fund Observer**
Councillor Ryan	**Fund Observer**
Ronnie Bowie	**Advisor to the Fund**
Lynn Brown	**Advisor to the Fund**
Peter Moizer	**Advisor to the Fund**
Mark Powers	**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	**Head of Pension Investment (Private Markets)**
Kevin Etchells	**Investment Manager (Local Investments)**
Andrew Hall	**Investment Manager (Local Investments)**
Michael Ashworth	**Senior Investments Manager (Public Markets)**
Mushfiqur Rahman	**Investments Manager (Public Markets)**
Abdul Bashir	**Investments Manager (Public Markets)**

MSCI representatives: Luke Pakes and Theo Apostolov
Ninety One representatives: Stephen Lee, Jonathan Parker and Shaza Hasan

Apologies for Absence: Ms Herbert (MoJ)

28. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and was very pleased to announce that the Fund had been shortlisted for the LAPF Scheme Administration award for the second year running. The virtual awards ceremony was scheduled to take place on 2 December 2020 and whilst clearly she hoped that the Fund was recognised as the winner she wanted to thank the staff for the huge achievement in getting shortlisted, which for the second year running was a testament to hard work and dedication particularly given the challenging times.

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 3 September 2020, were approved as a correct record.

31. UK PROPERTY PERFORMANCE

Luke Pakes and Theo Apostolov of MSCI, presented before Members and gave an update on Property performance up to Q3 2020, on GMPF's Property portfolios, both direct and in-direct.

Mr Pakes began by presenting an overview of the MSCI UK Quarterly Property Index, September 2020.

He explained the evolving nature of the index, including the shift in the retail sector over a 10 year time frame, the continuing decline in rental growth and the marginally positive office sector position.

The Fund's performance in context with the Benchmark was detailed, including the relative total return by sector.

The top and bottom 10 performing assets were highlighted and long term percentile ranking and distribution and relative returns were given.

Fund exposures by capital value were demonstrated and 1, 3 and 5 year returns for the Fund against the benchmark, were displayed.

The Advisors expressed the importance of a macro view of the Property sector going forward and further sought clarification with regard to the impact of Covid-19 on property valuations and the reliability of valuations, going forward.

Discussion ensued in respect of the changing nature of the Industrial sector. The viability of office space and the retail offer, in a 'post Covid' world, was also deliberated.

The Chair, Members and Advisors thanked Mr Pakes for an extremely informative and helpful presentation.

RECOMMENDED
That the content of the presentation be noted.

32. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

Consideration was given to a report of the Assistant Director, Local Investment and Property, updating Members on progress for property investment, focusing on deployment of capital and investment management against the background of continuing underperformance from the main direct manager.

It was reported that, historically the effect of the property investment programme at the Fund had been detrimental to overall performance. The Management Panel had taken a number of steps to correct this including:

- Appointment of a manager to manage main property portfolio.
- Changes to investment guidelines to allow more flexibility to facilitate faster deployment with more controls over risk/return balance through use of fixed interest instruments.
- Investing in Overseas Property through a diversified funds programme.
- Maintenance of a portfolio of balanced property pooled vehicles.

Members were advised that the Management Panel had observed that, three years into the appointment of a main direct manager, there were remaining issues on overall deployment of capital into property and that performance was behind expectations. Following an instruction by the Management Panel there was a review overseen by the working group and advisers which produced a number of key actions, as detailed in the report.

An update was given on each of the actions and a proposed project plan was appended to the report.

RECOMMENDED
That the content of the report be noted.

33. REPORT OF THE MANAGER

Stephen Lee, Jonathan Parker and Shaza Hasan of Ninety One, attended before Members and gave a presentation detailing their performance up to 30 September 2020.

Mr Parker explained that the portfolio had outperformed the index over the third quarter. The 4Factor screening part of the process contributed to performance over the period when compared to the equally weighted universe. The momentum factors – 'Earnings' and 'Technicals' – continued to perform strongly, 'Strategy' was marginally positive, and 'Value' detracted despite a rally by value stocks in September.

Mr Parker gave details of underperforming and outperforming sectors for the period and outlined notable individual contributors. The key characteristics of the current portfolio against the index were also discussed, with a focus on acquiring holdings in good quality companies at reasonable valuations with improving operating performance.

Wide ranging discussion ensued with regard to the content of the presentation and the Advisors congratulated Ninety One on their outperformance and commented on the affirmation of the diversification strategy of the Fund. Further reference was made to globalisation, its possible effect on share prices and the risks of the volatile relationship between US and China.

The top ten holdings were considered and caution raised in respect of the limited opportunities for outperformance of such prominent companies, going forward.

The issue of climate change was also highlighted and how this would affect stock selection. Mr Parker emphasised the importance of collaboration as a driver for change.

The Chair thanked the representatives of Ninety One for their very thought provoking presentation.

RECOMMENDED
That the content of the presentation be noted.

34. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 30 September 2020.

It was stated the Fund's approach to Securities Manager monitoring had been enhanced by the adoption of a codified and structured Monitoring Escalation Protocol. The Overall Status Levels and courses of action taken in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager appended to the report.

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 included 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.

In addition, a traffic light approach (Green, Amber, Red) had been developed to provide a single overall indicator that summarised Officers' current subjective assessment of People, Process and Philosophy for each Manager. The respective traffic light should be viewed as providing additional context to supplement the codified Status Levels of the Monitoring Escalation Protocol.

RECOMMENDED
That the report be noted

CHAIR

Report to :	**PENSION FUND MANAGEMENT PANEL**
Date :	11 December 2020
Reporting Officer :	Sandra Stewart, Director of Pensions Tom Harrington, Assistant Director of Pensions (Investments)
Subject :	**QUARTERLY UPDATE ON RESPONSIBLE INVESTMENT ACTIVITY**
Report Summary :	This report provides Members with an update on the Fund's responsible investment activity during the quarter.
Recommendation(s) :	That the report be noted.
Links to Core Belief Statement:	The relevant paragraph of the Fund's Core Belief Statement is as follows : "*2.6 Well governed companies that manage their business in a responsible and sustainable manner will produce higher returns over the long term*."
Financial Implications : **(Authorised by the Section 151 Officer)**	There are no direct material costs as a result of this report.
Legal Implications : **(Authorised by the Solicitor to the Fund)**	The provisions underlined by the Regulation 7 guidance for the formulation and maintenance of their ISS, clearly address issues of responsible investment by the Local Government Pensions Scheme administering authorities. Regulation 7(2)(e) requires funds to follow pertinent advice and act prudently when making investment decisions, *"…a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence".* They must consider any factors that are financially material to the performance of their investments, including ESG factors contemplating the time horizon of the liabilities along with their approach to social investments. Regulation 7(2)(f), emphasises that *"administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code."* Administering authorities are strongly encouraged to either vote their shares directly or ask their fund managers to vote in line with their policy under the Regulation 7(2)(f) and to publish a report of voting activities as part of their pension fund annual report under Regulation 57 of the 2013 Regulations. Regulation 7 (6) underlines that the ISS must be published by 1 April 2017 and requires it to be reviewed at least every three years.

Risk Management :	Increasing net investment returns needs to be delivered without materially increasing Fund's exposure to investment risks. We want everyone to have a pension they can be proud of – one which builds a better world, without compromising on returns.
ACCESS TO INFORMATION :	**NON CONFIDENTIAL** This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers :	

APPENDIX 7A	RI Partners and Collaborations

Any enquiries should be directed to: Mushfiqur Rahman, Investments Manager, on 0161-301 7145 (email: mushfiqur.rahman@gmpf.org.uk).

1. BACKGROUND

1.1 The Fund's approach to Responsible Investment is set out in its Investment Strategy Statement. The Fund has also published a more detailed Responsible Investment policy on its website.

1.2 The Fund is a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, the Fund is required to publicly report its responsible investment activity through the PRI's 'Reporting Framework'.

1.3 Upon becoming a PRI signatory, the Fund committed to the following six principles:

1. *We will incorporate ESG issues into investment analysis and decision-making processes.*
2. *We will be active owners and incorporate ESG issues into our ownership policies and practices.*
3. *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
4. *We will promote acceptance and implementation of the Principles within the investment industry.*
5. *We will work together to enhance our effectiveness in implementing the Principles.*
6. *We will each report on our activities and progress towards implementing the Principles.*

2. RESPONSIBLE INVESTMENT ACTIVITY DURING THE QUARTER

2.1 A summary of the Fund's Responsible Investment activity for the latest quarter against the six PRI principles is provided below.

2.2 **We will incorporate ESG issues into investment analysis and decision-making processes.**

2.3 The majority of the Fund's assets are managed by external investment managers. The Fund's approach to Responsible Investment is incorporated into the mandates of each Fund Manager via their respective Investment Management Agreement. Managers take into consideration ESG issues as part of their investment analysis and decision-making process and engage regularly with companies that are held within the portfolio. The Fund's public equity managers' report annually on their Responsible Investment activity to the Investment Monitoring and ESG Working Group (IMESG).

2.4 Avison Young, GMPF's adviser for the Greater Manchester Property Venture Fund, presented at the IMESG Working Group during the quarter. They stated that the focus for the coming year is affordable and suburban housing and sustainable building to achieve net zero carbon in construction.

2.5 New projects under consideration include Stockport, Manchester, Chorlton and Eccles which make up approximately 1,200 units. Avison Young also presented some of their thoughts on ways they could achieve net zero carbon in the construction process which include operational changes, efficient insulation, heating decarbonisation and the use of carbon off-setting.

2.6 **We will be active owners and incorporate ESG issues into our ownership policies and practices.**

2.7 Voting and engagement is a cornerstone to the Fund's RI activities. The Fund retains maximum possible authority to direct voting, rather than delegating authority to the external Investment Managers. The Fund is able to engage with companies both directly and indirectly through its long-standing membership of the Local Authority Pension Fund Forum and as part of the Northern LGPS pool. The Fund's voting record can be found using the link below.

https://votingdisclosure.pirc.co.uk/?cl=Uyc0NScKLg==&pg=1

2.8 The Fund was represented on a webinar organised by the Local Authority Pension Fund Forum to hear concerns from Roger Featherstone of the Arizona Mining Reform Coalition and an affected community member from BHP and Rio Tinto's mining activities at a heritage sight in Arizona, USA. This follows recent engagement with Rio Tinto relating to their activities at Jukkan Gorge in Western Australia.

2.9 The Fund considers shareholder resolutions a useful tool to proactively raise issues of concern either where boards of investee businesses are resistant to dialogue or change, or to amplify the shareholder voice where engagement with boards has been positive. During the quarter the Fund co-filed a shareholder resolution at Johnson & Johnson requesting that the company's Chair of the Board of Directors, whenever possible, be an independent member of the Board. The Fund also co-filed a shareholder resolution at Citigroup requesting more transparency on the company's lobbying activities which would make it easier to assess whether Citigroup's lobbying is consistent with its expressed goals and stockholder interests.

2.10 The Fund's passive investment manager, Legal and General, published the document below renewing their climate impact pledge during the quarter.

https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/climate-impact-pledge-brochure-uk-eu.pdff

2.11 Through the summer the Black Lives Matter movement gained prominence highlighting inequalities in society. The Fund was represented at a number of events on topics such as black and minority ethnic people being disproportionately affected by COVID-19 and inequality in the workplace. In October, during Black History Month, Officers of the Fund joined a Talkaboutblack webinar organised by Legal and General focusing on diversity within the investment industry.

2.12 **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

2.13 Improved disclosure means companies can be better assessed for their long-term resilience and the Funds investment managers can make informed investment decisions.

2.14 The Fund, via the Northern LGPS, is a member of the Workforce Disclosure Initiative. The aim of this initiative is for greater transparency on workforce policies and practices in their direct operations and supply chains. During the quarter, Officers of the Fund attended a number of update meetings to discuss the companies being engaged with, and associated outcomes. With the WDI's deadline approaching for companies to submit their disclosures there were confirmations from 122 companies that they will take part in this year's survey.

2.15 **We will promote acceptance and implementation of the Principles within the investment industry.**

2.16 All of the Fund's external public markets investment managers are PRI signatories. Many of the Fund's external private markets investments managers are also PRI signatories, and those who are not are encouraged to do so.

2.17 **We will work together to enhance our effectiveness in implementing the Principles.**

2.18 Where possible the Fund works in collaboration with other like-minded investors to amplify the investor voice and effect positive change. The Fund participates in several initiatives and forums across the full spectrum of ESG issues. A description of the Fund's main RI partners and collaborative bodies is attached as **Appendix A**.

2.19 The Northern LGPS committed to partnering with the Make My Money Matter initiative which aims to collaborate on working towards the pool's ambition to invest all of its assets in line with the Paris Agreement and raise member engagement to increase positive impact. By raising awareness and engaging members with their pensions, MMMM seeks to align the investment of trillions of pounds in assets with building a better world. The press release is can be viewed using the link below.

https://northernlgps.org/node/81

2.20 The Northern LGPS responded to the Department for Work and Pensions consultation relating to governance and reporting by occupational pension schemes on climate risk. Although Northern LGPS is not currently covered by the reforms the Northern LGPS wished to provide its views given its size and profile as a responsible investor. The response can be viewed using the link below.

https://lapfforum.org/wp-content/uploads/2020/09/Response-to-DWP-climate-risk-consultation.pdf

2.21 The Local Authority Pension Fund Forum responded on behalf of its members, including GMPF, to a Government consultation on the introduction of a new law to prevent forests and other natural areas from being converted illegally into agricultural land. The response can be found using the link below.

https://lapfforum.org/wp-content/uploads/2020/09/LAPFF-Response-to-Forest-Risk-Commodities-Consultation.pdf

2.22 Northern LGPS became a signatory to an investor initiative for sustainable forests in collaboration with CERES. The initiative, endorsed by Local Authority Pension Fund Forum, aims to understand how deforestation within cattle and soybean supply chains represent a material risk to companies and engage with companies in the soy and cattle value chain. While there is a growing awareness of cattle and soybean production being a large driver of the change in land use this engagement also hopes to address wider ESG issues such as land rights, working conditions and the impact on indigenous people. The two investor statements can be found using the link below.

https://www.unpri.org/sustainable-land-use/pri-ceres-investor-initiative-for-sustainable-forests/5872.article

2.23 The Fund, via its membership in LAPFF, signed a letter from the Institutional Investors Group on Climate Change to 36 of Europe's largest companies requesting them to take into consideration decarbonisation and climate change risk as they complete their financial statements. The letter can be found using the link below.

https://www.iigcc.org/resource/investor-expectations-for-paris-aligned-accounts/

2.24 The Institutional Investors Group on Climate Change published a background paper to help inform thinking around shared opportunities to drive the power sector decarbonisation by both utility companies and investors. This can be accessed using the link below.

https://www.iigcc.org/download/iigcc-background-paper-accelerating-power-sector-decarbonisation/?wpdmdl=4007&refresh=5fb520e5726811605705957

2.25 During the quarter, Climate Action 100+ sent a letter to CEOs and Chairs of boards at 161 global companies setting out a benchmark and calling on firms to commit to net-zero business strategies. The benchmark has 8 indicators that will be used to evaluate company action and ambition demonstrated in tackling climate change. The indicators pull together data from several providers, including the Transition Pathway Initiative (TPI) and Investing for a Just Transition. Further details are available with the link below.

https://climateaction100.wpcomstaging.com/news-and-events-2/

2.26 The TPI is an initiative led by asset owners that assesses the progress that companies are making on the transition to a low-carbon economy using publicly disclosed data. GMPF utilises this tool as part of its annual carbon reporting and Officers of the Fund keep up to date with updates provided by the TPI. The latest update relating to energy companies from September 2020 can be found using the link below.

https://www.transitionpathwayinitiative.org/publications/61.pdf?type=Publication

2.27 The TPI is currently used to assess companies based on equity holdings. It has consulted signatories which GMPF has provided feedback, with the aim of broadening its scope to include the fixed income asset class. The feedback from the consultation can be found using the below link.

https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2020/07/Final-Fixed-Income-Presentation.pdf

2.28 While fossil fuel companies have made significant climate related announcements this year, research carried out by the TPI suggests that no fossil fuel company has yet set out an emissions target in line with limiting climate change to 2°C or below. Shell, Total and Eni were found to be approaching a 2°C pathway. The TPI assessed 59 oil, gas and coal mining companies and found that 7 companies have set emissions targets in line with pledges made by governments as part of the Paris Agreement in 2015. All seven of these companies are European. Further reading on this assessment can be found using the link below.

https://www.transitionpathwayinitiative.org/publications/60.pdf?type=Publication

2.29 **We will each report on our activities and progress towards implementing the Principles.**

2.30 The Northern LGPS Stewardship Report for Q3 2020 can be found using the link below.

https://northernlgps.org/taxonomy/term/15

2.31 The LAPFF Quarterly Engagement Report for Q3 2020 can be found using the link below.

https://lapfforum.org/wp-content/uploads/2020/10/LAPFF_QER3_2020.pdf

2.32 During the ongoing COVID-19 crisis GMPF's responsible investment advisor, PIRC, has been engaging with companies in sectors that have been disproportionately exposed to the negative impacts of the pandemic. PIRC has been engaging with food production companies whose 430,0000 strong workforce classed as essential workers have operating throughout the pandemic where it has emerged labour rights issues and safety breaches. This briefing can be found using the below link.

http://www.pirc.co.uk/wp-content/uploads/2020/09/PIRC_sector_food_processing.pdf

3. RECOMMENDATION

3.1 As per the front of the report.

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Agenda Item 8

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Report To:	**GMPF MANAGEMENT PANEL**
Date:	11 December 2020
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	**GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020**
Report Summary	This report is submitted for information and Members are asked to note the progress of the governance arrangements for the audit of GMPF Accounts 2019/20.
Recommendations:	Members are asked to note the 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:	**APPENDIX 17A** – Audit Completion Report 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 provides an update on the reports to Panel on 17 July 2020 and 18 September. As reported at that time there are changes this year to the governance procedures for approval of GMPF Annual report and accounts due to the impact of the Covid 19 crisis. The deadline for the Audit of local government accounts was changed to 30 November 2020. For GMPF the main concerns were the valuation of illiquid investments caused by acute public market volatility at the year-end date. The draft accounts were produced in line with the original timetable and presented at the last in July and the audit process is very close to completion at the time of writing.

2. UPDATE ON PROGRESS AND NEXT STEPS

2.1 The auditors have concluded their work and issued a draft Audit Completion Report attached as an appendix, which has been considered by Tameside Audit Panel. This report is complementary about the quality of accounts produced, makes no recommendations for internal controls and reports that there no adjustment to accounts. During the audit process there were some improvements and amendments to disclosures made at suggestion of the auditors.

2.2 The report gives an opinion that the financial statements:

- give a true and fair view of the financial transactions of Greater Manchester Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2.3 There is however an "Emphasis of Matter in the draft audit report, which is detailed below.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property investment assets
"We draw attention to notes 2 and 2a of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Fund's property investment assets. As disclosed in note 2 of the financial statements outlining the major areas of estimation uncertainty, the Pension Fund have disclosed their consideration of the impact of their independent property valuers inclusion of a 'material valuation uncertainty' declaration within their reports. This uncertainty arose as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter".

2.4 It is worth noting that a form of this note will be in the audit reports of all LGPS Funds with substantial holdings in property and that this material valuation uncertainty' declaration from valuers is not attached to post September valuations. There remains as ever uncertainty over the valuation of all "Level 3" Investments until they are sold.

2.5 Letters of Assurance from the management of the Fund and those charged with governance have been provided to the auditors and a letter of representation will be sent the auditors by the section 151 officer to complete the process.

2.6 Unfortunately, the Auditors, Mazars have yet to sign off the accounts owing to capacity issues as required by the 30 November 2020. Accordingly a notice has been published on the Council's website at https://www.tameside.gov.uk/statementofaccounts/1920 as follows:

TAMESIDE METROPOLITAN BOROUGH COUNCIL
EXTERNAL AUDIT OF ACCOUNTS: YEAR ENDED 31 MARCH 2020
Publication of Tameside Metropolitan Borough Council Statement of Accounts and Audit Opinion
The Accounts and Audit (England) Regulations 2015 – Regulation 10
As Amended By
The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 require that the audited accounts and opinion is published by 30 November 2020.

The audit of the draft statement of accounts for the year ended 31 March 2020 for Tameside Metropolitan Borough Council, including the accounts of Greater Manchester Pension Fund, has not yet been completed by the external auditors, Mazars LLP.

The audit and issue of the audit opinion is expected to conclude during December 2020 after which the statement of accounts and audit opinion will be published as soon as is reasonably practicable.
Therefore, this notice of delayed audit is being published in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. See attached link:
http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made

You can read the external audit completion report and accounts presented to the Council's Audit Panel on our website at https://tameside.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5103&Ver=4

2.7 Consequently, we are in the hands of the auditors as to when this will be completed. However, Regulation 57 of the LGPS Regulations 2013 requires administering authorities to publish their pension fund annual report, in relation to the Scheme year ending on the 31 March, on or before the following 1 December. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extend the publication for local authority accounts (England and Wales) to 30 November 2020. That said, at present there are no plans for an automatic extension of the publication date for the annual report and accounts. We have therefore published the Annual Report on the website noting that the accounts have not been formally signed off on the basis that there is no expectation that any changes will be required.

3. RECOMMENDATION

3.1 To note the report.

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APPENDIX A

GMPF'S RESPONSIBLE INVESTMENT PARTNERS AND COLLABORATIONS

2 Degrees Investing Initiative
This climate scenario analysis provides a forward looking assessment of how GMPF's corporate bond and equity holdings compare to a 2°C transition scenario. It helps GMPF to better understand the potential for misallocation of capital and financial risk under a 2°C transition and where GMPF's holdings stand in those industries which are deemed to be the most important in relation to climate change.

Web link: https://2degrees-investing.org/resource/pacta/

30% Club
The 30% Club is a group taking action to increase gender diversity on boards and senior management teams with the aim of achieving a minimum of 30% female representation on FTSE 100 boards. GMPF is a signatory to this campaign and is working alongside other signatories to engage with companies on the target list.

Web link: https://30percentclub.org/

CDP
GMPF is a member of the CDP (formerly Carbon Disclosure Project). Each year, the CDP supports companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. Investors can use the annual disclosures as a basis for engagement with companies.

Web link: https://www.cdp.net/en

Climate Action 100+
GMPF is a signatory of the Climate Action 100+ initiative. The aim of this group is to work with companies to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change. The organisation has a list of focus companies that they are working through and use the backing of the signatories as leverage.

Web link: http://www.climateaction100.org/

Global Mining & Tailings Safety Initiative
GMPF has been involved in and backed this initiative. Spearheaded by the Church of England Pensions Board and the Swedish Council of Ethics of the AP Pension Funds the initiative aims to tackle the problem of tailings dam safety. PIRC, in its capacity as research and engagement partner to LAPFF, requested a stakeholder engagement component to the initiative, to which the organisers readily agreed. This engagement has highlighted significant discrepancies between company accounts of these disasters and community experiences, prompting important questions for investors regarding the investment propositions of the companies involved.

Web link: https://www.churchofengland.org/investor-mining-tailings-safety-initiative

Institutional Investors Group on Climate Change
GMPF is a member of IIGCC whose aim is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and investors. Officers from GMPF attend seminars and keep up to date with collaborations and initiatives of IIGCC.

Web link: https://www.iigcc.org/

Investing in a Just Transition Initiative
GMPF supports the Investing in a Just Transition Initiative which focuses on delivering a transition to a low-carbon economy while supporting an inclusive economy with a particular focus on workers and communities across the UK. GMPF understands this needs to be done in a sustainable way that safeguards against communities being left behind during this transition.

Web link: http://www.lse.ac.uk/granthaminstitute/investing-in-a-just-transition-global-project/

Local Authority Pension Fund Forum
GMPF is a member of LAPFF. Most engagement activity is undertaken through the forum and representatives of GMPF take part in company engagements. LAPFF is a collaborative shareholder engagement group of Local Authority pension funds. Given the long-term nature of the members they can look beyond the short term to ensure a positive impact is made through engagement activity.

Web link: http://www.lapfforum.org/

Make My Money Matter
GMPF via Northern LGPS is a partner to this initiative. NLGPS' collaboration with MMMM is part of the pool's ambition to invest 100% of assets in line with the Paris Agreement on climate change, and help members understand the importance of knowing where their pensions are invested.

Web Link: https://makemymoneymatter.co.uk/

Principles for Responsible Investment
GMPF is a signatory of the UN backed PRI. The principles were developed by investors for investors and in implementing them, signatories contribute to develop a more sustainable global financial system. Institutional investors have a duty to act in the best interest of their beneficiaries and ESG issues can affect these responsibilities. The principles align investors with broader objectives of society and their fiduciary duties.

Web link: https://www.unpri.org/

PIRC
GMPF appointed PIRC Ltd as its responsible investment adviser, to assist in the development and implementation of its RI policy. PIRC Ltd is an independent corporate governance and shareholder advisory consultancy providing proxy research services to institutional investors on governance and ESG issues.

Web link: http://www.pirc.co.uk/

Transition Pathway Initiative
The Transition Pathway Initiative is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The assessments provide a rating for each company that can be used to target engagements to specific issues relating to climate change.

Web Link: https://www.transitionpathwayinitiative.org/

Trucost
GMPF uses this external organisation to measure its carbon footprint for the actively managed corporate bond and equity holdings. Trucost's backward looking method uses the information from the companies' most recent reports, and third-party sources, to measure the level of GHG emissions of the company over the last year. As such, GMPF's carbon footprint is a measure of its emissions over the last year. This gives GMPF the ability measure itself against a benchmark and take a view on where to focus efforts for engagement.

Web link: https://www.trucost.com/

UK Stewardship Code
GMPF takes its responsibilities as a shareholder seriously. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy. GMPF supports the aims and objectives of the Stewardship Code and is a signatory of the code.

Web link: https://www.frc.org.uk/investors/uk-stewardship-code

Workforce Disclosure Initiative
The Workforce Disclosure Initiative is an organisation that focuses on company disclosure and transparency on how they manage workers with the aim of improving the quality of jobs in multinational companies' operations and supply chains. GMPF is a member and actively promotes the creation of decent work and quality jobs as part of its approach to employment standards and human capital management.

Web link: https://shareaction.org/wdi/

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Audit Completion Report

Greater Manchester Pension Fund

Year ending 31 March 2020

MAZARS

CONTENTS

Mazars LLP
One St. Peter's Square
Manchester
M2 3DE

Audit Panel
Greater Manchester Pension Fund
c./o Tameside Metropolitan Borough Council
Tameside One
Market Place
Ashton Under Lyne
0L6 6BH

11 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 09 June 2020. Since then, the COVID-19 pandemic has had significant implications for the UK, including the Pension Fund sector. We have updated our planning work to understand the implications of COVID-19 on our audit and concluded that the original audit risks and other areas of management judgement in the Audit Strategy Memorandum remain appropriate:

- Management override of controls;
- Valuation of unquoted investments for which a market price is not readily available.

In response to the COVID-19 pandemic, MHGLC issued a revised reporting timetable for the Pension Fund to prepare its financial statements for inclusion in the Administering Authority Statement of Accounts and for the audit to be completed. We understand the difficult circumstances that the Pension Fund is facing in order to respond to the pandemic and 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 07721 234 043.

Yours faithfully

Karen Murray
Mazars LLP

Mazars LLP – One St. Peter's Square, Manchester, M2 3DE
Tel: 0161 238 9200 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Greater Manchester Pension Fund ('the Pension Fund') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Panel meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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.

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

- management override of control; and
- valuation of level 3 unquoted investments for which a market price is not readily available.

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, with an 'emphasis of matter' modification to the form of the auditor's report, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Tameside Metropolitan Borough Council. Our draft consistency report is provided in Appendix C.

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 Pension Fund and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2020. At the time of preparing this report there are no significant matters outstanding however, the following administrative and audit matters remain outstanding:

Audit area	Status	Description of outstanding matters
Signed final statements and signed Management Representation Letter	●	We will complete our final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation.
Review of draft Annual Report for consistency	●	We will complete our review of the Annual Report and review of consistency with the final statement of accounts upon receipt.

Status

- ● Likely to result in material adjustment or significant change to disclosures within the financial statements
- ● Potential to result in material adjustment or significant change to disclosures within the financial statements
- ● Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Panel with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £238.4m using a benchmark of 1% of net assets available to pay benefits. We set a specific materiality for the fund account of £80.4m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £220.3m, and a fund account specific materiality of £86.0m, using the same benchmarks. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Panel, at £6.6m 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;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Pension 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 by performing audit work in the following areas: • 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 completed our planned procedures and there are no matters arising to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of unquoted investments for which a market price is not readily available	The fair value of investments which are not quoted on an active market is a significant and material item within the Net Assets Statement, and account for over 20 per cent of net investment assets. The values included in the accounts are based on externally generated professional valuations, Net Asset Values, or capital statements. This results in an increased risk of material misstatement.

How we addressed this risk

We addressed this risk by completing the following additional procedures:

- agreed the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- considered and agreed the assumptions used by independent property valuer were appropriate when determining the values which have subsequently been reflected in the Net Assets Statement;
- assessed the competence and experience of management's experts including the custodian;
- agreed 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 completed our procedures in respect of this risk.

Whilst we are satisfied that the valuations included within the accounts are supported by the underlying evidence, we do wish to bring to your attention that the Fund, in Note 2 and the updated Note 2a, have disclosed a material valuation uncertainty in respect of the valuations of the property related investments within the Net Assets Statement.

As a result of the declaration by the World Health Organisation in March 2020 that the outbreak of Covid19 represented a 'global pandemic', and the subsequent UK lockdown that occurred, the valuer has included a caveat in relation to the weight that can be placed on the valuations as at the reporting date.

Following discussion, management have included appropriate additional disclosure within Note 2a (Major areas of estimation uncertainty') in respect of this issue.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Pension 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 Pension Fund's circumstances.

Draft accounts were received from the Fund on 09 July 2020 and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

The significant matters we discussed with management through the audit included:

- The impact of COVID-19 on the Fund's financial statements, including potential impact on risks of material misstatement. We concluded that through our review of the valuations provided in respect of the property portfolio (direct) and the investments held indirectly in property related investments, there is a material valuation uncertainty in respect of these assets. The Fund's independent valuer, in line with their industry standards, highlighted that due to the pandemic there was a significant drop in the number of reference market transactions as at 31 March 2020, which although not specific to the Fund's assets, meant that less weight could be attached to the strength of the assumptions underpinning the valuation.
- Increased scrutiny both of your financial reporting, and the work of auditors (in particular by the Financial Reporting Council), required a more significant amount of work in relation to the valuation unquoted elements of the Fund's investment portfolio, which was also undertaken in the context of the emergence of the pandemic during Q1 2020 and the potential valuation impacts at 31 March 2020. This required not only significant additional effort by your own officers and ourselves, but also additional evidence and other information from relevant third parties such as the Fund's custodian and investment managers. In particular, where valuations had previously been based on December 2019 audited valuations, it was necessary to consider whether due consideration had been applied when deriving the March 2020 position.

The above noted material valuation uncertainty relating to the fund's property investment assets has been reflected in enhanced disclosure in the amended accounts presented to panel, and the material valuation uncertainty will be included as an 'emphasis of matter' in our auditor's report. This is outlined more fully on the following page.

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 and other officers.

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 2019/20 audit.

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. No such objections have been raised in relation to the Pension Fund.

Modifications required to our audit report

We have identified the following issue which has resulted in us proposing to issue an unqualified audit opinion, but with a modified auditor's report. Our draft audit report, in full, is set out in Appendix B

Issue	Impact on our audit opinion
Material Valuation Uncertainty (Property related investments) The Fund's independent valuer has highlighted a material valuation uncertainty in respect of the direct property related assets of the Fund as a result of the Covid19 pandemic. This is due to the reduction in the number of transactions in the market and the impact this has on relevant observable data upon which to base a valuation judgement. Our work and discussions with the Fund's management also highlighted there to be the corresponding risk in relation to the indirect property assets held by the Fund. Necessary disclosures have been included within the accounts following discussion with management, and we draw your attention to Notes 2 and 2a .	We propose issuing an unqualified audit opinion in respect of this matter, however, the Auditor's Report is modified. The modification to our audit report will be in the form of an 'Emphasis of Matter' and our proposed audit report is included at Appendix B.

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 (none)
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.	0 (none)
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0 (none)

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points

There are no issues to be followed up.

4. SUMMARY OF MISSTATEMENTS

Misstatements

We use this section to set out the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £6.6m.

There are no 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.

There are no misstatements that have been adjusted by management during the course of the audit which were considered to be material or above the trivial threshold. Some very minor adjustments have been made as a result of the audit but they do not reach the trivial threshold and we do not separately report them here.

Disclosure amendments

During our review of the financial statements and annual report we identified a number of presentational and non-material adjustments and amendments which the Fund has made. This includes a trivial value adjustment to the Fund Account to ensure that the reported Assets available at year end reconciles to the Net Assets Statement.

As highlighted earlier in this report, following discussions with management an additional disclosure was included in Note 2a in respect of the material valuation uncertainty relating to the Fund's property investment assets.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Greater Manchester Pension Fund
by 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 2020
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 2020 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.

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.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

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.

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 2020, 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 2019/20.

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 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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, 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property investment assets

We draw attention to notes 2 and 2a of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Fund's property investment assets. As disclosed in note 2 of the financial statements outlining the major areas of estimation uncertainty, the Pension Fund have disclosed their consideration of the impact of their independent property valuers inclusion of a 'material valuation uncertainty' declaration within their reports. This uncertainty arose as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

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.

APPENDIX C
DRAFT CONSISTENCY REPORT

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 2019/20, 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 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund 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.

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*]

[*Name*]
For and on behalf of Mazars LLP
Address
[Insert date]

APPENDIX D
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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