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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 19 March 2021
Time: 10.00 am
Place: Zoom Meeting

Item No.	AGENDA	Page No
1	**APOLOGIES FOR ABSENCE** To receive any apologies for the meeting from Members of the Panel.	
2	**CHAIR'S INTRODUCTORY REMARKS 10.00AM**	
3	**DECLARATIONS OF INTEREST** To receive any declarations of interest from Members of the Panel.	
3a	**MINUTES OF THE PENSION FUND ADVISORY PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 11 December 2020.	1 - 16
3b	**MINUTES OF THE PENSION FUND MANAGEMENT PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 11 December 2020.	17 - 22
4	**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**	
4a	**URGENT ITEMS** To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.	
4b	**EXEMPT ITEMS** The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.	

Items	Paragraphs	Justification
7, 8, 9, 10, 11, 12, 17, 18, 19, 20, 21, 22, 23	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 lik prejudice the commercial interests Fund and/or its agents which could affect the interests of the benefi and/or tax payers.

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

Item No.	AGENDA	Page No
5	**PENSION FUND WORKING GROUPS**	
5a	**LOCAL PENSIONS BOARD** To note the Minutes of the meeting of the Local Pensions Board held on 14 January 2021.	23 - 30
5b	**INVESTMENT MONITORING AND ESG WORKING GROUP** To consider the Minutes of the meeting of the Investment Monitoring and ESG Working Group held on 22 January 2021.	31 - 34
5c	**ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP** To consider the Minutes of the meeting of the Administration and Employer Funding Viability Working Group held on 22 January 2021.	35 - 42
5d	**POLICY AND DEVELOPMENT WORKING GROUP** To consider the Minutes of the meeting of the Policy and Development Working Group held on 4 March 2021.	43 - 46
	ITEMS FOR DISCUSSION/DECISION	
6	**RESPONSIBLE INVESTMENT UPDATE Q4 2020 10.30AM** To consider the attached report of the Assistant Director of Pensions Investments.	47 - 54
7	**INVESTMENT MANAGEMENT ARRANGEMENTS**	
7a	**REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS INCLUDING UPDATE ON RECENT INVESTMENT MANAGER FEE NEGOTIATIONS 10.40AM** To consider the attached report of the Assistant Director of Pensions Investments and to receive a presentation from Elaine Torry, Hymans Robertson.	55 - 58
7b	**PROPERTY STRATEGY 11.10AM** To consider the attached report of the Assistant Director, Local Investment and Property.	59 - 64
8	**PERFORMANCE DASHBOARD - 12.00PM** To consider the attached report of the Assistant Director of Pensions Investments.	65 - 98
9	**BUSINESS PLANNING AND BUDGET AND RISK MANAGEMENT 12.10PM** To consider the attached report of the Director of Pensions.	99 - 102
10	**EMPLOYER FLEXIBILITIES 12.20PM** To consider the attached report of the Assistant Director of Pensions, Funding	103 - 108

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and Business Development.

11 ADVISOR COMMENTS AND QUESTIONS

ITEMS FOR INFORMATION

12 ADMINISTRATION UPDATE 109 - 112

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

13 LGPS UPDATE 113 - 116

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

14 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	23 March 2021 10.30 – 11.00
PLSA Local Authority Conference - Virtual	18 – 19 May 202
PLSA Annual Conference - Virtual	12 – 14 October

15 DATES OF FUTURE MEETINGS

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

Management/Advisory Panel	16 July 2021 17 Sept 2021 10 Dec 2021 18 Mar 2022
Local Pensions Board	8 April 2021 29 July 2021 30 Sept 2021 13 Jan 2022 7 April 2022
Policy and Development Working Group	24 June 2021 2 Sept 2021 25 Nov 2021 3 Mar 2022
Investment Monitoring and ESG Working Group	16 April 2021 30 July 2021 1 Oct 2021 21 Jan 2022 8 April 2022
Administration and Employer Funding Viability Working Group	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, 0161 342 3050 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

11 December 2020

Commenced:	**10.00am**	**Terminated: 12.35pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Andrews (Manchester), Barnes (Salford), Cunliffe (Wigan), Grimshaw (Bury), Jabbar (Oldham), Mitchell (Trafford), O'Neill (Rochdale), and Taylor (Stockport)** **Employee Representatives:** **Ms Fulham (UNISON), Llewellyn (UNITE), McDonagh (UNISON) and Thompson (UNITE)** **Fund Observers:** **Councillors Pantall (Stockport) and Ryan** **Local Pensions Board Members (in attendance as observers):** **Councillor Fairfoull** **Mark Rayner** **Advisors:** **Mr Bowie, Mr Moizer, Mr Powers and Ms Brown**	
Apologies for absence:	**Councillor Parkinson (Bolton), Mr Drury (UNITE) and Mr Flatley (GMB)**	

41. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and began by announcing the resignation of Councillor Jim Fitzpatrick from the Fund, after a decade of service owing to the fact he is unable to dedicate the time that he believes it requires because he needs to spend more time on his business - during these difficult and challenging times. The Chair commented that we would miss his contribution but she respected his decision, because all the Management Panel and Advisory members knew how important it is to make the necessary time to attend the meetings and ensure spend the time ensuring sufficient knowledge to undertake the role. She noted that it is a privilege to be a trustee and ensure that we protect the benefits of hard working members so they can enjoy retirement in dignity. The Chair commentated that I am sure we would all agree Cllr Fitzpatrick had done just this, and served our members well, being an effective steward of the Fund. She formally thanked Councillor Fitzpatrick for his significant contribution and dedication and commitment to the Fund over the last 10 years.

The Chair further commented on a challenging year for everyone and the approval of the new vaccine for use in the UK signalled what was hoped to be the start of the end for the pandemic that had affected so many people.

The Chair was very pleased to announce that the Fund was declared the joint winners of the LAPFF Scheme Administration award for the second year running at the virtual awards ceremony, which had taken place on 2 December 2020. She congratulated everyone involved for this phenomenal achievement.

Reference was made to the Fund's commitment and approach to being efficient and effective whilst achieving value for money and explained that this would be reflected to the CEM Benchmarking item on the agenda, where representatives of CEM would be reporting on the Fund's performance and costs in both administration and investments and how it compared in both areas, on a global level.

The Chair reported that over recent months, there had been a strong rise in stock markets driven by announcements in relation to COVID vaccines. The US election result and evidence of a strong economic recovery in China had also helped. The value of the Fund today stood at over £26 billion, which was a record high and, despite the recent turbulent times, it was noteworthy that the Fund had increased in value by £10 billion over the last 4 years. In addition to positive returns in an absolute sense, there were also encouraging signs from the Fund Managers of positive relative performance.

Further reference was made to the United Nations COP26 climate conference that the UK was hosting in Glasgow in 2021, and calls for the government to create conditions for carbon neutral investment. The Prime Minister released his 10 point plan and there were encouraging announcements from other governments such as China, Japan and South Korea.

The Chair was also pleased to advise, following on from the last meeting of the Panel, that through the leadership of Northern LGPS, the Fund had become a 'Make My Money Matter' pledge partner as part of the commitment to sustainable investment and assist members understanding of the importance of knowing where their pensions were invested. 'Make My Money Matter' shared the view that pension assets could be invested to create a sustainable, better future without compromising on returns. This included meeting the Paris Agreement to achieve net zero carbon emissions by 2050 and exploring the feasibility of a 2030 target in line with the Intergovernmental Panel on Climate Change 1.5-degree pathway. By raising awareness and engaging members with their pensions, 'Make My Money Matter' sought to align the investment of trillions of pounds in assets with building a better world.

The partnership with 'Make My Money Matter' was part of a much wider environmental, social and governance (ESG) investment strategy, incorporating numerous initiatives, which comprised its approach to climate change. Active shareholder engagement was critical to the Fund's commitment to achieving net zero carbon emissions by 2050. This year alone, the Fund had engaged with companies around the globe to urge them to make real commitments to tackling climate change and encourage greater transparency and reporting.

The Fund were committed to ensuring a Just Transition to a zero-carbon economy. Representing beneficiaries in the north of the England, there was a need to ensure that companies properly considered the interests of employees and communities as part of the transition. Initiatives that created both a greener and financially viable future were supported.

As co-founder of GLIL Infrastructure alongside the London Pensions Funds Authority, the Fund had created a unique asset owner-led infrastructure vehicle that ensured that costs were kept low. GLIL was aligned with responsible investment objectives and was an investor in green energy projects that benefited the UK economy. GLIL owned a majority position in the Clyde Wind farm – one of the largest onshore facilities in Europe – and in December bought a 49% stake in Cubico Sustainable Investments, which would develop renewable energy sources in the UK.

The Chair advised that the Fund were an active supporter of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures as led by Mark Carney former Governor of the Bank of England. Understanding the impact of investment decisions on climate change was critical in meeting the twin objectives of creating a greener future while delivering value to members.

Richard Curtis, co-founder, of 'Make My Money Matter' said: "*It's exciting to see the Northern LGPS, one of Britain's largest public pension funds working to tackle the climate emergency, commit to partnering with Make My Money Matter to push this vital agenda forward. Combined with Nest, Aviva, BT and South Yorkshire, that's £152bn saving to create a future we all want to retire into*."

The Chair further advised that the Local Authority Pension Fund Forum, which had Cllr Cooney and the Assistant Director of Pension Fund Investments, Tom Harrington, on its executive - announced that it would be supporting a “Say on Climate” initiative.

In advance of the five-year anniversary of the Paris Climate Agreement this Saturday, the Forum announced its support for the ‘Say on Climate’ initiative, which encouraged all listed companies to submit a Climate Transition Action Plan to a shareholder vote at their AGMs. The Forum considered that companies’ failure to manage climate risk presented a significant threat to shareholder value. Members had been filing resolutions on environmental and climate issues since 1997. However, shareholders’ ability to use their voting rights to specifically address climate change remained very limited at the present time.

The Fund believed that filing resolutions at a limited number of companies of high carbon impact was no longer enough. All listed companies needed to present a clear strategy for reducing their entire carbon footprint (across scopes one, two & three) on which investors could vote on annually at the AGM.

It was believed this presented an opportunity for shareholders to effectively hold companies to account on climate and to affect real change. It was further believed that asset owners and managers should incorporate ‘Say on Climate’ into their investment and voting policies, and where investee companies did not voluntarily put an action plan to shareholders for approval, consider filing or co-filing ‘say on climate’ resolutions. Therefore, the Fund would be endorsing the Forum advocating for a mandatory ‘say on climate’, which would mean that regulation would ensure this opportunity would be on every listed companies’ AGM ballot.

42. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

43. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 September 2020 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 September 2020 were noted.

44. 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, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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.**

45. LOCAL PENSIONS BOARD

The Chair of the Local Board Councillor Fairfoull advised that the Board had a very engaging meeting in October, with discussion taking place on the latest administration updates such as progress on investigating and implementing a new call centre functionality and GMPF taking part in the Pension Dashboards Programme data working group as the LGPS fund representative.

Members reflected on business continuity in the context of Covid-19 noting that most processes continued to occur without issue. For example, processing times for all payments were within internal targets and pension savings statements had been issued to those who exceeded the annual allowance.

The public sector exit payments cap and the new employer flexibilities were vigorously discussed also and these would be discussed further as part of the meeting agenda today.

As at each meeting, the monitoring of the late payment of contributions or late submissions of data from employers, was reviewed. Given the current economic difficulties it was encouraging that so far, there had been little evidence of more employers paying late.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 1 October 2020 be noted.

46. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 2 October 2020 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Fund's responsible investment advisor, PIRC, had attended the meeting and presented their 2020 Consultation 'Pay for a New World', which had been sent to the 350 largest listed companies in the UK. PIRC outlined their five principles for a new approach to executive pay, as in their view, the current approach was not fit for purpose.

Officers gave an update on the Fund's latest feedback on its approach to responsible investment, as a member of the UN backed Principles for Responsible Investment. A highlight was the Fund's A+ top score for its overarching strategy and governance.

Avison Young attended the meeting and gave an informative overview of the Property Venture Fund portfolio. The focus for the coming year would be on affordable and suburban housing, and sustainability and zero carbon.

Finally, Officers provided a summary of updated independent research, which the Fund had commissioned. The research investigated the Manchester City Centre residential property market.

RECOMMENDED
That the minutes be received as a correct record.

47. 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 2 October 2020 were considered

The Chair of the Working Group, Councillor Smith, advised that the Working Group were updated on the progress of sending Annual Benefit Statements and Pension Savings Statements out to members. All benefits statements were issued by the statutory deadline except for a small number where there were outstanding queries with employers. The same was true of Pension Saving Statements.

The latest statistics on My Pension were also discussed. Over 131,200 members had now registered for the online service and this was set to increase as more services became available via My Pension. The Communications team were preparing a range of campaigns that would be run regularly to continue promoting My Pension and its benefits and help ensure that as many members as possible transitioned to accessing pension information online.

GMPF's administration expenditure was reviewed, which was within the forecast budget for 2020/2021. There were some savings produced by staff predominantly working from home such as reduced travel expenditure.

As usual, the administration strategic service update and updates relating to member services, employer services, developments & technologies and communication and engagement, were also reviewed.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the Administration Strategic Service Update, that GMPF take part in the next phase of the Pensions Dashboard Project.

48. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 26 November 2020 were considered.

The Chair of the Working Group, Councillor Warrington, advised that representatives of MSCI attended the meeting and presented a very informative update on the Fund's property performance. Members and Advisors discussed the impact of COVID 19 on the property portfolio and deliberated how the sector might evolve in a post COVID world.

Officers presented a report setting out a project plan for the use of the Northern LGPS framework for property management and deployment into property. The timetable included extensive consultation with Advisors, and Panel would be asked to decide on final options in March and these would be implemented immediately after.

Ninety One Asset Management attended the meeting and presented on their performance since inception, and in particular over the last 12 months. This gave Members and Advisors an opportunity to probe the manager's underlying process and philosophy. An update on the manager was included later in the agenda within the Performance Dashboard.

RECOMMENDED
That the Minutes be received as a correct record.

49. 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.

Details of GMPF's Responsible Investment partners and collaborations were appended to the report.

RECOMMENDED
That the content of the report be noted.

50. CEM BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions Investments and the Assistant Director of Pensions Administration, providing Members with an update on investment management cost benchmarking for the Fund over 2019/20. In addition, CEM had, provided a report analysing and benchmarking the Fund's administration costs and member services, an update on which was provided in the report. John Simmonds of CEM Benchmarking also delivered a presentation.

In respect of GMPF CEM Investment Cost Analysis 2019/20, it was reported that GMPF had generated underlying savings of 0.08% (£17 million) in 2019/20.

CEM had also benchmarked GMPF's costs against a peer group of 17 relatively similar sized global funds (including LGPS funds and non-LGPS funds) and GMPF was 0.11% (£23 million) lower cost than the benchmark.

With regard to GMPF CEM Administration costs and service score analysis 2019/20, it was reported that GMPF was a high service, low cost provider relative to its peers, with GMPF's total cost per member being £16.92, which was £9.72 below the peer average of £26.64.

Advisors commented on the lack of transparency of some other LGPS funds and how this impacted the work of CEM in accurately evidencing the work undertaken on costs.

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

RECOMMENDED
That the content of the report and presentation be noted.

51. 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. A presentation was also delivered by Elaine Torry of Hymans Robertson.

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.

This report and presentation detailed progress against those areas deemed high priority, namely;

- Value investing' and GMPF's beliefs around Factor Investing more widely;
- The use of 'stepping stone' assets in relation to the allocations to Alternatives;
- UBS UK Equity Active Risk limit; and
- GMPF's holding in the UBS Global Emerging Markets (GEM) Fund.

Officers planned to undertake further work against those other areas identified as 'areas of focus' in the initial Review of Investment Management Arrangements report considered at the 19 September 2020 meeting of the Panel, and report back to future Panel meetings.

The Advisors commented on Value Investing and how the Value factor had performed and the need to maintain a long term approach for this investment style.

The Chair thanked Ms Torry for a very informative presentation.

RECOMMENDED
That the content of the report and presentation be noted.

52. PERFORMANCE DASHBOARD

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

The key information from the Quarter 3 (2020) Performance Dashboard was summarised. Q3 2020 was characterised by a sense of optimism on the development of a COVID-19 vaccine and more importantly, by the gradual re-opening of economies after months of being in some form of lockdown. The aggressive stimulus and policy response across central banks and the fact that economic data had bottomed out quicker than feared, helped drive risk sentiment for much of the quarter.

Equity and bond markets rose in Q3 amid a post-lockdown rebound in economic activity, a better than expected earnings season, optimism over vaccine trials and declining COVID-19 infections in the US and Europe. However, political uncertainty, on both sides of the Atlantic, and a resurgence of COVID-19 infections saw volatility rise, credit spreads widen and markets slip back in September. The US Federal Reserve's announcement of a more flexible policy regime, which suggested interest rates were likely to remain low for some time, resulted in a weaker dollar, as well as helping equity markets.

The Bank of England continued to send mixed messages on the potential use of negative interest rates, but an operational review was ongoing and market pricing, at least, suggested negative interest rates may be introduced in 2021. In addition, oil prices slid back towards the US$40 per barrel level, suggesting inflation would remain benign.

Nonetheless, global equity markets produced strong positive total returns over the quarter. A notable outlier was the UK equity market which underperformed relative to overseas equity markets. With regards the sectoral pattern of performance: apart from oil & gas and financials, cyclical stocks generally outperformed more defensive stocks. Technology once again outperformed, extending its large year-to-date lead at the top of the performance rankings while oil & gas significantly underperformed, cementing its place at the bottom.

Most fixed income (bonds) asset classes also posted positive returns in local currency terms. Given the overall risk-on sentiment, sovereign bond yields rose, and credit spreads moved well below end-June levels. Corporate bonds fared better than government bonds with high yield outperforming investment grade, followed by developed market government bonds and emerging market debt. Defaults continued to rise but had so far mostly been contained in the troubled US energy and retail sectors.

Meanwhile, expectations for peak default rates eased over the quarter as supportive market conditions had allowed companies to raise new finance, bolstering their ability to navigate the downturn.

Over the quarter total Main Fund assets increased by £44 million to £23.3 billion. Allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continues 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 were made in Q3 2020. Within the Main Fund, there was an overweight position in cash (of around 1.2% versus target respectively). The property allocation continued to be underweight (by around 3.0%) versus its benchmark. This was offset by an overweight position in equities.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £2.8 billion of additional assets.

The Main Fund underperformed its benchmark over Q3 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 Q1 2020 and remained 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 Q3 2020 and was expected to moderate over the coming months as the effects of the pandemic subsided.

As at the end of Quarter 3; two of the Fund's active securities managers had underperformed their respective benchmarks whilst one manager outperformed its benchmark. Over a three year period, all three of the managers had underperformed their respective benchmarks, although in the case of one manager, the underperformance had been marginal. 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.

53. COVID 19 RISK MANAGEMENT AND BUSINESS PLANNING

Consideration was given to a report of the Director of Pensions providing an update on current business continuity risks and plans in light of the coronavirus pandemic.

Members were informed that business continuity arrangements remained essentially unchanged from those outlined at previous meetings of the Panel. 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, particularly as to how to maintain good physical and mental health and thus performance. A number of events and sessions had been put in place for staff, which have been welcomed. Work was also underway to expand GMPF's use of Microsoft Teams to further support homeworking and strengthen business continuity arrangements.

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**.**

Unfortunately, the statistics showed that the number of deaths occurring between April - October 2020 was around 20% higher than those recorded in the previous year. March and April 2020 saw a large increase compared to previous years, however, since May 2020 the figures had returned to more expected levels. It should be noted though that the figures currently recorded for September and October 2020 were likely to increase as cases for deaths occurring in these months continued to be processed. A likely increase in deaths from September was indicated in the case numbers, where a substantial rise in cases to be processed could be seen.

As predicted, there had also been an increase in the number of enquiries and requests from deferred members looking to access their benefits. Also, the number of contributing members had reduced between April and November 2020 by just over 1,700, resulting in an increase in the number of benefits on hold cases needing to be processed.

Processing times for all payments remained within internal targets, however the unpredictable variations in workloads at present together with the impact of projects such as the requirement to issue annual benefits and pension saving statements and the time spent on improving procedures to make more correspondence available to members online had impacted slightly on other internal targets, although overall performance levels remained very high.

Work on other key projects had also continued. There had been further enhancements to the functionality within My Pension, 289 pension savings statements were issued to those who exceeded the annual allowance by the deadline of 6 October 2020 and work on several IT projects, including work to procure greater telephony and contact centre functionality, had all been progressing well.

The main areas of risk that continued to be closely and regularly monitored were around resource, staff wellbeing, system availability and cyber security. In particular, the likelihood of changes to workloads and their volatility had increased due to the number of leavers received and further anticipated in the coming months.

As the current situation continued and then changed, one of the main challenges for the section would be to ensure the changes were managed effectively and had minimal impact on service delivery.

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, employers in the travel sector 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.

Another unwelcome constraint for public-sector employers was the implementation of the exit payments cap prior to the LGPS regulations being amended to facilitate this. It would be extremely difficult for public-sector employers to implement wide-scale workforce restructuring until the conflict between the two sets of regulations had been resolved.

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

The availability of actual cashflow data had allowed for experience to 31 October 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 within 20%-30% (lower) of the prudent estimate.

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, no action was proposed in terms of raising additional cash or investing surplus cash at this stage. This position would be kept under review at forthcoming meetings of 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 was focused predominantly on the retail sector despite some resumption of activity. The restrictions on recovery action applied until 31 December 2020 and consequently rent collection continued to be adversely affected. It was too early to evaluate future prospects in the light of news of vaccines and some lifting of restrictions but it was fair to assume that there would be more downward pressure on valuations, ahead of any bounce back, as evidenced by recent liquidation announcements in the retail sector.

For development properties, construction remained 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 position with the External Audit of the Accounts was reported on elsewhere on the agenda.

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.

RECOMMENDED
That the content of the report, including the risk register and the controls in place to mitigate each risk, be noted.

54. EMPLOYEE EXIT PAYMENT CAP UPDATE

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted summarising the latest developments regarding the £95,000 cap on exit payments for public sector employees leaving employment and the proposed changes to the LGPS Regulations to facilitate this.

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. A link to the response was provided in the report.

On 4 November 2020 HM Treasury's public sector exit payments cap took effect through a statutory instrument. A link to the new regulations was provided and the key points were summarised in the report.

Separately to HM Treasury's general public sector exit payments cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published a Local Government specific consultation, which included proposals on how to introduce the exit cap measures in the LGPS. This consultation was released on 7 September 2020 and was subsequently closed to responses on 9 November 2020. A link to the consultation was provided and the key points were summarised in the report.

Following discussion at the September Management Panel meeting, GMPF submitted a consultation response to MHCLG which was appended to the report with the key points summarised as follows:

- The proposed changes to the LGPS Regulations proportionately impacted lower earning members more than higher earning members. This seemed completely at odds with the stated policy objectives.

- The proposals would significantly increase the administration burden for administering authorities and would make workforce restructuring much more difficult for in-scope employers.
- The proposals would present members with complex choices to make regarding the form of their redundancy package. Many members would be unable to select the correct option for their needs without potentially expensive financial advice.

The draft LGPS amendment regulations remained out for consultation until 18 December and it was not expected that any amendments to the regulations would be made until sometime next year. As a result, there was currently a significant conflict between the LGPS Regulations and the exit payments regulations.

Members were informed that English administering authorities and in-scope employers were, therefore, currently in a difficult position whereby HM Treasury's exit payments cap limited all public sector exit payments to £95,000 whilst the LGPS Regulation 30(7) enforced a contradictory requirement to pay an unreduced pension to a member being made redundant over age 55 regardless of the cost to the employer.

Therefore if GMPF were to continue to pay unreduced pensions in accordance with Regulation 30(7) some employers may be in breach of the exit payments cap. Conversely, GMPF was in breach of Regulation 30(7) if it didn't pay an unreduced pension to a member being made redundant aged over 55.

Luke Hall MP, the Minister for Regional Growth and Local Government suggested in an open letter on 28 October 2020 that members (over 55) being made redundant with an exit package that would, under the current LGPS regulations, be valued in excess of £95,000 be offered a deferred pension or an actuarially reduced early retirement pension.

The LGPS Scheme Advisory Board (SAB) obtained legal advice and produced information for administering authorities and LGPS employers. The SAB's view was that all potential courses of action for administering authorities presented a risk of legal challenge, however the least risk approach where there is a risk of breaching the £95,000 cap was not to make payment of an unreduced pension, but to offer members a deferred pension as per LGPS regulation 6(1) or an immediate reduced pension as per LGPS regulation 30(5).

Strain costs factors and other issues for LGPS Funds and employers were detailed and discussed.

Next steps were proposed as follows:

- GMPF officers continued liaising with employers to ensure the regulatory position was fully understood prior to any redundancy offers being made; and
- The Director of Pensions to respond to the technical consultation on the LGPS amendment regulations (closes 18 December).

Discussion ensued with regard to the updated information provided and Members and employee representatives raised concerns in respect of the conflicting nature of the current regulations.

RECOMMENDED
That the content of the report be noted,

55. NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

The Assistant Director of Pensions, Funding and Business Development, submitted a report updating the Members 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 explained that, previously, when an employer's last active member left employment, the employer became an exiting employer under the LGPS Regulations. This led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit being paid to the employer.

Under the new regulations, administering authorities had the flexibility to defer the employer exiting the Scheme when its last active member leaves employment. 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 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 (such as exercise of discretions) and would not be released from their obligations until all liabilities were fully funded or the employer had faced a relevant event (like a new active member joining or the employer becoming insolvent or merged with another entity).

Members were advised that the introduction of deferred employer status would be welcomed by many admission bodies that feared triggering a potentially unaffordable exit debt. There were some employers, predominantly charities, who could not afford an exit debt but equally struggled to meet their ongoing funding obligations.

In terms of spreading exit payments, the amendment regulations had introduced a specific power to allow administering authorities to spread employer exit payments instead of requiring payment via a single lump sum. Arguably, this was something which had previously been achieved in the LGPS through side agreements, but the regulation changes had now given this a firm legal footing. The spreading of exit payments would be helpful for employers who had temporary cashflow problems, but who could afford to pay an exit debt over a period of time.

With regard to next steps, GMPF was awaiting MHCLG's final guidance for administering authorities on the usage of the new employer flexibilities. The guidance was expected imminently.

Once the guidance had been provided, it was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities, which would form part of the Funding Strategy Statement (FSS). Any material change to the FSS would require a consultation with employers.

It was explained that a draft policy for GMPF should be available for discussion at the March/April 2021 meetings of the Management Panel, Administration and Employer Funding Viability working group and Local Pensions Board, with the employer consultation potentially starting immediately after those meetings.

The implementation of the policy would constitute an amendment to the FSS and therefore require Management Panel approval. This could potentially be obtained at the summer 2021 meeting. Employers who were considering applying to use the flexibilities could gather information and develop their business case in the intervening period.

RECOMMENDED
That the content of the report and the next steps, as detailed above and in the report, be noted.

56. MULTI-ACADEMY TRUST CONSOLIDATION

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development explaining that a Multi Academy Trust ('MAT') which participated in GMPF and several other LGPS funds was seeking to consolidate its LGPS interests in another LGPS fund, in which it did not currently participate. The report provided the Panel with the details of the MAT's proposal and summarised the potential implications of MAT consolidation more generally within the LGPS.

Relevant factors for the Panel to consider were detailed, including:

- Benefits of consolidation to the Multi-Academy Trust;
- Precedents of consolidation within LGPS;
- Potential for future changes to multi-academy trusts and further consolidation;
- Increased administrative complexity for LGPS funds; and
- Indirect impact on other employers

It was noted that GMPF's previous consolidation exercises involved tens of thousands of members and several hundred million pounds of assets and had clearly demonstrable benefits for other GMPF employers due to the economies of scale being generated and improvement in covenant strength. In addition, due to the nature of the employers involved, those exercises were not 'open ended' with the potential for further consolidation exercises to be required in future.

RECOMMENDED
That the Panel does not, as a general rule, support consolidation requests within the academy schools sector, at the current time.

57. LGPS UPDATE

Consideration was given to a report of the Director of Pensions providing the Panel with an update on the latest developments regarding the Local Government Pension Scheme, as follows:

- Public sector exit payments cap
- September 2020 rate of CPI
- Reform to RPI
- Work carried out by the LGA relating to Covid-19
- New employer exit flexibilities
- McCloud Update
- GAD 2020 data collection update
- MAPS Pension Dashboard update
- The Pensions Regulator

RECOMMENDED
That the content of the report be noted, including the potential impact and implications for the LGPS and GMPF.

58. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020 – AUDIT FINDINGS REPORT

The Assistant Director of Pensions, Local Investments and Property, submitted a report updating Members on the progress of the governance arrangements for the audit of GMPF Accounts 2019/20.

It was explained that the auditors had concluded their work and issued a draft Audit Completion Report, (a copy of which was appended to the report), which had been considered by Tameside Audit Panel. The draft Audit Completion report was complementary about the quality of accounts produced, made no recommendations for internal controls and reported no adjustment to accounts. During the audit process there were some improvements and amendments to disclosures made at the suggestion of the auditors.

The report gave an opinion that the financial statements:

- gave 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
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

There was however an "Emphasis of Matter" in the draft audit report as follows:

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*".

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

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

Members were informed that, unfortunately, the Auditors, Mazars, had yet to sign off the accounts owing to capacity issues, as required by the 30 November 2020. Accordingly a notice had been published on the Council's website.

However, Regulation 57 of the LGPS Regulations 2013 required 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 extended the publication for local authority accounts (England and Wales) to 30 November 2020. That said, at present there were no plans for an automatic extension of the publication date for the annual report and accounts. Therefore the Annual Report had been published on the website noting that the accounts had not been formally signed off on the basis that there was no expectation that any changes would be required.

RECOMMENDED
That the content of the report be noted.

59. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

Hymans Robertson Webinar – Keeping the LGPS Connected	**12 January 2021** **11.30 – 12.00**
Hymans Robertson Webinar – Keeping the LGPS Connected	**27 January 2021** **2.30 – 3.00**

Hymans Robertson Webinar – Keeping the LGPS Connected	**10 February 2021** **10.00 – 10.30**
Hymans Robertson Webinar – Keeping the LGPS Connected	**25 February 2021** **3.00 – 3.30**
LGC Investment & Pensions Summit, Leeds	**3 – 5 March 2021**
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**

60. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**19 Mar 2021** **16 July 2021** **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**

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL
11 December 2020

Commenced:	**10.00am** **Terminated:12.35pm**
Present:	**Councillor Warrington (Chair)**
	Councillors: Andrews (Manchester), Barnes (Salford), Cooney, Cunliffe (Wigan), Drennan, Grimshaw (Bury), Jabbar (Oldham), Mitchell (Trafford), Newton, O'Neill (Rochdale), Patrick, Ricci, Sharif, M Smith, Taylor (Stockport), Ward and Ms Herbert
	Fund Observers:
	Councillor Pantall (Stockport)
Apologies for Absence:	**Councillors J Homer, Parkinson (Bolton) and Wills**

41. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and began by announcing the resignation of Councillor Jim Fitzpatrick from the Fund, after a decade of service owing to the fact he is unable to dedicate the time that he believes it requires because he needs to spend more time on his business - during these difficult and challenging times. The Chair commented that we would miss his contribution but she respected his decision, because all the Management Panel and Advisory members knew how important it is to make the necessary time to attend the meetings and ensure spend the time ensuring sufficient knowledge to undertake the role. She noted that it is a privilege to be a trustee and ensure that we protect the benefits of hard working members so they can enjoy retirement in dignity. The Chair commentated that I am sure we would all agree Cllr Fitzpatrick had done just this, and served our members well, being an effective steward of the Fund. She formally thanked Councillor Fitzpatrick for his significant contribution and dedication and commitment to the Fund over the last 10 years.

The Chair further commented on a challenging year for everyone and the approval of the new vaccine for use in the UK signalled what was hoped to be the start of the end for the pandemic that had affected so many people.

The Chair was very pleased to announce that the Fund was declared the joint winners of the LAPFF Scheme Administration award for the second year running at the virtual awards ceremony, which had taken place on 2 December 2020. She congratulated everyone involved for this phenomenal achievement.

Reference was made to the Fund's commitment and approach to being efficient and effective whilst achieving value for money and explained that this would be reflected in the CEM Benchmarking item on the agenda, where representatives of CEM would be reporting on the Fund's performance and costs in both administration and investments and how it compared in both areas, on a global level.

The Chair reported that over recent months, there had been a strong rise in stock markets driven by announcements in relation to COVID vaccines. The US election result and evidence of a strong economic recovery in China had also helped. The value of the Fund today stood at over £26 billion, which was a record high and, despite the recent turbulent times, it was noteworthy that the Fund had increased in value by £10 billion over the last 4 years. In addition to positive returns in an absolute sense, there were also encouraging signs from the Fund Managers of positive relative performance.

Further reference was made to the United Nations COP26 climate conference that the UK was hosting in Glasgow in 2021, and calls for the government to create conditions for carbon neutral investment. The Prime Minister released his 10 point plan and there were encouraging announcements from other governments such as China, Japan and South Korea.

The Chair was also pleased to advise, following on from the last meeting of the Panel, that through the leadership of Northern LGPS, the Fund had become a ‘Make My Money Matter’ pledge partner as part of the commitment to sustainable investment and assist members understanding of the importance of knowing where their pensions were invested. ‘Make My Money Matter’ shared the view that pension assets could be invested to create a sustainable, better future without compromising on returns. This included meeting the Paris Agreement to achieve net zero carbon emissions by 2050 and exploring the feasibility of a 2030 target in line with the Intergovernmental Panel on Climate Change 1.5-degree pathway. By raising awareness and engaging members with their pensions, ‘Make My Money Matter’ sought to align the investment of trillions of pounds in assets with building a better world.

The partnership with ‘Make My Money Matter’ was part of a much wider environmental, social and governance (ESG) investment strategy, incorporating numerous initiatives, which comprised its approach to climate change. Active shareholder engagement was critical to the Fund’s commitment to achieving net zero carbon emissions by 2050. This year alone, the Fund had engaged with companies around the globe to urge them to make real commitments to tackling climate change and encourage greater transparency and reporting.

The Fund has committed to ensuring a Just Transition to a zero-carbon economy. Representing beneficiaries in the north of the England, there was a need to ensure that companies properly considered the interests of employees and communities as part of the transition. Initiatives that created both a greener and financially viable future were supported.

As co-founder of GLIL Infrastructure alongside the London Pensions Funds Authority, the Fund had created a unique asset owner-led infrastructure vehicle that ensured that costs were kept low. GLIL was aligned with responsible investment objectives and was an investor in green energy projects that benefited the UK economy. GLIL owned a majority position in the Clyde Wind farm – one of the largest onshore facilities in Europe – and in December 2019 bought a 49% stake in Cubico Sustainable Investments, which would develop renewable energy sources in the UK.

The Chair advised that the Fund were an active supporter of the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures as led by Mark Carney former Governor of the Bank of England. Understanding the impact of investment decisions on climate change was critical in meeting the twin objectives of creating a greener future while delivering value to members.

Richard Curtis, co-founder, of ‘Make My Money Matter’ said: “*It’s exciting to see the Northern LGPS, one of Britain’s largest public pension funds working to tackle the climate emergency, commit to partnering with Make My Money Matter to push this vital agenda forward. Combined with Nest, Aviva, BT and South Yorkshire, that’s £152bn saving to create a future we all want to retire into*.”

The Chair further advised that the Local Authority Pension Fund Forum, which had Cllr Cooney and the Assistant Director of Pension Fund Investments, Tom Harrington, on its executive - announced that it would be supporting a “Say on Climate” initiative.

In advance of the five-year anniversary of the Paris Climate Agreement this Saturday, the Forum announced its support for the ‘Say on Climate’ initiative, which encouraged all listed companies to submit a Climate Transition Action Plan to a shareholder vote at their AGMs. The Forum considered that companies’ failure to manage climate risk presented a significant threat to shareholder value. Members had been filing resolutions on environmental and climate issues since 1997. However, shareholders’ ability to use their voting rights to specifically address climate change remained very limited at the present time.

The Fund believed that filing resolutions at a limited number of companies of high carbon impact was no longer enough. All listed companies needed to present a clear strategy for reducing their entire carbon footprint (across scopes one, two & three) on which investors could vote on annually at the AGM.

It was believed this presented an opportunity for shareholders to effectively hold companies to account on climate and to affect real change. It was further believed that asset owners and managers should incorporate ‘Say on Climate’ into their investment and voting policies, and where investee companies did not voluntarily put an action plan to shareholders for approval, consider filing or co-filing ‘say on climate’ resolutions. Therefore, the Fund would be endorsing the Forum advocating for a mandatory ‘say on climate’, which would mean that regulation would ensure this opportunity would be on every listed companies’ AGM ballot.

42. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

43. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 September 2020 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 September 2020 were signed as a correct record.

44. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

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

(b) Exempt Items

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

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
8, 9, 10, 11, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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.**

45. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 1 October 2020 were considered.

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

46. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 2 October 2020 were considered

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

47. 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 2 October 2020 were considered

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

48. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 26 November 2020 were considered

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

49. 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

50. CEM BENCHMARKING

A report of the Assistant Director of Pensions Investments was submitted and a presentation of John Simmons of CEM was received.

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

51. INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions Investments was submitted and a presentation of Elaine Torry of Hymans Robertson was received.

RESOLVED

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

52. 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.

53. 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.

54. EMPLOYEE EXIT PAYMENT CAP 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.

55. NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

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.

56. MULTI-ACADEMY TRUST CONSOLIDATION

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.

57. LGPS UPDATE

A report of the Director of Pensions was submitted.

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

58. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020 – AUDIT FINDINGS REPORT

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

RESOLVED

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

59. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

Hymans Robertson Webinar – Keeping the LGPS Connected	**12 January 2021 11.30 – 12.00**
Hymans Robertson Webinar – Keeping the LGPS Connected	**27 January 2021 2.30 – 3.00**
Hymans Robertson Webinar – Keeping the LGPS Connected	**10 February 2021 10.00 – 10.30**
Hymans Robertson Webinar – Keeping the LGPS Connected	**25 February 2021 3.00 – 3.30**
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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**

60. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**19 Mar 2021 16 July 2021 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**
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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**

CHAIR

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD
14 January 2021

Commenced: 15:00 **Terminated: 16:55**

Present:	**Councillor Fairfoull**	**Employer Representatives**
	Paul Taylor	**Employer Representatives**
	Michael Cullen	**Employer Representatives**
	Jayne Hammond	**Employer Representatives**
	Mark Rayner	**Employee Representatives**
	Catherine Lloyd	**Employee Representatives**
	David Schofield	**Employee Representatives**
	Chris Goodwin	**Employee Representatives**
	Pat Catterall	**Employee Representatives**

Fund Observer: Councillor Ryan

29 DECLARATIONS OF INTEREST

There were no declarations of interest.

30 MINUTES

The minutes of the meeting of the Local Pensions Board meeting on the 1 October 2020 were approved as a correct record.

31 GMPF STATEMENTS OF ACCOUNTS AND ANNUAL REPORT 2019-2020

Consideration was given to a report of the Director of Pensions / Assistant Director of Local Investments and Property. The report provided information on the governance arrangements for the audit of GMPF accounts and provided an update on the reports to Panel on 17 July 2020 and 18 September 2020.

It was reported that 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 the audit process was very close to completion at the time of writing.

The auditors had concluded their work and issued a draft Audit Completion Report which had been considered by the Tameside MBC's Audit Panel. This report was complementary about the quality of accounts produced, made no recommendations for internal controls and reported that there were no adjustments to the accounts. During the audit process there were some improvements and amendments to disclosures made at suggestion of the auditors.

It was explained that Regulation 57 of the LGPS Regulations 2013 required 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 extended the publication for local authority accounts (England and Wales) to 30 November 2020. There were no plans for an automatic extension of the publication date for the annual report and accounts. The Fund had therefore published the Annual Report on the website noting that the accounts had not been formally signed off on the basis that there was no expectation that any changes would be required.

RESOLVED
That the report be noted.

32 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 an update on the 2020/21 business planning objectives set by the Administration section, an update on the strategic or services improvement projects, comments on performance and challenges, and comments on complaints and disputes.

The Head of Pension Administration detailed the six key business plan items for the financial year, several tasks had been progressed over the last quarter. In relation to objective 1, data retention,security and storage, a new data retention policy had been drafted and was to be finalised in the coming weeks. The planning stage for the project to move files to OneDrive and SharePoint was also coming to a close.

With regards to objective 2, customer journeys, a preferred contact centre solution had been identified and was in the process of being procured. This solution, called Enghouse, was a cloud-based system that integrated with Microsoft Teams. The procurement phase of the project was expected to be concluded in early January 2021.

As part of the GMPF website redevelopment project, officers had been working with the web design company on a social value project to develop an online game that promoted the benefits of saving to primary school children. In line with objective 4, in addition to the resources that had been produced for the children, additional resources would also be provided for parents to highlight the importance of saving for retirement.

Also linked to objective 4, GMPF had been taking part in the Pension Dashboards Programme (PDP) data working group as the LGPS fund representative. This had involved providing feedback to the data working group on proposed data standards. The PDP had published a first version of the usage guide for pensions dashboards data standards. The guide was intended to allow pension providers to have early sight of the data elements and assess availability and quality of these data items. Officers were working with the software supplier to determine whether the data standards proposed were agreeable and would result in LGPS funds being able to provide adequate data.

Work has continued on objective 6, with officers drawing up a draft performance monitoring template and looking into how employer performance information could be collated and stored in a clear and efficient way.

Members received a breakdown of several projects where work had been progressed over the last quarter. The Head of Pension Administration highlighted that the transition to monthly data collection had progressed well. Only 21 employers remain to be on-boarded. Also, the retiring members online process and been changed to enable it to be moved online, this would be implemented early in 2021. It was stated that phase one of the address tracing project had been completed with addresses for over 5,500 members being traced. Phase two of the project would begin with GMPF working with Target Professional Services to locate the remaining members.

Members were advised that workloads across the section would continue to be monitored closely over the coming months. A number of solutions could be investigated and implemented to successfully manage these likely increases.

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 October 2020, there had been two stage 1 dispute cases considered and four stage 2 cases. Further, the new I-casework system was implemented in October 2020. All complaints and compliments were now being logged in the new system.

RESOLVED
That the report be noted.

33 CYBER SECURITY UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pension Administration. The report provided the Local Board with an update on the work carried out to strengthen controls linked to cyber security and to ensure the expectations of the Pension Regulator were met.

The Assistant Director for Pension Administration reported that in November 2020, the Pension Administration Standards Association (PASA) issued Cybercrime guidance to help administrators in their work to reduce the risks and impact of cybercrime.

GMPF officers had been working on several tasks in recent months in order to strengthen resilience against cyber attacks and ensure its approach, procedures and documents were in line with the guidance issued by PASA and TPR and general industry best practice. As part of this work, GMPF specific strategy and policy documents had been created to sit alongside those of Tameside MBC. The strategy document set out GMPF's approach to cyber security, while the policy document confirmed the procedures and controls currently in place.

It was stated that GMPF intended to align itself with the standards set out in ISO27001 in order to ensure its cyber risk controls follow industry best practice. Officers carried out a gap analysis exercise last quarter against the ISO27001 standards in order to establish a framework for categorising existing controls and to identify where actions needed to be taken to introduce new controls or strengthen existing ones. The action plan created from this would be worked on over the coming months in order to ensure GMPF's controls align with the ISO27001 standards. Further, an audit had been initiated on the area of cyber security in order to ensure that the steps and overall approach were robust and met the objectives outlined within the strategy.

Work had also been undertaken to identify the cyber security statistics that were available and to establish where there were gaps in information. Firewall and email filtering software provided some statistics on the number of attacks that had been prevented.

Members of the Board discussed the progress that had been made towards ISO 27001 and suggested that the GMPF worked towards ISO 22301 following the completion of ISO 27001.

RESOLVED
That the report be noted.

34 EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development, which provided an update on the latest developments regarding the cap on exit payments for public sector employees leaving employment and the proposed changes to the LGPS Regulations to facilitate this.

The Assistant Director for Funding and Business Development delivered an update on developments since the last meeting of the Local Pensions Board. It was reported that on the 4 November 2020 HM Treasury's public sector exit payments cap took effect through a statutory instrument. The consultation that was released by the Ministry of Housing, Communities and Local Government ('MHCLG') which included proposals on how to introduce the exit cap measures in the LGPS was closed for responses on 9 November 2020. GMPF submitted a consultation response to MHCLG which is attached as **Appendix 1.**

A further consultation on the draft LGPS amendment regulations closed for consultation on 18 December and it was expected that any amendments to the regulations would be made in early 2021.

It was explained that there was a significant conflict between the LGPS Regulations and the exit payments regulations which placed both in-scope employers and LGPS administering authorities in a difficult position.

Members of the Local Board discussed how the Fund would manage situations where employers were making redundancies.

RESOLVED
That the report be noted.

35 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups over the period from October 2020 to December 2020, which were approved at the Management Panel meeting on 11 December 2020.

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

It was reported that the Administration Employer Funding and Viability Working Group, Investment Monitoring Working Group and Policy and Development Working Group considered a number of items for noting. A recommendation was made by the Administration, Employer Funding and Viability Working Group to approve that GMPF take part in the next phase of the Pensions Dashboard Project.

The Management Advisory Panel on the 11 December considered a number of reports including a report on: the introduction of the £95,000 public sector exit payment cap, the new regulations aimed at providing employers more flexibility when exiting the LGPS, and a report on multi-academy trust consolidation in the LGPS.

RESOLVED
That the report be noted.

36 RISK MANAGEMENT AND BUSINESS PLANNING

Consideration was given to a report of the Director of Pensions, the report provided an update on the business continuity risks and plans, with particular emphasis on the impact of the coronavirus pandemic.

It was reported that many of the business continuity arrangements remained unchanged from those outlined at previous meetings. Several key areas of risk continued to be closely monitored and previous decisions and plans made had been carried out to ensure work continued to be progressed and completed in line with expectations. The Director of Pensions explained that the Covid Risk Register at **Appendix 2,** had been shared with the Pensions Regulator who had shared it more widely. It was highlighted that staff health and wellbeing due to Covid-19 restrictions was a concern and, therefore, the productivity of the workforce. It was further explained that in many situations working closely in an office could help create new innovative ways of working and increased productivity.

Members of the Board discussed the problems that could arise from the accumulation of annual leave due to staff wanting to take their leave during periods outside of Covid restrictions. The Director of Pensions reassured members of the Board that staff were being encouraged to take leave despite lockdown restrictions that were in place. However, there was a concern that leave during a lockdown would not have the same positive effect on staff wellbeing as leave taken during more normal circumstances.

RESOLVED
That the report be noted.

37 THE PENSIONS REGULATOR

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration. The report summarised the operation of the internal controls, which GMPF has in place to ensure continued compliance with the expectations of the Pensions Regulator (TPR).

It was reported that the current breaches log was attached as **Appendix 1.** The Head of Pension Administration reported audits with employers had continued, time had been spent on working with employers to ensure that recommendations were acted on. The introduction of I-Connect would help ensure consistency of monthly contributions and membership data and reduce the potential for breaches. The criteria that officers used to assist them in assessing whether a breach could be deemed 'material' was also attached at **Appendix 2.**

The Assistant Director for Funding and Business Development advised that **Appendix 3** detailed that expected contribution payments that had not been received by GMPF by the 19^{th} of the month following which they related for the period August 2020 to October 2020 inclusive. **Appendix 4** provided some further analysis on the contribution payments received in respect of the period from August 2020 to October 2020.

It was reported that TPR had been invited to attend the January 2021 Board meeting although given the circumstances with the ongoing Pandemic and the increased economic fragility of the economy it was unlikely that TPR would be in a position to attend to provide an update on its planned engagement with GMPF for 2021.

RESOLVED
That the report be noted.

38 NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report delivered an update to the Local 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.

It was reported that Statutory Guidance for administering authorities on the use of the new flexibilities was being developed by MHCLG. The guidance was likely to recommend that Administering Authorities update their Funding Strategy Statement (FSS) to ensure consistency with the regulation changes and to set out their policy position on the usage of these new powers. MHCLG opened a 3-week limited consultation on the draft guidance to enable comments. The consultation closed on 23 November 2020.

It was explained that under the new regulations, administering authorities were granted new powers to manage employer exits from the Scheme when an employer's last active member left employment. This included the power to offer 'deferred debt agreements' converting active employers into 'deferred employers' who continue contributing until their existing liabilities are fully funded without accruing any further future service liabilities. The amendment regulations also introduced a specific power to allow administering authorities to spread employer exit payments instead of requiring payment via a single lump sum.

It was further explained that the regulation changes had 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.

GMPF was awaiting MHCLG's final guidance for administering authorities on the usage of these new employer flexibilities. The guidance was expected imminently. Once the guidance had been provided, it was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities, which would form part of the Funding Strategy Statement. Any material change to the FSS would require a consultation with employers.

RESOLVED
That the report be noted.

39 UPDATE ON GMPF PENSION TAX SUPPORT

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development, which updated the Local Pensions Board on the pensions tax support provided to GMPF members likely to be affected by either the Lifetime Allowance or the Annual Allowance.

Members were reminded that for the last few years GMPF has been providing tax support sessions to members who were more likely to face the Annual Allowance and Lifetime Allowance Limit. These sessions had been run in conjunction with Mercer, a professional services firm that had significant experience of the Local Government Pension Scheme ('LGPS') and was authorised to provide independent financial advice to individuals, something that GMPF is unable to do.

It was reported that there were 3 webinar events held throughout October and November 2020. The webinars were held on various times and dates to provide more flexibility to members. A number of members also attended individual guidance sessions. It was hoped that the support members received translated into less GMPF administration resource spent on dealing with pensions taxation related queries. Whilst this was very difficult to objectively measure, anecdotal evidence suggested this to be the case.

It was explained that changes to the Annual Allowance taper which took effect from April 2020 could reduce the need for pensions tax support in future years, as less members would be subject to the complicated taper arrangements. GMPF's pensions tax support offering would need reconsidering when the next round of pension saving statements are produced in August 2021.

RESOLVED
That the report be noted.

40 POOLING UDPATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development, which provided an update on the activities of the Northern LGPS 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 included pools, administering authorities and local pension boards. 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. On 25 November 2020 the Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review.

It was reported that the Balance Sheet Review refers to pools which made cumulative savings of £300m by September 2020, however there would have been material costs incurred in establishing the pools Northern LGPS' net of costs saving had been approximately £40m.

MHCLG had issued the slides attached as **Appendix 1** to the LGPS pools, which indicated that a new consultation on pooling guidance and potentially changes to the LGPS Investment Regulations is expected during 2021.

RESOLVED
That the report be noted.

41 MANAGEMENT AND AUDIT SERVICES SEPTEMBER 2020 TO DECEMBER 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 12 September 2020 to 31 December 2020.

The Head of Risk Management and Audit Services reported that the service had spent 207.71 days against the 320 planned days up to 31 December 2020. As a result of not having had full resources during the period, there was a projected shortfall in days to be provided in 2020/21 of approximately 30 days.

A final report had been issued on an audit of the retirement process. During the period April 2019 to March 2020, the Greater Manchester Pension Fund (GMPF) paid £785,637,071 in retirement benefits. The scope of the audit included retiring members, ill health retirement and deferred benefits into payment. The new Enhanced Admin to Payroll (EA2P) functionality in Altair had recently been introduced, therefore an examination was undertaken to ensure that the system was working as intended and contains the necessary internal controls. This audit was given a high Level of assurance.

The audit of an employer in the higher education sector was given a high level of assurance, a small number of recommendations were made to further enhance the controls that were already in place.

It was reported a number of draft reports had been issued which would be reported to the next meeting of the Local Pensions Board. A post audit review had been made to a higher education sector employer where 75% of the recommendations had been implemented.

It was stated that 3 audits that were included in the original plan that were to be rescheduled into the Internal Audit Plan for 2021/2022. These were the Compliance Function, the next phase of the Altair admin to payroll upgrade, and the review of Debtors.

RESOLVED
That the report be noted.

42 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

22 January 2021

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

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

Mr Drury, Mr Llewellyn, Mrs Fullham and Mr Flatley

Fund Observer Councillor Pantall and Ryan

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
Andrew Hall	Investment Manager (Local Investments)
Mushfiqur Rahman	Investments Manager
Lorraine Peart	Investments Officer
Richard Thomas	Investments Officer

Apologies for Absence: Councillors Barnes and Parkinson

41. MINUTES

The minutes of the meeting of the Investment Montioring and ESG Working Group on the 2 October 2020 were approved as a correct record.

42. LEGAL & GENERAL ESG REVIEW

Consideration was given to a report of Legal & General Investment Management (LGIM), which provided an update on the Environmental, Social and Governance activity over the last 12 months.

Sacha Sadan of LGIM explained that stewardship played a critical role in responsible investing at LGIM. LGIM used their scale to influence, integrate ESG factors to make better investment decisions, build long-term relationships and escalate concerns by using votes and collaboration.

An update was provided on LGIM's activities over the previous year, it was reported that LGIM's quarterly report and annual active ownership report was due to be published, which provided examples of real world impact of LGIM and collaboration activities.

Members were presented with case studies where LGIM had used their influence to change the behaviour of businesses. This was achieved through a number of approaches including, direct engagement, collaborative engagement, voting, capital allocation, engaging the regulator and through public pressure. It was highlighted that in 2019 LGIM named 11 companies as laggards under the Climate Impact Pledge.

It was stated that LGIM aimed to raise standards at companies and in markets. Market failures had to be addressed to build healthy economies and societies. Stewardship involved close work with policy makers to improve disclosure, corporate governance standards, achieve climate goals to reach net zero and for green and sustainable finance.

The key themes that were focused on by LGIM were fiscal imbalance, wealth inequality, climate change and resource scarcity, digital disruption, short-termism and lack of disclosure / inadequate governance. Case Studies were presented where LGIM had influenced companies in changing their climate policies, using engagement, voting and public pressure.

Members were advised of the Transparency score campaign, LGIM had produced a guide to ESG transparency, this set out expectation of a long term investor regarding the ESG information investee listed companies should report on.

It was reported that LGIM had been a member of the Human Capital Management Coalition (HCM) for seven years and were an active member. The HMC asked companies to capture details on their Workforce Composition, Costs of Workforce, turnover or Workforce Stability Metric and their Workforce Diversity Data.

RESOLVED
That the report be noted.

43. RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a report of representatives of PIRC Ltd, which provided the Working Group with an update on responsible investment.

Alice Martin, Labour Specialist of PIRC delivered a presentation titled “Unpacking the Outbreak”, which detailed how food processing became a high risk sector in the Covid Pandemic.

Members were reminded that food production was classed as essential work and there had been major Covid outbreaks in food plants internationally. Further, there had been closures and walkouts within the USA, Germany, Brazil and the UK. A Unite the Union survey of food workers found that a number of UK food workers were unable to social distance on production lines.

PIRC found that there had been corporate underreporting, out of 1400+ cases and 6 fatalities only 123 cases and 1 fatality was reported under the Reporting of Injuries, Diseases and Dangerous Occurrences regulations (RIDDOR). From interviewing workers, engagements with companies and HSE data, PIRC found that the real number of cases reported should have been higher. **Appendix A** included a detailed report on the under reporting of cases and fatalities from Covid in the food production sector.

It was explained that the food production sector was high risk for a number of reasons: it was labour intensive, line operatives stood within 1 metre, the temperature and surfaces were cold increasing chances of transmission, ventilation was poor and often workers were in shared living accommodation and commuted together.

The Labour Specialist explained that the workforce was particularly vulnerable, non- standard contracts were common, over 2/3 of food companies used temporary and agency workers, a quarter of the workforce were EU migrants and the workforce received lower average pay than other manufacturing jobs.

It was stated that one of the reasons why the risks had been so high in the sector was due to a lack of supply chain visibility. This was partly due to the efforts of supermarkets to disassociate themselves from their suppliers. There was also a weak workforce voice in the sector with only 25% union representation and health authorities were overstretched. Therefore, there had been a mismanagement of Covid risks, there was a reluctance to call in sick due to loss of income, poor sick pay provision and threats of lost hours and jobs.

Members were presented with a breakdown of the spikes in google searches for company Covid outbreaks. It was explained that some companies had received significant reputational damage due to their handling of Covid outbreaks. This had subsequently had an impact on share prices despite high demand for products.

It was explained that there had been a Co-ordinated investor response, Interfaith Centre on Corporate Responsibility (ICCR) led coordinated investors of 129 institutions and $2.4 trillion in combined assets to push for changes. PIRC and investors had written similar letters to the UK food sector and other engagements would continue.

It was reported that there were a number of issues which existed before the pandemic and would continue after. Fluctuating demand and safety risks which prompted calls for automation was expected to continue to be a theme after the pandemic, in response to this PIRC were looking at how automation would not need to lead to less jobs but improvement in productivity and upskilling of the workforce. Sustainability would continue to be a theme in the sector and labour rights would remain a concern internationally. It was stated that there had been progress in this area, Unilever reached a global agreement in 2019 with unions not to use non-standard contracts. More work on these areas and standards would be needed to see improvements domestically and internationally.

Tom Powdrill of PIRC highlighted details from the Northern LGPS Quarterly Stewardship report for July - September 2020. It was explained that despite that Q3 had been a quieter period in terms of the number of meetings work continued on challenging companies through active and informed voting during Q3. 33 shareholder resolutions were voted on during the quarter relating to ESG, of these 20 were voted for, 8 were opposed and 5 abstained.

It was stated that in terms of themes throughout the quarter, the Social of ESG had been the focus. It was explained this had partly been due to Covid amongst other issues. Members discussed the "Rio Tinto board implosion", this was highlighted as an example of the potential risks to companies and their investors by not treating affected stakeholders fairly.

The Quarterly report detailed how the US Occupational Safety and Health Administration (OSHA) fined two of the biggest meat processing companies Smithfields and JBS $29,000 for allowing more than 42,000 workers to contract Covid-19 while at work. Smithfields made $14bn in revenues last year while JBS made $57.1bn. It was explained that with weak regulatory oversight and derisory fines, investors should continue to engage with companies in the food processing conditions for employees to reduce the spread of the disease.

It was highlighted that there was a working assumption in the ESG world that governance had been dealt with, whereas in reality rules that related to governance went through ongoing review and revision. During 2020 there had been numerous cases where audit firms had faced significant criticism and in some cases legal claims in relation to businesses that had failed or faced other challenges. It was explained that Investors relied heavily on robust auditing and accounts to help them make decisions on the validity of a potential investee company. In the absence of reliable reporting, individuals and institutions were vulnerable to the fallout from financial fraud and scandal.

With regards to engagements with major holdings, it was reported that during Q3 NLGPS held a call with Sir Roy Gardner Chair of Servo Plc to discuss the impact of Covid-19 on the company's operations and measures taken by Serco to mitigate the impacts of the Pandemic. Engagements had also taken place with Man Group Plc where discussions took place on the relative pay of executives and engagements took place with Synthomer Plc where discussions took place regarding their clients on allegations of forced labour. NLGPS had further engagements with major holdings scheduled for later in 2020.

RESOLVED
That the report be noted.

44. URGENT ITEMS

There were no urgent items.

CHAIR

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

22 January 2021

Commenced: 11:00 **Terminated:** 12:20

Present:	Councillors M Smith (Chair), Andrews, Cooney, Cunliffe, Jabbar, Patrick, Ricci, Sharif, Wills, O'Neill and Mitchell, Mr Llewellyn, Mr McDonagh and Mr Flatley	
In Attendance:	Sandra Stewart	Director of Pensions
	Euan Miller	Assistant Director of Pensions (Funding and Business Development)
	Paddy Dowdall	Assistant Director of Pensions (Local Investment and Property)
	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	Employer Services Section Manager
Apologies for Absence:	Councillors Drennan, Grimshaw and Parkinson Mr Drury Fund Observers: Councillors Pantall & Ryan	

12 DECLARATIONS OF INTEREST

There were no declarations of interest.

13 MINUTES

The minutes of Administration, Employer Funding and Viability Working Group meeting on the 2 October 2020 were approved as a correct record.

14 ADMINISTRATION STRATEGIC SERVICE UPDATE

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

With regards to business continuity, the approach that had been taken to manage the impact of the Coronavirus outbreak on service delivery remained essentially unchanged. Workloads had been volatile, and this was expected to continue and remain a challenge. However, service delivery levels were high, and teams remained focussed on meeting member needs. Work this quarter continued to move processes online so members could download and upload correspondence from and to their My Pension account. Risks were being closely monitored with a full review of the overarching risk register and Coronavirus log taking place at least once each quarter.

The Assistant Director for Administration reported that two key areas had been undertaken this quarter to meet or strengthen compliance with the Pension Regulator's Code of Practice these were around data quality and trustee access to information. The recent project to trace missing addresses and work undertaken to review data quality reports run in June 2020 had led to an improvement to GMPF's common and scheme-specific data scores. The common data failures were those that related to missing addresses for members that officers were still trying to trace as part of the address tracing project. It was stated that the new Governance section of the GMPF website was made available last quarter for all trustee members of GMPF to access. This supported GMPF's ability to demonstrate compliance with certain elements of the Code of Practice.

Members were advised that GMPF sent a response to the MHCLG consultation on the proposals following the McCloud/Sargeant judgement, MHCLG were yet to issue a response. GMPF had set up a project team to manage the McCloud project. Work last quarter focussed on liaising with the software supplier, Aquila Heywood, alongside other funds to agree on the tools and reports that needed to be developed for the first stage of the project.

It was reported that the Pensions Dashboards Programme (PDP) on 15 December 2020 issued a first version of the usage guide for pensions dashboards data standards. Officers were working with the software supplier to determine whether the data standards proposed were agreeable and would result in LGPS funds being able to provide adequate data.

It was stated that following the introduction of the £95k exit cap on 4 November 2020, GMPF had set up a project team to ensure that we keep up to date with developments and cascade this information to stakeholders where necessary.

The Assistant Director for Funding and Business Development explained that the annual report and accounts were still awaiting sign off by the auditors. All work had been completed from the perspective of GMPF as had the administrative authority in terms of providing the auditors with all information needed. However, the auditors were not in a position where they could complete the process and sign off the accounts.

RECOMMENDED
That the report be noted and that the Working Group recommend that GMPF take part in the next phase of the Pensions Dashboard Project.

15 ADMINISTRATION EMPLOYER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pension Administration. The report provided the Working Group with a summary of the work and projects that had been 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 54 applications currently being progressed. A further 30 enquiries had been made by employers considering applying for admission.

The Section Manager for Employer Services stated that GMPF continued to work closely with those employers who have not yet transitioned to monthly data collection. All employers except for 21 were on-boarded onto iConnect. Nine of these employers were associated with Oldham MBC. Oldham MBC were the only Local Authority yet to on-board and were given an extension due to the implementation of a new payroll system. On-boarding of the remaining 12 employers was in progress and related to just three separate payroll providers.

It was explained that an indication of the performance of GMPF's larger employers had been gained in the past by recording data about the timeliness of new starter and early leaver information and the number and age of queries with those employers. Performance data for the latest three months' statistics available, together with cumulative figures for the 12 months ending 30 November 2020, was available in **Appendix 2**. A review of the employer monitoring process was underway. The intention was to report on more areas to provide a better understanding of an employer's overall performance level. Furthermore, the timeliness of contribution payments and other employer debts, such as those in relation to the costs associated with early retirements, had been collated.

Members were advised that the LGA-run 'Understanding the Employer Role' training event was held online using Microsoft Teams on the 24/25 November, with 15 GMPF employer representatives attending. Several GMPF staff also attended to further broaden their knowledge. Due to the success of the new GMPF employers section of website and the effectiveness of Microsoft Teams to deliver training for employers, officers were carrying out a review of all employer training and were looking to put in place a new online employer training programme from April 2021.

RECOMMENDED
That the report be noted.

16 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 carried out by the Members Services section of Pension Administration.

The Members Services Strategic Lead reported that all 44 cases identified following the Brewster judgement had now been reviewed by the Bereavements Team. Of the 44 cases reviewed, 16 had provided sufficient evidence and were in receipt of a partner's pension. 24 had either not responded or had been unable to provide sufficient evidence and so had been deemed ineligible. Four were no longer at their previous address and could not be located by GMPF's address tracing provider. Therefore, unless they contacted GMPF in future no further action would be taken.

Following the introduction of the £95k exit cap on 4 November 2020, officers had been liaising with the employers of all members accessing benefits where the exit cap would apply and reviewing all cases before processing. A total of 89 redundancy cases had been processed during the period. Of these, 16 were for employers not in scope and 73 were for employers in scope but where confirmation was received from the employer that the £95k cap was not exceeded.

It was reported that the review of the Key Performance Indicators continued, and Altair workflows were in the process of being amended in order to match the revised performance standards.

Members were advised that GMPF issued surveys to members to obtain a view of member experience for several key processes. Overall, feedback was positive with members generally indicating that the service provided was good. 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 regards to the member address tracing project, phase two of the project would begin with GMPF working with Target Professional Services to locate the remaining 9,500 members. Initial work would focus on locating deferred members over the age of 55 who were entitled to access their benefits. Further updates on progress made would be provided at future meetings.

RECOMMENDED
That the report be noted.

17 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 that had been carried out by the Developments and Technologies section of Pension Administration.

It was reported that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued. Work this quarter had continued to focus on how GMPF data files could be transferred to the Cloud using services hosted by Microsoft.

The Head of Pension Administration stated that following testing of a SharePoint demo site, feedback was obtained from user champions to identify how best the new applications should be configured. The planning phase of this project was almost complete and work would be moving shortly to the implementation stage. Preparatory work had already been undertaken, with teams reviewing files that were held and considering whether information needed to be retained and how best it should be stored within SharePoint and OneDrive. Further, to support this work a new data retention plan was being drafted and would be finalised in the coming weeks. This would also provide a clear set of document retention tables.

Members were advised that Altair software release 11.1 was due to be made available. As with previous system upgrades, GMPF would be testing the new release in advance of general testing. Testing was expected to take place in the last two weeks of January. Along with several other developments, the new release would provide enhancements for aggregation and bulk retirement processing which would reduce processing times and increase efficiency.

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 October 2020, there had been two stage 1 dispute cases considered and four stage 2 cases.

RECOMMENDED
That the report be noted.

18 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 and Engagement area of Pensions Administration.

With regards to the project to procure new contact centre software, a preferred contact centre solution had been identified and a compliant route to procurement found. The contact centre solution, called Enghouse, is a cloud-based system that integrated with Microsoft Teams. The procurement phase of the project was underway.

The Head of Pensions Administration reported that work on refining and adding new content to the GMPF website had continued. A new video promoting My Pension had been developed and My Pension had been rebranded to match the branding of the main website. The contract with the website development company that had been supporting GMPF with this project, Clay10, would end in February 2021.

It was reported that over 136,000 members had now registered for the online service, *My Pension*. As several processes had now moved online and with more to follow in the next quarter, it was expected that the number of registrations would increase steadily. In addition, the Communications and Engagements team had created a range of materials that GMPF employers could use to promote the benefits of My Pension to their employees.

It was stated that 77,225 calls were received by the Customer Services team from 1 January 2020 to 15 December 2020, of which 63% were answered first time. This was a similar figure to those received in the previous year, however 11,067 of this year's calls were related to My Pension, which was treble that of the previous year.

Members were reminded that, the Communications and Engagement team arranged 20 online presentation sessions last quarter aimed at educating contributing members on their annual statements. Sessions took place throughout August and September, the new 'Pension Overview' video was played at each session and received a very positive reaction. It was reported that a survey had been sent out to all attendees after each session and some excellent comments and compliments were received.

Good progress had been made against several objectives set out in the current Communications & Engagement Strategy. The Strategy was a three-year plan that would come to an end in March 2021.

RECOMMENDED
That the report be noted

19 CYBER SECURITY UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration, which provided the Working Group with an update on the work that had been carried out to strengthen controls linked to cyber security and to ensure the expectations of the Pensions Regulator were met.

Members were advised that in November 2020, the Pension Administration Standards Association (PASA) issued Cybercrime guidance to help administrators in their work to reduce the risks and impact of cybercrime. PASA emphasised that pension administrators were particularly vulnerable to ransomware attacks due to the types of data they held, and that the pandemic had increased the risks because of unplanned for changes, such as administrators working from many different locations. PASA asked its members to take relevant steps against risks of cybercrime and use the guidance to test their controls.

With regards to the GMPF Cyber Security Strategy and Policy GMPF officers had been working on several tasks in recent months in order to strengthen resilience against cyber attacks and ensure its approach, procedures and documents were in line with the guidance issued by PASA and TPR and general industry best practice. As part of this work, GMPF specific strategy and policy documents had been created to sit alongside those of Tameside MBC. Both documents were attached at **Appendix 2 and 3** respectively. The strategy document set out GMPF's approach to cyber security, while the policy document confirmed the procedures and controls currently in place.

It was reported that GMPF intended to align itself with the standards set out in ISO27001 in order to ensure its cyber risk controls followed industry best practice. ISO27001 was the international standard that set out the specification for an information security management system. Officers carried out a gap analysis exercise last quarter against the ISO27001 standards, the action plan created from this would be worked on over the coming months in order to ensure GMPF's controls aligned with the ISO27001 standards. An audit had also been initiated on the area of cyber security in order to ensure that the steps and overall approach being taken in respect of cyber security are robust and meet the objectives outlined within the strategy.

Work had also been undertaken to identify the cyber security statistics that were available and to establish where there were gaps in information. The aim of the review was to be able to provide accurate information to the Working Group and Local Board each quarter on cyber-attack activity.

RECOMMENDED
That the report be noted.

20 EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development), the report summarised the latest developments regarding the £95,000 cap on exit payments for public sector employees leaving employment and the proposed changes to the LGPS regulations to facilitate this.

Members were reminded that on the 4 November 2020 HM Treasury's public sector exit payments cap took effect through a statutory instrument. Separately to HM Treasury's general public sector exit payments cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published a Local Government specific consultation, which included proposals on how to translate the exit cap measures into the LGPS.

The main points raised in GMPF's response to MHCLG were summarised to Members of the Working Group. These included that the proposed changes to the LGPS Regulations impact lower earning members, which was at odds with the stated aim of limiting pay-outs to higher earning public sector employees. The proposals would significantly increase the administration burden for administering authorities and would make workforce restructuring much more difficult for in-scope employers. Further, the proposals would present members with complex choices to make regarding the form of their redundancy package.

The draft LGPS amendment regulations closed for consultation on 18 December and it was expected that any amendments to the regulations would be made sometime in early 2021. However, the regulations could be delayed due to a number of judicial reviews being sought against the HM Treasury regulations. As a result, there was a significant conflict between the LGPS Regulations and the exit payments regulations, which placed both in-scope employers and LGPS administering authorities in a difficult position.

RECOMMENDED
That the report be noted.

21 NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development). The report provided an update 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 the 23 September 2020.

Members were reminded that on the 23 September 2020 the LGPS Regulations were amended to grant Administering Authorities additional powers in regards to permitting deferred debt agreements, phased exit debts and interim valuations.

It was explained that previously, when an employer's last active member left employment, the employer became an exiting employer under the LGPS Regulations. This would lead to an exit debt being incurred by the employer or, in certain circumstances, an exit credit being paid to the employer. Under the new regulations, administering authorities had the flexibility to defer the exit of an employer when its last active member left employment. The new deferred debt agreements and 'deferred employer' status allowed an employer to continue contributing until their existing liabilities were fully funded without accruing any further future service liabilities.

The Assistant Director for Funding and Business Development outlined that the new approach would see these employers participate in triennial actuarial valuations and their assets/liabilities assessed in a similar manner to normal active employers.

It was highlighted that one of the primary issues that GMPF would need to be mindful of when considering employer requests was the employer covenant. If using the deferred employer approach GMPF would need to be comfortable that the employer's covenant was sufficiently strong so that they are unlikely to default on their obligations.

It was reported that amended regulations had introduced a specific power to allow administering authorities to spread employer exit payments instead of requiring payment via a single lump sum. The spreading of exit payments would be helpful for employers who had temporary cashflow problems, but who could afford to pay an exit debt over a period of time. Again, an assessment of the employer covenant and discussions with any guarantor would be key to helping GMPF assess whether to spread any exit payment and the period over which any spreading should occur.

GMPF was awaiting MHCLG's final guidance for administering authorities on the usage of these new employer flexibilities. Once the guidance had been provided, it was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities, which would form part of the Funding Strategy Statement (FSS).

RECOMMENDED
That the report be noted.

22 SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development). The report provided information about scheme members AVC investments as at 31 March 2020.

It was reported that as at 31st March 2020 the GMPF Prudential AVC scheme had 5,253 contributing members with total funds invested in excess of £71.5million. The majority of the investments were in the With-Profits Fund, which was historically the 'default fund' for members who choose not to make a fund choice; the default fund had since been changed in favour of a lifestyle strategy.

The default fund was changed from the Prudential With-Profits fund to a bespoke lifestyle strategy designed by Hymans Robertson to be appropriate for typical LGPS AVC members. These changes took effect in August 2019. A lifestyle strategy aims to match a person's life stage with an appropriate fund choice for that life stage. It worked by setting a retirement date and automatically adjusting fund selection so that as a member became closer to their stated retirement age the fund choice would become progressively more low risk.

It was explained that GMPF inherited a number of AVC policies held with Equitable life as part of the bulk transfers of members from other LGPS funds (First Group and the Probation Service). Equitable Life transferred its business and its policies to Utmost Life and Pensions ('Utmost') on 1 January 2020.

The Assistant Director for Funding and Business Development stated that there were a variety of unit-linked funds on offer to AVC Scheme members. A full list of the performance of all GMPF AVC Scheme funds could be found in **Appendix 2** and a brief description of each fund and its benchmark in **Appendix 3**.

Members were advised that Prudential had decided to permanently close the UK Property S3 fund, which was available to GMPF members. The property fund had been 'gated' since 3 June 2019, the decision to close the property fund was due to significant liquidity pressures and the medium-term performance outlook. Prudential intended to close the property fund in mid-2021. As of 31 March 2020 the property fund had 277 GMPF members with a collective amount of £927,725 invested in the fund.

RECOMMENDED
That the report be noted.

23 GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 8 MONTHS TO NOVEMBER 2020

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

The report detailed the administration expenses incurred by the Fund for the 8 months to 30 November 2020. Comparison was made against the budget for the same period of £23,055,000 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 eight months to 30 November 2020 there was an under-spend of £3,004,000 against the budget of £23,055,000 for that period. The reasons for major variations to November 2020 and projected to the year end March 2021 were detailed in the report.

RECOMMENDED
That the report be noted.

24 URGENT ITEMS

There were no urgent items.

CHAIR

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

4 March 2021

Commenced: 11:00am **Terminated: 12.50pm**

IN ATTENDANCE

Councillor Warrington (Chair)	
Councillor Cooney	
Councillor M Smith	
John Thompson	**Trade Union Representative (UNITE)**
Petula Herbert	**MoJ**
Councillor Pantall	**Fund Observer**
Councillor Ryan	**Fund Observer**
Ronnie Bowie	**Advisor to the Fund**
Lynn Brown	**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)**
Michael Ashworth	**Senior Investments Manager (Public Markets)**
Mushfiqur Rahman	**Investments Manager (Public Markets)**
Abdul Bashir	**Investments Manager (Public Markets)**

Stone Harbor representatives: Mike Casagranda, Simon Lau and David Scott

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 26 November 2020, were approved as a correct record.

37. REPORT OF THE MANAGER

Mike Casagranda, Simon Lau and David Scott of Stone Harbor, attended before Members and gave a presentation detailing their performance up to 31 December 2020.

Mr Scott began giving an overview of the current mandate and explained how that mandate was managed.

Performance analysis to 30 December 2020 was given and it was explained that Credit Beta and Security Selection were the primary drivers of performance. Credit Beta was broadly positive across asset classes, however, U.S. High Yield and Emerging Markets were the largest contributors. Security Selection was also generally positive led by Emerging Markets.

Discussion ensued and Members and Advisors sought clarification in respect of ESG issues and how ESG is embedded in the investment process. They further sought information in relation to bond valuations going forward and the ability of the portfolio to react to volatile market conditions and meet its performance target in a world of relatively low yielding assets.

The Chair thanked the representatives of Stone Harbor for a very interesting and informative presentation.

RECOMMENDED
That the content of the presentation be noted.

38. 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 31 December 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 content of the report be noted

39. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, providing an update on pooling activity, both within 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.

On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review (published alongside the Spending Review) at https://www.gov.uk/government/publications/the-balance-sheet-review-report-improving-public-sector-balance-sheet-management, (pages 34-35). This referred to stronger governance, improved reporting, and greater transparency on investment performance, including benchmarking against UK and international comparators.

The Balance Sheet Review referred to pools having made cumulative savings of £300m by September 2020, however savings net of costs will be considerably lower. Northern LGPS' saving (net of costs) was approximately £40m..

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

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

RECOMMENDED
That the content of the report be noted.

40. MANCHESTER AIRPORT GROUP'S PARTICIPATION IN GMPF

The Assistant Director, Funding and Business Development, submitted a report providing an update on developments regarding Manchester Airport Group's participation in GMPF.

This report provided an overview of the options being explored with Manchester City Council, who guarantee most of Manchester Airport's liabilities in GMPF and the decisions which may be required from GMPF should any of the options appear acceptable.

RECOMMENDED
That the content of the report be noted.

41. BESPOKE EMPLOYER INVESTMENT STRATEGIES

Consideration was given to a report of the Assistant Director, Funding and Business Development, which explained that an admission body with a large and mature section of GMPF had requested that GMPF consider moving most of the assets of its section out of the GMPF Main Fund and into assets with lower expected returns but lower price volatility (relative to the liabilities) such as index-linked UK Government Bonds.

The report summarised the employer's section of GMPF, some of the potential options available and relevant considerations for the Working Group and Management Panel.

RECOMMENDED
That the Director of Pensions be authorised to develop a bespoke investment strategy for the relevant employer in consultation the GMPF Actuary and investment advisors.

42. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

A report was submitted by the Assistant Director, Local Investment and Property, which updated 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 La Salle.

It was reported that a meeting had taken place with GMPF's Advisors in December 2020, at which officers presented key findings from the work conducted (details of which were appended to the report). At the meeting, officers presented the case to the advisers to consider the benefits of seeking replacement management arrangements. The merits of dividing the existing portfolio into two was considered with broad consensus achieved. The rationale for this was detailed and discussed.

A revised strategy for deployment to property was also recommended. The strategy would be focussed around new investment predominantly through pooled vehicles.

Detailed discussion ensued with regard to the proposals outlined in the report. Members and Advisors commended the Director of Pensions and the Team on their progress with this matter and endorsed the recommendations proposed.

RECOMMENDED

(i) That the progression of selecting two managers for the mandates as detailed in section 3 of the report, be approved; and

(ii) That a revised strategy for deployment to property be approved. This strategy will be focussed around new investment predominantly through pooled vehicles.

CHAIR

Report to :	**PENSION FUND MANAGEMENT/ADVISORY PANEL**
Date :	19 March 2021
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 summary of the Funds Responsible Investment progress activity for the latest quarter against the six PRI principles is noted and in particular GMPF's commitment to meet the Paris Agreement to achieve net zero carbon emissions by 2050 whilst actively exploring a 2030 target in line with the IPCC's 1.5 degree pathway.
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 6A** — 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 Funds 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 Funds 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 investment 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 investment managers report annually on their Responsible Investment activity to the Investment Monitoring and ESG Working Group (IMESG).

2.4 Legal and General, the Fund's passive investment manager presented their annual Stewardship report to the IMESG Working Group during the quarter. They shared their processes and the approach they take to engage globally on the Fund's behalf. They demonstrated their use of scale to influence their engagement and the steps they take to escalate issues when companies are not responsive. L&G provided a number of case studies highlighting their efforts across the full spectrum of ESG issues that they have either engaged with companies on or collaborated with others to bring about a positive outcome.

2.5 Separately, the Northern LGPS pool invested £150m in a new UK affordable housing fund managed by PGIM Real Estate. There has been a collapse in supply of UK affordable housing since the 1970's, which has been exacerbated by the end of local authority housebuilding. This has led to demand greatly outweighing supply. This investment aims to help alleviate the current supply and demand imbalance. The links below provide further details and coverage the investment has received.

https://www.pgim.com/real-estate/press-release/pgim-real-estate-raises-ps190m-launch-uk-affordable-housing-fund

https://realassets.ipe.com/news/northern-lgps-brunel-pension-partnership-back-uk-housing-fund/10050393.article

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 GMPF expects the companies it is invested in take employment standards seriously and treat their workforce with respect and employ and reward them fairly. PIRC and FAIRR co-hosted a webinar to discuss sustainability risks arising from the meat industry. Whilst the environmental impacts of meat production have been under debate for a number of years, the pandemic has prompted investors to ask deeper questions about social and labour related risks. Investors are encouraged to address labour issues in food supply chains before they evolve into material risks.

2.9 Following the ruling at the UK Supreme Court in February relating to the employment status of Uber drivers, PIRC also hosted a webinar that was joined by representatives from the GMB Union who supported the drivers that initiated the case. The ruling could have wide reaching effects not only for Uber but for other companies that operate with similar business models as they would be required to provide more rights to their workers as full employees.

2.10 GMPF's appointed external adviser PIRC, assists in the development and implementation of the Fund's Responsible Investment policy. This includes PIRC's Shareholder Voting Guidelines that are updated annually which inform GMPF's voting policies. GMPF has a responsibility as a shareholder to vote and exercise this right in a way that is consistent with its publicly disclosed objectives. PIRC released their updated Shareholder Voting Guidelines in early March. Some of the changes include:

- Where a company is considered to be in a high-risk sector with regards to Covid-19, PIRC expects full disclosure of causes of fatalities to be provided
- In regard to pay schemes, PIRC will not support bonuses where companies have been in receipt of furlough monies or other forms of state support including the coronavirus corporate finance facility
- PIRC will recommend the abstention for the re-election of the chair of the Nomination Committee where a skills matrix has not been disclosed

2.11 The voting guidelines will also assist GMPF to link the UN Sustainable Development Goals with the voting outcomes. PIRC also provided some of their findings from the review of the 2020 proxy season. Some of the highlights include:

- PIRC opposed a greater number of directors than in previous years which was largely due to concerns about individual candidates
- There has been an increase in women being appointed as both executive and non-executive directors in FTSE 100 companies. An increase from 13% in 2019 to 14% for executive roles and an increase from 44% to 47% for non-executive directorships
- The gender pay gap among employees was 15.5% in 2020, down from 17.4% in 2019

- The industrials and utilities sectors achieved the largest average reduction in greenhouse gas emissions

2.12 LAPFF organised a webinar that was joined by a member of the indigenous Wayuu community at Provincial and a lawyer from the Jose Alvear Restrepo lawyers' collective in Bogota. They spoke about the case of the Wayuu community, located 800 metres from the large opencast coal pits of the Cerrejon mine (owned by Anglo American, BHP and Glencore), where local people's health has been badly affected by coal dust pollution. They explained the reasons why this community has not only taken legal action against the mining company in Colombia, obtaining favourable rulings, but also taken the matter to the United Nations Human Rights Commissioner's office. LAPFF continue to engage on these issues.

2.13 The Fund's passive investment manager, Legal and General, published its ESG Impact report during the quarter.

https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf/

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

2.15 Improved disclosure means companies can be better assessed for their long-term resilience and the Fund's investment managers can make informed investment decisions.

2.16 The Fund, via the Northern LGPS, is a member of the Workforce Disclosure Initiative (WDI). The aim of this initiative is for greater transparency on workforce policies and practices in their direct operations and supply chains. In 2020, 141 companies took part in the initiative demonstrating their commitment to transparency. The data provided in the survey gives an overall perspective on how a company treats its employees which gives an understanding to investors on how well the companies can perform longer term and allows engagement activity to be more focused and as effective as possible. In February, the WDI hosted a workshop to speak about the importance of Diversity and Inclusion and best practice and reporting trends.

2.17 GMPF is a member of the CDP which runs a global disclosure system for companies, cities, states and regions to manage their environmental impacts. Each year these organisations measure and manage their risks and opportunities on climate change, water security and deforestation. Further to the initial request to companies for information, GMPF further assisted by co-signing letters to any non-disclosing companies, requesting again that they complete the survey.

2.18 The 2020 CDP campaign had the highest response rate to date, with more than double the number of companies disclosing compared to 2019. Further details of the 2020 non-disclosure campaign are available at the link below.

https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign

2.19 In July 2020, the CDP launched a Science Based Targets Campaign which is a collaborative engagement campaign designed to push the 1,850 highest emitting companies to set a 1.5°C emissions reduction target. The CDP has published a progress report which can be viewed using the link below.

https://6fefcbb86e61af1b2fc4c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/comfy/cms/files/files/000/004/205/original/CDP_science-based_targets_campaign_-_mid-term_report.pdf

2.20 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. The Fund 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. Officers joined several meetings with the lead filer to plan the best way to approach management at Citigroup in order for them to meet the demands of the proposal and to include the proposal in the Proxy Statement.

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

2.22 The newly established Responsible Investment Advisory Group (RIAG) met for the first time on the 3 March 2021 and discussed a wide range of responsible investment related issues, including MHCLG's proposals for TCFD reporting within the LGPS and the response to the LGPS All Party Parliamentary Group's inquiry into a "Just Transition". The group is Chaired by the Director of Pensions at the Greater Manchester Pension Fund and includes a wide range of other members who can be found on the RIAG membership page.

2.23 The main role of the group will be to advise the LGPS Scheme Advisory Board and the Investment Committee, as requested, on all matters relating to responsible investment. It will also be responsible for assisting the Board in developing and maintaining the online Responsible Investment A to Z website, which is expected to go live at the end of March 2021. The group will continue to meet on a six weekly cycle and will report directly to the Investment Committee.

https://www.lgpsboard.org/index.php/projects/responsible-investment

2.24 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.

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

2.26 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**.

2.27 On 10 March 2021, the Institutional Investors Group on Climate Change (IIGCC) launched the 'Net Zero Investment Framework', enabling investors to maximise the contribution they make to decarbonisation of the global economy and tackling climate change. This is achieved by ensuring investment portfolios are aligned with net zero emissions and investors are working in a comprehensive manner to help deliver on the goal of the Paris Agreement to keep global warming below 1.5°C. Building on IIGCC's existing work to date, the finalised Framework was published in partnership with other investor groups across North America, Asia and Australasia. It will be rolled out globally as the basis for investors worldwide to implement their net zero strategies.

2.28 GMPF and Northern LGPS were among 22 asset owners, with $1.2 trillion (Tn) in assets, to have used publication of the Framework to commit to achieve net zero alignment by 2050 or sooner. The funds in question are drawing on the Framework to deliver these commitments, alongside a number of asset managers who are already working with clients on net zero alignment.

2.29 The Framework enables investors to decarbonise investment portfolios and increase investment in climate solutions, in a way that is consistent with and contributes to a 1.5°C net zero emissions future. Investors do this by developing a 'net zero investment strategy' built around five core components of the Framework. These key components are: objectives and targets, strategic asset allocation and asset class alignment, alongside policy advocacy and, investor engagement activity and governance.

2.30 The 'net zero investment strategy' is also underpinned by three types of targets, as the main metrics to measure effective action:

- Portfolio level targets for decarbonisation and investment in climate solutions
- Timebound portfolio coverage targets for companies and assets to meet net zero or aligned criteria
- Engagement coverage threshold (>70% emissions in material sectors) ensuring intensive engagement to drive the transition

https://www.iigcc.org/news/global-framework-for-investors-to-achieve-net-zero-emissions-alignment-launched-8-trillion-investors-put-it-into-practice/

2.31 Two of the Fund's external investment managers, Legal and General and UBS committed to the Net Zero Asset Managers initiative. The 30 founding signatory global investors of the Net Zero Asset Managers initiative are committing to decarbonise their investment portfolios and accelerate their contribution to achieving net zero, while also encouraging other asset managers to join in order to demonstrate sector leadership and commitment to a sustainable future. By signing up to the Net Zero Asset Manager initiative they are committing in partnership and on behalf of their clients to invest in alignment with the net zero greenhouse gas emissions framework by 2050 or sooner. They will be putting the following steps in place:

- **Working in partnership** with their clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AUM

- **Setting an interim target** for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner

- **Reviewing** their short-term target at least every five years and with their clients' support, look to increase the proportion of AUM covered until 100% of assets are included

2.32 The Northern LGPS gave its support to the 'Say on Climate' initiative Initiated by Sir Christopher Hohn founder of the Children's Investment Fund Foundation. The initiative encourages all listed companies to develop a climate transition plan and put it to a shareholder vote at their AGM. These plans will give investors more opportunity to influence how listed companies will transition to net zero and reduce the chance for corporates to pay lip service to managing climate change risk

2.33 The Fund signed a letter from the Institutional Investors Group on Climate Change to the UK government to raise concerns of the decision to open a new deep coking coal mine in Cumbria. The opening of the coal mine will increase emissions and have a notable impact on the UK's legally binding net zero carbon emissions commitment. The letter can be found using the link below.

https://www.iigcc.org/resource/iigcc-letter-to-uk-government-regarding-coking-coal-in-the-uk/

2.34 Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It focuses on 167 companies that are critical to the net zero emissions transition. Climate Action 100+ published its progress report for 2020 during the quarter. The report reveals that investor action, including by many IIGCC members, has helped to establish commitments to reach net zero emissions by 2050 or sooner, from over half of the 167 companies engaged globally through the initiative. Highlights during 2020 include:

- Net zero commitments secured at 37 European companies, representing 80% of the total number of companies engaged via IIGCC.
- All European oil and gas majors - namely BP, Shell and Total - in addition to Equinor, Repsol and others, all now working to net zero goals

https://www.climateaction100.org/wp-content/uploads/2020/12/CA100-Progress-Report.pdf

2.35 The Transition Pathway Initiative (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 industrials/materials companies from February can be found using the link below.

https://www.transitionpathwayinitiative.org/publications/74.pdf?type=Publication

2.36 The TPI is currently working on a consultation for the Oil and Gas sector. A number of Oil and Gas companies have made net zero commitments and the aim of the consultation is to provide a standard way of being able to assess whether companies are aligned with their net zero commitment. GMPF's external equities managers are in the process of submitting their responses to the consultation. The TPI published its research into the Oil and Gas sector which can be found using the link below.
https://www.transitionpathwayinitiative.org/publications/48?type=NewsArticle

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

2.38 The Northern LGPS Stewardship Report for Q4 2020 can be found using the link below.

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

2.39 The LAPFF Quarterly Engagement Report for Q4 2020 can be found using the link below.

https://lapfforum.org/wp-content/uploads/2021/01/LAPFF_QER4_2020_final.pdf

3. RECOMMENDATION

3.1 As per the front of the report.

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Report To:	**PENSION FUND MANAGEMENT/ADVISORY PANEL**
Date:	19 March 2021
Reporting Officer:	Sandra Stewart – Director of Pensions
Subject:	**LGPS UPDATE**
Report Summary:	This report provides an update on the latest developments affecting the Local Government Pension Scheme (LGPS).
Recommendation(s):	It is recommended that the Panel note the report and consider the potential impact and implications for the LGPS and GMPF.
Financial Implications: **(Authorised by the Section 151 Officer)**	Some of the matters set out in this report could lead to administrative costs and additional liabilities for GMPF and its employers.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues. It will consider items passed to it from the Ministry for Housing, Communities and Local Government ("MHCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards. The Local Government association represent employers' interests to central government and other bodies on local government pensions policy. Its remit for local government pension policy includes pensions for local authority staff, teachers and firefighters.
Risk Management:	There are no material risks to consider at this stage. Any risks that may arise will be controlled and mitigated.
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:	Further information can be obtained by contacting Euan Miller, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7141 e-mail: euan.miller@gmpf.org.uk

1. INTRODUCTION

1.1 The purpose of this report is to provide the Management Panel with an update on the latest developments regarding the Local Government Pension Scheme (LGPS). Developments summarised are as follows:

- Public sector exit payments cap
- Department of Work and Pensions consults on increasing the General Levy
- 2021 Pensions Increase
- Work carried out by the LGA relating to Covid-19
- New employer exit flexibilities
- McCloud Update
- MAPS Pension Dashboard update
- The Pensions Regulator

2. PUBLIC SECTOR EXIT PAYMENTS CAP

2.1 The Government disapplied the £95,000 public sector exit payments cap on 12 February 2021 following legal challenges to the exit cap. This means the exit cap does not apply to exits that take place on or after 12 February 2021.

2.2 HMT has provided further information in the Restriction of Public Sector Exit Payments: Guidance on the 2020 Regulations. HMT confirms in the Guidance that:
"the Government has concluded that the Cap may have had unintended consequences and the [2020] Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked."

2.3 The Guidance confirms that HMT expects employers to pay the additional sums that would have been paid, had the exit cap not applied in respect of employees who left between 4 November 2020 and 11 February 2021.

2.4 The Government confirmed in the Guidance that *"HM Treasury will bring forward proposals at pace to tackle unjustified exit payments".* It is understood that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay. MHCLG has confirmed that it will consult again on further reforms to exit payments before any changes are made.

3. DWP CONSULTS ON INCREASING THE GENERAL LEVY

3.1 On 16 December 2020, the Department for Work and Pensions ('DWP') launched a consultation into the General Levy rates for the years 2021/22, 2022/23 and 2023/24. The consultation subsequently closed on 27 January 2021.

3.2 The General Levy is paid by registrable occupational and personal pension schemes, including the LGPS. The levy is used to fund the Pensions Regulator, the Pensions Ombudsman and the pension-related activities of the Money and Pensions Service. The rate of levy is currently based on the number of members and the scheme type.

3.3 The consultation proposes that higher General Levy rates are needed to fund the increased role of the Pensions Regulator, the Pensions Ombudsman and the Money and Pensions Service.

4. 2021 PENSIONS INCREASE

4.1 On 12 January 2021, the Government published a written statement on indexation and revaluation in public service pension schemes. Government confirmed that LGPS pensions would be increasing in line with September's CPI figure of 0.5%, as is the case every year.

4.2 From April 2021 members' CARE pensions will increase by 0.5% to account for inflation.

5. WORK CARRIED OUT BY THE LGA RELATING TO COVID-19

5.1 Throughout the Coronavirus pandemic the Local Government Association has been providing guidance and informational updates.

5.2 The LGA created a Covid-19 news and information webpage that hosts frequently asked question sections for administrators, employers and members. There are additional resources such as webinars and information on the Coronavirus Job Retention Scheme.

5.3 The latest frequently asked questions were updated on 4 November 2020

6. MCCLOUD UPDATE

6.1 The McCloud case relates to the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

6.2 Those members who have been discriminated against will be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will be 'upwards' - that is the benefits of unprotected members will be raised rather than the benefits of protected members being reduced.

6.3 Decisions concerning who is in scope for protection, the extent of final salary service protection and the effect on ancillary benefits such as transfer payments and survivor benefits will be made centrally. The LGPS Scheme Advisory Board ('SAB') will work closely with MHCLG and the Government Actuary's Department ('GAD') to ensure that the remedy to remove age discrimination from the LGPS is robust and comprehensive.

6.4 SAB originally set up two working groups to work with MHCLG in developing and implementing the LGPS McCloud remedy. Due to the current coronavirus complications the chair of the implementation group has formed three subgroups that are meeting virtually. The subgroups are made up of representatives from employers, administering authorities, pension administration software suppliers, unions, actuarial firms and the LGA. The three subgroups are:

- **Data collection**: the data collection subgroup held their first virtual meeting on 22 April 2020. In order to implement the McCloud remedy, most administering authorities will need to gather service information from 1 April 2014 for members in scope of protection from employers. This group has produced a data collection template for employers and payroll providers to use to supply that information and to ensure the message to employers remains consistent.
- **Communications**: the communications subgroup first met on 24 April 2020. The group has been producing templates for administering authorities to use to request service data from employers. The group agreed that their priority is to produce communications for members that explain the scheme changes and make it clear that they do not need to make a legal claim, they will get the protection they are entitled to automatically.
- **Software**: the software subgroup will consider what system changes are needed to implement the eventual remedy.

6.5 Consultations on the remedies to the McCloud issue were launched by MHCLG and HMT in August 2020. On 6 October 2020 LGA released its response to MHCLG's McCloud consultation.

6.6 HMT responded to the remedy consultation on 4 February 2021. HMT clarified that it will seek to remedy McCloud across the unfunded public sector schemes on the basis of deferred choice underpin whereby affected members will decide whether to apply legacy or reformed scheme benefits for the remedy period just before retirement (when the member is clearer on their retirement planning). HMT's full consultation response can be viewed in the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958635/Public_Sector_Pensions_Consultation_Response.pdf

6.7 MHCLG have yet to release their LGPS specific response to the McCloud remedy consultation. It is expected that the MHCLG's response will incorporate the similar principles as HMT's consultation response. It is important to remember that transitional protections operated slightly differently in the LGPS and therefore only the MHCLG consultation will apply when it is released.

7. MAPS PENSION DASHBOARD UPDATE

7.1 On 28 October 2020, the Money and Pensions Service (MaPS) published their second Pensions Dashboards Programme progress update report.

7.2 The October 2020 report sets out:

- the Pension Dashboards Programme's (PDP) high level activity plan
- resourcing to deliver next phases of the programme
- market engagement to help finalise digital architecture requirements
- refining requirements for identity verification
- setting up a working group to ensure consumer focus
- reviewing feedback

7.3 On 15 December 2020 PDP published the key data standards which will underpin pensions dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that the dashboards can function properly. Onboarding to dashboards is expected from 2023, PDP therefore recommends all schemes to start preparing their data now.

8. GUIDANCE ISSUED BY THE PENSIONS REGULATOR

8.1 Like most organisations TPR has been dealing with the complications arising out of the Coronavirus pandemic. TPR released its initial guidance in early April which was revised as time progressed. The latest guidance is dated 16 June 2020.

8.2 On 1 September 2020, TPR confirmed that it now intends to launch the formal consultation on a single Code of Practice in early 2021. TPR provides 15 codes of practice, covering topics such as early leavers, internal controls and governance and administration of public service pension schemes which it intends to amalgamate.

8.3 TPR also issued the Public Service Governance and Administration Survey 2020 which was completed by GMPF on 12 February 2021.

9. RECOMMENDATION

9.1 It is recommended that the Panel note the report.

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/

Say on Climate
GMPF has given its support via its membership in the Northern LGPS to the Say on Climate initiative. The initiatives aim is for companies to disclose emissions with a comprehensive plan to manage those emissions and to have a shareholder vote on the plan at the AGM.
Web link: https://www.sayonclimate.org/

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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