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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 16 September 2022
Time: 10.00 am
Place: Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF

Item No.	AGENDA	Page No

GENERAL BUSINESS

1. CHAIR'S INTRODUCTORY REMARKS 10.00AM

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

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

4. MINUTES

a) MINUTES OF THE PENSION FUND ADVISORY PANEL 1 - 20

To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 15 July 2022.

b) MINUTES OF THE PENSION FUND MANAGEMENT PANEL 21 - 28

To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 15 July 2022.

5. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

a) URGENT ITEMS

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

b) EXEMPT ITEMS

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

Items	Paragraphs	Justification
8, 9, 10, 11. 12,	3&10, 3&10, 3&10,	Disclosure would, or would

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

14, 15, 19, 20, 21, 22, 23, 24	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	prejudice the commercial int Fund and/or its agents which affect the interests of the and/or tax payers.

6. PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES

a) LOCAL PENSIONS BOARD — 29 - 38

To receive the Minutes of the proceedings of the Local Pensions Board held on 28 July 2022.

b) INVESTMENT MONITORING AND ESG WORKING GROUP — 39 - 42

To consider the Minutes of the proceedings of the Investment Monitoring and ESG Working Group held on 29 July 2022.

c) ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP — 43 - 50

To consider the Minutes of the proceedings of the Administration and Employer Funding Viability Working Group held on 29 July 2022.

d) POLICY AND DEVELOPMENT WORKING GROUP — 51 - 58

To consider the Minutes of the meeting held on 8 September 2022.

ITEMS FOR DISCUSSION/DECISION

7. RESPONSIBLE INVESTMENT UPDATE 10.20AM — 59 - 66

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

8. GMPF'S APPROACH TO CLIMATE RISK 10.30AM — 67 - 94

To consider the attached report of the Assistant Director of Pensions Investments and to receive a presentation from representatives of Trucost.

9. ADMINISTRATION AND BENEFITS REVIEW 11.00AM — 95 - 100

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

10. ACTUARIAL VALUATION 11.45AM — 101 - 104

To consider the attached report of the Assistant Director, Funding and Business Development and to receive a presentation from Hymans Robertson, Actuary to the Fund.

11. PERFORMANCE DASHBOARD 12PM — 105 - 142

Report of the Assistant Director of Pensions Investments, attached.

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

Item No.	AGENDA	Page No
12.	**BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT 12.10PM** To consider the attached report of the Director of Pensions.	143 - 148
13.	**GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2021/22 12.20PM** To consider the attached report of the Assistant Director, Local Investments and Property.	149 - 154
14.	**ADVISOR COMMENTS AND QUESTIONS**	

ITEMS FOR INFORMATION

15.	**LGPS UPDATE** To consider the attached report of the Director of Pensions.	155 - 162
16.	**FUTURE DEVELOPMENT OPPORTUNITIES** Trustee development opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.	

PLSA Annual Conference – ACC Liverpool	12-13 October 2022
LGA Fundamentals Day 1 – Virtual	18 October 2022
LGA Fundamentals Day 2 – Virtual	22 November 2022
LAPFF Annual Conference - Bournemouth	7-9 December 2022
LGA Fundamentals Day 3 – Virtual	20 December 2022
LGPS Governance Conference - Bournemouth	20-21 January 2023

17. DATES OF FUTURE MEETINGS

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

Management/Advisory Panel	2 Dec 2022 24 March 2023 14 July 2023 15 Sept 2023 1 Dec 2023 8 March 2024
Local Pensions Board	29 Sept 2022 26 Jan 2023 13 April 2023 27 July 2023 28 Sept 2023 25 Jan 2024 11 April 2024
Policy and Development Working Group	24 Nov 2022 2 March 2023 22 June 2023 7 Sept 2023

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

	23 Nov 2023 22 Feb 2024
Investment Monitoring and ESG Working Group	30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024
Administration and Employer Funding Viability Working Group	30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024

WORKING PAPERS - APPENDICES

GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

15 July 2022

Commenced:	**10.00am**	**Terminated: 12.30pm**
Present:	**Councillor Cooney (Chair)** **Councillors: Andrews (Manchester), Barnes (Salford), Cowen (Bolton), Grimshaw (Bury), Massey (Rochdale), and Smart (Stockport)** **Employee Representatives:** **Ms Blackburn (UNISON), Mr Caplan (UNISON), Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UNITE)** **Fund Observer:** **Mr Pantall** **Local Pensions Board Member (in attendance as observer):** **Mark Rayner** **Advisors:** **Mr Bowie** **Mr Moizer and Mr Powers joined the meeting virtually**	
Apologies for absence:	**Councillors Cunliffe (Wigan) and Jabbar (Oldham)**	

1. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney, began by welcoming everyone to the first face-to-face meeting of the Panel in over two and half years. It was also the first hybrid meeting in the history of the Fund, with some colleagues joining the meeting virtually. The Chair expressed his honour at being appointed the Chair of the Fund, which he had been appointed to over 30 years ago and reiterated the need to hold strong to governance and beliefs in order to weather any storms that could set the Fund off course.

He welcomed new and returning Trustees and in particular, Councillor North, Vice Chair and Cllr Oliver Ryan who was an observer on the Fund and who was now the Deputy of the Fund and representative on the Northern LGPS.

The Chair extended a warm welcome to new Trustees as follows:
- Cllr Lisa Smart (Stockport), replacing Cllr John Taylor
- Cllr Philip Massey (Rochdale), replacing Cllr Peter Joinson
- Cllr Amy Cowen (Bolton), replacing Cllr Stuart Hartigan

He added that Trafford had yet to make an appointment to the Fund and he looked forward to welcoming their representative in the near future.

The Chair extended his thanks and gratitude to retired Members of the Panel for their contribution to the work of the Fund over the last few years, in particular Councillor Brenda Warrington, the former Chair, who steered the Fund through Covid and the world of zoom/virtual meetings. He further thanked Councillor Mike Smith, the former Deputy Chair of the Fund and former Chair of the Administration and Employer Funding Viability Working Group.

The Chair also thanked for their contribution and commitment, David Boyle, who had retired as an adjudicator under the Internal Dispute Resolution Procedure and Pat Catterall who had retired from the Local Board as the retired Members representative.

The Chair stressed the importance of ensuring ordinary working people in public sector jobs serving their communities, were able to live out their retirement years with security and dignity. He further emphasised the need to safeguard the deferred pay, which was the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to employers and tax payers alike.

The Chair made reference to the challenging nature of the 2050 target of cutting carbon levels to net zero. Switching the global economy from extractive to regenerative energy meant finding secure and reliable alternatives to burning oil and gas. So far, making such a breakthrough had proved difficult. Energy bills for homes, businesses and motorists had rocketed since the second half of last year. Increasing demand had hit the supply of traditional energy sources, such as gas, whilst modern, cleaner technologies like windfarms were the victim of there not being 'enough wind' in the North Sea. Shifting the world onto electrically powered vehicles would only push demand higher, and that was without building the charging infrastructure needed to support the motoring revolution. Oil and gas had powered the world for more than 100 years. It was deeply embedded within the infrastructure of communities and had made parts of the world extremely prosperous.

He commented that change was not easy and the challenge was not limited to finding alternative sources of energy. Millions of people's livelihoods were directly connected to oil and gas and the industries they supported. If governments worked to replace fossil fuels with cleaner alternatives, they could be creating poverty. ESG-led investing was not just about protecting the environment for future generations, there was also a social element in the strategy, so putting logs of people out of work and, therefore, decimating communities to fix environment concerns was a conflict within the ethos of sustainable investing. People living in a world of lower temperatures and free from extreme weather patterns was not a trade-off for living in poverty. Governments and investors were being encouraged to ensure that there was a just transition from fossil fuels to regenerative sources of energy so that no one was left behind as there was a move towards a sustainable future.

The energy transition was one of social justice not just environmental justice. In the early days, responsible investment focused on governance. Then it focused on environmental impacts. In the past 18 months to two years, there had been more discussions around nature and the social elements, and the frameworks to consider this.

From a just perspective, the best thing to do as an investor was not to abandon the sector. It would be socially irresponsible to make it harder for companies to turn themselves around. More importantly emerging economies could be big losers due to their high dependence on the sectors net-zero plans were targeting. South Africa was an example of where a just transition could be a challenge. It had a challenge ahead in terms of the transition itself in weaning the country off fossil-fuel intensive industries, but there was the added challenge of already high levels of poverty. If investors stopped financing the current set-up, there was a risk off cutting the lights off for millions of people. There needed to be a plan to finance the transition.

The Chair made reference to COP26, and in a first of its kind agreement, South Africa would receive around £6.4bn from the US and countries in Europe as part of a "Just Energy Transition Partnership". This aimed to accelerate South Africa's green transition but some of the money would be investments in social infrastructure, to manage labour and support workers impacted by the transition. For example, the 90,000 miners involved in coal extraction would be helped to find other industrial roles or education provided to re-skill and work in other areas, such as renewable energy. But a just transition could not happen unless governments, regulators, companies and investors had wider support. The energy transition was used as an example and it was explained that going from wood to coal and from coal to oil took 100 years, yet energy systems were expected to change within a couple of decades or so. That was a real challenge, which was bound to throw up destabilising elements in the economy and within society.

The Chair explained that UBS would be presenting before Members later in the agenda explaining why they thought energy companies remained a good investment and what they were doing to engage with those companies to achieve net zero and a just transition.

The Chair stated that environmental issues were right at the top of the agenda, however, he added that raising awareness of social issues was also crucial. He explained that the Assistant Director of Pensions Investments would be reporting later in the agenda in respect of the work undertaken for the Fund's application to retain its UK Stewardship Code status including being at the forefront of seeking changes in tax being paid by some large, global companies, which, it was known, had destroyed high streets.

The Chair also commented on the Palestine issue. He referenced the Local Authority Pension Fund Forum (LAPFF), the leading voice for local authority pension funds across the UK, who were working with the Scheme Advisory Board (SAB) to understand how companies were put on the UN list and what they needed to do to come off it, to avoid potential legal challenges. A letter was written in response to Professor Lynk, the UN Special Rapporteur in January, seeking clarification, no response had been received and it had since transpired that he had retired and been replaced, and a further letter was being sent next week from SAB and LAPFF seeking the same answers to the new Special Rapporteur so there was currently no progress to report on this matter.

The Chair concluded by strengthening the Fund's commitment to a more resilient future.

2. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

3. MINUTES

(a) The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 March 2022 were signed as a correct record.

(b) The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 March 2021 were noted.

4. 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, 17, 18, 22, 23,	**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**

24	**3&10, 3&10, 3&10, 3&10, 3&10**	**the stakeholders and/or tax payers.**

5. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 7 April 2022 were received.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 7 April 2022 be noted.

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 8 April 2022 were considered.

As the former Chair of the Working Group, Councillor Cooney explained that Ninety One attended the meeting and gave an informative update on their Responsible Investment activity, and trading costs over the last 12 months.

Ninety One made reference to their integration of sustainability factors into their investment approach and gave details of their sector sustainability framework, along with a carbon scorecard for an example company.

Ninety One's focus was on emissions pathways, not current emissions, and they were working towards ensuring companies had robust transition plans.

Members were also provided with an update from PIRC on their '2022 UK Shareowner Voting Guidelines'. In particular, a number of changes had been made to the guidelines such as voting against accounts if they were not Paris aligned, and voting against the re-election of the chair of nomination committees where boards were not suitably diverse.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of GMPF Submission to the UK Stewardship Code Reporting Framework, that the draft updated GMPF Stewardship Report for submission to the FRC subject to any minor updates which are delegated to Officers, be endorsed; and
(iii) In respect of the Update on Active Participation in Class Actions, that GMPF recouches the loss threshold as 0.17% of US equities, as at 31 December 2021, as set out in the report before seeking active participation in Class Actions.

7. 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 8 April 2022 were considered.

RECOMMENDED
That the Minutes be received as a correct record;

8. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 23 June 2022 were considered.

The Chair of the Working Group, Councillor Cooney, advised that Members and the Advisors devoted time to considering a draft of the Investment Strategy report for the Main Fund. Feeding into the Strategy were detailed reviews of strategy and implementation covering the internally managed portfolios of Alternative, Local and Property Investments. The final Investment Strategy report would be presented later in the Panel agenda.

Separately, as a reminder, over four years ago the Fund implemented a Global Equity Trigger Process, which was designed to either protect the Fund when the stock market became very expensive, or enhance the Fund's returns by investing at times of extreme stock market lows.

Going into 2021/22, the triggers had been fully activated following markets rising substantially above the Fund's estimate of Fair Value. Over the course of the year, the market remained expensive and the protection remained in place. More recent market falls meant that some of the protection had been unwound.

Officers provided Members with an updated estimate of Fair Value for 2022/23. Officers also provided an update in relation to the size of the maximum asset switch to be targeted. Those updates were recommended for adoption by the Panel today.

RECOMMENDED

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

(ii) In terms of Investment Strategy and Tactical Positioning 2022/23, that there be no significant changes to the Fund's approach and the current Investment Strategy and long term direction of travel be maintained;

(iii) In respect of Internally Managed Portfolios: Investment Mandates, that the Investment Mandates for the Internally Managed Portfolios, as appended to the report, be adopted by the Panel;

(iv) In terms of Private Equity: Review of Strategy and Implementation, that

(a) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium-term strategic allocation for private equity remains at 5% by value of the total Main Fund assets;

(b) the target geographical diversification of the private equity portfolio remains:

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

(c) the investment stage diversification of the private equity portfolio remains:

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

(d) the pace of Primary Fund commitments to be £120m pa so that, together with co-investment deployment of approximately £38m pa on average, private equity exposure is targeted at or around the 5% target strategic Main Fund allocation;

(e) GMPF's private equity strategy is implemented by appropriately sized commitments to Northern Private Equity Pool such that the anticipated deployment will be consistent with the pacing recommendation at 8.5;

(f) it is recognised that the portfolio may not fall within the target ranges at 8.3 and 8.4 above from time to time to reflect, *inter alia*, portfolio repositioning.

(v) In terms of Private Debt: Review of Strategy and Implementation, that

(a) the medium-term strategic allocation for private debt remains at 5% by value of the

total Main Fund assets.

(b) the target geographical diversification of the private debt portfolio remain as follows:

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

(c) the portfolio should continue to be populated by partnership commitments to funds where the vast majority of investments are senior secured loans.

(d) the scale of commitment to funds to be £375m per annum, to work towards achievement of the strategy allocation over a sensible time frame.

(e) it is recognised that the portfolio may not fall within the target ranges at 8.3 above from time to time to reflect, *inter alia*, portfolio repositioning.

(v) In respect of Infrastructure Funds: Review of Strategy and Implementation, that

(a) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium-term strategic allocation to Infrastructure Funds remains at 5% by value of total Main Fund assets;

(b) the target geographical diversification of the infrastructure portfolio remains:

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

(c) the target stage diversification of the infrastructure portfolio remains:

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

(d) the pace of new fund commitments is maintained at £240m per annum to work towards achievement of the strategy over a sensible time frame;

(e) the Private Markets team implement the Infrastructure strategy via commitments to private partnerships and to co-investments; and

(f) it is recognised that the portfolio may not fall within the target ranges at 8.3 and 8.4 from time to time to reflect, *inter alia*, portfolio repositioning.

(vi) With regard to, Special Opportunities Portfolio: Review of Strategy and Implementation, that

(a) the allocation to the Special Opportunities Portfolio remains at <u>up to</u> 5% by value of the total Main Fund assets; and

(b) the main strategic control to remain the Type Approval mechanism described at Section 3.2.

(vii) In respect of Special Opportunities Portfolio: Approval of an Investment Type – Private Debt Opportunities:

(a) That approval be given to the making of investments from the Special Opportunities Portfolio under a new, broader Type Approval, "Private Debt Opportunities", defined as follows:

i) private loan or loan-related investments;
ii) globally;
iii) across a full range of collateral types;
iv) of a senior or junior nature;
v) with a view to creating a diversified portfolio targeting returns, typically, though not exclusively, in the range of 6% to 12% per annum; and
vi) without creating any overlap with the Main Fund Private Debt strategic

allocation.

(b) A non-exhaustive list of permitted investments within the "Private Debt Opportunities" Type Approval includes:

- **i) Corporate junior and mezzanine loans;**
- **ii) Leveraged senior corporate loans;**
- **iii) Distressed corporate and other loans;**
- **iv) Real Estate loans;**
- **v) SME Equipment Finance;**
- **vi) Aviation Leasing;**
- **vii) Residential and Commercial Mortgage finance;**
- **viii) Consumer Finance;**
- **ix) Insurance Linked Securities; and**
- **x) Trade Finance**

(c) That the exposure cap for the broader Type Approval "Private Debt Opportunities" be increased from 2% of Main Fund Assets to 3% of Main Fund Assets.

(viii) In terms of UK Property Portfolio: Review of Strategy and Implementation and Performance Monitoring:

(a) That the medium-term strategic allocation for the UK Property portfolio remains at 8% by value of the total Main Fund assets*;*

(b) That the UK Property portfolio construction remains as per the agreed recommendations at the Management Panel in March 2021 and as below:

Risk Factor	Investment Characteristics	Outperformance over MSCI All Property Index	Target Portfolio Weight	Range
UK Direct (consisting of the two new separate mandates of care and maintenance and bad bank portfolios)	No leverage, specialist active management, and high-income return component.	0% Care and Maintenance 0% Bad Bank	3%	2-4%
UK Indirect (balanced and specialist investment strategies via pooled vehicles which are intended to match performance of the broad property index – whilst providing diversification benefits)	Low to moderate use of leverage, benchmark level active management, and high-income return component. Moderate use of leverage, specialist active management, and low to medium-income return component with higher capital return.	0% Balanced Funds 2% Specialist through sector or value add and other alternative asset classes	3.5% 1.5%	2-5% 0-3%

(c) That the pacing of commitment to UK property to continue at an average of c. £200m per annum in order to meet a "realistic" target of allocation of 8% of the Main Fund allocation by end of 2024.

(d) That it is recognised that the portfolio may not fall within its target ranges from time to time to reflect, inter alia, portfolio repositioning.

(ix) In respect of Overseas Property Portfolio: Review of Strategy and Implementation:

(a) That the medium-term strategic allocation for the Overseas portfolio remains at

c.2% by value of the total Main Fund assets

(b) That the Overseas Property target risk remains:

Risk Factor	Investment Characteristics	Outperformance over UK IPD	Target Portfolio Weight	Range
Matching (core and core plus strategies which are intended to match long running UK IPD – whilst providing diversification benefits)	Low to moderate use of leverage, benchmark level active management, and high-income return component.	0% (Europe and US) 2% (Rest of World)	50%	40 – 60%
Enhancing (value add and opportunistic strategies which are intended to enhance long running UK IPD through active management)	Moderate to high use of leverage, above benchmark level of active management and high capital value return component.	4% (Europe and US) Enhancing strategies in the Rest of the World will not be considered.	50%	40 – 60%

(c) That the Overseas Property target geographic diversification remains:

Geography	Target Portfolio Weighting	Range
US	45%	30 – 60%
Europe	45%	30 – 60%
Rest of the World	10%	0 – 20%

(d) That the pacing of commitment to funds to remain at £100m per annum in order to maintain a "realistic" target allocation of 2% of the Main Fund allocation over the next 4 years.

(e) That it is recognised that the portfolio may not fall within its target ranges from time to time to reflect, inter alia, portfolio repositioning.

(x) With regard to Property Venture Fund: Review of Strategy and Implementation:

(a) the medium term strategic allocation for the GMPVF portfolio remains at 2.5% by value of the total Main Fund assets

(b) the target geographical diversification of the GMPVF portfolio remains:

Geography	Target Range
Greater Manchester	60%-100%
Northern LGPS Area (ex GM)	0%-40%

(c) the investment stage diversification of the GMPVF portfolio remains:

Stage	Target Range
Income Generating Property	20%-45%
Development Equity	5%-25%
Development Mezzanine Debt	15%-35%
Development Senior Debt	15%-35%

(d) the sector diversification of the GMPVF Income Generating Properties remains:

Stage	Target Range
Industrial	25%-45%
Offices	25%-45%
Other (Retail, Leisure, Housing, Alts.)	20%-40%

(e) the permitted range of exposure to speculative risk, based on a percentage of the total amount committed by GMPVF, remains:

	Range
	% of Committed
Pre - Let	**20-100**
Speculative	**0-80**

(f) commitments to projects continue to be scaled and timed such that, combined with investments in income producing property and likely realisations of existing developments, the allocation is deployed over the medium term.

(g) it is recognised that at any given time the portfolio may vary significantly from the target ranges shown at 3.4 – 3.9.

(xi) In terms of Impact and Invest for Growth Portfolio: Review of Strategy and Implementation:

(a) The medium term strategic allocation for the Impact portfolio remains at 2% by value of the total Main Fund assets.

(b) The Impact Theme target diversification for the Impact portfolio is adjusted as follows:

Impact Themes		**Target % Range**
JOBS	**50%**	**25%-75%**
Loans to SME's		
Equity Invest in Underserved Markets		
Investment in technology jobs		
PLACE	**50%**	**25%-75%**
Renewable Energy Infrastructure		
Social Investment		
Social Infrastructure		
Housing		
Total		**100%**

(c) The pacing of commitment to funds to continue at £80m pa, to meet the "realistic" target of allocation of 1.5% of Main Fund allocation by end of 2024. In addition to this routine portfolio activity, will be the Northern Gritstone Investment and a significant investment targeted at local infrastructure which will be a project that the team will commence work on subject to approval. It is envisaged that over medium term this could involved deployment of up to £100m.

(d) It is recognised that the portfolio may not fall within the target ranges at 8.2 from time to time to reflect, inter alia, portfolio repositioning.

(e) The Investment Mandate for this portfolio (reported as a separate item) is adopted to ensure appropriate monitoring arrangements

(xii) With regard to Northern LGPS Housing: Review of Strategy and Implementation:

(a) The medium term strategic allocation for the Northern LGPS Housing portfolio remains at 1% by value of the total Main Fund assets; and

(b) The implementation process continues to be overseen by GMPF Investment Committee and Northern LGPS Directors.

(xiii) GLIL Infrastructure LLP: Review of Strategy and Implementation, that the 5% Main Fund allocation to GLIL remains unchanged and the Investment Mandate and Investment Guidelines remain unchanged.

(xiv) Global Equity 'Purchase/Sale' Trigger Process – Update of Fair Value Estimate, Trigger Points and Size of Switch, that the updated Fair Value estimate, associated updated trigger points and the updated 'size' of the maximum asset switch to be targeted, as contained within the report, be adopted.

9. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meetings of the Northern LGPS Joint Oversight Committee held on 3 February and 14 April 2022 were received.

RECOMMENDED
That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on: 3 February and 14 April 2022 be noted.

10. SCHEME GOVERNANCE/WORKING GROUP MEMBERSHIP 2022/23

Consideration was given to a report of the Director of Pensions, which gave details of the appointments to the Working Groups, Scheme Governance and Terms of Reference.

RECOMMENDED
That the content of the report including the membership of the Working Groups, Scheme Governance and Terms of Reference, be noted.

11. RESPONSIBLE INVESTMENT UPDATE

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

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 report publicly 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 the quarter against the six PRI principles was detailed in the report.

The Assistant Director gave details of deployment of capital as follows:
- **Impact Portfolio**: £10 million commitment to purchase and refurbish properties in the North West to provide accommodation to families at risk of homelessness
- **Property Venture Fund:** £48m commitment to build three logistics units within Greater Manchester with strong sustainability and energy ratings.

He further made reference to the Northern LGPS Stewardship quarterly report, which explored water stewardship; tackling tax; effective engagement and voting on shareholder resolutions. Members were advised that GMPF co-filed three shareholder resolutions aligned to its RI Policy in respect of tax transparency and climate reporting. Northern LGPS Net Zero targets were also discussed. Reference was also made to the LAPFF quarterly engagement report, which focused on Ukraine, UK Endorsement Board, Mining and Human Rights issues.

Details of GMPF's Responsible Investment partners and collaborations were appended to the report. Detailed discussion ensued in respect of the content of the report and presentation, with particular focus on the consequences of extreme weather events on emerging economies and how this affected their ability to move towards a Net Zero position and the role of the Fund as an influencer on the global stage.

The Chair thanked the Assistant Director for the comprehensive and informative presentation, which detailed the action taken towards the goal to achieve a net zero carbon fund and demonstrated the Fund's approach to a Just Transition.

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

12. LGPS PERFORMANCE UPDATE

Karen Thrumble of PIRC, attended virtually before Members and delivered a presentation, which provided an overview of the Fund's investment performance within a long-term, peer group context to enhance governance and improve decision making.

The Chair thanked Ms Thrumble for a very thought provoking presentation. He added that he was pleased to note the Fund's impressive performance over 30 years.

RECOMMENDED
That the content of the presentation be noted.

13. UBS TRAINING ITEM

Steve Magill, Head of UBS European and UK Value and Francis Condon, Head of Thematic Engagement & Collaboration, Sustainable Investment Research, UBS, attended virtually before Members and delivered a presentation.

Mr Magill began by discussing key ESG trends including the underlying dynamics and drivers of the SI market and outlined the sustainable development scenario vs net zero emissions.

Further information was provided in respect of the energy transition and how energy companies were leading the way. Collaboration with companies to support a transition was detailed including UBS's commitment to engaging with companies to help them transition to a lower carbon future and to playing an important role in solving the climate change emergency. How UBS was driving the climate change agenda was also explored and the importance of ownership of the most polluting stocks by the most responsible investors was emphasised.

Detailed discussion ensued in respect of the content of the presentation and Members sought further clarification as to how UBS incorporated ESG factors in decision making and diversification of the portfolio.

The Chair thanked Mr Magill and Mr Condon for a very interesting and helpful presentation.

RECOMMENDED
That the content of the presentation be noted.

14. 2022 ACTUARIAL VALUATION

A report was submitted by the Assistant Director of Pensions, Funding and Business Development and a presentation delivered by Steven Law of Hymans Robertson, Actuary to the Fund.

It was reported that GMPF's actuary Hymans Robertson presented at both the December 2021 and March 2022 Panel meetings on some of the likely key issues influencing the outcomes of the valuation. It was explained that, whilst actuarial assumptions were yet to be agreed by the Management Panel, at a whole fund level, it was expected that GMPF would disclose a broadly similar funding level at the 2022 valuation compared to 31 March 2019. GMPF's investment returns exceeded the assumption made at the 2019 valuation, but an increase in future expected price inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. Whilst changes were also being proposed to some demographic assumptions (such as life expectancy) to reflect observed trends over the inter-valuation period, the changes were expected to have a less material impact on the valuation results.

As was typically the case, there would likely be a wide variety of outcomes across employers. Increases in both asset and liability values tended to produce more favourable outcomes for those employers whose sections of GMPF were already well funded and/or those employers who had a relatively 'mature' liability profile (i.e. a relatively high proportion of pensioner members and/or non-pensioner members who were relatively close to retirement).

Members were advised that, as part of the 2022 valuation, GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The Funding Strategy Statement provided guidance to the Actuary in undertaking the actuarial valuation. Regulation 58 of the LGPS Regulations 2013 required each administering authority to prepare and maintain a Funding Strategy Statement. The purpose of the FSS was to "establish a clear and transparent fund specific funding strategy which would identify how employers' pension liabilities were best met going forward". The FSS also set out other aspects of GMPF policy, such as how early retirement costs were funded, and how debts for employers who terminated their participation in the fund were calculated. The Funding Strategy Statement was attached to the report. A draft Funding Strategy Statement for 2023 to 2026, was also appended to the report.

Other points of note including the McCloud/Sargeant judgements in the LGPS, were also detailed and discussed.

RECOMMENDED
(i) That the content of the report and the presentation from Hymans Robertson, be noted; and
(ii) That the draft Funding Strategy Statement be approved for consultation with employers following further discussion at the Administration, Employer Funding and Viability Working Group on 29 July 2022.

15. INVESTMENT STRATEGY AND TACTICAL POSITIONING 22/23

Consideration was given to a report and presentation of the Assistant Director of Pensions, Investments, to review the benchmark asset allocations for the Main Fund and Investment Managers and to consider changes to the investment restrictions.

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

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

Attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers and it was intended that further work be undertaken in this area, post the 2022 Actuarial Valuation.

Historically, the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to around 8.5% of Main Fund assets. Separately and where appropriate, 'realistic' benchmarks for Private Market assets and Local Investments would be increased to reflect the progress made in implementing these portfolios during 2021/22. The likelihood of reaching these strategic benchmark weights would of course depend on how markets behaved over that timeframe. The rapidly rising equity markets of recent years had meant an increased £ amount allocation was required to reach the target weights.

One immediate implication of the increasing maturity of the Fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets, and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund's Investment Managers over the coming years. Additional cash required over and above that currently held within the Fund would be sourced from the Main Fund's roster of public markets equities and investment grade bond Investment Managers.

In line with the recommendations from the 2019/20 Investment Strategy Review, Officers funded the 10% Main Fund allocation to the Factor Based Investment and the 2% increase in the global equity mandate managed by Ninety One during the second half of 2019. Funding was sourced from the legacy Capital mandate that was temporarily held with L&G pending the implementation of the replacement arrangements.

Following the 2017/18 Investment Strategy Review, the Fund introduced a Main Fund allocation to Private Debt, funded from a reduction in equities, to diversify the Main Fund, reducing the reliance on Public Equities as the source of growth assets. The Senior Private Debt allocation within the Special Opportunities Portfolio was promoted into a standalone Main Fund allocation. Additional commitments to Private Debt had since been made and the portfolio was now 3.4% of the total value of the Main Fund. Officers had reviewed the Fund's current exposures to Private Debt across the Main Fund to potentially enhance portfolio construction, oversight and monitoring.

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

Discussion ensued with regard to the above and the Advisors were broadly supportive of the proposals.

RECOMMENDED

1. **Main Fund Overall Asset Allocation**
   - **(a) No changes proposed for the 'fully implemented' benchmark asset allocation.**
   - **(b) Adjust the Public Equity to take account of the changes in 'realistic benchmark' allocations to Infrastructure and Private Debt *[see 5. (f) and 5. (g) below].* More specifically, reduce the Public Equity allocation by 1.0% (from 46.3% to 45.3%) to take account of this changes.**
2. **Public Equity Allocation**
   - **(a) Set the Public Equity benchmark allocation as 45.25% *[see 1. (b) above]*.**
   - **(b) No changes proposed for the overall splits within the Public Equity allocation**

– maintain the Public Equity allocation as 64% Regional and 36% Global, and maintain the current Regional Equity mix.

(c) Continue with the "strategic direction of travel" in terms of moving gradually over a number of years from the recouched current mix of the Regional Equity allocation towards a Market Cap weighted shape as adopted at the July 2021 Panel. No further change necessary at this time.

3. Debt Related Investments (inc Bonds)/Cash Allocation

(a) No changes proposed for the overall bond position – maintain current overall benchmark allocation for bonds.

(b) No change to the 3.2% allocation to Strategic Cash.

(c) No changes proposed to the current 'liquidity waterfall' and approach to managing the Fund's liquidity needs. Any developmental changes regarding the ongoing management or implementation of the Fund's liquidity requirements to be considered as part of the Fund's review of Investment Management Arrangements.

4. Environmental, Social and Governance Factors

(a) No changes proposed for the Fund's incorporation of ESG factors into the strategic benchmark and investment strategy.

(b) The Fund's approach to being an activist investor via company engagement, as outlined in 15.3, is noted.

5. Alternative Investments

(a) Private Equity : The recommendations of the Policy & Development Working Group be adopted (minute 5 refers).

(b) Infrastructure : The recommendations of the Policy & Development Working Group be adopted (minute 7 refers).

(c) Private Debt : The recommendations of the Policy & Development Working Group be adopted (minute 6 refers).

(d) Special Opportunities Portfolio : The recommendations of the Policy & Development Working Group be adopted (minutes 8 and 9 refers).

(e) Maintain the strategic target allocation to private equity at 5%.

(f) Change the realistic allocation to Infrastructure from 3.5% to 4.0%.

(g) Change the realistic allocation to Private Debt from 3.0% to 3.5%.

(h) Maintain the realistic allocation to Special Opportunities Portfolio at 2.0%.

(i) All increases in realistic allocation to Infrastructure and Private Debt to come entirely from Public Equities.

6. Direct UK Infrastructure

(a) Maintain the realistic allocation to GLIL of 3%.

(b) Direct Infrastructure : The recommendations of the Policy & Development Working Group be adopted (minute 15 refers).

7. Property

(a) Maintain the overall strategic target exposure to property at 10%.

(b) Property : The recommendations of the Policy & Development Working Group be adopted (minutes 10 and 11 refers).

8. Local Investment

(a) Maintain the overall limit on those assets which are locally invested at 5% of Main Fund as agreed at the July 2011 Panel. Maintain the 'realistic benchmark' allocations for Local Investments.

(b) Local Investment: The recommendations of the Policy & Development Working Group be adopted (minutes 12, 13 and 14 refers).

9. Currency hedging

Maintain the existing currency hedging arrangements and review at future reviews of investment strategy. No other changes are proposed to the management of currency exposure elsewhere within the Fund at this stage.

10. Rebalancing
No changes are proposed to the existing rebalancing arrangements. Any developmental changes to the Fund's approach to rebalancing and its implementation to be considered as part of the Fund's review of Investment Management Arrangements

11. Benchmark Indices
No changes are proposed to the current benchmark indices of the Fund.

12. Implementation
The nature, timing and detailed implementation of any benchmark changes necessary to reflect the decisions of the Panel be settled by the Director of Pensions following consultation with the Advisors and/or managers where appropriate.

16. INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions Investments submitted a report in relation to the Fund's consideration of Investment Management arrangements, focussing on rebalancing.

It was explained that the Investment Management arrangements of the Fund reflected a wide range of significant past decisions concerning how the Fund chose to position itself in terms of the management of its assets. The 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.

Areas of focus identified in the October 2020 review of Investment Management Arrangements report to Panel had formed the basis of subsequent reports to a number of Panel meetings since that time and were detailed and discussed.

The report focused on a review of GMPF's approach to rebalancing. Members were advised that rebalancing could be defined as the action / trading strategy of bringing an investors asset allocation back towards what the investor would consider to be the ideal asset allocation given their current views. It was required as a result of different asset classes producing different returns over time, leading to one asset class potentially 'growing' faster than another.

Rebalancing the Main Fund Asset Allocation was considered as part of the 2018/19 Investment Strategy. At that time, Officers weighed the potential advantages of various rebalancing strategies with possible costs.

Following the 2018 assessment, officers proposed that "*The Main Fund is formally monitored once a year immediately following the review of Investment Strategy and rebalanced back to the Main Fund benchmark allocation as necessary. The nature, timing and detailed implementation of any required benchmark changes are settled by the Director of Pensions following consultation with the Advisors and/or managers where appropriate*". The proposal was adopted at the July 2018 meeting of the GMPF Management Panel.

Consideration and evaluation of alternative approaches was specified and key learning points were identified.

It was concluded that, from the papers considered, and having discussed the perspectives with a knowledgeable practitioner at one of the Fund's Public Market Managers, Officers believed that, on balance, the Fund's current rebalancing arrangements continued to provide a reasonable compromise between the risk of a significant deviation away from the Strategic Asset Allocation, the cost of more frequent rebalancing, and the desire to avoid any detrimental performance as a result of missed price-momentum effects. The current approach also benefited from being relatively simple to operate and had low operational risk when compared to the other potential strategies discussed.

RECOMMENDED
(i) That the content of the report be noted, and
(ii) That the Panel endorse the continuing use of the current GMPF rebalancing approach as set out at paragraph 3.3 of the report.

17. 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.

Key information from the Quarter 1 2022 Performance Dashboard was summarised. It was explained that the Russia-Ukraine conflict, and its impact on commodity prices, had exacerbated existing inflationary pressures, weighing on the growth outlook as input and living costs rise, and central banks turned less accommodative. This had resulted in negative returns across bond and equity markets. Russia and Ukraine represented a small share of global GDP and trade but produced a disproportionate share of key global commodity exports. Physical disruptions and sanctions had triggered broad commodity price rises, which alongside existing inflationary pressures, were increasing input costs and weighing on consumer's real incomes. As a result, CPI inflation forecasts had reached new highs while consensus forecasts for global growth had been revised downwards, but still pointed to a relatively robust pace of growth over 2022 and 2023 by post-GFC standards. Soaring energy costs pushed headline inflation higher, but core inflation, which excluded volatile energy and food costs, also rose and was running at a 30-year high, indeed in the UK it was expected that a large number of households would be subject to 'fuel poverty' and additionally, food prices had continued to increase further, increasing poverty and exacerbating inequality. The inflation backdrop had seen central banks turn gradually more hawkish this year, despite the potential downside risks to growth from higher commodity prices. The major central banks, including the Bank of England, had responded to higher inflation by raising base interest rates and reducing the size of their balance sheets.

Quarter one had witnessed markets performing negatively for the first time in a while; in fact, excluding global value, property and commodities, all primary listed asset classes had had negative returns. Concerns about central bank tightening, slowing earnings momentum, and the geopolitical situation had all contributed to global equities falling in Q1 2022, despite a bounce back in March. Value stocks notably outperformed growth stocks as rising yields weighed most heavily on the valuations of stocks with earnings growth further in the future, such as those in the technology sector. Commodity prices surged to extreme levels, with oil and industrial metals benefitting, and faster than expected monetary tightening in the US contributed to a rally in the dollar, whilst safe-haven appeal drove gold prices higher. Bond yields rose sharply as investors priced in a faster withdrawal of monetary stimulus and increased interest rate rise expectations. Corporate bonds also posted a negative return over the quarter.

Over the quarter total Main Fund assets decreased by £14million to £28.1 billion. With the exception of private equity, allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continued apace with allocations expected to increase further over the coming years.

Following the 2021/22 review of Investment Strategy, the current 'rules' governing the Public Equity allocation were recouched in order to simplify the presentation of the current and future positions. In addition, further changes to the ‘realistic’ strategic allocations to alternatives were made in Q4 2021.

Within the Main Fund, there was an overweight position in private equity and cash (of around 2% each versus target respectively). This was offset by underweight positions in bonds and (other) alternatives. The property allocation continued to be underweight (by around 2%) versus its benchmark.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £4.1 billion of additional assets. The Main Fund outperformed its benchmark over Q1 2022. Relative performance over 1 year and 3 years was positive. The Main Fund was also ahead of its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q1 2022, 1 year active risk remained broadly at levels reached in Q3 2021 having increased dramatically over recent quarters. Active risk remained elevated relative to recent history. This had resulted in a marked increase in active risk over 3 and 5 year periods. However, over longer time periods, active risk of the Main Fund remained broadly consistent at around 1%-1.5% pa. Risk in absolute terms (for both portfolio and benchmark) slightly increased in Q1 2022 having fallen in Q4 2021. There was now greater uncertainty surrounding the macro economic outlook; in particular, future inflation levels, the war in Ukraine, supply chain disruptions and the future impact of the pandemic on economic output remained unclear

As at the end of Quarter 1; over 1 year; one of the fund’s active securities managers had outperformed its respective benchmark whilst three managers underperformed their benchmarks. Over a 3 year period, whilst one manager had underperformed its benchmark two managers outperformed their benchmarks. The long-term performance of one manager remained strong. The performance history of the Factor Based Investing portfolio was extremely short, so at a very early stage, no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

18. LONG TERM PERFORMANCE 2021/22 – MAIN FUND AND ACTIVE MANAGERS

The Assistant Director of Pensions Investments, submitted a report, which advised members of the recent and longer term performance of the Main Fund as a whole and of the external Public Markets active Fund Managers. Detailed results covering periods up to 30 years were given.

The performance of UBS over their time as a Manager for the Fund and short term only performance for Ninety One since their inception in 2015/16, were displayed.

RECOMMENDED
That the content of the report be noted.

19. CASH MANAGEMENT

A report was submitted by the Assistant Director of Pensions Investments, which explained that the Fund adopted a relatively prudent approach to its cash management. The report outlined the constraints in place to ensure an appropriate level of prudence, focusing primarily on capital preservation and secondly on higher returns. It also detailed the performance achieved over the last three years.

The report concluded that the Pension Fund’s cash had been generally well managed. Performance in 2021/22 exceeded market returns and total interest received was £0.6 million.

RECOMMENDED
That the content of the report be noted.

20. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions providing an update on the current business plan and highlighted the current key risks being monitored.

Progress being made on the six key strategic projects set out in the 2021/22 business plan was detailed in the report. Overall, progress was generally in line with the timescales. All business plan tasks continued to be monitored and reviewed each month by the Director of Pensions.

In terms of risk management, Members were advised that the overarching risk register was reviewed and updated at least once each quarter and the latest version was appended to the report. Specific risks being monitored closely by officers were highlighted and included issues relating to high inflation, assessing the impact of the McCloud changes; and cyber security work.

RECOMMENDED
(i) That the progress on the current key business plan tasks be noted; and
(ii) That the risk register and the controls in place to mitigate each risk, be noted.

21. ADMINISTRATION UPDATE

The Assistant Director of Pensions Administration submitted a report providing an update on the following key items:

- Performance and engagement activities;
- Compliance activities; and
- Key projects updates.

RECOMMENDED
That the content of the report be noted.

22. 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:

- DLUHC publishes statutory guidance on special severance payments;
- Cost Control Mechanism;
- McCloud Update;
- MAPS Pension Dashboard update;
- The Pensions Regulator;
- Scheme Annual Report 2021; and
- Pooling update.

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

23. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Annual Conference – ACC Liverpool	**12-13 October 2022**
LGA Fundamentals Day 1 - Virtual	**18 October 2022**
LGA Fundamentals Day 2 - Virtual	**22 November 2022**
LGA Fundamentals Day 3 - Virtual	**20 December 2022**
LGPS Governance Conference - Bournemouth	**20-21 January 2023**

24. DATES OF FUTURE MEETINGS

It be noted that the date of future meetings be held as follows:

Management/Advisory Panel	16 Sept 2022 2 Dec 2022 24 March 2023 14 July 2023 15 Sept 2023 1 Dec 2023 8 March 2024
Local Pensions Board	28 July 2022 29 Sept 2022 26 Jan 2023 13 April 2023 27 July 2023 28 Sept 2023 25 Jan 2024 11 April 2024
Policy & Development Wrk Grp	8 Sept 2022 24 Nov 2022 2 March 2023 22 June 2023 7 Sept 2023 23 Nov 2023 22 Feb 2024
Investment Monitoring & ESG Wrk Grp	29 July 2022 30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024
Administration & Employer Funding Viability Wrk Grp	29 July 2022 30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024

CHAIR

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GREATER MANCHESTER PENSION FUND
MANAGEMENT PANEL

15 July 2022

Commenced:	**10.00am**	**Terminated:12.30pm**
Present:	**Councillor Cooney (Chair)** **Councillors: Andrews (Manchester), Barnes (Salford), Cowen (Bolton), Drennan, Grimshaw (Bury), Lane, Massey (Rochdale), North, Patrick, Quinn, Ricci, Smart (Stockport) and Taylor** **Ms Herbert (MoJ) joined the meeting virtually** **Fund Observers:** **Mr Pantall**	
Apologies for Absence:	**Councillors Cunliffe (Wigan), Jabbar (Oldham), Ryan (Observer) and Ward**	

1. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney, began by welcoming everyone to the first face-to-face meeting of the Panel in over two and half years. It was also the first hybrid meeting in the history of the Fund, with some colleagues joining the meeting virtually. The Chair expressed his honour at being appointed the Chair of the Fund, which he had been appointed to over 30 years ago and reiterated the need to hold strong to governance and beliefs in order to weather any storms that could set the Fund off course.

He welcomed new and returning Trustees and in particular, Councillor North, Vice Chair and Cllr Oliver Ryan who was an observer on the Fund and who was now the Deputy of the Fund and representative on the Northern LGPS.

The Chair extended a warm welcome to new Trustees as follows:
- Cllr Lisa Smart (Stockport), replacing Cllr John Taylor
- Cllr Philip Massey (Rochdale), replacing Cllr Peter Joinson
- Cllr Amy Cowen (Bolton), replacing Cllr Stuart Hartigan

He added that Trafford had yet to make an appointment to the Fund and he looked forward to welcoming their representative in the near future.

The Chair extended his thanks and gratitude to retired Members of the Panel for their contribution to the work of the Fund over the last few years, in particular Councillor Brenda Warrington, the former Chair, who steered the Fund through Covid and the world of zoom/virtual meetings. He further thanked Councillor Mike Smith, the former Deputy Chair of the Fund and former Chair of the Administration and Employer Funding Viability Working Group.

The Chair also thanked David Boyle, who had retired as an adjudicator under the Internal Dispute Resolution Procedure and Pat Catterall who had retired from the Local Board as the retired Members representative.

The Chair stressed the importance of ensuring ordinary working people in public sector jobs serving their communities, were able to live out their retirement years with security and dignity. He further emphasised the need to safeguard the deferred pay, which was the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to employers and tax payers alike.

The Chair made reference to the challenging nature of the 2050 target of cutting carbon levels to net zero. Switching the global economy from extractive to regenerative energy meant finding secure and reliable alternatives to burning oil and gas. So far, making such a breakthrough had proved difficult. Energy bills for homes, businesses and motorists had rocketed since the second half of last year. Increasing demand had hit the supply of traditional energy sources, such as gas, whilst modern, cleaner technologies like windfarms were the victim of there not being 'enough wind' in the North Sea. Shifting the world onto electrically powered vehicles would only push demand higher, and that was without building the charging infrastructure needed to support the motoring revolution. Oil and gas had powered the world for more than 100 years. It was deeply embedded within the infrastructure of communities and had made parts of the world extremely prosperous.

He commented that change was not easy and the challenge was not limited to finding alternative sources of energy. Millions of people's livelihoods were directly connected to oil and gas and the industries they supported. If governments worked to replace fossil fuels with cleaner alternatives, they could be creating poverty. ESG-led investing was not just about protecting the environment for future generations, there was also a social element in the strategy, so putting logs of people out of work and, therefore, decimating communities to fix environment concerns was a conflict within the ethos of sustainable investing. People living in a world of lower temperatures and free from extreme weather patterns was not a trade-off for living in poverty. Governments and investors were being encouraged to ensure that there was a just transition from fossil fuels to regenerative sources of energy so that no one was left behind as there was a move towards a sustainable future.

The energy transition was one of social justice not just environmental justice. In the early days, responsible investment focused on governance. Then it focused on environmental impacts. In the past 18 months to two years, there had been more discussions around nature and the social elements, and the frameworks to consider this.

From a just perspective, the best thing to do as an investor was not to abandon the sector. It would be socially irresponsible to make it harder for companies to turn themselves around. More importantly emerging economies could be big losers due to their high dependence on the sectors net-zero plans were targeting. South Africa was an example of where a just transition could be a challenge. It had a challenge ahead in terms of the transition itself in weaning the country off fossil-fuel intensive industries, but there was the added challenge of already high levels of poverty. If investors stopped financing the current set-up, there was a risk off cutting the lights off for millions of people. There needed to be a plan to finance the transition.

The Chair made reference to COP26, and in a first of its kind agreement, South Africa would receive around £6.4bn from the US and countries in Europe as part of a "Just Energy Transition Partnership". This aimed to accelerate South Africa's green transition but some of the money would be investments in social infrastructure, to manage labour and support workers impacted by the transition. For example, the 90,000 miners involved in coal extraction would be helped to find other industrial roles or education provided to re-skill and work in other areas, such as renewable energy. But a just transition could not happen unless governments, regulators, companies and investors had wider support. The energy transition was used as an example and it was explained that going from wood to coal and from coal to oil took 100 years, yet energy systems were expected to change within a couple of decades or so. That was a real challenge, which was bound to throw up destabilising elements in the economy and within society.

The Chair explained that UBS would be presenting before Members later in the agenda explaining why they thought energy companies remained a good investment and what they were doing to engage with those companies to achieve net zero and a just transition.

The Chair stated that environmental issues were right at the top of the agenda, however he added that raising awareness of social issues was also crucial. He explained that the Assistant Director of Pensions Investments would be reporting later in the agenda in respect of the work undertaken for the Fund's application to retain its UK Stewardship Code status including being at the forefront of seeking changes in tax being paid by some large, global companies, which, it was known, had destroyed high streets.

The Chair also commented on the Palestine issue. He referenced the Local Authority Pension Fund Forum (LAPFF), the leading voice for local authority pension funds across the UK, who were working with the Scheme Advisory Board (SAB) to understand how companies were put on the UN list and what they needed to do to come off it, to avoid potential legal challenges. A letter was written in response to Professor Lynk, the UN Special Rapporteur in January, seeking clarification, no response had been received and it had since transpired that he had retired and been replaced and a further letter was being sent next week from SAB and LAPFF seeking the same answers to the new Special Rapporteur so there was currently no progress to report on this matter.

The Chair concluded by strengthening the Fund's commitment to a more resilient future.

2. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 March 2022 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 March 2022 were signed as a correct record.

4. 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, 17, 18, 22, 23, 24	**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.**

5. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 7 April 2022 were considered.

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

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 8 April 2022 were considered

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

7. 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 8 April 2022 were considered

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

8. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 23 June 2022 were considered

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

9. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meetings of the Northern LGPS Joint Oversight Committee held on 3 February and 14 April 2022 were noted.

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

10. SCHEME GOVERNANCE/WORKING GROUP MEMBERSHIP 2022/23

Consideration was given to a report of the Director of Pensions.

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

11. RESPONSIBLE INVESTMENT UPDATE

A report was submitted and a presentation delivered by the Assistant Director of Pensions Investments.
RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

12. LGPS PERFORMANCE UPDATE

Karen Thrumble, PIRC delivered a presentation.

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

13. UBS TRAINING ITEM

A presentation was delivered by Steve Magill, Head of UBS European and UK Value and Francis Condon, Head of Thematic Engagement & Collaboration, Sustainable Investment Research, UBS, UBS.

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

14. 2022 ACTUARIAL VALUATION

A report was submitted by the Assistant Director of Pensions, Investments and a presentation delivered by Steven Law of Hymans Robertson, Actuary to the Fund.

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

15. INVESTMENT STRATEGY AND TACTICAL POSITIONING 22/23

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

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

16. INVESTMENT MANAGEMENT ARRANGEMENTS

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

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

17. 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.

18. LONG TERM PERFORMANCE 2021/22 – MAIN FUND AND ACTIVE MANAGERS

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.

19. CASH MANAGEMENT

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.

20. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

A report of the Director of Pensions was submitted.

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

21. ADMINISTRATION UPDATE

A report of the Assistant Director of Pensions Administration was submitted.

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

22. 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.

23. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Annual Conference – ACC Liverpool	**12-13 October 2022**
LGA Fundamentals Day 1 - Virtual	**18 October 2022**
LGA Fundamentals Day 2 - Virtual	**22 November 2022**
LGA Fundamentals Day 3 - Virtual	**20 December 2022**
LGPS Governance Conference - Bournemouth	**20-21 January 2023**

24. DATES OF FUTURE MEETINGS

It be noted that the date of future meetings be held as follows:

Management/Advisory Panel	16 Sept 2022 2 Dec 2022 24 March 2023 14 July 2023 15 Sept 2023 1 Dec 2023 8 March 2024
Local Pensions Board	28 July 2022 29 Sept 2022 26 Jan 2023

	13 April 2023 27 July 2023 28 Sept 2023 25 Jan 2024 11 April 2024
Policy & Development Wrk Grp	8 Sept 2022 24 Nov 2022 2 March 2023 22 June 2023 7 Sept 2023 23 Nov 2023 22 Feb 2024
Investment Monitoring & ESG Wrk Grp	29 July 2022 30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024
Administration & Employer Funding Viability Wrk Grp	29 July 2022 30 Sept 2022 27 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024

CHAIR

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GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

28 July 2022

Commenced: 15:00		**Terminated: 16:45**
Present:	**Councillor Fairfoull**	**Employer Representative - Chair**
	Michael Cullen	**Employer Representative**
	Jayne Hammond	**Employer Representative**
	Paul Taylor	**Employer Representative**
	Mark Rayner	**Employee Representative**
	Catherine Lloyd	**Employee Representative**
	Chris Goodwin	**Employee Representative**

Apologies for Absence **David Schofield**

1 DECLARATIONS OF INTEREST

Paul Taylor declared a prejudicial interest in Item 15 – Progress Report on Risk Management and Audit Services 4 April 2022 to 8 July 2022 as Group Change Director at LTE Group.

2 MINUTES

The minutes of the Local Pensions Board meeting on the 7 April 2022 were approved as a correct record.

3 ADMINISTRATION UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with a summary of the key activities taking place in the Administration Section during the last quarter, including comments on administration performance and on complaints disputes.

The administration performance dashboard for quarter 4, January to March 2022, was attached to the report at Appendix 1. The first six months of this year had been particularly busy. Member newsletters were issued to contributors and those with benefits on hold in February to disclose pension transfer changes and provided a general update. These were closely followed by the issuing of P60s and newsletters for pensioner members in March and April. Annual benefit statements to those with benefits on hold were then issued in May. All these communications had generated increased levels of member engagement, which was reflected in the call, email, and website statistics, and in the number of members attending an event.

In regards to Member Services, before the start of the pandemic, work had begun on changing the casework workflows within the Altair pension system that measure performance using target times. This work had to be put on hold while work linked to moving processes online was prioritised. However, work recommenced in quarter 4 and most workflows were amended with effect from 1 April 2022 so regular reporting could recommence across a wider number of areas.

It was reported that the regulations stated that a member should give the Fund at least three months' notice if they wanted to request payment of their benefits. Before the pandemic, GMPF had generally been able to respond to a request within two to four weeks, but this became on average four to eight weeks throughout the pandemic period due to demand and the changes to working arrangements. For the last six months, the team had been working towards moving this process online, which should significantly reduce the wait times. They have worked with the software supplier and other funds to ensure developments are made in My Pension that would allow the transition to online processing to take place.

It was explained that demand from members to access their benefits had increased. This was likely to be due to the fact the members with benefits on hold received their annual benefit statement in May 2022 and it could also be due to some members wishing to take their benefits early due to financial pressures caused by the cost-of-living crisis. This meant that the wait times had increased further and so tackling this area of work and reducing wait times was the primary focus for the service at present.

The work to produce Annual Benefit Statements for 2021/2022 for both contributing members and members with benefits on hold has been taking place. The statements for members with benefits on hold were all uploaded to member M y Pension accounts by 31 May 2022. Statements for contributing members for two of the larger employers was completed as a pilot exercise in June 2022. The remaining statements for contributing members would be uploaded to My Pension accounts by 31 August 2022. All members who had requested paper communications or an alternative form for accessibility reasons will also receive a copy in their chosen format by 31 August.

The project to move processes online continues to progress, with the following processes all now online:

- New starters
- Benefits on hold
- Leavers with less than two years
- Immediate retirements
- Internal transfer options (1 of 6)

As part of the Funds anti-fraud work, the team undertook an annual process to confirm pensioners that live overseas were still alive and due their pension, referred to as an existence check. This annual exercise was now underway, with 2,271 members being written to in June 2022.

As mentioned at the last meeting, in January 2022, the DWP laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. Since the last meeting, work had been undertaken and completed to make the necessary changes to fulfil the requirements of these regulations.

In regards to Employer Services, there continued to be a significant number of employers applying to join GMPF with 79 applications currently being progressed. A further 30 enquiries had also been made by employers considering applying for admission.

Monthly data submissions continued to be monitored at the TPR breaches meeting held monthly. Two large employers were behind with their iConnect submissions for April, May, and June 2022 due to payroll software issues. It was expected that both employers would be up to date by 31 July 2022. The Employer Data team had been monitoring employers who had been sent a notice of warning letter during the last quarter. Out of the 230 employers who were in breach of the terms of the Pension Administration Strategy, 210 of these had demonstrated an improvement in their performance. The remaining 20 cases were being escalated in line with the Pension Administration Strategy.

The new employer year in review reports had been distributed to the ten local authorities for 2021/2022. These reports provide each employer with statistics and information relating to their GMPF members and highlighted how well it was thought that they were fulfilling their role as an LGPS employer.

It was reported that demand had been high on the Customer Services team during the last six months. The dashboard at Appendix 3 reflected this, and response wait times for emails as well as calls had been higher than normal.

Registrations for My Pension continued to increase steadily. Annual benefit statement notification emails were due to be emailed to all contributing members that the fund held an email address for in the next quarter. This would include those who were not yet registered for my pension to initiate engagement and encourage sign up.

RESOLVED
That the information provided in the report be noted.

4 GMPF IT & SYSTEMS UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director of Administration. The report provided the Local Board with a summary of the main IT work and related projects being worked on.

The Assistant Director for Pensions Administration delivered a presentation on the roles, responsibilities, infrastructure, current strategic objectives and priorities of the systems team. The Strategic Lead for Developments and Technologies set out the strategic objectives and priorities:

1. Further reduce on premise footprint
2. Replacement of remaining physical hardware
3. Back-up and disaster recovery enhancements
4. Further increase cyber resilience
5. Implement and develop new service desk software
6. Microsoft Licencing procurement
7. Legal casework system replacement
8. Transform the Altair testing process to maximise benefits

The Board were reminded that there was a GMPF overarching system risks and IT risk register. Ongoing projects that posed risks included:

- TMBC changes / policy changes – Multi Factor Authentication, Single Sign on and Office 365
- BACS software replacement
- Domain privilege management
- System log management

Future priorities would include reviewing website hosting where websites were hosted by Tameside MBC. Systems would look at utilising Office AV to support hybrid working and meetings. The development of SharePoint Hub and maximising the features and functionality within Microsoft 365 to maximise efficiencies. Future priorities would also include improving efficiencies through AI and robotics.

Members of the Board discussed how the use of AI would impact the number of team members within the service. In response to questions it was explained that AI was seen as a way to enhance customer experience and could even generate more work and contact for staff.

RESOLVED
That the report be noted.

5 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development.

Members of the Local Pensions Board were advised that the actuarial valuation process would determine the funding position of GMPF at 31 March 2022 and contribution rates for each participating employer from 1 April 2023. All LGPS funds in England and Wales were undertaking actuarial valuations at this time. Traditionally actuarial valuations in the LGPS had been undertaken every 3 years. At the time of the 2019 valuation Government consulted on aligning the local valuation cycle in the LGPS with the 4-yearly valuation cycle for other Public Service Pension Schemes. Government confirmed in its response that it would not be changing the valuation cycle at the 2019 valuation but did not rule out a change in future. The most likely outcome was that the contribution rates set at this valuation will also apply for a 3-year period.

Preliminary indications are that GMPF will disclose a broadly similar funding level at the 2022 valuation compared to 31 March 2019. GMPF's investment return have exceeded the assumption made at the 2019 valuation, but an increase in future expected price inflation is likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains.

Members of the Board received a presentation which detailed the valuation timetable, how employer contribution rates were calculated and the experience since the 2019 valuation. The Assistant Director detailed the key 2022 valuation assumptions which were set out in the funding strategy statement including investment returns, CPI, life expectancy and salary growth.

The Board were advised that the Funding Strategy Statement ('FSS') provided guidance to the Actuary in undertaking the actuarial valuation. Given the focus on the affordability and sustainability of public sector pensions, the FSS had become a key document in defining how an administering authority will meet its responsibilities in managing an LGPS fund. Management Panel had agreed initial methodology and actuarial assumptions for consultation with employers. The FSS explained how the actuarial assumptions, which would be used to calculate draft results for consideration at the autumn meetings of the Management Panel and the Administration, Employer Funding and Viability Working Group had been derived.

A draft version of the updated FSS was attached as Appendix 1 to the report. The updated FSS incorporated GMPF's policies on the usage of 'Employer Flexibilities' and assessing exit credits which could be payable to employers, which were created during the inter-valuation period.

It was highlighted that a key area for consideration at this valuation was whether there would be any material benefits from a change in approach to how GMPF structures Multi Academy Trust ('MAT') participations.

Officers have held discussions with a variety of MATs to understand their views.

Discussion ensued between Board Members on the FSS. Members of the Board expressed how consultation with employers would be crucial this year due to the pressures that employers would be under.

RESOLVED
That the Local Board Note the report and Hymans Robertson's slides which are attached as Appendix 1.

6 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 April 2022 to July 2022, which were approved at the Management Panel meeting on 15 July 2022.

The Assistant Director for Funding and Business Development summarised the recommendations made by the Administration, Employer Funding and Viability Working Group and Investment Monitoring and ESG working Group on the 8 April 2022 and the recommendations made by the Policy and Development Working Group on the 23 June 2022.

At its 15 July 2022 meeting, the GMPF Management Panel approved the recommendations from the various Working Group meetings.

The 2022 actuarial valuation was discussed at this meeting, with the Fund's actuary, Hymans Robertson, providing a presentation. The main discussion centred on the Funding Strategy Statement. Under Regulation 58 of the LGPS Regulations it was necessary to consult with relevant parties on the FSS. It was recommended that the Management Panel:

(i) Note the report and the presentation from Hymans Robertson
(ii) Approve the draft Funding Strategy Statement for consultation with employers following further discussion at the Administration, Employer Funding and Viability Working Group on 29 July.

Investment Strategy and tactical positioning during 2022/23 were discussed. This report provided an opportunity to review the benchmark asset allocations for the Main Fund and to consider any changes to the investment restrictions. Investment strategy is crucial in determining the investment success of the Fund in relative and absolute terms over the long term. The report examined the various asset classes, their challenges and opportunities going forward. It was recommended that the Management Panel:

(i) **Approve the recommendations set out at Section 17 of the report. (The recommendations cover 12 issues ranging from overall Main Fund asset allocation to benchmark indices).**

A report was presented to Management Panel undertaking a review of the Fund's Investment Management arrangements and the appointments of the Fund's external active Securities Managers. The Investment Management arrangements of the Fund reflect a wide range of significant past decisions concerning how the Fund chooses to position itself in terms of the management of its assets. These significant decisions include, 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. It was recommended that the Management Panel:

(i) Note the report
(ii) Endorse the continuing rebalancing of the Main Fund Asset Allocation that was considered as part of the 2018/19 Investment Strategy. (The Main Fund is formally monitored once a year immediately following the review of Investment Strategy and rebalanced back to the Main Fund benchmark allocation as necessary. The nature, timing and detailed implementation of any required benchmark changes are settled by the Director of Pensions following consultation with the Advisors and/or managers where appropriate).

RESOLVED
That the report be noted.

7 POOLING UPDATE

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

Members of the Board were provided with an update on the expected revisions to the draft statutory guidance on LGPS asset pooling. Prior to the recent ministerial changes, which included Greg Clark replacing Michael Gove as Secretary of State at DLUHC, civil servants had indicated that a consultation on several key policy areas for the LGPS was expected to be issued in autumn 2022. This consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for

LGPS funds.

RESOLVED
That the report be noted.

8 LOCAL BOARD ANNUAL REPORT

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. In line with best practice, GMPF had previously included a report on the activity of the Local Board within the GMPF Annual Report. The GMPF Annual Report would not be finalised until the administering authority's accounts were approved, this was expected to occur in autumn. The guidance for establishing and operating local pensions boards issued by the LGPS Scheme Advisory Board recommends that it is good practice for local boards to publish an annual report of their activities. The draft GMPF Local Board annual report for 2021/22 could be seen attached at Appendix 1.

Members of the Board discussed the attendance at conferences and training events set out in the report. The Assistant Director for Funding and Business Development encouraged all members of the Board to continue to actively seek training opportunities and complete the online modules provided by Hymans Robertson.

RESOLVED
That the report be noted.

9 BUSINESS PLANNING AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions. The report provided details of the current business plan and highlighted the current key risks being monitored.

The report set out the progress being made on the six key strategic projects set out in the 2021/22 business plan. All projects were reported to be on track, with the key project 3, IT infrastructure, DR arrangements and cyber security being reported as having a minor lag.

Overall, progress was generally in line with the timescales. All business plan tasks continued to be monitored and reviewed each month by the Director of Pensions. Details of updates and revisions to the business plan for 2022/23 would be presented at the next meeting in September.

The overarching risk register was reviewed and updated at least once each quarter and the latest version was included within this report for review at Appendix A. The key risks being monitored at present were listed on the 'Current Issues' tab.

RESOLVED
That the report be noted.

10 THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Pensions Administration. The report provided a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches, including details of the late payment of contributions. The report also provided an update on the Pensions Regulator's proposed Single Code of Practice.

A copy of the current breaches log (excluding late payments of contributions) was attached as Appendix 1. The criteria that officers use to assist them in assessing whether a breach might be deemed 'material' was also attached at Appendix 2. GMPF Officers met on a monthly basis to consider the materiality of any breaches, which had occurred and discuss appropriate actions to be taken to minimise the potential for breaches to occur in future.

The report set out that one of the key requirements of Code of Practice number 14 was that Scheme Managers operate appropriate systems and controls to ensure that contributions were paid to the Scheme in accordance with requirements in the Scheme Regulations. Officers met on a monthly basis to discuss issues that related to the monitoring of late contributions and other payments (such as early retirement strain costs) and examined options for revising and improving current processes. Following the implementation of monthly data collection from employers, compliance with data submission deadlines was also monitored.

Attached to the report at Appendix 3 were details of expected contribution payments (with matching remittance information) which had not been received by GMPF by the 19th of the month following the month to which they relate (for example 19 June for May contributions) for February 2022 through to May 2022.

Further analysis on the contribution payments received in respect of the February 2022 to May 2022 period, specifically detailing the number of employers making payments (and the amount of contribution payments received) in accordance with GMPF's deadline of the first day of the following month could be found attached at appendix 4.

RESOLVED
That the report be noted.

11 RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2022/23

Consideration was given to a report of the Interim Head of Risk Management and Audit Services. The report presented the planned work for the Risk Management and Audit Service for 2022/23.

It was reported that 300 days would be provided to the Greater Manchester Pension Fund in 2022/23. The full Annual Audit Plan for 2022/23 was included at Appendix 1. The overall Annual Audit Plan for Tameside Council, which included the days for the Greater Manchester Pension Fund, was approved by the Audit Panel on 15 March 2022.

Productive days per auditor were estimated and any changes to the assumptions made would be reflected during the year and reported to the Local Board as part of the progress reports. The plan would be kept under constant review and regular meetings would be held with the Senior Management Team and the Chair of the Local Board to ensure that it reflects the keys risks for the Pension Fund going forward.

The report set out that the Internal Audit Strategy and the Internal Audit Charter were approved by the Audit Panel on 15 March 2022 and were attached at Appendix 2 and Appendix 3 for the information of the members of the Local Board.

In addition, the Quality Assurance and Improvement Programme approved by the Audit Panel on 15 March 2022 was attached to the report at Appendix 4.

RESOLVED

- **(i) Members note Internal Audit Plan for 2022/23 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team.**
- **(ii) Members note the Audit Strategy for 2022/23 shown at Appendix 2.**
- **(iii) Members note the Audit Charter for 2022/23 shown at Appendix 3.**
- **(iv) Members note the Quality Assurance and Improvement Programme for 2022/23 shown at Appendix 4**.

12 RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2021/22

Consideration was given to a report of the Interim Head of Risk Management and Audit Services. The report summarised the work performed by the Service Unit and provided assurances as to the adequacy of the Councils systems of internal control.

In regards to audit coverage. It was reported that the actual days delivered to 31 March 2022 of 321 were higher than the Revised Plan of 300 by 21 Days.

The Interim Head of Risk Management and Audit Services highlighted the audit opinions issued in relation to risk/system based audit work for 2021/22, compared to 2020/21 and 2019/20. In total there were 11 final reports issued in 2021/22, of which 8 were given a high opinion, 1 medium, 1 low and 1 consultancy.

In addition to the reports issued, a number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The areas listed below are examples of this work:-

- Advice and consultancy work provided to support the implementation of new or updated systems/processes;
- Computer Audit Advice (provided by Salford Computer Audit Services);
- Investigations into allegations of Fraud/Irregularities;
- Investigating Information Incidents;
- Control Reports;
- Review of iConnect submissions by Employers;
- Advice re Life Certificate process;
- Digital Tax, and
- Advice in relation to the procurement of the new BACS System.

The percentage rate of all recommendations implemented for 2021/22 was 85% compared to 90% in 2020/21. Due to COVID-19 the implementation of recommendations had been delayed in some areas and where significant issues were still outstanding a second Post Audit Review would be scheduled.

In regards to anti-fraud work there were two cases investigated during the period April 2021 to March 2022.

The data sets for the National Fraud Initiative (NFI) 2020 Exercise were uploaded to the Cabinet Office' Secure System in October 2020 and the initial matches identified for Tameside were received in February 2021, although the website was refreshed on an ongoing basis as matches were added. A summary of the key matches identified for investigation was detailed in the report.

The report set out the key priorities for the Risk Management and Insurance team during 2021/22 and the progress against these priorities.

It was explained that the performance of the section was monitored in a variety of ways and a number of indicators had been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy had not taken place for a number of years due to budget cuts and capacity; however, the North West Chief Audit Executive Group was aiming to reintroduce the comparison of a small number of key performance indicators, albeit this had been delayed due to COVID-19.

The Key Performance Indicators for Internal Audit as a whole for 2021/22 were detailed in the report with a comparison to the two previous years 2020/21 and 2019/20.

RESOLVED
That the report and the performance of the services during 2021/22 be noted.

At this juncture, Paul Taylor took no further part in the consideration of the following item of business, having declared a prejudicial interest as Group Change Director at LTE Group.

13 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES 4 APRIL 2022 TO 8 JULY 2022

Consideration was given to a report of the Interim Head of Risk Management and Audit Services. The report summarised the work of the Risk Management and Audit Service for the period 4 April 2022 to 8 July 2022.

The progress report covered the work undertaken on the 2022/23 Plan for the period 4 April 2022 to 8 July 2022. The team continued to work remotely from home, in the main, although opportunities were now becoming available to work/meet in office space should staff wish to, as the COVID restrictions had now been lifted, and w a hybrid way of working was developed.

The progress report showing the actual days spent against the planned days for 2022/23 was attached at Appendix 1. The service had spent 49.79 days against the 300 planned days up to 8 July 2022. During this period 4 final reports had been issued and 1 draft report had been issued. Two employer audits were discussed which both received a Medium Level of Assurance.

The audit of the LTE group identified key issues such as the incorrect calculation of Assumed Pensionable Pay and the failure to have an approved Discretions Policy in place. A number of issues were found in other areas and a total of six recommendations were made.

The audit of Trafford MBC identified key issues such as the incorrect reporting of Assumed Pensionable Pay on the iConnect file, the incorrect treatment of retrospective pay for pension purposes and the untimely submission of the monthly iConnect files. A number of issues were found in other areas and a total of eleven recommendations were made.

The iConnect Post Implementation Review received a Medium Level of Assurance. iConnect is a secure platform which enables employers of the Greater Manchester Pension Fund (GMPF) to submit pensions data for their employees on a monthly basis. iConnect reduces the costs and risks associated with processing pension data, by seamlessly generating automatic submissions of monthly data collection to GMPF in a single solution. The overall objective of the audit was to undertake a post implementation review in respect of the monthly data collection system, iConnect to ensure that the system was working as intended and contained all the necessary controls, as agreed with Internal Audit, during the implementation process. The introduction of monthly data collection, via the iConnect System, has been a significant project and has been managed well, with all employers now successfully on-boarded. The audit identified that further work is required to ensure that the systems are working as effectively as possible and that robust controls are in place to ensure complete and accurate data is held by the Pension Fund. The key area where further work was required to be undertaken by the Pension Fund is in relation to monthly data checks.

The audit of Sci-Beta received a High Level of Assurance. A robust control environment was found to be in place and no recommendations were made.

The report detailed four post audit reviews that had been carried out during this period:

- Ill Health and Early Retirement
- New Custodian – Northern Trust
- Employer Audit – University of Bolton
- Pensions Benefit Payable

It was reported that there had been a new potential fraud case reported in the period which resulted in the amount of £712.52 being overpaid. This matter is still being investigated.

14 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

29 July 2022

Commenced: 09:00 **Terminated:** 10:50

Present:	John Pantall (Chair) Councillors Andrews, Jabbar, Lane, Massey, Quinn and Smart Mr Drury, Flatley, Llewellyn	
In Attendance:	Tom Harrington	Assistant Director of Investments
	Steven Taylor	Assistant Director for Investment Special Projects
	Neil Cooper	Head of Pension Investment (Private Markets)
	Lorraine Peart	Investment Officer
	Michael Ashworth	Senior Investments Manager
	Mushfiqur Rahman	Investments Manager (Public Markets)
	Alex Jones	Investment Officer (Local Investments)
	Alan MacDougall	PIRC
	Tom Powdrill	PIRC
	Janice Hayward	PIRC
Apologies for Absence:	Mr Caplan, Councillors Barnes, Cooney, Cowen Drennan, North, Ricci, Ryan and Ward	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The minutes of the Investment Monitoring and ESG Working Group meeting on the 8 April 2022 were approved as a correct record.

3. UBS ESG UPDATE

Consideration was given to a presentation of representatives of UBS on Environmental, Social and Governance activity in the last 12 months.

The Head of Stewardship for UBS explained how Stewardship influenced portfolio outcomes. The Stewardship program sought to advance standards across the industry. The key leadership features of the approach by UBS was presented to the Working Group:

- Focus on outcomes
- Bottom-up and top-down approach
- Company Issue and ecosystem engagement
- Sustainability SMEs and cross asset class fundamental analyst participation
- Research driven approach to set engagement objectives
- Escalation process informs portfolio construction

It was highlighted in the 2021 Annual Stewardship Report that UBS had supported 100%of climate resolutions flagged by Climate Action 100, UBS had supported 67% of ESG related proposals. Further, the Annual Stewardship Report detailed companies when engagement led to UBS to exclude companies from the investment universe.

It was stated that 430 engagement meetings had taken place in the last year with over 1150 meetings with Company management teams. Of these engagements 25% reflected a positive outcome of progress towards objectives.

It was explained that UBS set specific expectations and track progress against these expectations. Examples of outcomes include:

- Boards' refreshment to better oversee management's delivery of business strategies
- Setting of long-term greenhouse gas emissions targets in carbon intensive companies
- Enhancements to pay structures to ensure better alignment with shareholders' interest
- Increased disclosure of material ESG information

Members of the Working Group were presented with companies that were flagged by the UBS ESG Risk Dashboard for the UK Value Portfolio with elevated sustainability risks.

In regards to engagement at the portfolio-level in the 12 month period to the end of March 2022. Between 31 March 2021, and 31 March 2022, UBS held 163 engagement meetings with issuers from the Fund's portfolio. UBS engaged with companies across all sectors, Members of the Working Group were presented with a breakdown of company engagement by sector and region.

Members of the Working Group were presented with engagement examples, which highlighted the ESG issues with the companies, actions taken and the outcomes and next steps of UBS.

Discussion ensued on how outcomes were used in the UBS statistics on engagement and what steps were taken when engagement does not reach the desired outcomes.

RECOMMENDED
That the report be noted.

4. UBS REPORT ON TRADING COSTS

Consideration was given to a presentation of representatives from UBS. The presentation detailed GMPF's trading costs for the year to 31 December 2021. The volume of equities traded was reported, along with the total commission paid and the average commission rate. Members of the Working Group were also presented with a breakdown of counterparties that were traded with.

RECOMMENDED
That the report be noted.

5. RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presentation of representatives of PIRC, which set out their review of PLC workforce safety disclosures.

Members of the Working Group were presented with a breakdown of statistics on Covid-19 cases in the workplace. Covid-19 cases peaked in early 2021, it was explained that some types of workplace experienced large outbreaks. The Head of Stewardship at PIRC presented statistics on the Covid-19 infections in the workplace and fatal Covid-19 reports.

Members were advised that PIRC were able to identify and engage with key sectors and push against the under-reporting of cases.

In regards to executive pay and safety, the average loss of earnings suffered for FTSE 350 highest paid directors as a consequence of an employee fatality during the 2019/20 reporting year was £33,628. It was explained that the average total income of the highest paid directors at companies where pay was reduced as a result of a fatality was £3,942,236. Therefore, on average, loss of income as a result of a fatality accounted for 0.85% of total pay.

Following an analysis of HSE fines, notices and reporting on OHS in the FTSE 350 annual reports PIRC found that of 57 companies reiving HSE enforcement notices since 2019 only 30 listed OHS as a principal risk. Further, 60% of the FTSE 350 disclose information on safety incidents, but there was no standardisation of reporting. Company's self-select form more than 40 distinct safety metrics, most only chose to report against one or two. Also some companies switch metrics from year to year, impeding analysis.

In regards to contingent workforces, only 12% of FTSE 350 disclosed data on their contingent workforce. Only 19 of the 57 PLCs that were served HSE notices disclosed safety data on contingent workers. There was more data in sectors historically relying heavily on contractors such as mining, construction and manufacturing. There was no data for 800,000 self-employed couriers working for Deliveroo, Just Eat and Grubhub.

It was explained that there was a gap between what companies say was important and what they reported on. Companies had more data than they disclosed. Contingent workers were invisible in a lot of reporting. Further there was too much variation in company reporting and there was too little investor interest in that reporting.

It was reported that PIRC would engage with PLCs over existing safety data including on annual reports and enforcement. PIRC would promote standardisation in reporting and push analysis of workforce data into the FTSE-Allshare and the capturing of greater granularity in safety data.

RECOMMENDED
That the presentation be noted.

6. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Investments. The report advised Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the year ended March 2022.

RECOMMENDED
That the report be noted.

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

29 July 2022

Commenced: 11:00		**Terminated:** 12:45
Present:	Councillors North (In the Chair), Patrick, Quinn, Taylor, Andrews, Jabbar, Massey Mr Drury, Llewellyn, 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 Investments and Property)
	Emma Mayall	Assistant Director of Pensions (Pensions Administration)
	Victoria Plackett	Head of Pensions Administration
	Georgia Ryan	Developments & Technologies Strategic Lead
	Mark Flannagan	Customer Services Section Manager
	Matthew Simensky	Employer Services Section Manager
Apologies for Absence:	Councillor Drennan, Ricci, Ryan, Cowen, Grimshaw, Cunliffe Ms Gale Blackburn Fund Observer John Pantall	

1 DECLARATIONS OF INTEREST

There were no declarations of interest.

2 MINUTES

The minutes of the Administration, Employer Funding and Viability Working Group meeting held on the 8 April 2022 were approved as a correct record.

3 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 or areas that were being worked on by the Administration, Funding and Accountancy teams.

It was reported that as the need to manage the impact of the pandemic reduces, focus had switched to managing the transition to hybrid working. A draft framework for future working arrangements had been drawn up, covering office, home and other remote working, and workshops had been held with each team to finalise the guidance and changes needed.

During the first quarter of 2020, the migration to Exchange and Office 365 was completed and Microsoft Teams was also deployed. The transition of files to Microsoft SharePoint began in May 2021 and continued to date, with file migrations planned until the end of the year. In July 2021, new telephony infrastructure was deployed, with calls migrating to Microsoft Teams, and a new contact centre that integrates with Microsoft Teams also deployed. Developments to the contact centre software from 1 April 2022 were made to provide more detailed reporting on the types of calls and emails received. Two other large IT projects were also underway. The first was to change and improve the disaster recovery and back up arrangements. The second was to improve cyber security resilience and controls.

In regards to administration work and performance, a performance dashboard for quarter 4 (January to March 2022) could be found attached at appendix 2. The first six months of this year had been particularly busy. Member newsletters were issued to contributors and those with benefits on hold in February to disclose pension transfer changes and provide a general update. These were closely followed by the issuing of P60s and newsletters for pensioner members in March and April. Annual benefit statements to those with benefits on hold were then issued in May.

Overall, levels of casework and performance against turnaround targets remained relatively consistent. Performance levels remained high and work on projects that support improving the service provided to members has continued. However, the significant increase in calls and emails received had led to longer response wait times.

The work to transition processes onto My Pension continued to increase steadily, with over 157,000 members now registered in total. Further My Pension promotion exercises were planned to get underway in the coming months.

In regards to compliance with the Pension Regulator's code of practice. Senior Officers continued to meet each month to review employer performance in line with the Pensions Regulator's expectations. In January 2022, notice of warning letters were sent to employers who had failed to meet their obligations under the Pensions Administration Strategy in respect of sending monthly returns on time for three or more occasions in the past twelve months. The letters informed these employers that fines will be issued from April 2022 onwards if their performance does not improve. The performance of many of those employers has improved.

RECOMMENDED
That the report be noted.

4 ADMINISTRATION MEMBER SERVICES UPDATE

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

Members of the Working Group were advised that casework across the Member Services section was measured against turnaround times. Throughout the pandemic up to 31 March 2022, seven internal key performance indicators were used to monitor and assess the workloads and performance of the service.

It was stated that the effects of the pandemic, particularly the increase in contact, the increase in deaths and the changes to ways of working, had a significant impact on our approach to ensuring casework standards were maintained. However, it also presented opportunities to do things differently in future and improve turnaround times.

Before the start of the pandemic, work had begun on changing the casework workflows within the Altair pension system that measure performance using target times. This work had to be put on hold while work linked to moving processes online was prioritised. However, work recommenced in quarter 4 and most workflows were amended with effect from 1 April 2022 so regular reporting could recommence across a wider number of areas.

One of the items of casework not measured here was the time taken to issue a member who had benefits on hold with details of their options to bring those deferred benefits into payment. The regulations state that a member should give the Fund at least three months' notice if they want to request payment. Before the pandemic, GMPF had generally been able to respond to a request within two to four weeks, but this became on average four to eight weeks throughout the pandemic period due to demand and the changes to working arrangements. For the last six months, the team had been working towards moving this process online, which should significantly reduce the wait times.

Work to produce Annual Benefit Statements for 2021/2022 for both contributing members and members with benefits on hold had been taking place. The statements for members with benefits on hold were all uploaded to member My Pension accounts by 31 May 2022. Statements for contributing members for two of the larger employers were completed as a pilot exercise in June 2022. The remaining statements for contributing members would be uploaded to My Pension accounts by 31 August 2022. All members who have requested paper communications or an alternative format for accessibility reasons will also receive a copy in their chosen format by 31 August.

During the pandemic, work was undertaken to use an individual printing solution provided by GMPF's print provider, Adare. GMPF already used the bulk printing service, but individual printing was still done in house. Since the last update, the Bereavements and Pension Payments teams have transitioned, and the Contributing Members team were in the process of doing so.

In regards to Member Existence Checks, existence check letters for this year's exercise were distributed on 1 June 2022 and sent to 2,271 members who currently reside overseas. Reminders would be issued but a pension was suspended if no response was received, and the case would be investigated to see if the member had died or just not responded for another reason.

RECOMMENDED
That the report be noted.

5 ADMINISTRATION EMPLOYER SERVICES UPDATE

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

It was reported that there continues to be a significant number of employers applying to join GMPF with 79 applications currently being progressed. A further 30 enquiries had also been made by employers considering applying for admission.

Members were advised that two large employers were behind with their iConnect submissions for April, May, and June 2022 due to payroll software issues. It was expected that both employers would be up to date by 31 July 2022.

The Employer Data team had been monitoring employers who had been sent a notice of warning letter during the last quarter. Employers that had not demonstrated an improvement in their performance were being escalated in line with the Pension Administration Strategy.

To ensure accuracy in this year's Annual Benefit Statements, extra data checks had been conducted on all iConnect submissions for March. This had resulted in 1,500 queries being generated, however most of these have now been resolved.

Attached to the report at Appendix 2 was information regarding the most recent employer audits that had taken place. The timeliness of contribution payments and other employer debts, such as those in relation to the costs associated with early retirements, was also collated. This data was reviewed at meetings held each month. Senior officers discuss employer contribution payments, employer debt and employer performance. Where contributions or other employer debts were not paid within the expected timescales, senior officers were actively engaging with these employers. The current position relating to employer debt could be found attached at Appendix 3.

It was stated that the employer year in review report had been distributed to the ten local authorities for 2021/2022. This report provided each employer with statistics and information relating to their GMPF members and highlights they were fulfilling their role as an LGPS employer. The intention was to help employers to identify where they could make improvements and where further benchmarking with their peers could help them drive forward efficiencies.

RECOMMENDED
That the report be noted.

6 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

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

Members were advised that work to migrate files and documents to SharePoint had continued, with all Administration teams having now migrated their structural team files. The focus had moved on to the migration of collaborative files where cross working between teams was needed. The Pensions Administration service was on track to complete the migration of all Administration teams' files to SharePoint by the end of the calendar year.

For other pension service areas, the migration process was more complex, as most teams currently still had accounts on the Tameside MBC IT domain, as well as a new account on the GMPF domain. The work needed to migrate these service areas was being scoped to establish a realistic timeframe for when they will fully reside on the GMPF domain.

The Pension Fund Legal team had an added complexity in that the main system used for managing their casework could only be accessed at present by users of the Tameside MBC domain and Tameside issued devices. Since the last Working Group meeting, discussions have continued with the system provider and colleagues from the GMPF Systems Maintenance Team and TMBC IT Services to determine possible solutions.

It was stated that one of the objectives set for the year was to replace out of date and unsupported hardware. Significant progress had been made on this objective, and the Systems Maintenance team were now working on migrating services to virtual servers on a host server they had now built. A plan was being formulated to migrate the contents of the file server to a new server, as it would reach end of life at the end of the calendar year.

Work has continued on the implementation of a revised and significantly more resilient back up and disaster recovery strategy.

Since Guardsman *Tony Downes* House was opened, a contract has been in place with a provider of specialist audio-visual solutions used within the conference rooms. This contract had elapsed, and the camera equipment was no longer in use. A review of requirements has been carried out and a new contract for the supply, maintenance and support of audio-visual solutions will be sought. A budget for this had been allocated to cover the cost of the contract as well as any supporting work needed such as soundproofing.

It had been twelve months since the Cyber Security audit was conducted for GMPF. Since this time, the Systems Maintenance team and other colleagues have been working through the recommendations made and implementing changes where necessary to increase the cyber resilience of the Fund. The final audit review is now due to take place which will assess progress made against the recommendations outlined in the audit.

The most significant improvement made following these recommendations was the implementation of multi-factor authentication across GMPF's Microsoft 365 tenancy, strengthening cyber defences in this area and protecting the data held there more effectively.

Members of the Working Group were advised that Objective 8 of the Developments and Technologies Strategy for 2022 was to transform the Altair release testing process to maximise the benefits and create efficiencies to reduce the burden of this area of work on teams across Pensions Administration. This objective had been the responsibility of the Systems Compliance team who have worked closely with all teams involved in release testing to formulate and implement a plan for change. The success of the first and most significant part of this project had been detailed in Appendix 2 attached to the report.

A new version of the member My Pension portal is being developed by GMPF's pension software provider. It is anticipated that user acceptance testing will commence later in the year with implementation expected during 2023. In addition, a reporting solution had been developed by Heywood that aims to enable more extensive and detailed reporting functionality and to present data in a better way. The system was called Altair Insights and it had been developed to include functionality to support the collection and comparison of data gathered for the McCloud remedy from employers.

Members were advised that Tameside MBC had a contract in place for a system that linked payments into the BACS infrastructure, enabling payments and collections to be made by BACS. The system currently in use was reaching end of life later this year. This system was critical for the payment of pension benefits and other payments the Fund makes to suppliers and contractors.

It was reported that a decision was made by the Council to transition to a new cloud-based system for a period of two years. A project board was established by Tameside MBC Finance, which included the Strategic Lead for Developments and Technologies to ensure GMPF was represented and included in the project. The contract for the new system was now in place and work was underway to build the system and the infrastructure at the Council needed to support it. Shortly, training for users will be provided, closely followed by testing.

RECOMMENDED
That the report be noted and that the proposal to proceed with the procurement of a contract to replace and renew audio-visual solutions within Guardsman Tony Downes House to meet the new demands of the service be approved.

7 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

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

It was reported that in July 2021, the Customer Services team began using a new telephony system. This system provides several functions and reports that can be used to monitor call volumes and agent activity. The dashboard attached at Appendix 1 collated some of this information, highlighting statistics on call queues, call length and the reasons why members were contacting GMPF.

Since 21 March 2022, the Customer Services team had been answering emails received about My Pension using the new telephony system. As a result, there was clear improvement in the time taken to respond to these emails, almost all of which were now being answered within two working days. The reporting function was also providing greater oversight of agent activity. The remaining two email queues will be integrated into the system over the coming months and an update on the benefits of this will be provided in the next report.

Up to date statistics on the number of members signed up to My Pension and the number of members who had opted for paper communications can be found attached at Appendix 2. Registrations for My Pension continued to steadily increase. Annual benefit statement notification emails were due to be emailed to all contributing members that GMPF holds an email address for in the next quarter.

It was highlighted that in readiness for routing all emails through the new system, changes had been made to the way in which members can submit queries through their My Pension accounts. The changes aimed to help and encourage members to use the functions within My Pension to check and update their personal details, run calculations, and initiate processes. The aim of this work was to provide members with the information or answers they were looking for in a clear and easy way.

In regards to complaints, suggestions and compliments received, the consistent theme for complaints was members having trouble registering or accessing My Pension. These were mostly down to user issues rather than system issues. Recent communications had created a welcome increase in those accessing My Pension, but this often resulted in more users experiencing difficulties, which was then reflected in the statistics. A new video would be created next month which would focus on helping members through the registration process.

RECOMMENDED
That the report be noted.

8 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report set out progress to date on the valuation project. The valuation methodology and actuarial assumptions were set out in the Funding Strategy Statement, which would be consulted on with employers as part of the valuation process.

Members of the Working Group were advised that the actuarial valuation process would determine the funding position of GMPF at 31 March 2022 and contribution rates for each participating employer from 1 April 2023. All LGPS funds in England and Wales were undertaking actuarial valuations at this time. Traditionally actuarial valuations in the LGPS had been undertaken every 3 years. At the time of the 2019 valuation Government consulted on aligning the local valuation cycle in the LGPS with the 4-yearly valuation cycle for other Public Service Pension Schemes. Government confirmed in its response that it would not be changing the valuation cycle at the 2019 valuation but did not rule out a change in future. The most likely outcome was that the contribution rates set at this valuation will also apply for a 3-year period.

Preliminary indications are that GMPF will disclose a broadly similar funding level at the 2022 valuation compared to 31 March 2019. GMPF’s investment returns have exceeded the assumption made at the 2019 valuation, but an increase in future expected price inflation was likely to increase the present value of the Fund’s liabilities, offsetting much of the asset gains.

Members of the Working Group received a presentation which detailed the valuation timetable, how employer contribution rates were calculated and the experience since the 2019 valuation. The Assistant Director detailed the key 2022 valuation assumptions which were set out in the FSS, including investment returns, CPI, life expectancy and salary growth.

Members were advised that the Funding Strategy Statement (‘FSS’) provided guidance to the Actuary in undertaking the actuarial valuation. Given the focus on the affordability and sustainability of public sector pensions, the FSS had become a key document in defining how an administering authority will meet its responsibilities in managing an LGPS fund. Management Panel had agreed initial methodology and actuarial assumptions for consultation with employers. The FSS explained how the actuarial assumptions, which would be used to calculate draft results for consideration at the autumn meetings of the Management Panel and the Administration, Employer Funding and Viability Working Group had been derived.

A draft version of the updated FSS was attached as **Appendix 1** to the report. The updated FSS incorporated GMPF's policies on the usage of 'Employer Flexibilities' and assessing exit credits which could be payable to employers, which were created during the inter-valuation period.

It was highlighted that a key area for consideration at this valuation was whether there would be any material benefits from a change in approach to how GMPF structures Multi Academy Trust ('MAT') participations. Officers have held discussions with a variety of MATs to understand their views.

RECOMMENDED
That the report be noted.

9 SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. This report summarised the ongoing issues, the measures being undertaken to address these issues and implications for GMPF's administration service.

Members of the Working Group were advised that Additional Voluntary Contributions ('AVCs') allow Scheme members to pay more to build up extra savings for their retirement. When members make AVCs they pay money into a separate AVC plan and build up a pot of money, which would then be used to provide additional benefits on retirement.

As reported at previous meetings, Prudential's performance in administering LGPS in-house AVCs had been a cause of some concern. A deterioration in performance in late 2020 and early 2021 was observed by GMPF and a number of other LGPS funds and experiences were shared at regional and national meetings of the LGPS Technical Group.

Whilst the deterioration in performance observed in the first half of 2021 appeared to have stabilised; Prudential had made slower progress than expected in returning service standards to an appropriate level and in recent months progress had stalled or even deteriorated. GMPF officers continued to meet regularly with Prudential to monitor performance and feedback service issues being experienced.

Further, Prudential did not meet GMPF's deadline for providing information as at 31 March 2021 for inclusion in GMPF's accounts and did not provide 31 March 2021 annual benefit statements until June 2022.

Accounting information and benefit statements as at 31 March 2022 had not yet been received. Detailed timescales had not been provided by Prudential, but there did not appear to be any reason why provision of this information should be materially delayed.

RECOMMENDED
That the report be noted.

10 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

8 September 2022

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

IN ATTENDANCE

Councillor Cooney (Chair)	
Councillor Ryan	
Councillor North	
Petula Herbert	**MoJ**
John Pantall	**Fund Observer**
Cllr John Taylor	**Fund Observer**
Mark Powers	**Advisor to the Fund**
Peter Moizer	**Advisor to the Fund**
Ronnie Bowie	**Advisor to the Fund**
Sandra Stewart	**Director of Pensions**
Tom Harrington	**Assistant Director of Pensions (Investments)**
Paddy Dowdall	**Assistant Director of Pensions (Local Investments and 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	**Senior Investment Manager (Local Investments)**
Dan Hobson	**Head of Real Assets**
Michael Ashworth	**Senior Investments Manager (Public Markets**
Andrew Hall	**Investment Manager (Local Investments)**
Abdul Bashir	**Investment Manager (Pubic Markets)**
Mushfiqur Rahman	**Investments Manager (Public Markets)**
Alex Jones	**Investment Officer (Local Investments)**
Reka Todor	**Investment Officer (Property)**
Shauna Moreland	**Senior Accountancy Assistant**

Apologies for absence: **John Thompson (UNITE)**

20. DECLARATIONS OF INTEREST

There were no declarations of interest.

21. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 23 June 2022, were approved as a correct record.

22. REPORT OF THE MANAGER

Willem van-Bruegel, Head of Global Sovereign Markets, Steve Magill, Head of European Value and Jonathan Davies, Senior Portfolio Manager, UBS, attended before Members and gave a presentation reviewing their performance up to 30 June 2022 and outlined a proposal for a pilot of a Global (Developed) Equity Value allocation, for consideration by Members.

Mr Davies began by reporting on asset allocation and performance contributors over the past year. He explained that an underweighting to UK Government Bonds was a significant contribution to the portfolio's performance.

Mr Davies added that valuation dispersion within stock markets remained high and stocks with value characteristics had scope for an unusually large degree of out-performance versus non-value stocks over the next few years.

Mr Magill gave a detailed account of UK and European ex UK equity performance, including the market return, overall, to pre-covid levels. He further commented on opportunities for future investment. The contribution of individual stocks to fund performance was also explored.

Mr Magill then outlined the proposal for a Global (Developed) Equity Value allocation and further details were provided in an appendix to the report.

Discussion ensued with regard to the presentation and the proposal put forward. Members and Advisors broadly supported the proposal for a Global (Developed) Equity Value allocation in principle, however, sought further clarity on a number of issues. These issues included the role of analysts, the UBS process and resources available to source value opportunities in all regions (including Asia Pacific) and the level of the initial suggested allocation. Officers were requested to carry out further due diligence, in respect of the issues raised and the initial allocation with a view to a stepped increment over a period of time.

RECOMMENDED
(i) That the content of the report and presentation be noted; and
(ii) That Members approve a pilot of a Global (Developed) Equity Value allocation within the UBS mandate, subject to satisfactory completion of additional due diligence, to be submitted to the next meeting of the Working Group.

23. UPDATE ON PERFORMANCE MEASUREMENT

Consideration was given to the report of the Director of Pensions, which updated the Working Group on the proposed enhancements to the reporting of performance for the internally managed portfolios.

It was explained that the next proposed phase in the development of enhanced performance reporting involved a focus on the internally managed portfolios of non-public market assets.

In considering the proposed enhancement of performance reporting, a number of aims and objectives were to be considered.

It was further explained that the Assistant Director of Pensions (Investments) would take a lead in the development of enhancements consistent with the above aims and objectives and report back to future meetings.

RECOMMENDED
That the content of the report be noted.

24. PRIVATE EQUITY PERFORMANCE – REVIEW OF PERFORMANCE

Consideration was given to a report of the Assistant Director of Pensions Investments, which updated the Working Group on the returns achieved by GMPF's Private Equity portfolio to the end of 2021.

Members of the Working Group were presented with GMPF's Private Equity Portfolio returns.

It was explained that 2021 saw a continuation of the trends that emerged from the financial depths of the COVID-19 pandemic with business software and services, healthcare and online consumer businesses all benefitting from an apparent acceleration in supportive trends in the manner and extent to which business and consumer behaviour was digitising.

Those sectors that bore the brunt of social distancing measures, such as traditional retail, hospitality, leisure and transport showed, in most cases, a trend towards much increased levels of activity, though full recovery of pre-COVID levels of profitability appeared to remain some way off.

Transactional volumes in the private equity market exceeded all records. Acquisition valuations continued to be rich compared to history and on any reasonable measure ended the year at, or around, all-time highs.

Clearly, though, the macroeconomic and financial environments had changed materially through 2022 with many of the tailwinds that had driven outsized returns from private equity investing having gone into reverse and the invasion of Ukraine by Russia causing a significant rethink regarding international political relations, including those with China. Debt was less readily available and more expensive. Listed markets had fallen, especially so in the technology sector. Profits were being reduced by inflation in raw material and labour markets. Growth estimates were being greatly reduced. The near-term outlook appeared to be quite challenging, to say the least.

Members were advised that GMPF's private equity programme continued to compare well against any reasonable set of objectives. It had delivered returns that were good in absolute terms and that were also good when compared to appropriate public and private market comparators.

The investment team continued to seek to achieve such returns going forward and this formed the basis for pursuing the strategy presented to the June 2022 meeting of the Policy & Development Working Group and approved by the July 2022 Management Panel.

RECOMMENDED
That the content of the report be noted.

25. PRIVATE DEBT PORTFOLIO – REVIEW OF PERFORMANCE

The Assistant Director of Pensions Investments submitted a report, which updated the Working Group on the returns achieved by GMPF's Private Debt portfolio to the end of 2021.

Members were presented with the GMPF Private Debt portfolio returns.

It was explained that, like much of the preceding decade, 2021 was kind for lenders with defaults low and refinancing options widely available for almost all businesses. Government support schemes, such as furlough, and lender forbearance (believing the impact to be temporary) saw most businesses survive the impact of social distancing measures. This played out well through 2021 as impacted businesses saw profitability recover, lender patience justified, and loans marked back to par in most cases.

Lending volumes were high reflecting the busy transactional market. In Europe and the US, direct lenders continued to take share from banks and, depending on market dynamics, the high yield bond market, expanding the addressable market. Loan documentation standards were pressured in 2021 by competition in the market and high volumes with some sectors, especially software, exploring new, higher, levels of leverage supported by high levels of cash profit and high purchase values. Some of these explorations may turn out to have been ill advised.

It was further explained that the Private Debt portfolio was created through the "promotion" of the senior, secured element of the Private Debt Type Approval from the Special Opportunities Portfolio to a Main Fund strategic allocation in 2018. As at December 2021, investment commitments amounting to £1,800m had been made in recent years. Whilst Private Debt funds matured faster than Private Equity funds, officers believed that three years was an appropriate cut off for the definition of “maturity”. As a result, the majority of recent investments fell into the “immature” category, albeit this would change relatively quickly.

To date, GMPF’s debt portfolio, as at 31 December 2021, had not faced any material or noteworthy performance issues. Deployment had been roughly in line with officers’ expectations.

In summary, Members were advised that it was too early to make any meaningful conclusions regarding the performance of the investment commitments that had been made in recent years leading up to and following the creation of the Private Debt strategic allocation within the Main Fund. Deployment had been consistent with expectations in terms of target returns.

RECOMMENDED
That the content of the report be noted.

26. INFRASTRUCTURE FUNDS PORTFOLIO – REVIEW OF PERFORMANCE

Consideration was given to a report of the Assistant Director of Pensions Investments updating the Working Group on the returns achieved by the GMPF’s Infrastructure Funds portfolio to the end of 2021.

It was explained that 2021 was a year of recovery for the parts of the infrastructure market that had exposure to COVID related lockdown measures or price and/or volume exposure to energy markets.

Transport volumes recovered strongly as measures to restrict the movement of people were lifted and manufacturing volumes increased. Similarly, airports saw freight and passenger numbers recover sharply. Whilst there were still obstacles to overcome in the airport sector, trends remain positive.

Oil and gas related assets continued to see lessened investment demand as asset owners debated their attractiveness in a world where net-zero carbon targets were more commonplace. Energy markets recovered spectacularly through 2021, whilst Russia’s invasion of Ukraine in early 2022 may be a cause for a re-evaluation of energy security needs even within the context of a transition to an energy supply base dominated by renewables.

There remained strong appetite across the rest of the infrastructure market with particularly strong demand for assets focussed on renewable power generation, energy transition and telecoms.

Members were advised that the investments within the mature portfolio had delivered returns consistent with the middle of the range of the programme’s target and ahead of the benchmark return of RPI+4% per annum.

It was further explained that during 2020, GMPF was invited to participate in the CEM Global Leaders Programme, a benchmarking service for an elite peer group of large asset owners, which undertook specific research studies. The 2021/22 study focussed on Infrastructure. GMPF took part in the study, and the report, using combined GMPF Infrastructure funds and GLIL data to December 2020, was attached as an appendix to the report.

RECOMMENDED
That the content of the report be noted.

27. SPECIAL OPPORTUNITIES PORTFOLIO – REVIEW OF PERFORMANCE

A report was submitted by the Assistant Director of Pensions Investments updating the Working Group on the returns achieved by GMPF’s Special Opportunities Portfolio to the end of 2021.

RECOMMENDED
That the content of the report be noted.

28. UK AND INTERNATIONAL PROPERTY – REVIEW OF PERFORMANCE

Consideration was given to a report of the Assistant Director, Local Investments and Property and a presentation by Ed White of MSCI, providing an update on the financial returns achieved by the portfolio.

Members were advised that the UK Total Property Portfolio had registered an under performance compared to the benchmark over a 1- and 3-year period which was led by the drag within the Specialist Funds Portfolio and the UK Direct Property Portfolio. More positively, the strategy to deploy further capital into balanced funds had been accretive over each time period.

Whole Property performance over 1 and 3 years was below the blended benchmark due to the underperformance registered at the Specialist Funds and UK Direct Property portfolios.

Going forward, officers expected UK Direct Property performance to stabilise following the split of the portfolio and new investment managers appointed for each respective portfolio. The Specialist Funds portfolio would mature over the coming 2-3 years as legacy funds were liquidated and the J-curve effect of new investments tapered off.

Members thanked Mr White for his presentation and the Advisors commented on the respectable returns to date.

RECOMMENDED
That the content of the report be noted.

29. IMPACT AND INVEST FOR GROWTH PORTFOLIOS – REVIEW OF PERFORMANCE

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, which provided an update on the financial returns by the growth portfolios.

It was explained that the "dashboard" information provided at Appendix 1 to the report, showed a detailed breakdown of the investments made to date for both the Impact and Invest for Growth portfolios and the performance of these portfolios as at 31 December 2021. It was worth noting that the Impact Portfolio was still in its infancy and therefore performance data at this early stage was less meaningful.

The level of commitments at 31 December 21, against the allocation for both the Impact Portfolio and Invest for Growth Portfolios was £553 million, with £254 million of funds drawn to date. This was a net increase in commitments of £102m from the position previously reported, as at 31 December 20. The level of drawdowns in the year was £41m, being double that of the previous year and in line with the level of drawdowns in 2019. This was due to fund managers' investment activity returning to more "normal" levels and pursuing further new opportunities, as the impacts of the pandemic eased.

The IRR position for the current Impact portfolio was 6.0%, with the total value of investments being £242m as at 31 December 2021. The Invest for Growth portfolio had an IRR of 8.6% and a total value of £51m as at 31 December 21.

Due diligence on potential further investments was on-going, for opportunities of suitable quality which met the aims of the Impact Portfolio. It was not anticipated that the effects from Covid 19 would require any changes to the long-term programme for impact investment.

The report summarised that the Impact Portfolio remained relatively immature and therefore performance measures should be treated with caution. The IRR of 6.3% was now in line with the benchmark, partly driven by the outperformance of the equity funds within the portfolio. The portfolio was impacted by the J-curve effect, common to many private market investments, and the poor performance from a couple of the earlier commitments. The returns from the more mature Invest for Growth portfolio, which had a current IRR of 8.6%, supported the belief that benchmark returns would be achieved in the long term.

RECOMMENDED
That the content of the report be noted.

30. GREATER MANCHESTER PROPERTY VENTURE FUND

A report of the Assistant Director of Pensions, Local Investments and Property was submitted, providing an update on the returns achieved by the GMPFVF portfolio to the end of 2021.

Members received a detailed breakdown of the performance of the portfolio and sub-portfolios to 31 December 2021. The portfolio consisted of 41 investments, 25 were current and on-going with the 16 exited investments (property/sites now sold or loans fully repaid) generating a cash return in excess of cost of £56m. The 25 current investments represented cash drawn of £328m, being 39% of the allocation to GMPVF.

It was reported that the annualised return of the total portfolio at 6.2%, was slightly lower than the strategic benchmark of 6.8%, however it was believed that the portfolio was on track to achieve the strategic return objective over the medium to long-term.

The report summarised that the current GMPVF portfolio was relatively immature, with £161m of capital being deployed in the last three years. In that context, the current IRR of 6.2%, together with the positioning of the portfolio, progress on current developments and the returns achieved for the exited investments was strong evidence that the portfolio was on track to achieve the strategic return objective over the medium to long-term.

RECOMMENDED
That the content of the report be noted.

31. GLIL PERFORMANCE AND CEM GLOBAL LEADERS PROGRAMME

Consideration was given to a report of the Assistant Director, Local Investments and Property, providing details of GLIL's performance and the outcome of a CEM Global Leaders Programme report.
GLIL's performance highlights were detailed in an appendix to the report.

Members were advised that during 2020, GMPF was invited to participate in the CEM Global Leaders Programme, a benchmarking service for an elite peer group of large asset owners, which undertook specific research studies. The 2021/22 study focussed on Infrastructure. GMPF had taken part in the study, and the report, using GLIL data to December 2020, was appended to the report.

RECOMMENDED
That the content of the report be noted.

32. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 30 June 2022.

The Overall Status Levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager in an appendix to the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions, which could be used to form a view on the Manager's prospects of outperforming going forward. These 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.

33. DATE OF NEXT MEETING

It was noted that the next meeting of the Policy & Development Working Group was scheduled to take place on Thursday 24 November 2022.

CHAIR

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Report to :	**PENSION FUND MANAGEMENT/ADVISORY PANEL**
Date :	16 September 2022
Reporting Officer :	Sandra Stewart, Director of Pensions Tom Harrington, Assistant Director of Pensions (Investments)
Subject :	**QUARTERLY UPDATE ON RESPONSIBLE INVESTMENT ACTIVITY**
Report Summary :	This report provides Members with an update on the Fund's responsible investment activity during the quarter.
Recommendation(s) :	That the report be noted.
Links to Core Belief Statement:	The relevant paragraph of the Fund's Core Belief Statement is as follows : "2.6 Well governed companies that manage their business in a responsible and sustainable manner will produce higher returns over the long term."
Financial Implications : **(Authorised by the Section 151 Officer)**	There are no direct material costs as a result of this report.
Legal Implications : **(Authorised by the Solicitor to the Fund)**	The provisions underlined by the Regulation 7 guidance for the formulation and maintenance of their ISS, clearly address issues of responsible investment by the Local Government Pensions Scheme administering authorities. Regulation 7(2)(e) requires funds to follow pertinent advice and act prudently when making investment decisions, *"…a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence".* They must consider any factors that are financially material to the performance of their investments, including ESG factors contemplating the time horizon of the liabilities along with their approach to social investments. Regulation 7(2)(f), emphasises that *"administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code."* Administering authorities are strongly encouraged to either vote their shares directly or ask their fund managers to vote in line with their policy under the Regulation 7(2)(f) and to publish a report of voting activities as part of their pension fund annual report under Regulation 57 of the 2013 Regulations. Regulation 7 (6) underlines that the ISS must be published by 1 April 2017 and requires it to be reviewed at least every three years.
Risk Management :	Increasing net investment returns needs to be delivered without materially increasing Fund's exposure to investment risks. We

want everyone to have a pension they can be proud of – one which builds a better world, without compromising on returns.

ACCESS TO INFORMATION :	**NON CONFIDENTIAL** This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers :	**APPENDIX 7A** – **GMPF's RI Partners and Collaborations** Any enquiries should be directed to: Mushfiqur Rahman, Investments Manager, on 0161-301 7145 (email: mushfiqur.rahman@gmpf.org.uk).

1. BACKGROUND

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

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

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

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

2. RESPONSIBLE INVESTMENT ACTIVITY DURING THE QUARTER

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

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

2.2 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).

2.3 UBS presented their annual ESG update at the July Investment Monitoring & ESG Working Group meeting. Their presentation highlighted how they integrate ESG factors into their investment decisions and their approach to stewardship. They demonstrated how factors such as being outcome focused, knowing company specific issues and having a top-down thematic approach inform their stewardship activities. They provided examples of engagements for companies held within the GMPF portfolio on a range of issues from access to healthcare to climate change and also a summary of their activities. Further details of their approach to sustainable investing and their activities can be found in their annual Stewardship Report.
https://www.ubs.com/content/dam/assets/asset-management-reimagined/global/insights/thematic-viewpoints/sustainable-and-impact-investing/docs/esg-stewardship-annual-report.pdf

2.4 In July 2022, GLIL Infrastructure acquired a stake in Hornsea One, the world's largest operational offshore wind farm, which is located off the north-east coast of England. GLIL and its partner jointly acquired a 12.5% stake in the project as a 50:50 equity partner. Ørsted, which constructed the offshore wind farm, has retained its 50% shareholding in the project,

continuing to provide operations and maintenance services and remains as an offtaker to energy generated by the project under a Power Purchase Agreement.
Hornsea One is operational and comprises 1.2GW of installed wind capacity

- The wind farm consists of 174 turbines located 120km off the north-east coast of England and spans an area of 407km2
- The project benefits from contracted revenue through a 15-year Contract for Difference with inflation linkage, ending in 2036
- The wind farm generates enough electricity to power over 1 million homes

2.5 GMPF approved a commitment of £105m to Northern Gritstone, which forms part of the Fund's allocation to the Impact Portfolio. Northern Gritstone is a new investment company based in the north of England, founded by the Universities of Leeds, Manchester and Sheffield, three of the UK's leading educational research establishments. It intends to be one of the largest investors into academic spinouts in the United Kingdom, dedicated to financing companies in some of the UK's fastest growing sectors such as advanced materials, energy, health technology and cognitive computation. Having reached its first milestone of £215m of fundraising, Northern Gritstone issued a press release, which can be seen below where a number of comments were made in support of the company's intention to bring economic growth and prosperity to the North of England.
https://northern-gritstone.com/northern-gritstone-secures-first-close-of-215m-ahead-of-making-its-first-investments/

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

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

2.7 The Chair of LAPFF visited the communities affected by the Mariana (2015) and Brumadinho (2019) tailings dam collapses in Brazil. He spent time visiting seven communities and meeting other stakeholder groups still dealing with the fallout from the dam collapses. The trip comes after three and a half years of engagement with both affected communities and the shareholding companies involved BHP and Vale in relation to the Samarco (Mariana) collapse and Vale in relation to the Brumadinho collapse. The current status of these engagements has been set out in a report from LAPFF entitled Mining and Human Rights: An Investor Perspective. Engagements with Anglo American, Glencore, and Rio Tinto are also covered in this report.

2.8 During his trip, Cllr McMurdo met with Vale Chair, Mr. José Penido, and CEO of the Renova Foundation, André de Freitas. The Renova Foundation is an organisation set up by BHP, Vale, and Brazilian authorities to administer compensation, reparations, and resettlement after the Mariana collapse.

2.9 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/responsible-investing/q2-2022-esg-impact_uk.pdf

2.10 In 2016, LGIM launched the Climate Impact Pledge with targeted voting and investment sanctions for companies, creating an annual ranking of corporate leaders and laggards on climate change. The pledge now includes 1,000 companies in 15 climate-critical sectors that LGIM assess and report on. In July, LGIM also renewed their climate impact pledge which can be found using the link: https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/lgim_climate_impact_pledge_2022_report---final.pdf

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

2.11 The Fund supported the CDP's Non-Disclosure Campaign, which ran until the end of September. The campaign targets those companies that are not already disclosing environmental data to CDP, viewing disclosure as crucial in offering investors insights on companies' environmental risks and opportunities. The table below shows the early results for companies targeted in the Non-Disclosure Campaign following GMPF's engagements.

	Current engagements status		
	Climate change	Forests	Water security
Submitted	23.8%	9.1%	17.2%
Activated questionnaire	6.5%	7.6%	5.4%
Intends to respond	1.5%	5.2%	2.5%
Considering response	1.0%	0.5%	1.1%
Intends to decline	4.2%	3.7%	4.9%
Declined to respond	1.6%	3.0%	1.8%
No response	61.1%	70.7%	66.8%

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

2.12 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 become so.

2.13 The UK Transition Plan Taskforce (TPT) was launched by HM Treasury to develop a gold standard for climate transition plans. The TPT's work will help to drive decarbonisation by ensuring that financial institutions and companies prepare rigorous plans to achieve net zero and support efforts to tackle greenwashing.

2.14 LAPFF responded the Transition Plan Taskforce's call for evidence on a framework for private sector climate transitions. A link to LAPFF's response is below. The principles that LAPFF wish to see embedded throughout this consultation are:

- ensuring plans are comparable to a 1.5°C scenario, covering Scope 1-3 emissions
- include short, medium and long-term targets (with a definition of what time periods they cover)
- that plans focus on actual emission reductions (real zero) rather than offsetting and carbon capture
- that there is external verification of emission numbers
- that the social dimension is included in transition plans, effectively ensuring they are also 'just' transition plans

https://lapfforum.org/wp-content/uploads/2022/07/LAPFF-Response-to-the-Transition-Plan.pdf

2.15 GMPF considers certain tax arrangements, whilst beneficial to shareholders in the short-term, can be a source of regulatory, financial and reputational risk to companies and their investors. Aggressive corporate tax avoidance may have a negative effect on public finances and by extension on public services. Therefore, GMPF seeks to monitor the behaviour of investee companies in respect of their tax planning. GMPF co-filed shareholder resolutions relating to tax transparency with Microsoft and Amazon which was reported in the previous RI update. To continue to raise awareness and help tackle this issue GMPF joined the UN PRI's Tax Reference Group which convened for its first meeting in July.

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

2.16 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**.

2.17 GMPF's RI Policy covers a wide range of issues that have been identified as being important themes to focus its RI activities. Water stewardship is one of these themes. The supply and availability of fresh water underpins virtually every transaction on earth, financial or otherwise. As the global demand for fresh and dependable sources of water increases, driven largely by population growth, preserving the supply of reliable freshwater becomes ever more challenging. There are significant physical and transitional risks facing companies in future scenarios of high-water stress. The World Economic Forum has consistently identified water crises as one of the top risks to economic prosperity. In its continued efforts to raise awareness of this issue GMPF via Northern LGPS joined the Valuing Water Finance Initiative (VWFI) in July. The initiative is a new global investor led effort to engage companies with a high water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. The initiative calls on companies to meet Corporate Expectations for Valuing Water that align with the United Nations' 2030 Sustainable Development Goal for Water and the actions laid out in the Ceres Roadmap 2030. The Corporate Expectations for Valuing Water and link to the initiative can be found using the links below.
https://www.ceres.org/sites/default/files/Ceres%20Corporate%20Expectations%20for%20Valuing%20Water%202022.pdf
https://www.ceres.org/water/valuing-water-finance-initiative

2.18 Officers previously reported that GMPF had signed a statement recognising the role UK asset owners can play in supporting emerging economies in achieving their climate targets. Signatories to the initiative, including representatives from GMPF, met with the Pensions Minister, Guy Opperman MP, and representatives from South Africa, Kenya, Vietnam, Indonesia and India who shared their thoughts and ideas on areas of opportunity and the help they require for a successful transition to a low carbon economy.

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

2.19 The Northern LGPS Stewardship Report for the latest quarter can be found using the link:
https://northernlgps.org/taxonomy/term/15

2.20 The LAPFF Quarterly Engagement Report for the latest quarter can be found using the link:
https://lapfforum.org/publications/category/quarterly-engagement-reports/

2.21 Officers reported in the previous Quarterly Responsible Investment Activity Report that the application for the UK Stewardship Code had been submitted. The 12 principles of the Code are as follows:

Purpose and governance
1. Purpose, strategy and culture
2. Governance, resources and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Review and assurance

Investment Approach

6. Client and beneficiary needs
7. Stewardship, investment and ESG integration
8. Monitoring managers and service providers

Engagement

9. Engagement

10. Collaboration
11. Escalation

Exercising rights and responsibilities

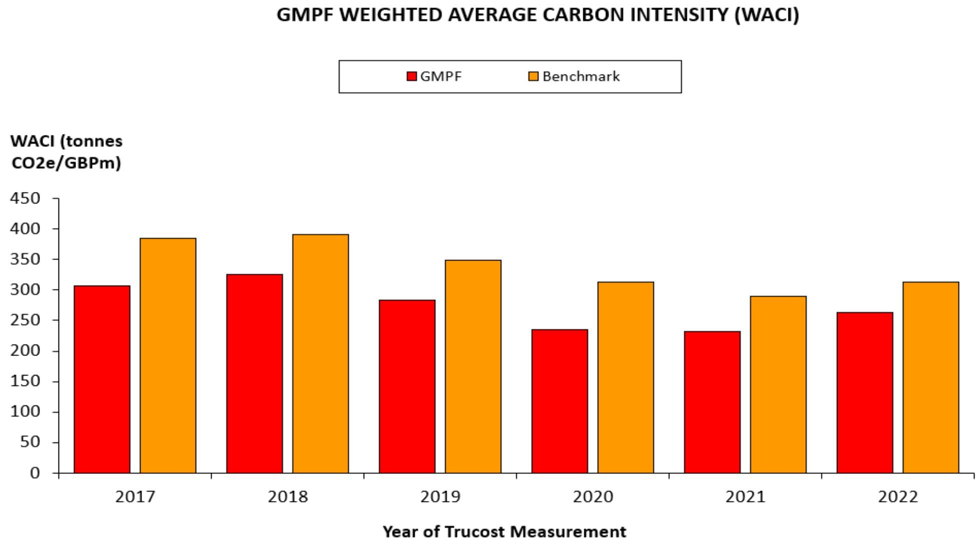
12. Exercising rights and responsibilities

2.22 The Fund's application to renew its signatory status has now been assessed by the Financial Reporting Council and was accepted. This is an important external and independent validation of the Fund's approach. GMPF will be required to update and submit a new application each year to maintain its status as a signatory to the UK Stewardship Code. The signatory list as well as GMPF's Stewardship Code statement is available at the following link:
https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-signatories

2.23 Officers of the Fund completed the annual carbon footprinting exercise of its listed equity and corporate bonds during the quarter. The backward-looking analysis takes a snapshot of the holdings as at 31 March each year and the carbon footprint is measured using an external provider.

2.24 The Taskforce for Climate-Related Financial Disclosures (TCFD), of which the Fund is a supporter, recommends the measurement and disclosure of a metric known as the weighted average carbon intensity (WACI). The WACI provides an indication of a portfolio's exposure to carbon intensive companies.

2.25 The graph below shows the WACI of the Fund's Active Equities over time. Over the six years the Fund has measured this metric, the Fund's WACI has been below the benchmark WACI.



2.26 On 1 September 2022, the Department for Levelling Up, Housing and Communities opened a consultation, "Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks". The topic of the consultation is described as follows, "This consultation seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)". The Fund has been reporting on a voluntary basis in line with the TCFD recommendations since 2018, and will be responding to the consultation.

3. RECOMMENDATION

3.1 As per the front of the report.

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Agenda Item 11

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Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	16 September 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	**GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2021-2022**
Report Summary	This report covers the draft annual report and accounts for GMPF including a summary financial report and updates Members with respect to the external audit.
Recommendations:	Members are asked to (i) Approve the Draft Annual Report (ii) Note the Summary Financial Report (iii) Note the update on progress of external audit
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The administering authority must produce an annual report and accounts in line with statutory provisions.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
BACKGROUND INFORMATION:	Further information can be obtained by contacting Paddy Dowdall Assistant Director (Local Investments and Property) Telephone: 0161 301 7140 e-mail: Paddy.Dowdall@gmpf.org.uk

1. INTRODUCTION

1.1 This report covers the draft annual report and accounts for GMPF including a summary financial report and updates Members with respect to the external audit.

2. DRAFT ANNUAL REPORT AND ACCOUNTS

2.1 The draft annual report is available for review at: [Annual report cover final copy (gmpf.org.uk)]

2.2 The summary financial report for 31 March 2022 is detailed below.

GMPF: Financial Performance Report 2021/2022

Simplified Statement of Accounts

	£m	£m	£m
Fund Value at 31 March 2021			**26,890**
Contributions and Benefits			**(290)**
Employee contributions	168		
Employer contributions	461		
Pension benefits Paid		941	
Net Transfers	22		
Management Costs			**(120)**
Investment		113	
Administration		6	
Oversight		1	
Investments			**2,844**
Income	587		
Change in market value of investments	2,257		
Total change in value of Fund			**2,434**
Fund Value 31 March 2022			**29,324**

Out-turn against medium term financial plan

2.3 The table below shows the financial out-turn against the prediction for the year 2021/22 as agreed by the Management Panel at its meeting on March 2021. The main variance was that, Investment returns were significantly higher than the long term average this year as markets were positive for the period creating a rise in valuation of assets.

	2020/22 prediction	*2022/21 actual*	*Variance*
	£m	*£m*	*£m*
Fund Size at Start of Year	**26,890**	**26,890**	
Fund Size at end of Year	**27,890**	**29,324**	**1,434**
Pensions Paid	917	941	24
Contributions received	551	629	78
Transfers	0	22	22
Net Cashflow	**-366**	**-290**	**76**
Management Costs	113	120	7
Investment Income	548	587	39
Increase in Value of Investments	931	2,257	1,326
Net Return from Investments	**1,479**	**2,844**	**1,365**
Net Change in Fund	**1,000**	**2,434**	**1,434**

Out-turn against prediction for management costs 2021/22

2.4 The table below shows the out-turn for expenditure against budget (ex-investment management external fees) for 2021/22

2.5 The main variances are due to:

- Significant development items initiated during the year incur expenditure in future years
- Saving on Northern Trust fees
- Significant savings on pooling, website consultants, external legal fees, investments advice and employer service costs
- Saving on Altair annual fee (paid in 20/21), hardware maintenance and infrastructure licenses and development
- Savings due to restricted use of building. (Rent costs understated - deferred to 2022/23)
- Cost of changing postal services to Adare, not as significant as expected in first year. On-going savings on travel and subscriptions.
- Increased divorce and admission fee income offset by reduced legal recharges.

Type	**Total Out-turn 2021/22**	**Total Budget 2021/22**	**Variance Fav (Adv)**
Staffing	7,109,594	7,113,177	3,583
Leadership & Development	91,899	589,900	498,001
Governance	206,684	269,120	62,436
Custody	440,379	488,620	48,241
Actuarial Fees	289,775	275,500	(14,275)
Professional Fees	738,382	2,080,010	1,341,628
IT and Equipment	445,704	1,295,640	849,936
Premises	731,093	1,011,760	280,667
Other General Costs	343,118	794,309	451,191
Income	(743,615)	(1,230,000)	(486,385)
	9,653,013	12,688,036	3,035,023
Central Establishment Charges	458,435	478,067	19,632
Total Pre-Investment Management Fees	**10,111,448**	**13,166,103**	**3,054,655**

External Investment Management Fees

2.6 The table below shows investment fees paid directly by GMPF against forecast, variances will be due to changes in asset valuations and fee negotiation by investments team from that projected at start of the year, notably an excellent result with UBS.

Area	**Subset**	**Original Annual Budget 2021/22**	**Actual Out-turn 2021/22**	**Variance Fav (Adv)**
External Managers	UBS (incl designated fund)	13,220,000	10,095,856	3,124,144
	L&G	2,400,000	2,041,213	358,787
	91 (formerly Investec)	1,830,000	1,879,990	(49,990)
	Sci Beta	1,200,000	1,140,998	59,002
	Stone Harbour (credit manager)	3,850,000	4,168,888	(318,888)
		22,500,000	**19,326,945**	**3,173,055**
Property	Main Portfolio Investment Management	2,329,000	932,772	1,396,228
	Main Portfolio Other	110,000	72,789	37,211
	Local Portfolio Investment Management	115,000	115,000	0
	Local Portfolio Other	0	3,303	(3,303)
		2,554,000	**1,123,864**	**1,430,136**

Investment Fees Private Markets

2.7 Certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs charged directly by the investment managers from either asset values or capital calls/payments. These costs are allocated directly to the Fund Account where information is available to the Custodian by the investment manager, on an as paid rather than on an accruals basis. This is a change in policy for 2022.

2.8 Where costs are charged by these managers and not disclosed to the Custodian, they are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes; in previous years all of these costs were treated this way

2.9 The table below shows an estimate of a fuller charge to these private market funds on an accruals basis including performance related fees. for 2021/22 and 200/21 The material variance is the performance fees which reflects the strong performance achieved by these assets during the period.

31 March 2021 £000		31 March 2022 £000
	GMPF Private market and alternative investments	
89,516	performance related	182,440
66,417	non-performance related	67,604
	GMPF Indirect investment property	
10,078	performance related	15,502
20,098	non-performance related	19,149
	Northern LGPS Investments (NPEP/GLIL)	
4,669	performance related	17,621
10,580	non-performance related	12,634
201,358	**Total**	**314,950**

Three-year Financial Plan

2.10 The table below shows the financial forecast for period 2021-2024 as approved by GMPF Management Panel on 16 September 2022. Key issues remain consistent with previous years.

- The net negative cash-flow from contribution income less benefits whilst accelerating due to the maturity of the Fund, is offset by investment income meaning that GMPF is not going to be a forced seller of assets for the foreseeable future.
- These figures are based on long term projected average investment performance of 5.2% taken from and short-term volatility may cause significant variations to the figures in this forecast.
- GMPF has changed the way in which it discloses some costs for private market assets, (those specifically reported to the custodian) that were previously deducted at source by investment managers, effectively netting against investment performance. These were previously disclosed as note to accounts but not expensed through accounts. Some costs which are not reported to the Fund are This does not affect the projected change in fund value for the 3-year period.
- Due to the general uncertainty, specific forthcoming issues with how costs from pooled investments are treated, and a desire to review budgets on a zero-based basis, the Management Panel has not approved a 3-year budget for management costs with the exception of AUM movements for external management fees.

	2022/23	2023/24	2024/25
Fund Size at Start of Year	**29,324**	**30,408**	**31,437**
Fund Size at end of Year	**30,408**	**31,437**	**32,459**
Pensions Paid	945	1,052	1,107
Contributions received	629	629	629

Transfers	0	0	0
Net Cashflow	**-316**	**-423**	**-478**
Management Costs	125	130	135
Investment Income	618	650	683
Increase in Value of Investments	907	932	951
Net Return from Investments	**1,525**	**1,581**	**1,635**
Net Change in Fund	**1,084**	**1,029**	**1,022**

3. UPDATE ON PROGRESS OF EXTERNAL AUDIT

3.1 At the time of writing a draft audit findings report for GMPF is not available. Following comments from Mazars local and national review team the team are making some presentational changes to certain disclosures. The verbal updates from the auditors so far are that there are no material or high-risk findings, a verbal update will be provided at the meeting.

4. RECOMMENDATIONS

4.1 As set out at the front of the report.

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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

Valuing Water Finance Initiative
GMPF via Northern LGPS is a signatory to this initiative. The initiative is a new global investor-led effort to engage companies with a high water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.
Web link: https://www.ceres.org/water/valuing-water-finance-initiative

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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