

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

4 March 2021

Commenced: 11:00am

Terminated: 12.50pm

IN ATTENDANCE

Councillor Warrington (Chair)	
Councillor Cooney	
Councillor M Smith	
John Thompson	Trade Union Representative (UNITE)
Petula Herbert	MoJ
Councillor Pantall	Fund Observer
Councillor Ryan	Fund Observer
Ronnie Bowie	Advisor to the Fund
Lynn Brown	Advisor to the Fund
Mark Powers	Advisor to the Fund
Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Pensions (Investments)
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Steven Taylor	Assistant Director of Pensions (Special Projects)
Neil Cooper	Head of Pension Investment (Private Markets)
Kevin Etchells	Investment Manager (Local Investments)
Michael Ashworth	Senior Investments Manager (Public Markets)
Mushfiquar Rahman	Investments Manager (Public Markets)
Abdul Bashir	Investments Manager (Public Markets)

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

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

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

37. REPORT OF THE MANAGER

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

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

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

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

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

RECOMMENDED

That the content of the presentation be noted.

38. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 31 December 2020.

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

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

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

RECOMMENDED

That the content of the report be noted

39. POOLING UPDATE

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

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

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

On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review (published alongside the Spending Review) at <https://www.gov.uk/government/publications/the-balance-sheet-review-report-improving-public->

[sector-balance-sheet-management](#), (pages 34-35). This referred to stronger governance, improved reporting, and greater transparency on investment performance, including benchmarking against UK and international comparators.

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

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

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

RECOMMENDED

That the content of the report be noted.

40. MANCHESTER AIRPORT GROUP'S PARTICIPATION IN GMPF

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

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

RECOMMENDED

That the content of the report be noted.

41. BESPOKE EMPLOYER INVESTMENT STRATEGIES

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

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

RECOMMENDED

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

42. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

A report was submitted by the Assistant Director, Local Investment and Property, which updated Members on progress for property investment, focusing on deployment of capital and investment management against the background of continuing underperformance from the main direct manager La Salle.

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

two was considered with broad consensus achieved. The rationale for this was detailed and discussed.

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

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

RECOMMENDED

- (i) That the progression of selecting two managers for the mandates as detailed in section 3 of the report, be approved; and**
- (ii) That a revised strategy for deployment to property be approved. This strategy will be focussed around new investment predominantly through pooled vehicles.**

CHAIR