GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

19 March 2021

Commenced: 10.00am	**Terminated: 12.30pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Andrews (Manchester), Barnes (Salford), Jabbar (Oldham), Mitchell (Trafford), O'Neill (Rochdale) and Taylor (Stockport)** **Employee Representatives:** **Mr Drury (UNITE), Ms Fulham (UNISON), Llewellyn (UNITE), McDonagh (UNISON) and Thompson (UNITE)** **Fund Observers:** **Councillors Pantall (Stockport) and Ryan** **Local Pensions Board Members (in attendance as observers):** **Councillor Fairfoull** **Mark Rayner** **Advisors:** **Mr Bowie, Ms Brown, Mr Moizer and Mr Powers**
Apologies for absence:	**Councillors Grimshaw (Bury), Cunliffe (Wigan) and Parkinson (Bolton)**

61. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and began by briefly explaining the history of the Fund. She reported that the Greater Manchester Pension Fund traced its origins back to 1891 and was one of the earliest schemes among local authorities providing retirement benefits for employees. The Scheme, known as the City of Manchester Thrift Fund, was revived after the first World War following an actuarial report in 1919 and the basic structure of the present scheme was introduced on 1 April 1921 by the Manchester Corporation (Superannuation) Act 1920.

Other local government pension schemes followed the Manchester scheme to ensure pension benefits were fully funded. At that time the Fund's liabilities were calculated as £700,000 (seven hundred thousand pounds) with 9,668 members.

The Chair was pleased to advise that as the Fund formally reached its 100th anniversary on becoming a statutory scheme (in two weeks' time), it stood at an all-time high of £26.7 billion with 385,204 members and was fully funded

In addition to this long history, the Fund had introduced a number of developments over the years that had been 'firsts' in local government. The Chair was proud to say that the Greater Manchester Pension Fund continued to lead in ensuring that it provided affordable sustainable pensions in the interests of its members and taxpayers alike. It had been a force for good, ensuring that employees got to live out their retirement with dignity whilst raising environmental, social and governance standards across companies both in UK and abroad through engagement. It was the largest local government pension scheme in the country, in the top 15 biggest pension funds in the UK and about 150th largest in the world.

The Chair further advised that balancing the long term solvency of the Fund as a whole, whilst maintaining its affordability for employers and taxpayers, was a fiduciary responsibility that was taken very seriously. The Fund was recognised nationally as being one of the top performing funds over the last 30 years creating an additional £3.4 billion of value above that of the average local government pension fund.

The Chair reported that the past year had been one of the most turbulent in the world of pensions in recent memory, as ongoing concerns over the pandemic, global trade wars and Britain's exit from the European Union had fostered an atmosphere of considerable uncertainty and turbulence. It had also become increasingly apparent that the Pension Fund's response to the generational challenge presented by the climate crisis and environmental protection, was an area of significant concern to trustees, members, employers and stakeholders alike.

The Chair emphasised that the treatment of people and the planet was financially material to members' investment considerations. Pensions assets could be invested to create a sustainable, better future without compromising on returns. This included meeting the Paris Agreement to achieve net zero carbon emissions by 2050 and a 2030 target in line with the IPCC's (The Intergovernmental Panel on Climate Change) 1.5 degree pathway, was actively being explored. The Fund was two years in advance of the government's commitment in leading this agenda and the Chair was confident this would continue.

It was known, through independent assessments of the fund by globally recognised companies such as 'Trucost', that currently the companies the Fund invested in already produced more power through renewables than they did from coal and oil (otherwise referred to as fossil fuels). These independent assessments found that the Fund's active equity holdings were 25% less carbon intensive than the average pension fund so the Fund was moving in the right direction to becoming carbon neutral. Furthermore, the Fund was also the biggest direct local government pensioner investor in renewable energy and energy efficiency, with a half a billion pounds allocated in a number of areas including biomass and wind farm assets. These efforts to date had been recognised by the House of Commons Environmental Audit Committee, describing the Fund as having the highest levels of engagement of all UK Pension Funds to manage the risks that climate change posed to UK pension investments.

The Fund had a track record of using its position on the Local Authority Pension Fund Forum to challenge companies in which it had an interest, to direct their own efforts towards environment sustainability and other issues of concern. Fighting the climate crisis was one of the Fund's highest priorities. Failure to deliver on this would not just threaten the viability of the Pension Fund, it would threaten the viability of the economy, society, and the planet as a whole.

However, this must be addressed within the fiduciary duty that the Fund and its trustees owed to its members and ultimately the taxpayer. The Fund had to demonstrate that its investment decisions did not threaten its financial performance to deliver pensions, and at the last valuation period, over £400 million more in returns had been achieved than if the Fund had divested from equities in such companies such as BP or British Gas. Accordingly, with such clear evidence that disinvestment rushed at this stage would cause material financial detriment to the fund and its stakeholders, the need for a 'Just Transition' was required, which ensured that the burden of this cost was not transferred to the employers and taxpayers of Greater Manchester alike, which would result in significant Council tax hikes, and importantly avoid job loses for residents across the conurbation who were employed in these industries.

Trustees had a fiduciary duties to members and taxpayers and the Chair was proud to say that trustees were also responsible investor activists. So, the Fund would not immediately divest and 'pass the buck' to someone else, they would force change instead.

The Chair quoted Guy Opperman, the Pensions Minister, who was quoted in the Financial Times on the 4 March 2021 stating that merely selling stocks that made you look bad from a fossil fuel standpoint was a 'reverse greenwashing', because it didn't actually fix the problem'. He went further to say he didn't want funds to divest but to invest in energy companies.

The Chair further read out an extract from the Pension Minister's recent key note speech setting the legislative requirements for all pension schemes to align with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and to address climate change risks, which the Fund was entering its fifth year of doing and reporting upon:

'*We know that climate change is the defining challenge of our time. Our response will determine the future health and prosperity of the world.*

Climate change is a major systemic financial risk and threat to the long-term sustainability of pensions.

With £2 trillion in assets under management, all occupational pension schemes are exposed to climate-related risks.

The UK is set to become the first major economy to require climate risks to be specifically considered and then reported on by pension schemes.

The new measures will ensure trustees are legally required to assess and report on the financial risks of climate change within their portfolios.

I am committed to ensuring that trustees do everything they can to limit this risk to their members' future income.

Some say that government is directing trustee decisions and increasing pressure for divestment of pension schemes from high carbon sectors.

However, I have repeatedly stated in Parliament, and I make the point again today, I'm wholeheartedly opposed to divestment.

We are not mandating that schemes commit to specified emissions reductions, and we continue to believe that divestment would be the wrong approach.

We believe encouraging company engagement will reduce the climate risk to which that scheme is exposed.

Investors should be clear that the transition to a low carbon economy is underway.

Our regulations will require trustees to act within their fiduciary duty by assessing their portfolio's susceptibility to this kind of transition risk.

This transition also presents pension schemes with opportunities to invest in the real economy including the environmental infrastructure and businesses of the future that are emerging and are so needed.

These types of investments have the potential to offer pension schemes increased returns whilst driving the transition that we all want to 'net zero'.

I commend schemes that have already shown leadership by investing in infrastructure, property and private markets but we fall behind our global partners in our commitment to these asset classes and the economy as a whole suffers for it.

We have all been through an incredible journey this year, but there is an opportunity to contribute to a better financial future for ourselves and a future for our planet.

This challenge demands all of us to take action.

Together, we can build a better, safer and greener pensions system.

The Chair gave assurances that the Fund was not only playing its part but was leading on this stewardship and its impact on the environment. She further explained that the Assistant Director of Pensions Investments would be picking this up on the agenda, detailing the action taken to date including giving evidence at the All-Party Parliamentary Group for Local Authority Pension Funds, which launched an inquiry into '*Responsible investment for a just transition*' led by the Chair of the APPG, Clive Betts MP. Its findings would be published ahead of the UN climate change conference in Glasgow in November 2021.

A review of the Fund's position would be undertaken during the formal Investment Strategy Statement consultation in the summer, which allowed everyone to engage with the stewardship approach. Hopefully, a stewardship event would be undertaken in September, (planned for last year but forced to defer due to the Pandemic), with PIRC, the Fund's ESG consultants, who had supported the Fund for the last 25 years.

The Fund would continue in its Stewardship role, in line with its core values, which had stood the test of time over 3 centuries, to deliver its fiduciary duty to ensure members got to live out their retirements with dignity, whilst protecting the environment for generations going forward. The Fund would strive towards a zero-carbon economy as quickly as possible and further information in respect of this would be presented in the agenda, ensuring interests of workers & communities were properly taken into account.

62. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

63. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 11 December 2020 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 11 December 2020 were noted.

64. 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**
7, 8, 9, 10, 11, 12, 17, 18, 19,	**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**

20, 21, 22, 23	**3&10, 3&10, 3&10, 3&10, 3&10**	**Fund and/or its agents, which could in turn affect the interests of the stakeholders and/or tax payers.**

65. LOCAL PENSIONS BOARD

The Chair of the Local Board Councillor Fairfoull advised that the Board had discussed the improvements made to GMPF's cyber security including the creation of a GMPF specific strategy and policy documents to sit alongside those of Tameside MBC. Cyber security had been identified as a key risk for the Fund, as it was for almost all pension funds. Cybercrime was an ever-evolving threat, with new types of attack being developed and methods becoming more sophisticated.

An update was received on the latest pensions tax support offered to GMPF members. The Annual Allowance and Lifetime Allowance could be quite complicated for members to understand and it was encouraging to find out that 147 members attended one of the main webinar events, with 73 members attending the individual guidance sessions. The Board felt that it was important that GMPF supported its members to understand the benefits provided by the Scheme.

New employer flexibilities powers were also discussed and how they should allow the Administering Authority more flexibility and options when dealing with employer exits. The new employer flexibilities would be discussed further as part of the meeting's agenda today.

As at each meeting, the monitoring of late payment of contributions or late submissions of data from employers, was reviewed. Given the current economic difficulties it was encouraging that the timeliness of contribution payments from employer had been maintained, or even improved.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 14 January 2021 be noted.

66. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 22 January 2021 were considered.

The Chair of the Working Group, Councillor Cooney, explained that L&G had attended the meeting and updated Members on their stewardship activity. Members were presented with case studies where L&G had used their influence to change the behaviour of businesses. This was achieved through a number of approaches including, direct engagement, collaborative engagement, voting, capital allocation, engaging the regulator and through public pressure.

The Fund's responsible investment advisor, PIRC, had also attended the meeting and presented their report titled 'Unpacking the Outbreak", which detailed how food processing became a high-risk sector in the Covid pandemic. The Chair explained that the Fund had been involved in a co-ordinated investor response between 129 institutions and $2.4 trillion in combined assets to push for changes. PIRC had also written letters to operators in the UK food sector and engagements would continue.

PIRC also presented highlights from the Northern LGPS Quarterly Stewardship report, including details of engagements with major holdings.

RECOMMENDED
That the minutes be received as a correct record.

67. 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 22 January 2021 were considered

The Chair of the Working Group, Councillor Smith, advised that the Working Group were updated on the work undertaken to strengthen compliance with the Pension Regulator's Codes of Practice around data quality. Thanks to efforts to trace missing addresses and work undertaken to review data quality reports, common and scheme specific data scores had improved when measuring against the Regulator's current guidelines.

GMPF's Additional Voluntary Contributions Scheme arrangements was also discussed, with a focus on the largest provider, which was Prudential. As at 31 March 2020 the Prudential AVC scheme had 5,253 contributing members, which was approximately 5% of GMPF's active membership, with total funds invested in excess of £71.5million. The investment performance of the funds was noted, in particular the with-profits fund which had contained the majority of AVC members' assets. Prudential would present to the working group at its next meeting.

As usual, the administration strategic service update and updates relating to member services, employer services, developments and technologies and communication and engagement, were reviewed. Recent developments in relation to the £95,000 exit cap and employer flexibility powers, which featured on today's Panel agenda, was also discussed.

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

68. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 4 March 2021 were considered.

The Chair of the Working Group, Councillor Warrington, advised that reports relating to two of the Fund's larger admission bodies, were considered. Both employers had very mature liabilities and were currently involved in discussions with the Fund regarding funding strategy and managing future funding risks.

An update report was received on the latest developments in LGPS pooling. GLIL had acquired a 30% stake in Agility Trains East in January 2021 which showed the Northern LGPS commitment to infrastructure spending. This was firmly in line with the ethos of Local Government pooling. Developments in other LGPS pools were also noted.

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

The working group also discussed in detail the Fund's external property management arrangements, which was also on the agenda for today's Panel meeting.

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

(ii) In respect of Bespoke Employer Investment Strategies; 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; and

(i) In respect of Property Investment: Deployment and Performance Monitoring; that the progression of selecting two managers for the mandates as detailed in section 3 of the report, be approved; and that a revised strategy for deployment to property be approved. This strategy will be focussed around new investment predominantly through pooled vehicles.

69. RESPONSIBLE INVESTMENT UPDATE Q4 2020

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 Q4 2020.

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

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

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

A summary of the Fund's Responsible Investment activity for Q4 2020 against the six PRI principles was detailed in the report.

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

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

Detailed discussion ensued in respect of the Fund's commitment to Responsible Investment and Members commented on the encouraging progress achieved to date, whilst acknowledging that there was still work to be done.

Members further made reference to the key messages and how best to communicate them to a wider audience. The importance of publicising the significant work undertaken by the Fund to address climate change was emphasised, including its dedication to building a better, more sustainable future for the planet and generations to come.

The Chair thanked the Assistant Director for the thorough and informative presentation and acknowledged Members comments in respect of the communication of key messages and highlighted the need to convey to scheme members what was happening to their investment in the scheme.

RECOMMENDED
That the summary of the Funds Responsible Investment progress activity for the latest quarter against the six PRI principles be noted and, in particular, GMPF's commitment to meet the Paris Agreement to achieve net zero carbon emissions by 2050 whilst actively exploring a 2030 target, in line with the IPCC's 1.5 degree pathway.

70. INVESTMENT MANAGEMENT ARRANGEMENTS INCLUDING UPDATE ON RECENT INVESTMENT MANAGER FEE NEGOTIATIONS

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

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

Elaine Torry of Hymans Robertson then presented before Members addressing two areas of focus with respect of the Fund's review of Investment Management arrangements, as detailed in the previous Review of Investment Management Arrangements report to the September 2020 meeting of the Panel:

- A review of the pros and cons of using multi asset versus specialist managers; and
- The retention of the Absolute Return Funds GMO and GARS within the Special Opportunities Fund, and whether there was any merit in those portfolios being 'promoted' to a Main Fund allocation.

The presentation outlined a number of potential next steps. In this context, a further paper would be brought to a future meeting of the Panel.

An update on recent investment manager fee negotiations was also given.

The Advisers commented in general on the direction of the Fund and the natural progression towards diversification and sought clarification with regard to savings and how/where these could be achieved.

The Chair thanked Ms Torry for a very informative presentation.

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

71. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

The Assistant Director of Pensions, Local Investment and Property, submitted a report and delivered a presentation, updating Members on the progress of a review into property investment focusing on deployment of capital and investment management against the background of continuing underperformance from the main portfolio manager, LaSalle.

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. At a meeting on 4 March the Policy & Development Working Group, following consideration of the work done by the internal team and comments from advisers, agreed to make recommendations to Panel, as detailed in and appended to, the report.

Members were informed that a Northern LGPS Framework had been established which could be used to procure both of these mandates.

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 and presentation. Members and Advisors commended the Director of Pensions and the Team on the extremely thorough and comprehensive work undertaken and progress achieved and endorsed the recommendations proposed.

RECOMMENDED

(i) That the content of the report and presentation be noted;

(ii) That the Director of Pensions be authorised to make arrangements for the procurement of two replacement property managers as detailed in section 5 of the report; and

(iii) That future deployment of capital into UK property be made via pooled vehicles selected by the internal team under delegation to the Director, overseen by Investment Committee in line with the strategy set out in section 6 of the report.

72. PERFORMANCE DASHBOARD

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

The key information from the Quarter 4 2020 Performance Dashboard was summarised. Q4 2020 was a year of investment extremes. The year judged on a quarterly basis was very mixed, but overall, markets responded positively as they were bolstered by large global fiscal and monetary stimulus from governments and central banks and the potential for a COVID-19 vaccine. The key events of Q4 2020 helped diminish the uncertainties that dominated the year: COVID-19 and politics. Successful vaccine development, the US election results, and the Brexit deal had clarified and brightened the economic outlook heading into 2021. Global stocks went on to post their biggest monthly gain on record in November, buoyed by the passing of the US election event risk and the announcement of a vaccine candidate whose results were more efficacious than expected. Value stocks performed more strongly than Growth stocks, reversing some of the losses from earlier in the year but still leaving UK Value stocks a long way behind compared to Growth stocks over the year. Despite hopes of economic recovery in 2021, government bond yields rose only modestly in the US and fell in the UK and Germany due to near-term economic weakness and central bank intervention. Corporate bond markets generated positive returns with high yield bonds outperforming investment grade bonds. Local currency emerging market bonds were among the best performers for the quarter benefiting from EM currencies strengthening against USD.

Over the quarter total Main Fund assets increased by £1,787 million to £25.1 billion. Allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continued apace with allocations expected to increase further over the coming years. Following the review of Investment Strategy, further changes to the 'realistic' strategic allocations to alternatives were made in Q3 2020. Within the Main Fund, there was an overweight position in cash (of around 1.5% versus target respectively). The property allocation continued to be underweight (by around 3.0%) versus its benchmark. This was offset by an overweight position in equities.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.1 billion of additional assets.

The Main Fund outperformed its benchmark over Q4 2020. Relative performance over 1 and 3 years remained negative. The Main Fund was broadly in line with its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q4 2020, 1 year active risk had risen sharply having fallen over the preceding two quarters. 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% pa. Risk in absolute terms (for both portfolio and benchmark) increased substantially over Q4 2020 and remained above that observed historically. This was largely a reflection of the significant volatility seen in markets due to the coronavirus pandemic. Whilst risk was expected to remain elevated, it was expected to moderate over the coming months as the effects of the pandemic subsided.

As at the end of Quarter 4; over a 1 year period, three of the Fund's active securities managers had underperformed their respective benchmarks whilst one manager outperformed its benchmark. Over a 3 year period, three of the managers had underperformed their respective benchmarks. The long-term performance one manager remained strong, however, performance over the past 3 years had been very poor, resulting in negative relative performance over 1, 3 and 5 year periods. The performance history of the Factor Based Investing portfolio was extremely short (around 1 year), so at this very early stage no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

73. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions providing an update on the current business planning and budget setting process. It also highlighted the current key risks being monitored.

Members were informed that, each year, GMPF prepared an annual business plan to provide strategic direction and to assist with the planning and monitoring of performance. At the September 2020 Pension Fund Management Panel meeting, the Director of Pensions undertook to review GMPF's strategic objectives to ensure they remained relevant and to revise the business planning process to ensure both the process and format allow for effective monitoring and scrutiny. The review was currently underway. Officers were in the process of drafting revised strategic objectives for consideration and were drawing up a new detailed business plan for 2021/22 in a new format.

It was explained that the expenditure budget was set with a view to ensuring the cost of delivering the business plan was met. GMPF's financial position was determined by two main elements, the first being the receipt of contributions and payment of pension benefits and the second being the performance and costs of its investment portfolio. The third element was the cost of governance, oversight and administration, which had far less material impact. However, it was important that this was managed and monitored effectively to ensure value for money was being achieved and to provide assurance that the service was being managed in line with expectations. The finer details of the budget for this third element of were still to be determined alongside the business planning process. However, based on the work undertaken so far and given there were no significant changes to the service planned, the overall budget was expected to remain the same as it was last year.

The expected expenditure budget was outlined in Appendix A to the report. CIPFA guidance for annual reports of LGPS Funds required reports to include medium term financial planning. The estimate for this for the period 2021-2024 was provided as Appendix B to the report**.** The estimate was indicative as benefits paid and contributions received may be materially impacted by employer decisions arising from the impact of budget reductions. Investment performance could have material effects on the out-turn.

In terms of risk management, it was reported that the overarching risk register was reviewed and updated at least once each quarter and the latest version was included with the report for review at Appendix C.

RECOMMENDED

(i) That the content of the report and the work being undertaken on business planning and budget setting, be noted;

(ii) That the Budget for 2021/22 and the Medium-term Financial Plan for 2021-2024 be approved; and

(iii) That the risk register and the controls in place to mitigate each risk, be noted;

74. EMPLOYER FLEXIBILITIES

The Assistant Director of Pensions, Funding and Business Development, submitted a report which sought approval for the draft employer flexibilities policy to be consulted upon with employers.

It was explained that the draft policy set out how the Administering Authority would approach interim valuations and consider request for deferred debt agreements and the spreading of exit payment. A copy of the draft policy was appended to the report.

The implementation of the policy would constitute a material amendment to the FSS and therefore require consultation with employers before being finalised by the Management Panel.

The draft policy would likely require some further revision and discussion with the Fund Actuary prior to being issued for consultation as the accompanying guidance to the regulations had only only been released on 2 March 2021. It was envisaged that the consultation exercise was undertaken and consultation responses considered, prior to a final version being brought to the Management Panel for approval at its July 2021 meeting.

Members were informed that, in drafting the policy a balance had been sought between providing employers with enough detail to reduce the number of unsuccessful applications (which would incur costs for the employer and use up significant amount of GMPF officers' time) and retaining enough flexibility to assess each case according to its particular circumstances.

RECOMMENDED

That the Director of Pensions be given approval to update the policy in line with any comments received from Panel and the Fund Actuary and issue for consultation with employers with a view to considering approving a draft policy at the next Panel in July subject to consultation feedback.

75. 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
- Key projects updates
- Policy document updates

It was explained that the effects of the pandemic continued to have a significant impact on the workloads of the section and were presenting a challenge in terms of maintaining casework turnaround times. Targets were currently being maintained using overtime and by redistributing resource to the teams processing priority tasks. Much of the additional work was generated by the increase in deaths and in leavers. Overall, performance levels remained high and work on projects that supported improving the service provided to members, had continued. A draft performance dashboard for quarter 3 (October to December 2020) was appended to the report.

In respect of compliance activities, it was reported that all employers had now on-boarded to monthly data collection except of one Local Authority and their associated employers, due to changing their payroll system provider. The on-boarding process was however currently underway and was due to be completed by the end of March 2021 or shortly thereafter.

Preparations were currently underway to launch an online training programme for employers in April 2021 to increase the availability of support available for employers on an ongoing basis.

With regard to other key projects, it was reported that progress continued to be made on several large IT projects. The implementation of Microsoft 365 continued, with the use of Microsoft Teams being expanded and a migration programme for files to be transferred to Microsoft SharePoint due to begin in April 2021. The procurement of new telephony and a new contact centre system was also now almost complete and work on planning the implementation of these new systems had begun. Work on strengthening cyber security and on reviewing system backup arrangements was also taking place.

The project concerning the redevelopment of the GMPF website was now complete and the project was formally closed in February 2021. Work to maintain and further develop the new website had now moved to business as usual work.

In terms of Policy document updates it was explained that several GMPF policies were included as part of the Annual Report. This year, all existing policies either remained unchanged from their 2020 versions or required only minor amendments such as updates of dates and links.

In addition, a GMPF conflicts of interest policy had been drafted for approval by the Management Panel and this was attached to the report. It was further explained that there were currently conflicts policies in place for the GMPF Local Pensions Board and for the administering authority, Tameside MBC. The GMPF-wide conflicts policy had been drafted to supplement these existing polices and provide a single point of reference for managing any potential future conflicts in relation to the pension fund. Having a fund-specific conflicts policy was recommended as best practice by the Pensions Regulator and may be a requirement of any changes to the LGPS Regulations or statutory guidance following the completion of the LGPS Good Governance project.

RECOMMENDED
(i) That the content of the report be noted; and
(ii) That the GMPF Conflicts of Interest Policy, as appended to the report, be approved.

76. LGPS UPDATE

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

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

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

77. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

Hymans Robertson Webinar – Keeping the LGPS Connected	**23 March 2021** **10.30 – 11.00**
PLSA Local Authority Conference - Virtual	**18-19 May 2021**
PLSA Annual Conference - Virtual	**12-14 October 2021**

78. DATES OF FUTURE MEETINGS

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

CHAIR