GREATER MANCHESTER PENSION FUND
MANAGEMENT PANEL

19 March 2021

Commenced:	**10.00am**	**Terminated:12.30pm**
Present:	**Councillor Warrington (Chair)**	
	Councillors: Andrews (Manchester), Barnes (Salford), Cooney, Drennan, Jabbar (Oldham), Mitchell (Trafford), O'Neill (Rochdale), Patrick, Ricci, Sharif, M Smith, Taylor (Stockport), Ward and Ms Herbert	
	Fund Observers:	
	Councillors Pantall (Stockport) and Ryan	
Apologies for Absence:	**Councillors Cunliffe (Wigan), Grimshaw (Bury), J Homer, Newton, Parkinson (Bolton) and Wills**	

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 Directer of Pensions Investments would be picking this up on the agenda, explaining 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, 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 noted.

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

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, 20, 21, 22, 23	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be 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.**

65. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 14 January 2021 were considered.

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

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

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

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

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

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

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

69. RESPONSIBLE INVESTMENT UPDATE Q4 2020

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

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

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

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

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

71. PROPERTY INVESTMENT: DEPLOYMENT AND PERFORMANCE MONITORING

A report and presentation of the Assistant Director Local Investment and Property, was submitted.

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

72. 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.

73. 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.

74. EMPLOYER FLEXIBILITIES

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

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

75. 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.

76. 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.

77. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

Hymans Robertson Webinar – Keeping the LGPS Connected	**23 March 2021**
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