

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

8 July 2021

(Meeting held remotely via Zoom Pro platform)

Commenced: 11.00am Terminated: 12.15pm

Present: Councillor Gerald P Cooney (Chair) Vice Deputy – Greater Manchester Pension Fund
Councillor Brenda Warrington Chair – Greater Manchester Pension Fund
Councillor Andrew Thornton Chair - West Yorkshire Pension Fund (WYPF)
Councillor Pat Cleary Chair – Merseyside Pension Fund
Councillor Cherry Povall (part meeting) Vice Chair – Merseyside Pension Fund (MPF)
Liz Bailey West Yorkshire Pension Fund

In attendance:

Rodney Barton	Director of Pensions, WYPF
Sandra Stewart	Director of Pensions, GMPF
Euan Miller	Assistant Director of Pensions, Funding and Business Development, GMPF
Tom Harrington	Assistant Director of Pensions, Investments, GMPF
Paddy Dowdall	Assistant Director of Pensions, Local Investments and Property, GMPF
Steven Taylor	Assistant Director of Pensions, Special Projects, GMPF
Neil Cooper	Head of Pension Investment
Dan Hobson	Head of Real Assets
Greg Campbell	Merseyside Pension Fund
Owen Thorne	Merseyside Pension Fund
Colin Standish	West Yorkshire Pension Fund
Alan McDougall	PIRC
Janice Hayward	PIRC
Tom Powdrill	PIRC
Conor Constable	PIRC

1. DECLARATIONS OF INTEREST

There were no declarations of interest declared by Members.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 15 April 2021 were agreed as a correct record.

3. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, GMPF, providing an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised 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.

Government had yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. MHCLG civil servants continued to indicate that a new consultation on pooling guidance and potentially, changes to the LGPS Investment Regulations were expected sometime later in the year. In the short-term there may be a ministerial statement on the Government's commitment to pooling.

MHCLG had issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future.

MHCLG was keen for all pools to be reporting cost savings on a consistent basis and representatives of Northern LGPS, ACCESS and the Wales Pensions Partnership had been invited to attend the meetings which take place between the Chief Operating Officers of the five pools, which operated their own FCA regulated fund manager in order to discuss how this could be achieved going forwards.

Based on the information shared at the meetings, Northern LGPS has used similar methodology to most of the other pools when calculating cost savings in previous years and whilst a consistent LGPS-wide methodology is yet to be agreed, it was expected that no significant changes would need to be made by Northern LGPS when calculating both achieved and projected future savings for this year's MHCLG progress report.

Northern LGPS' cost savings for 2020/21 were expected to be between £25m and £30m (increasing from approximately £21m in 2019/20), giving total savings since inception of between £65m and £70m. These figures were consistent with the future projections made last year. The increase in costs savings achieved was as a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles.

Members were advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2021 year end accounts and an annual report. At the Joint Committee meeting in July 2020 it was agreed that a 2020 Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. It was proposed that a 2021 Pool Annual Report be produced following confirmation of the basis for calculating cost savings as previously detailed and that the fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

It was reported that all pools other than Northern LGPS had agreed to work with a financial services consultant with the aim of developing new reporting metrics for Pools to show the on-going and future success of pooling. Further details of the proposed project were set out in the **Appendix A** to the report (workstream 2)

Discussion ensued in particular in respect of developing criteria for measuring pooling success.

RESOLVED

- (i) That the content of the report be noted;**
- (ii) That the production of a concise Northern LGPS Annual Report for 2020/21 be approved, which can be included within the annual reports of the participating funds; and**
- (iii) That NLGPS expresses its view in respect of developing a criteria for measuring pooling success.**

4. UPDATE ON THE ACTIVITIES OF THE SCHEME ADVISORY BOARD'S INVESTMENT, GOVERNANCE & ENGAGEMENT (IG&E) SUB-COMMITTEE

The Director of Pensions, MPF, submitted a report explaining that the Investment, Governance and Engagement Sub-Committee was established by the Scheme Advisory Board and the Directors of the West Yorkshire and Merseyside Pension Funds were members of the sub-committee.

An update of the content of the sub-committee meeting held on 19 April 2021 was provided.

Sandra Stewart, Director of Pensions, GMPF and Chair of the Responsible Investment Advisory Group (RIAG), gave details of discussions and areas of focus at recent meetings, including:

- LGPS proposals in respect of MHCLG's consultation on TCFD reporting
- The content of Responsible Investment A-Z website
- A response to the APPG "Just Transition".

RESOLVED

That the content of the report be noted.

5. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill, PIRC Ltd., Responsible Investment advisor to the Northern LGPS, provided an update on the Northern LGPS Responsible Investment Policy, attached as an appendix to the report.

It was explained that the Policy had been updated to reflect recent developments in the responsible investment landscape as well as provided a more substantive guidance on responsible investment issues.

The policy framework had been guided by the recommendations of the Principles for Responsible Investment (PRI) as well as a request from funds to provide more detailed policy text on environmental and human rights issues. The updated policy also sought to provide a recognisable link between the Pool's responsible investment activity and the unique cultural heritage of the regions it represented.

Copies of the Q1 2021 Northern LGPS Stewardship Report; and Q1 2021 "Voice" Quarterly Report were also appended to the report.

Detailed discussion ensued in respect of the content of the Policy and concerns were raised in respect of Northern LGPS's long-term goal for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement and the need to strengthen this commitment in the policy in accordance with NLGPS's agreement to explore the feasibility of a 2030 target in line with the IPCC's 1.5-degree pathway.

Further concerns were also raised with regard to human rights issues and how any reluctance of companies to engage positively or responsibly on this matter, would be addressed.

RESOLVED

That the content of the report be noted and the draft updated Northern LGPS Responsible Investment Policy, as appended to the report, be endorsed, subject to the strengthening of

the wording in the Policy in respect of:

- NLGPS's commitment to exploring the feasibility of a 2030 target for net zero-emissions; and
- Escalation of interactions in respect of any company's reluctance to engage positively or responsibly with human rights issues.

6. NORTHERN PRIVATE EQUITY POOL – ANNUAL REVIEW OF STRATEGY AND IMPLEMENTATION

A report was submitted and a presentation delivered, by the Assistant Director of Pensions Investments, GMPF, which gave a review of activity, strategy and implementation approach regarding Northern Private Equity Pool.

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2020, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;
- Implementation during calendar year 2020;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. All statements and reports were circulated consistent with legal agreements and the day-today functioning of Northern Trust as fund administrator had worked well.

Mazars was re-appointed as external auditor, on a three-year contract following a market tender. Tax, legal and investment advice was procured on an ad hoc basis, as required.

The year end audit of both the GP company and the Limited Partnership entities was completed in a timely fashion, with both entities receiving a clean audit opinion. The requisite Partnership and Corporate tax filings were made, in time, by KPMG.

RESOLVED

That the content of the report and presentation be noted.

7. PROPERTY FRAMEWORK

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, GMPF, updating Members on the forthcoming use of Lot 1 and Lot 6 of the Northern LGPS Framework.

RESOLVED

That the content of the report be noted.

8. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

The Assistant Director of Pensions, Local Investments and Property, GMPF, updated members on progress with the Northern Pool's direct infrastructure investment platform (GLIL).

The quarterly report for GLIL to the end of March was attached to the report at Appendix 1. The highlight during the quarter was the completion of the investment in Agility Trains East. Post quarter,

GLIL had completed a purchase in partnership with Arcus Infrastructure of Smart Meter Assets, a leading meter asset provider in the UK.

The ESG policy approved by GLIL following consultation with stakeholders and with input from the specialist consultants based in Stockport, was appended to the report at Appendix 2. As set out in the policy, there was more work to be done on implementing the ESG policy into all aspects of GLIL's activities.

Appendix 3 to the report set out a summary of press coverage resulting from the announcement of the partnership with Nest Corporation, who were formally admitted at the end of the quarter.

The priorities for GLIL over the next quarter and 12 months were detailed and discussed.

RESOLVED

That the content of the report be noted.

9. PERFORMANCE MEASUREMENT

The Assistant Director of Pensions Investments, GMPF, submitted a report providing Members with an update on performance measurement.

It was reported that, at the Shadow Joint Committee meeting of 10 January 2019, Members endorsed the appointment of Portfolio Evaluation Ltd as the common performance measurement provider for the Pool.

Details of Northern LGPS reporting for periods to 31 March 2021 was attached as an appendix to the report. It was explained that data for Merseyside Pension Fund was interim and subject to revision. It was further explained that reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was noted that Officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns, given their importance to the Northern LGPS proposition.

It was noted that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2020/21 Local Authority Fund Statistics were shown in tabular format in appendices to the report, for information. The PIRC LGPS Universe comprised of 64 funds with total assets valued at £230 billion as at 31 March 2021.

RESOLVED

That the content of the report be noted.

10. COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Assistant Director of Pensions Investments, GMPF, which provided key performance indicators and key milestones and deliverables for the quarter to 31 March 2021 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED

That the content of the report be noted.

CHAIR