GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

17 September 2021

Commenced:	**10.00am**	**Terminated: 12.25pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Andrews (Manchester), Grimshaw (Bury), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), and Taylor (Stockport)** **Employee Representatives:** **Mr Caplan (UNISON), Mr Drury (UNITE), Mr Flatley (GMB), Ms Fulham (UNISON), Mr Thompson (UNITE)** **Fund Observers:** **Mr Pantall** **Local Pensions Board Members (in attendance as observers):** **Mr Schofield** **Advisors:** **Mr Bowie, Mr Moizer and Mr Powers**	
Apologies for absence:	**Councillors Barnes (Salford), Connor (Bolton), Cunliffe (Wigan) and Mr Llewellyn (UNITE). Councillor Ryan (Fund Observer)**	

Further to the decision of Tameside Metropolitan Borough Council (Meeting of 25 May 2021), to maintain Covid secure access to all Members of the GMPF Management and Advisory Panel, which has representatives from all Greater Manchester Districts and the Ministry of Justice, that all future meetings of the Panels remain virtual until further notice with any formal decisions arising from the published agenda being delegated to the Chair of the Panel taking into the account the prevailing view of the virtual meeting.

25. CHAIR'S OPENING REMARKS

The Chair began by welcoming everyone to the meeting including new member, Scott Caplan representing UNISON, replacing Pat McDonagh who had retired. She extended her best wishes to Pat for a happy and fulfilling retirement. The Chair further announced that Councillor Jack Naylor would be taking up a vacancy on the Local Pensions Board and would, therefore, no longer be a Member of the Management Panel.

The Chair extended best wishes to Kemi Badenock MP, the new Local Minister responsible for Local Government Pensions.

The Chair was pleased to announce that the Fund had partnered with the Actuary, Hymans, to their LGPS Online Learning Academy. The online platform was designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and would supplement development plans, which had changed somewhat during Covid. There was a growing need for LGPS funds to demonstrate that their committees and board members had an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board's Good Governance project - MiFID Two and increasing scrutiny from The Pensions Regulator, the expectation for Members to have the requisite skills and knowledge had never been greater.

The Chair was delighted to report that Greater Manchester Pension Fund, along with a small number of asset owners, fund managers and service providers, including Hymans, had been approved as a signatory to the Financial Reporting Council's UK Stewardship Code 2020 under their first assessment process. The UK Stewardship Code 2020 set high stewardship standards for those investing and looking after money on behalf of UK savers and pensioners, and those that supported them. Stewardship was the responsible allocation, management and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. To become a signatory to the Code, organisations must submit to the FRC, the Financial Reporting Council, and a Stewardship Report demonstrating how they had applied the Code's Principles in the previous 12 months. The FRC assessed the report and if it met their reporting expectations, the organisation would be listed as a signatory to the Code. Once listed, organisations must annually report to remain signatories. The best-practice benchmark comprised a list of 12 'apply and explain' principles for asset managers, owners and service providers. It was recently revised to impose tougher reporting requirements on investors. Applicants were required to undergo a rigorous review process, which included providing evidence of their stewardship activities and showing how they were integrating environmental, social and governance (ESG) factors into investment decisions. The result of the new toughened Code was that 64 previous signatories, including several major big name asset managers, were excluded from the list. Only two thirds of applicants made the list, with Greater Manchester Pension Fund one of only 23 asset owners, which successfully became signatories to the code.

Members were informed that, at a value of £28.2 billion, Greater Manchester Pension Fund was the UK's largest local government scheme and the 10th biggest Pension Fund in the UK and retained its position as the 150th largest in the World. The Fund had a long history of aiming for strong corporate governance and socially responsible investment and investing to achieve a positive ESG impact. The fund had dedicated more than £1billion to renewable and alternative energy projects - including dozens of wind farms in Scotland and across Europe - saving around hundreds of thousands tonnes of carbon annually and generating power for hundreds of thousands of homes. That's why being approved as a signatory to the UK Stewardship Code was a significant endorsement of the Fund's responsible investment processes and decision-making.

The Chair commented on the world's reliance on oil, gas and coal for most of its electricity, heating and transport and the conflict between what the Fund needed to do and what it could do, which explained why the Fund was being criticised for not divesting completely from fossil fuels before COP26 whilst gaining approval as a signatory to the Financial Reporting Council's stringent new UK Stewardship Code. Greater Manchester Pension Fund had not stopped investing in fossil fuels because it didn't make sense to divest completely from fossil fuels at this time.

Whilst climate change was the biggest existential risk that humankind had ever faced it was also the biggest financial risk for any contemporary investor on public and private markets. However, if every institutional investor in the world divested from fossil fuel companies tomorrow and those companies went out of business as a result, that would precipitate the end more quickly than if they doubled their investments in fossil fuels. Two thirds of global electricity still came from fossil fuels, according to Our World in Data, and for total energy that figure was 84%.

For the energy transition to work, new technologies, new energy sources and new plastics were required. In Europe, according to the British Plastics Federation, about 5% of oil and gas reserves were used in plastics production. Plastics could be made from renewable materials but, as the British Plastics Federation underlined, bioplastics were not automatically the more sustainable choice "*as any material required resources in their production".*

The Chair commented on the difficulties of calculating a company's carbon footprint and used the example of a manufacturer of solar glass, who may, for example have a higher carbon intensity score than a fossil fuel company because of the intense heat used to produce the glass. The plant where the glass was manufactured may run on electricity that was generated using fossil fuels. In China, where a high percentage of solar glass manufacturing took place, there was a good chance the electricity would come from a coal-fired power station. China was reducing its reliance on coal, but it couldn't without using "dirty" power.

The Chair explained that Greater Manchester Pension Fund assessed fossil fuel companies on governance, strategy, risk management, and metrics and targets, which was probably the best way to fulfil its fiduciary duties to members. Complete divestment would undoubtedly create sector imbalances in the portfolio and could lead to missed opportunities.

Castigating Greater Manchester Pension Fund's investment policy would achieve nothing. Instead, as Glasgow prepared to host COP26, the complexities of the climate crisis and the inevitable imperfections in the solutions should be acknowledged, but the Fund should continue to strive to get the right outcome for its pensioners and their children's children in ensuring carbon neutrality was achieved expediently, with the least amount of risk. It was explained that disinvestment was not a panacea it was made out to be. Trustees and fund managers who looked after the Pension Fund had a challenging task ahead in deciding what was green and what was not.

The Chair made reference to the Agenda for the meeting and the annual presentation from Trucost, who would provide an update on the fund's Carbon Foot printing assessment of its equity and corporate bond holdings. The report and presentation also provided a 'mapping' exercise of the Fund's holdings against analysis undertaken by the Transition Pathway Initiative, a global, asset-owner led initiative, which assessed companies' preparedness for the transition to a low carbon economy. The Chair was pleased to note that the Fund were continuing to travel in the right direction at a faster rate than the average pension fund, towards carbon zero.

The Chair further referenced the Northern LGPS Responsible Investment (RI) Policy, which was also intended to be the RI Policy of the Fund, and how its adoption would build on strong ESG foundations to now explicitly mention human rights, public health, deforestation and water stewardship, which would increase the depth of policies. She added that there would also be focus on Northern LGPS's approach to its activity with companies based in the north of England. This would be in addition to taking further action on climate change.

The Fund was looking to proactively introduce industry-leading environmental standards for its energy investments. Under the scheme, which was based on the Task Force on Climate-related Financial Disclosures (TCFD), the fund would assess fossil fuel companies on governance, strategy, risk management and other targets. The initiative was part of the fund's drive to achieve net zero across its portfolio by 2050. The Fund would also be looking to set interim targets in line with the Paris Agreement of 2016 and recognised the ambitions of the UN's COP26 meeting being held in the city of Glasgow in November.

26. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

27. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 16 July 2021 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 16 July 2021 were noted.

28. 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
9, 10, 11, 12, 13, 15, 16, 17, 24, 25	**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 stakeholders and/or tax payers.**

29. LOCAL PENSIONS BOARD

The Chair explained that the Chair of the Local Pensions Board, Councillor Fairfoull, could not be present at the meeting, however he had provided some highlights of the Local Board meeting held on 29 July 2021, in particular the Local Board discussed the Pensions Regulator's new Single Code of Practice. The Pensions Regulator was attempting to streamline its existing codes of practice into a new consolidated code that would apply to all occupational pension schemes. The Single Code of Practice was expected to enter into force next year around summer so there would be some significant work for the administration team.

Of further note, as part of the routine administration update report, the Local Board were informed of cyber security activity over the last quarter and the number of attempted cyber-attacks. Over the April to June period GMPF had nearly 70,000 suspicious emails, which were blocked by the cyber security systems.

The Local Board were also pleased to note that the timeliness of contribution payments from employers had generally been maintained or improved.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 29 July 2021 be noted.

30. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 30 July 2021 were considered.

The Chair of the Working Group, Councillor Cooney, explained that UBS attended the meeting and gave informative updates on their Responsible Investment activity, and trading costs over the last 12 months. UBS made reference to their proprietary ESG risk dashboard and the ongoing active engagement with companies flagged as having elevated sustainability risks.
PIRC also attended the meeting and updated the group on the work they had been doing to enhance the Northern LGPS Responsible Investment policy, which was covered later in the agenda.

PIRC had also researched the risks of competition policy and market concentration and gave examples of engagement with companies in the pharmaceutical, leaseholder and insurance sectors.

Finally, the group considered an updated Investment Strategy Statement, including feedback from the consultation, and recommended a final version for adoption by Panel today.

RECOMMENDED
(i) That the minutes be received as a correct record with the addition of Councillor Joinson and the removal of Councillor O'Neill, to the list of persons present; and
(ii) That the updated Investment Strategy Statement be endorsed and recommended for adoption by the Management Panel.

31. 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 30 July 2021 were considered

The Chair of the Working Group, Councillor Smith, advised that a presentation from Prudential was received, where they set out their recent performance in administering the AVC arrangements and how they intended to improve their service going forward. The Working Group would continue to monitor Prudential's performance closely until it was back at a satisfactory level.

The Working Group received news on the latest developments relating to the McCloud case remedy. It was expected the overall impact on members and employers would likely be limited but applying the remedy and recalculating some benefits already in payment would require significant administrative resource in the short to medium term. Officers were working hard to ensure the necessary data was available to implement the eventual remedy.

The timeline and process for re-tendering the actuary and benefits consultancy contracts was discussed. The current contracts with Hymans Robertson would be ending on 31 December 2021. The procurement would use the National LGPS Framework which had several advantages over other procurement routes.

As usual, the administration strategic service update was reviewed including updates relating to member services, employer services, developments and technologies, and communication and engagement.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Administration Member Services Update, that the changes to the death grant payment guidelines be approved;
(iii) In respect of the Administration Employer Services Update, that the changes made to the Pensions Administration Strategy be approved
(iv) In respect of the Administration Communications and Engagement Update, that the revised Communications Policy and Communications and Engagement Strategy be approved; and
(v) In respect of the Actuary Tender, that approval be given for GMPF to operate 'mini-competitions' under Lot 1 (Actuarial Services) and Lot 2 (Benefits Consultancy) of the National LGPS Frameworks' Actuarial, Benefits and Governance Consultancy Services Framework, to appoint a single provider across both lots.

32. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 2 September 2021 were considered.

The Chair of the Working Group, Councillor Warrington, advised that UBS attended the meeting to present their performance review for the quarter ending 30 June 2021, which was reported on in detail later in the agenda.

UBS also provided a UK & European Equity Review, which included a focus on energy sector holdings. UBS provided a detailed explanation of their investment case for their energy holdings, why the risk of stranded assets was contained, and how the companies could become part of the climate transition solution, backed up by persistent engagement from responsible investors rather than divesting.

UBS also gave an asset allocation review. The focus of most of the remainder of the meeting was on the annual performance updates for the various internal portfolios.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of Global Equity 'Purchase/Sale' Trigger Process - Update of Fair Value Estimate, Trigger Points and Size of Switch, that the updated Fair Value estimate and associated trigger points, as contained within the report, be adopted subject to keeping under review.

33. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

RECOMMENDED
That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 15 April 2021 be noted.

34. RESPONSIBLE INVESTMENT UPDATE Q2 2021

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 Q2 2021.

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 Q2 2021 against the six PRI principles was detailed in the report.

Members were advised that, as part of Northern LGPS's continuous evaluation of its approach to Responsible Investment the Northern LGPS adopted its updated Responsible Investment Policy which covered a wide range of ESG themes. The new Policy expanded on ESG themes and now explicitly mentioned human rights, public health, deforestation and water stewardship. The Policy also referenced the Northern LGPS's approach to its activity with companies based in the north of England. The updated Policy was appended to the report.

A copy of PIRC's monthly newsletter was also appended to the report, focusing on private sector equal pay claims and other social issues.

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

Discussion ensued in respect of the Fund's commitment to Responsible Investment and Members and Advisors commented on the complex nature of this area of work and supported and commended the approach and progress to date. Members further acknowledged the importance of publicity in order to highlight the progress achieved and the ongoing work towards a net zero carbon Fund.

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 be noted.

35. INVESTMENT STRATEGY STATEMENT

The Assistant Director of Pensions Investments submitted a report explaining that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016. The Regulations required that GMPF publish an Investment Strategy Statement by 1 April 2017 and thereafter kept under review and revised from time to time and at least every three years.

Members were advised that officers had conducted a full review of the Investment Strategy Statement and a draft was considered and endorsed by the Investment Monitoring and ESG Working Group at their meeting on 16 April 2021.

At their meeting on 30 July 2021, the Working Group considered comments received on the draft Investment Strategy Statement following a public consultation period and subsequent changes proposed to the draft Investment Strategy Statement. The Working Group endorsed the updated draft Investment Strategy Statement.

The updated draft Investment Strategy Statement was appended to the report.

RECOMMENDED
That the updated draft Investment Strategy Statement, as appended to the report, be adopted.

36. UPDATE ON GMPF'S APPROACH TO CLIMATE RISK

Christina Weimann and Sudeep Ar of Trucost presented before Members and gave an analysis of the Fund's Carbon Footprinting Assessment of its equity and corporate bond holdings. The presentation further provided details of a 'mapping' exercise of the Fund's holdings against analysis undertaken by the Transition Pathway Initiative, a global, asset-owner led initiative, which assessed companies' preparedness for the transition to a low carbon economy.

Discussion ensued and Members sought further information in respect of fossil fuel energy and the influence of particular countries.

The Advisors commented on the importance of disclosure and the Fund's role in respect of this. They further made reference to appropriate carbon taxation and the Assistant Director explained that the Fund was a member of the Institutional Investor Group on Climate Change and the benefits of working together to have a stronger voice on this matter.

The Chair thanked Ms Weimann and Mr Ar for a thought provoking presentation.

RECOMMENDED
That the content of the presentation be noted.

37. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

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 three areas of focus in relation to active versus passive management 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.

The presentation outlined a number of key points for consideration and it was explained that a further report and presentation would be made to Panel in December 2021.

Detailed discussion ensued and the Advisors requested that emerging markets be a particular area of focus for the December meeting of the Panel.

The Chair thanked Ms Torry for a very informative presentation.

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

38. 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 2 2021 Performance Dashboard was summarised. It was explained that Economic data globally was strong, without pointing to overheating. Growth forecasts continued to see upward revisions amid accumulating evidence of effectiveness of vaccines, the deployment of US fiscal stimulus and greater economic resilience to the latest waves of COVID 19. Inflation data continued to rise, reflecting base effects, higher energy prices, and COVID-19 pandemic-related supply disruptions. But markets appeared confident that the rise in inflation would not be sustained and was unlikely to force central banks to tighten monetary policy prematurely.

In Q2 markets continued to perform strongly; in fact, with the exception of Japanese equities all asset classes had positive returns. Equity markets rose over the quarter supported by positive growth, earnings momentum and the abating of fears over inflation. More cyclical shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, underperformed. Volatility was relatively subdued, the VIX index of implied US stock volatility ended the month at 15.8, close to the lowest level since the onset of the COVID-19 pandemic and below the average of 19.5 since 1990. Q2 saw a reversal of sharp moves in government bond yields seen at the beginning of the year, with yields generally declining. Yields on US 10 year treasuries fell over the quarter reflecting increasing confidence among investors that the recent rise in inflation would be transitory. This was despite a more hawkish Federal Open Market Committee (FOMC). A number of other developed market government bond yields followed suit including UK Gilts. Corporate bond spreads had continued to tighten as some of the worries about inflationary pressure dissipated amongst the investor community. In addition, the corporate bond market continued to be supported by accommodative monetary policy, fiscal stimulus, and improving economic growth whilst also benefitting from ongoing investor demand for yield. This was evident in global high yield which continued to be supported by investors seeking returns in a low-rate environment, with low borrowing costs and rising credit quality in the sector. EM debt performed positively as both US treasury yields, and credit spreads fell.

Over the quarter, total Main Fund assets increased by £929 million to £26.7 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 2020/21 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 equities. This was offset by equally underweight positions in bonds and alternatives. The property allocation continued to be underweight versus its benchmark.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.3 billion of additional assets. The Main Fund underperformed its benchmark over Q2 2021. Relative performance over 1 year was positive, while over 3 years it remained negative. The Main Fund was ahead of its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q2 2021, 1 year active risk remained elevated having risen sharply over the recent 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) having increased substantially over Q4 2020, had somewhat moderated in in the first half of 2021. Risk was expected to moderate further over the coming months as the effects of the pandemic subsided.

As at the end of Quarter 2; Over a 1 year period three of the three of the Fund’s active securities managers had outperformed their respective benchmarks whilst one manager underperformed its benchmark. Over a 3 year period, two of have underperformed their respective benchmarks whilst one of the managers outperformed its benchmark. The long-term performance of one manager remained strong. The performance history of the Factor Based Investing portfolio was extremely short, so at this very early stage no conclusions could be drawn with regard to performance.

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, GMPF, providing an update on the activities of 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 had 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 took 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 forward.

A consistent LGPS-wide methodology had been agreed in principle and the proposals discussed with MHCLG. The main area of contention at some pools was regarding whether indirect transition costs such as bid/offer spreads should be included in the headline costs figures or disclosed separately, with pools having adopted different approaches in the past. Northern LGPS was unlikely to need to materially change its methodology when calculating both achieved and projected future savings for this year's MHCLG progress report.

The submission date was originally set for 3 September 2021, but LGPS pools requested an extension to allow time to update the annual returns on the revised basis and allow time for approval from pension committees. The revised deadline had been agreed for 24 September 2021.

Northern LGPS' cost savings for 2020/21 were expected to be £30.5m (increasing from approximately £21m in 2019/20), giving total savings since inception of £71.1m (assuming no restatement of prior year figures). These figures are slightly higher than the future projections made last year and the estimated figures provided at the previous Panel meeting. The increase in costs savings achieved is 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 their July meeting the Northern LGPS Joint Oversight Committee agreed that as per last year, a Pool Annual Report be produced, which funds would have the option of including in their respective annual reports. This would act to provide some of the information to satisfy CIPFA guidance and could be used by the funds in their communications with stakeholders to provide evidence of the Pool's progress against its objectives.

The current draft of the Pool annual report was appended to the report. The Pool Joint Committee agreed 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.

RECOMMENDED
That the content of the report be noted.

40. 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 the timely provision of data for Annual Benefits Statements; 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.

41. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2020-2021

The Director of Pensions submitted a report, which provided an update on the draft annual report and accounts for GMPF including a summary financial report and advised Members in respect of the external audit.

The summary financial report for 2021 was detailed in the report and a link to the draft Annual Report was provided.

It was explained that, at the time of writing, the audit findings report for GMPF was in draft form awaiting confirmation of sign off from national review team. The draft report contained no material or high-risk findings.

RECOMMENDED
(i) That the draft Annual Report be approved;
(ii) That the Summary Financial Report be noted; and
(iii) That the update on progress of external audit be noted.

42. 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:

- Guidance on Special Severance Payments
- High Court judgment on exit credits
- Cost Control Mechanism
- 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.

43. 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

RECOMMENDED
That the content of the report be noted.

44. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Annual Conference - Virtual	**12-14 October 2021**
LGE Fundamentals Training Day 1 - Leeds	**21 October 2021**
LGE Fundamentals Training Day 2 - Leeds	**18 November 2021**
LGE Fundamentals Training Day 3 - Leeds	**8 December 2021**
LAPFF Annual Conference - Bournemouth	**8-10 December 2021**
LGE Annual Governance Conference - Bournemouth	**20-21 January 2022**

45. DATES OF FUTURE MEETINGS

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

CHAIR