GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

18 March 2022

Commenced:	**10.00am**	**Terminated: 12.30pm**
Present:	**Councillor Warrington (Chair)**	
	Councillors: Andrews (Manchester), Barnes (Salford), Cunliffe (Wigan), Grimshaw (Bury), Hartigan (Bolton), Jabbar (Oldham), Joinson (Rochdale), and Taylor (Stockport)	
	Employee Representatives:	
	Ms Blackburn (UNISON), Mr Caplan (UNISON), Mr Drury (UNITE), Mr Flatley (GMB) and Mr Llewellyn (UNITE)	
	Fund Observers:	
	Councillor Ryan and Mr Pantall	
	Local Pensions Board Members (in attendance as observers):	
	Councillor Fairfoull	
	Advisors:	
	Mr Bowie and Mr Moizer	
Apologies for absence:	**Councillors Mitchell (Trafford) and Mr Thompson**	

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.

65. CHAIR'S OPENING REMARKS

The Chair began by referencing Russia's invasion of Ukraine and stating that the Greater Manchester Pension Fund stood united with the people of Ukraine. She added that the human cost of the crisis was horrifying, with millions of displaced civilians, separated and abandoned children and vulnerable people and hundreds of thousands of injuries and deaths on both sides of the conflict. This was a regional attack, on a sovereign state but a fundamentally global human issue with broad reaching implications for global markets and international relations.

The Chair spoke of the devastating and irreversible short-term human cost of this war, along with the long-term societal cost of taking focus off shared sustainability goals. Global markets and governance required international co-operation, peace, and stability. Global disorder and a new cold war would impact the protection and promotion of human rights, forced displacement of civilians and hugely increased long-term environmental, social, and economic risks.

The dynamics of conflict and disruption violated human rights, exacerbated existing social tensions and inequalities and threatened the prospects for climate action. At this time, all thoughts were with the people of Ukraine and for the invasion to come urgently to a peaceful end.

The Chair explained that on 28 February 2022, 4 days after the start of the attack, the Local Government Pension Scheme Advisory Board issued some advice to pension funds in the light of events in Ukraine and the resultant extent and potential sanctions by the UK government. The Board advised LGPS funds to consider the implications for their investment portfolios and to discuss with their asset managers what action they should prudently take. GMPF was already doing this. Even before Russia invaded Ukraine, the efforts involved in managing the ESG risks of companies in countries such as Russia were significant, with such markets often trailing in terms of corporate governance, human and worker rights, political stability and environmental concerns.

The Fund believed in activist engagement, but only if real-world outcomes could be achieved alongside meeting the primary fiduciary obligation to achieve good pension returns. It was often too difficult to engage well with companies in such markets and required significant effort. This was why GMPF had no direct Russian holdings and only 0.2% GMPF's investment portfolio was indirectly connected in some way to Russian holdings.

It was clear that Russia had placed itself outside of all international norms. There was very little appetite for anyone to trade with Russia under such circumstances, and in the face of international sanctions. GMPF's investment managers had frozen all existing indirect holdings in Russian-domiciled investments, recognising the current lack of market for selling those assets and the fiduciary duty to act in the best interests of members and the taxpayer.

It was noted that some funds were using the word 'divest', but unless and until the current world markets and sanctions changed, they would only be able to freeze them especially as the Russian stock market was currently closed so funds could not currently offload any Russian assets traded there. The Chair gave assurances that GMPF would continue to comply with all economic sanctions in force and would keep the matter under active review.

Members were advised that the Local Government Pension Scheme Advisory Board had also issued further guidance for pension funds on divesting from Russian assets as it was concerned that it was becoming a political football, which said that it understood why LGPS funds may wish to divest for financial reasons, though there could be challenges to achieving this due to the closure of the Russian stock exchange and a lack of buyers.

Funds were reminded of the legal position and the two tests required to be followed in order to divest for non-financial reasons. These related to a 2014 Law Commission Report, which concluded that divestment could take place based on non-financial criteria if:

- trustees had good reason to think that scheme members would share the concern; and
- the decision should not involve a risk of significant financial detriment to the fund.

It was noted that similar provision could be found in the LGPS Guidance on preparing and maintaining an investment strategy statement 2017, which was statutory advice which must be followed which stated that administering authorities "may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision".

While official polls on attitudes were hard to come by, it was clear that public opinion was in favour of boycotting Russia and shielding investments from the market turmoil that was ravaging the nation.

Israel had been subject to campaigns for decades over its activities in Palestinian territories. For nearly seventy years, Israel had denied Palestinians their fundamental rights and had refused to comply with international law. The UK government's official policy on the dispute was to seek "*a just peace between a stable, democratic Palestinian state and Israel, based on 1967 borders, ending the occupation by agreement*". There was, however, no clear consensus on the conflict amongst the British public. According to YouGov, and their latest survey of February 2022, 27% of British adults' sympathies lay more with Palestinians than Israelis and only 11% of its survey respondents sympathised more with Israelis. However, and importantly 35% of those surveyed said they did not know who their sympathies lay with more, while 26% said their sympathies did not lay more with either side. Therefore, more than half of British people, did not have a position on this conflict.

What is more, these attitudes had not shifted substantially over the past three years, according to YouGov data.

Members were reminded that, at the last meeting, discussion had taken place around the fact that Professor Michael Lynk, the UN Special Rapporteur on the Occupied Palestinian Territories (OPT) wrote to numerous LGPS funds before Christmas (although not GMPF), asking LGPS funds to disinvest funds from companies operating within these settlements whilst at the same time referring to engagement. Since the last meeting of the Panel, the Chair of the Local Authority Pension Fund Forum (LAPFF) together with Scheme Advisory Board and the Fund's ESG Advisors, PIRC, met with Professor Lynk to clarify his letter, and the creation and maintenance of his database of companies, whilst making it clear to Professor Lynk that LGPS funds took human rights issues seriously and LAPFF were engaging with many of the companies in the database. As of Wednesday this week, SAB and LAPFF were waiting upon Professor Lynk to come back to clarifications raised with him.

Meanwhile, unexpectedly, MPs backed an amendment against political divestments by LGPS that would allow ministers to issue guidance stymieing the ability of public sector pension schemes, including the Local Government Pension Scheme, to pursue politically motivated boycotts and divestment policies. It was reported that Conservative MP Robert Jenrick tabled the amendment, having cited the Boycott, Divest and Sanctions movement against Israeli settlements in an article in The Times written on February 21, along with the deliberations being made by Wirral Council over its policy on the matter. The government was also soon expected to table legislation specifically against Boycott, Divest and Sanctions, which could possibly make it illegal for schemes to participate in the movement.

In Merseyside's case, theoretically divesting from nine companies invested would unlikely hamper its returns in a serious way. Even in the event of a downturn in the region, its negligible exposure would not materially harm the fund. But without consensus from members on the question, trustees were left to become moral arbiters on an incredibly sensitive issue, which would make it potentially unlawful and challengeable.

This was a very difficult position in which to place Councillors, and indeed the trustees of any pension scheme. Accordingly as a Fund, further advice was awaited from both the Scheme Advisory Board and D-LUHC before any further steps or position were taken in this matter.

It was explained that, at the start of February the Government's white paper on levelling up was published. Amid a sweeping range of policies aimed across government departments, it asked LGPS funds to set out plans for investing up to 5% of their assets in projects that supported domestic initiatives. It noted that only a few funds had so far invested with a local, place-based lens. The Chair was pleased to say that it recognised that the Greater Manchester Pension Fund already invested 5% of its assets in local projects across Greater Manchester and GMPF was the only fund to be at this threshold, and to have such a place-based allocation.

The government's levelling up paper also cited the influence of the GLIL Infrastructure platform, which GMPF established together with the Northern and Local Pensions Partnership Investments and LGPS asset pools. GLIL had invested around £2.5billion, which included £800 million of GMPF's commitments. Investments included Anglian Water, Forth Ports and Clyde Wind Farm.

The Chair was further pleased to announce that over the last decade, the Fund had invested nearly a billion pound alone in just property infrastructure in Greater Manchester usually as a catalyst for improving the economy and looking to lead the way on carbon efficient buildings.

She stressed that being a responsible investor was really important to GMPF. It strived to make decisions and create policies that reflected a commitment to investing in the best interests of all stakeholders and wider society.

The Chair was proud to announce that last year GMPF was one of the first funds to be approved as a signatory to the Financial Reporting Council's UK Stewardship Code 2020. Additionally, to announce that at the end of last year, the 2021 RAAI Leaders List of the 30 most responsible asset allocators ranked GMPF as 35 in the world of most responsible investors. This was out of a group of the top 634 asset allocators across 98 countries with 36 trillion US dollars in assets. GMPF scored an impressive 96 out of a potential 100 to achieve this rating. It continued to strive to be a top leader in the area of pension fund stewardship whilst aiming to ensure low cost, sustainable and responsible pensions. GMPF had a longstanding commitment to be net zero by 2050.

In 2021, GMPF, as part of the Northern LGPS pool, made a commitment to be a Net Zero Asset Owner using the Paris Aligned Investor Initiative framework. One of the key aspects of this commitment was to set interim carbon reduction targets, building on the net zero by 2050 or sooner ambition. The fund was currently working with the developers of the Paris Aligned Investor Initiative and its asset managers, with a view to being in the inaugural wave of asset owners to produce such a set of targets.

It was anticipated that the targets would include a 50% reduction in carbon intensity by 2030 versus the 2019 benchmark, along with over £1 billion of new investments in climate solutions by 2030, building on the Fund's position as the largest LGPS investor in renewables.

The Chair was, therefore, pleased to say that, as part of the agenda, Members would be hearing from UBS who looked after nearly 40% of the Fund's assets, about £10 billion pounds, to explain what they were doing to help achieve this target.

66. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

67. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 10 December 2021 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 10 December 2021 were noted.

68. 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
10, 11, 12, 13 14, 15, 16, 22, 23, 24	**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.**

69. LOCAL PENSIONS BOARD

The Chair of the Local Pensions Board, Councillor Fairfoull, reported that Local Board Members had discussed the upcoming actuarial valuation process, which had an effective date of 31 March 2022. GMPF officers had already started work on preparing for the valuation, and the valuation would be further discussed at today's meeting.

Members were reminded that Hymans Robertson had been reappointed as Actuary and the Board received a report summarising the procurement exercise that was undertaken using the National LGPS Framework.

As at each meeting, the monitoring of late payment of contributions or late submissions of data from employers was reviewed. It was encouraging to hear that the timeliness of contribution payments and receipt of data from employers had generally been improving and of the steps being taken to improve this further.

Reassuring updates had also been provided from the Fund's pension administration team on a number of ongoing workstreams and the Board discussed the findings of recent internal audit reports and the current version of the Fund's risk register.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 13 January 2022 be noted.

70. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 21 January 2022 were considered.

The Chair of the Working Group, Councillor Cooney, explained that representatives of L&G had 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, attended the meeting and gave a presentation on voting at company AGMs, with a focus on so called 'split voting'. By way of background, the Pensions Minister had set up a Taskforce on Pension Scheme Voting Implementation. To date, investors in pooled funds were typically not able to choose how to vote their share of the pooled fund. Instead, the fund manager of the pooled fund decided how all the votes would be cast. The Taskforce had made several recommendations that could change this practise.

RECOMMENDED
That the Minutes be received as a correct record.

71. 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 21 January 2022 were considered.

The Chair of the Working Group, Councillor M Smith, advised that Members had discussed the latest CEM administration benchmarking exercise. CEM's analysis showed that GMPF remained a high service, low cost provider relative to its peers. GMPF's total administration cost per member was approximately £17, being approximately £10 lower than peers. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The advantage over comparators stemmed, amongst other things, from the speedy roll-out of online self-service functionality.

Academy consolidation within the LGPS was discussed and the case of a particular multi-academy trust seeking to consolidate all of its members in one London-based LGPS Fund. DLUHC issued a new consultation on this multi-academy trust's proposal in December. The Management Panel agreed at its' December 2020 meeting that it was currently opposed to academy consolidation in the LGPS for a number of reasons and the working group therefore supported a response objecting to the consolidation proposal.

Members reviewed the administration strategic service update and updates relating to member services, employer services, developments and technologies, and communication and engagement. They further received a report summarising some of the key issues to consider as part of the forthcoming actuarial valuation.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Administration Developments & Technologies Update, that the content of the report be noted and that the objectives set out in the Developments and Technologies Strategy 2022 found in Appendix 2 to the report, be agreed; and
(iii) In respect of Academy Consolidation, that the recent developments regarding the proposed consolidation be noted and support be given to GMPF submitting a consultation response, which strongly objects to the proposed Direction Order, setting out the points raised in section 4 of the report.

72. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 3 March 2022 were considered.

The Chair of the Working Group, Councillor Warrington, advised that Members had received presentations from the new direct property portfolio managers, Schroders and APAM, regarding the progress they were making with their mandates. Members were aware that the managers were appointed following a strategic review of the property management arrangements, where it was decided to split the management of the property portfolio into two parts in order to increase the necessary expertise, especially given the significant challenges posed to the retail market. Whilst early days, there were definite green shoots of this being the right decision as in respect of living with Covid in the future.

As well as considering the Manager Monitoring Report for the latest quarter, Members also reviewed a draft policy on how the fund would determine Exit Credits should an employer exit whilst their section of the fund had an actuarial surplus at that moment of time. The policy had been updated following the conclusion of a judicial review of the relevant regulations. The Working Group recommended that the Management Panel approve the policy for use on an interim basis. The policy would be consulted on with employers as part of the wider Funding Strategy Statement consultation during the actuarial valuation process.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of the Policy and Process for Assessing Employer Exit Credit Payments, that

the policy and process for assessing employer exit credit payments be approved as the interim position, subject to consultation with employers which will take place when the Funding Strategy Statement is consulted upon later in the year.

73. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

RECOMMENDED
That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 7 October 2021 be noted.

74. GMPF BUDGET 2022/2023 AND MEDIUM-TERM FINANCIAL PLANNING

Consideration was given to a report of the Assistant Director, Local Investments and Property, which sought approval for an expenditure budget for GMPF for 2022/23 alongside a medium-term financial plan for 2022 to 2025.

It was explained that the medium-term financial plan was essentially dependent upon the assumptions in the Funding Strategy Statement, and the out-turn was largely subject to financial markets and their impact on investment performance. The medium-term financial plan 2022 to 2025 would be finalised for the annual report following approval of budget and Fund Valuation at 31 March 2022.

Members were advised that the Fund remained committed to its core objectives. The last 2 years had seen substantial changes to the way in which the Fund delivered its core objectives in response to the pandemic and the changing requirements of the regulatory landscape. There remained a great deal of uncertainty in the short to medium term in the outlook for inflation. The key assumptions and methodology for budget setting were set out in the report.

The level of budget sought for 2022/23 sought an increase from that in 2021/22. The budget covered the expenditure by the Fund on governance, administration and investment costs for oversight and internal management. External Investment Management fees were overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM. The budget was attached as Appendix 1 to the report.

Members were made aware of the significant changes made to the disclosure of investment management costs. There was detailed consideration given to those through reporting mechanisms outside of budget setting, particularly through the reporting by CEM. They were not, therefore, considered in detail as part of the report. For information, those costs (excluding private markets) for 2022 23 with a comparison to projected out-turn for 2021/22, were outlined in the report.

The assumptions for medium term financial planning going forward, the draft three-year medium term plan and key observations for consideration, were detailed and discussed.

RECOMMENDED
(i) That the expenditure budget for 2022/23, as appended to the report, be approved; and
(ii) That the Medium-Term Financial Plan, as detailed in the report, be approved.

75. GMPF STATEMENT OF ACCOUNTS 2021-22 GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

The Assistant Director, Local Investments and Property submitted a report, which gave details of the GMPF Accounting Policies and Critical Judgements for 2021-22.

RECOMMENDED
That the accounting policies and critical judgements attached at Appendix 1 to the report, be approved.

76. RESPONSIBLE INVESTMENT UPDATE Q4 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 the quarter.

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 report publicly 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 the quarter against the six PRI principles was detailed in the report.

A Climate Governance paper from PIRC was appended to the report, which explained their approach to board governance and oversight for a Just Transition. Policy recommendations were made across the themes of board skill and experience, independence and employee engagement. Members were advised that the recommendations would be built into aspects of the Fund's engagement going forwards.

Further information was given in respect of PIRC's 'Say on Climate' conference relating to an initiative of the same name that asked companies to set out their strategy to manage the transition to a net zero emissions business. Investors were asking for disclosure of these strategies to be consistent with the Taskforce for Climate Related Financial Disclosures (TCFD) and an annual provision to vote on these plans. GMPF's Assistant Director of Pensions represented the Northern LGPS at the conference where he contributed to the discussion of the quality of mandatory TCFD reporting from companies.

Members were informed that a representative of Chapter Zero had also spoken at the 'Say on Climate' conference and had produced a boardroom toolkit for non-executive directors, a copy of which was appended to the report. It was noted that the benefits of the toolkit appeared to transfer well from the role of a non-executive director of a company board, to the role of a pension fund trustee.

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

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.

77. UBS TRAINING ITEM

Steve Magill, Head of UBS European and UK Value and Kayvan Vahid Senior Portfolio Manager, UBS, attended before Members and delivered a presentation.

Members were presented with an introduction to UK Equity Value. Kayvan Vahid from UBS explained what an equity is and the difference between holding or investing in cash, gilts and equities. The relationship between earnings per share and share price was presented to the Panel.

Kayvan Vahid outlined to the Panel the difference between active and passive investment and presented to the Panel a breakdown by sector of the FTSE, it was explained that an index may not necessarily reflect an economy.

Members were advised on how UBS approach value investing. It was explained that value investing had outperformed over the long term, and that often UBS would look at shares that were not attractive to other investors at that time. Steve Magill set out the approach UBS takes to valuing a company and gave examples.

In regards to ESG, USB detailed how they incorporate ESG factors in decision making and on engaging with companies, using ESG data inputs and in-house research. It was highlighted that patient long-term investing pays off, UBS buy stocks relatively cheaply to deliver strong future returns. Steve Magill detailed the effect of low interest rate impact on value style investing, the link between interest rates, economic growth and stock value was explained to the Panel. In was explained that during periods of higher inflation, mining and energy sectors had performed better, as had companies with capacity constrained and inelastic demand. Kayvan Vahid of UBS set out the value opportunity of UK banks and the Energy Sector.

The Chair thanked Mr Magill and Mr Vahid for a very interesting and helpful presentation.

RECOMMENDED
That the content of the presentation be noted.

78. 2022 ACTUARIAL VALUATION PROCESS

A report was submitted by the Assistant Director of Pensions, Funding and Business Development and a presentation delivered by Steven Law of Hymans Robertson, Actuary to the Fund.

Members of the Fund were advised of the three key risks to consider for the Actuarial Valuation Process. These were Climate/ Transition Risks, the level of Consumer Price Inflation and the long-term impact of Covid. It was reported that Consumer Price Inflation ('CPI') was expected to reach its highest level for decades over the next few months, which would increase the liabilities of the fund. . Members were presented with projections of CPI over the coming years. It was described how equities, infrastructure, nominal gilts and index linked gilts offered different levels of protection against inflation over the short and long term.

The report summarised the results of the Government Actuary' Section 13 valuation report on the LGPS in England and Wales as at 31 March 2019. The Section 13 report examines the compliance with regulations, consistency, solvency and long-term cost efficiency of the scheme.

With regards to compliance with scheme regulations GAD has stated in its report that fund valuations were compliant with relevant regulations

GAD suggested in its report that the LGPS' consistency has improved since 2016 but differences in the underlying methodology and assumptions mean that it is not possible to make a like-for-like comparison.

On the topic of solvency GAD raised a concern about the risk to funds if, for example, there was to be a sustained reduction in the value of return seeking assets. Over the three years from 31 March 2016 to 31 March 2019, funds' assets have grown by around a third and liabilities by around 15%. However, the size of the employers had not grown at the same pace. GAD is concerned that some funds have not adequately planned for a sustained deterioration in economic conditions and have prematurely lowered contribution rates when they should have been adopting more prudent valuation assumptions.

GAD's view of the LGPS' long-term cost efficiency was positive but they flagged 4 LGPS funds as raising potential concern in relation to long-term cost efficiency (this is two fewer than in 2016). Long-term cost efficiency relates to not deferring payments too far into the future so that they affect future generations of taxpayers disproportionately.

For the 2019 valuation section 13 report GAD had made 4 overall suggestions, these were:

1. The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.
2. GAD recommends the Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.
3. GAD recommends fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.
4. GAD recommends the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

RECOMMENDED
That the content of the report, presentation from Hymans Robertson and the key factors potentially impacting the valuation outcomes be noted

79. 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 2021 Performance Dashboard was summarised. It was explained that Global economic activity was in the midst of a re-acceleration from the third quarter to fourth quarter as the impact of the COVID -19 Delta variant subsided before a new variant, Omicron, jeopardised near-term growth prospects in late November. The impact of the COVID-19 pandemic continued to be uneven across economies depending on geography, the timing of outbreaks, and the composition of activity, magnitude and quality of vaccinations and boosters, and mobility restrictions imposed by authorities.

So far, the Omicron variant appeared to be having a smaller and shorter drag on growth than the Delta variant due to encouraging signs that Omicron may be milder than its predecessors and that existing vaccines continued to offer a reasonable level of protection. As realised and forecast inflation continued to move higher amid labour market tightening, central banks had adopted less accommodative stances.

In the US, the Federal Open Markets Committee (FOMC) announced plans to accelerate the tapering of asset purchases, with the median FOMC member forecasting three interest rate rises next year. The Bank of England raised interest rates to 0.25% p.a., with further rate increase expected in 2022.

Despite falling in November over Omicron variant concerns, Q4 2021 saw markets continuing to perform positively; in fact, excluding Asia, particularly Japan, and Emerging Market Equities, all equity asset classes had had positive returns. Bonds had also had low positive returns. US and UK bond yield curves flattened significantly with short-term yields rising to reflect expectations of further interest rate rises. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, ended the quarter a little higher at 3.9% p.a. whilst longer term implied inflation fell.

Over the quarter, total Main Fund assets increased by £676 million to £28.1 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 2021/22 review of Investment Strategy, the current 'rules' governing the Public Equity allocation were re-couched in order to simplify the presentation of the current and future positions. In addition, further changes to the 'realistic' strategic allocations to alternatives were made in Q4 2021.

Within the Main Fund, there was an overweight position in equities (of around 2% versus target respectively). This was offset by underweight positions in bonds and alternatives. The property allocation continued to be underweight (by around 2%) versus its benchmark.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.6 billion of additional assets. The Main Fund underperformed its benchmark over Q4 2021. Relative performance over 1 year and 3 years was positive. The Main Fund was also ahead of its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q4 2021, 1 year active risk remained broadly at levels reached in Q3 having increased dramatically over recent quarters. Active risk remained elevated relative to recent history. 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%-1.5% pa. Risk in absolute terms (for both portfolio and benchmark) decreased in Q4 2021 having increased in Q3 2021. There was now greater uncertainty surrounding future inflation levels and the future impact of the pandemic on economic output remained unclear.

As at the end of Quarter 4; over a 1 year period, two of the Fund's active securities managers had outperformed their respective benchmarks whilst two managers underperformed their benchmarks. Over a 3 year period, whilst one manager had underperformed its benchmark, two managers outperformed their benchmarks 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.

80. 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 assessing the impact of the McCloud changes; and cyber security work.

New and arising risks in respect of the Russian invasion of Ukraine were also detailed and discussed. In light of the seriousness of the matter, a statement had been issued to members, a link to which, was provided in the report.

Members were advised that on the 4 March 2022, the SAB had issued a guidance note on investments in Russia, details of which were provided in the report. The Pensions Regulator had also published their advice on the issue.

The report summarised that it was believed the Fund's exposure to Russian assets was de-minimus and would have negligible impact on the Fund's performance. However, the situation would continue to be monitored closely as there was reputational as well as resource implications as requests had been dealt with for information from press, public, members, stakeholders, auditors and regulators, etc. However, the legislative changes proposed under the auspices of Public Service Pensions and Judicial Offices Bill may have more far-reaching consequences that the Fund was not yet sighted on

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.

81. 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; and
- Key projects updates.

RECOMMENDED
That the content of the report be noted.

82. 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:

- 'Stronger Nudge to Pensions Guidance' Consultation
- 'Levelling Up' Whitepaper;
- Cost Control Mechanism;
- McCloud Update;
- MAPS Pension Dashboard update; and
- The Pensions Regulator.

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

83. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGC Investment Seminar, Chester	**24 - 25 March 2022**
PLSA Investment Conference - Edinburgh	**25 – 26 May 2022**
PLSA Local Authority Conference - Gloucestershire	**13 – 15 June 2022**
PLSA Annual Conference	**12-13 October 2022**

84. DATES OF FUTURE MEETINGS

RECOMMENDED

(i) That the calendar of GMPF meeting dates for the 2022/23 and 2023/24 municipal years, as appended to the report, be noted; and

(ii) It be noted that the next meeting of the Management/Advisory Panel is scheduled to take place on 15 July 2022.

CHAIR