

**GREATER MANCHESTER PENSION FUND
MANAGEMENT PANEL**

18 March 2022

Commenced: 10.00am

Terminated:12.30pm

Present: Councillor Warrington (Chair)

Councillors: Andrews (Manchester), Barnes (Salford), Cooney, Cunliffe (Wigan), Grimshaw (Bury), Hartigan (Bolton), Jabbar (Oldham), Joinson (Rochdale), Patrick, Ricci, T Sharif, M Smith, Taylor (Stockport), Ward, Wills and Ms Herbert

Fund Observers:

Councillor Ryan and Mr Pantall

Apologies for Absence: Councillors J Homer, Mitchell (Trafford) and Newton

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 RAI 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 noted.

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

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:**

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
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 beneficiaries and/or tax payers.

69. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 13 January 2022 were considered.

RESOLVED

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

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

RESOLVED

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

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

RESOLVED

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

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

RESOLVED

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

73. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 7 October 2021 were noted.

RESOLVED

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

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

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

RESOLVED

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

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

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

RESOLVED

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

76. RESPONSIBLE INVESTMENT UPDATE Q4 2021

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.

77. UBS TRAINING ITEM

A presentation was delivered by Steve Magill, Head of UBS European and UK Value and Kayvan Vahid Senior Portfolio Manager, UBS.

RESOLVED

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

78. 2022 ACTUARIAL VALUATION PROCESS

A report was submitted by the Assistant Director of Pensions, Investments and a presentation delivered by Steven Law and Mark Sharkey of Hymans Robertson, Actuary to the Fund.

RESOLVED

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

79. 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.

80. 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.

81. 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.

82. 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.

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

A report of the Director of Pensions was submitted.

RESOLVED

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

CHAIR