

## NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

3 February 2022

Commenced: 11.00am Terminated: 12.40pm

Present: Cllr Gerald P Cooney (Chair) Vice Deputy – Greater Manchester Pension Fund  
Cllr Brenda Warrington Chair – Greater Manchester Pension Fund  
Cllr Andrew Thornton Chair - West Yorkshire Pension Fund (WYPF)  
Councillor Pat Cleary Chair – Merseyside Pension Fund

### In attendance

|                  |  |
|------------------|--|
| Rodney Barton    | Director of Pensions, WYPF   |
| Sandra Stewart   | Director of Pensions, GMPF   |
| Peter Wallach    | Director of Pensions, MPF  |
| Euan Miller      | Assistant Director of Pensions, Funding and Business Development, GMPF |
| Tom Harrington   | Assistant Director of Pensions, Investments, GMPF                      |
| Paddy Dowdall    | Assistant Director of Pensions, Local Investments and Property, GMPF   |
| Steven Taylor    | Assistant Director of Pensions, Special Projects, GMPF                 |
| Dan Hobson       | Head of Real Assets, GMPF  |
| Neil Cooper      | Head of Pension Investment, GMPF                                       |
| Mushfiqur Rahman | Investments Manager, GMPF  |
| Greg Campbell    | Merseyside Pension Fund  |
| Owen Thorne      | Merseyside Pension Fund  |
| Colin Standish   | West Yorkshire Pension Fund  |
| Joanna Wilkinson | West Yorkshire Pension Fund  |
| Robert Hulme     | West Yorkshire Pension Fund  |
| Alan McDougal    | PIRC   |
| Janice Hayward   | PIRC   |
| Tom Powdrill     | PIRC   |
| Paul Hunter      | PIRC   |

Apologies for Absence: Cllr Cherry Povall, MPF and Liz Bailey, WYPF

### 21. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 22. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Oversight Committee held on 7 October 2021 were agreed as a correct record.

### 23. POOLING UPDATE

Consideration was given to a report of the Assistant Director, Funding and Business Development, GMPF, which provided an update on pooling activity since the previous Northern LGPS Joint Oversight Committee meeting and summarised relevant national pooling developments.

It was reported that, on 3 January 2019, MHCLG released new draft statutory guidance on LGPS

asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

Members were advised that Government was yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. 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, however it was possible that the change in Ministers and their briefs could lead to further delays. In addition, there were several other consultations impacting the LGPS which were expected to be issued by DLUHC which may take priority over further developing the pooling programme.

The Assistant Director made reference to the publication the previous day of the Government's Levelling-Up White Paper, where the UK Government was asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which supported local areas.

Detailed discussion ensued in respect of the White Paper, the definition of local investment and the Northern LGPS's history of investment supporting areas local to all three Funds.

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.

## **RESOLVED**

**That the content of the report be noted.**

## **24. SCHEME ADVISORY BOARD UPDATE**

Consideration was given to a report of the Director of Pensions, MPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that took place on the 22 November 2021.

Details of the actions and agreements from the meetings held on 20 September and 28 October 2021 were appended to the report.

The principal items on the agenda for the 22 November 2021 included:

- the establishment of a new Compliance and Reporting Committee;
- A summary of the recent COP26 conference;
- Cost Transparency Compliance Update;
- Roadmap to Sustainable Investing;
- Ongoing consultations; and
- DLUHC (formerly MHCLG) Regulatory Update

## **RESOLVED**

**That the content of the report be noted.**

## **25. COMMON CUSTODIAN ANNUAL REPORT**

Phil McCloy and Scott Bachmann, representatives of Northern Trust, delivered a presentation,

which gave details of the key performance indicators, milestones and deliverables in relation to the Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in the appendix to the report.

## **RESOLVED**

**That the content of the report be noted.**

## **26. UPDATE ON RESPONSIBLE INVESTMENT**

Paul Hunter, PIRC Ltd, Responsible Investment Advisor to the Northern LGPS, presented the final report from the APPG for Local Authority Pension Funds inquiry on 'Responsible investment in a just transition' 2021, a copy of which was attached as Appendix A to the report. The report explored the reasons why a just transition mattered to investors; recognising and understanding the challenges and opportunities and the role of investors, government and just transition commissions.

Discussion ensued in respect of investor expectations, company engagement and reporting impact.

Tom Powdrill, PIRC, Ltd, then presented PIRC's Stewardship Themes for 2022, details of which were attached as Appendix B to the report and included: Climate Governance, Water Stewardship, Decent Work, Social Risk in Renewables, Tax and Competition Policy. Northern LGPS Stewardship Report for July – September 2021 was also presented and attached as Appendix C to the report.

The Assistant Director of Pensions Investments, GMPF, further advised that the Northern LGPS, via membership of the Institutional Investor Group on Climate Change (IIGCC), had made a Net Zero Asset Owner commitment. As part of the commitment, a draft completed "Paris Aligned Asset Owners: Targets Disclosure Template" was attached as Appendix D to the report. At the previous Meeting of the Joint Committee, Members endorsed the setting of common targets for the Northern LGPS. Members were asked to endorse the approach as set out in the appendix. The deadline for submission of the template was 11 March 2022.

It was explained that, in order to facilitate the measurement of progress against the interim climate targets and potential TCFD reporting at the pool level, the appointment of Trucost as a common carbon footprinting service provider to Northern LGPS was recommended. Trucost were the current provider to GMPF and WYPF.

## **RESOLVED**

- (i) That the APPG Just Transition Report, the PIRC Stewardship Themes for 2022 and the latest quarterly Responsible Investment report, be noted;**
- (ii) That the draft "Paris Aligned Asset Owners: Target Disclosure Template" as appended to the report be endorsed, subject to any minor updates which are delegated to Officers; and**
- (iii) That the appointment of the common carbon footprinting service provider, as set out in the report summary, be endorsed by the Northern LGPS.**

## **27. PERFORMANCE MEASUREMENT**

Consideration was given to a report of the Assistant Director of Investments, GMPF, which provided an update on performance measurement.

An extract from the draft Northern LGPS reporting for periods to 30 September 2021 was appended to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

Members were advised that officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in the performance reports, given their importance to the Northern LGPS proposition.

## **RESOLVED**

**That the content of the report be noted.**

### **28. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE**

Consideration was given to a report of the Assistant Director, Local Investment and Property, GMPF, providing an update on the progress with the direct infrastructure investment platform (GLIL).

It was reported that during the quarter ending 30 September 2021, the Fund's Net Asset Value increased from £1.725 billion to £1.82 billion. The IRR of the Fund since inception stood at 7.5%. A number of factors had led to the increase. Strong operational performance had been complemented by further upward movement in current and future projections of both the wholesale power price and UK inflation, benefitting those assets with exposure to these factors. The investors report was attached as an appendix to the report.

Members were advised that infrastructure assets continued to be in high demand with competition for quality assets remaining strong. There remained a large amount of capital awaiting deployment in the sector. GLIL had maintained its focus on leveraging its relationships to seek unique opportunities where it had a competitive advantage.

As reported at the last meeting, in July 2021, GLIL created a joint venture "Flexion Energy" (Flexion) with ion Ventures Ltd. Flexion acquired a pipeline of Battery Energy Storage Sites (BESS) from ion, and funding ion to develop operational sites.

Post quarter end GLIL had made an investment into Invis energy, as detailed in Appendix 2 to the report; and early in the new year completed the purchase of additional stakes in Semperian.

Overall, 2021 could be seen as a positive year for GLIL. Highlights of some of the achievements for the year were appended to the report.

## **RESOLVED**

**That the report be noted.**

### **29. NORTHERN LGPS HOUSING INVESTMENT UPDATE**

The Assistant Director, Local Investment and Property, GMPF, submitted a report updating Members on the progress of the pooled approach to housing investment.

Details of current investment activity across Northern LGPS were appended to the report. Key points of note were:

- Successful deployment of capital;
- Commitment to Finance over 10,000 homes; and
- Target returns achieved on completed construction to date.

It was explained that the PGIM investment made in 2020 had started well and was on track to deliver expected deployment of capital, consequent construction of homes with expected returns.

In addition to these investments, the three Funds had made investments in collective investment vehicles both housing specific and diversified real estate totalling over £500m. These had made significant investments in housing.

## **RESOLVED**

**That the content of the report including progress to date, be noted.**

**30. DATE OF NEXT MEETING**

**RESOLVED**

**It was noted that the next meeting of the Northern LGPS Joint Oversight Committee was scheduled to take place on 14 April 2022.**

**CHAIR**