

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

14 April 2022

Commenced: 11.00am Terminated: 12.25pm

Present: Cllr Gerald P Cooney Vice Deputy, Greater Manchester Pension Fund
(Chair)
Cllr Andrew Thornton Chair, West Yorkshire Pension Fund
Elizabeth Bailey Deputy Chair, West Yorkshire Pension Fund
Councillor Pat Cleary Chair, Merseyside Pension Fund

In attendance

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
Mushfiqur Rahman	Investments Manager, GMPF
Owen Thorne	Merseyside Pension Fund
Colin Standish	West Yorkshire Pension Fund
Simon Edwards	West Yorkshire Pension Fund
Joanna Wilkinson	West Yorkshire Pension Fund
Alan McDougal	PIRC
Tom Powdrill	PIRC
Alice Martin	PIRC

Apologies for

Absence: Councillor Brenda Warrington GMPF, and Councillor Cherry Povall, MPF

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Oversight Committee held on 3 February 2022 were agreed as a correct record.

33. 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. DLUHC civil servants had indicated that a consultation on several key policy areas for the LGPS was expected to be issued in summer 2022. The consultation was expected to cover LGPS pooling as well as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds. However, given the delays experienced to date and the volume and nature of other Government business, there was clearly potential for delay. DLUHC did appear to have been expanding its LGPS team in readiness for an increase in its LGPS work programme

As discussed at the previous meeting of the Joint Committee, (meeting of 2 February 2022 refers) government published the long awaited ['Levelling Up' whitepaper](#) aimed at reforming local government and delivering the levelling up agenda which broadly sought to reduce inequalities between places within the United Kingdom.

In relation to the LGPS, the 'Levelling Up' whitepaper included references to LGPS funds and pools having plans for up to 5% of assets to be allocated to projects which supported local areas (as stated on page 163 of the whitepaper). It was understood that in this context 'local' referred to UK rather than to the local area of a particular LGPS fund and that there would be no mandation beyond the requirement to have a plan. The 5% target was intended to be a lower bound target with an expectation that funds and pools would substantially exceed 5% in future.

It was explained that it had been a long-term ambition of Government that LGPS funds and pools invest more in local infrastructure as part of their investment strategy. Government's previous attempts at mandating change were met with stern challenge by some stakeholders, who saw the potential for investment targets to conflict with administering authorities' fiduciary duties. Further details were expected to emerge in the coming months.

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.

34. 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 had taken place on the 21 February 2022.

Details of the actions and agreements from the meeting held on 21 February 2022 were appended to the report.

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

- Levelling Up White Paper;
- New Compliance and Reporting Committee;
- Sharia Compliant Investments;
- Cost Transparency Compliance Update;
- Michael Lynk Letter Update;
- RIAG Chair's report; and
- DLUHC Regulatory Update.

RESOLVED

That the content of the report be noted.

35. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions Investments, which provided Members with an update on investment management cost benchmarking for 2020/21. In addition, CEM had provided a report analysing Northern LGPS Investment benchmarking results for the 7 year period ending 31 March 2021. John Simmonds and David Jennings of CEM Benchmarking also delivered a presentation.

Analysis of the interim 2020/21 data indicated that the Northern LGPS remained low cost and was below the median (average) cost of its peer group (which consisted of 21 global pension funds (inclusive of Northern LGPS) ranging from £16.4 billion to £101.1 billion.

In 2014/15, CEM calculated Northern LGPS' benchmarked costs to be 0.35% (£112 million relative to an average Pool value of £29 billion). The Northern LGPS' costs increased to 0.36% (£173 million relative to an average Pool value of £49 billion) in 2020/21.

When adjusting for the increase in assets and changes in strategic asset allocation over the last seven years, CEM calculated that Northern LGPS' like for like costs would be 0.54% (£263m) in 2020/21. On this basis, Northern LGPS had generated underlying savings of 0.19% (£90m) in 2020/21.

CEM had also benchmarked Northern LGPS' costs against a peer group of 21 relatively similar sized global funds (including 1 other large UK LGPS fund and 3 other LGPS pools (based on the data submitted by the pools and available to CEM). The peer group actual cost was 0.47%. To calculate the benchmark cost, CEM apply peer median costs at an asset class level to the Northern LGPS' asset mix. The benchmark cost in 2020/21 was 0.49% (£189m). On this basis, the Northern LGPS was 0.03% (£16m) lower cost than the benchmark.

RESOLVED

That the content of the report be noted.

36. 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 Northern LGPS reporting for periods to 31 December 2021 was attached as an Appendix to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

Officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in these performance reports, given their importance to the Northern LGPS proposition

RESOLVED

That the content of the report be noted.

37. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill and Alice Martin, PIRC Ltd, Responsible Investment Advisor to the Northern LGPS, presented PIRC's report on Research, Advice, Engagement and Voting, a copy of which was attached as Appendix A to the report. The report explored; Healthy Markets; Tax; and Social Risk in Renewables. It further gave details of Engagement for Quarter 4 and Workforce data.

Northern LGPS' Stewardship Report for Quarter 4 2021, which was attached as Appendix B to the report, was also presented and discussed.

RESOLVED

That the content of the presentation and the Q4 2021 Northern LGPS Stewardship Report, be noted.

38. COMMON CUSTODIAN UPDATE

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

RESOLVED

That the content of the report and presentation be noted.

39. 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).

The latest report to stakeholders was attached as an appendix to the report and the Assistant Director informed Members of transformational developments in respect of a significant investment, which was currently under negotiation. He added that he would update Members further on this matter at the next meeting of the Committee.

RESOLVED

That the report be noted.

40. 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.

A copy of a report considered by the Directors of the Fund in March 2022 was appended to the report, which gave details of a request to approve a due diligence exercise for a collective investment of £150m into a UK Build to Rent Fund.

The Assistant Director explained that approval had been given by the Directors of the Fund to pursue the investment opportunity and he would update further on developments at a future meeting of the Committee.

RESOLVED

That the content of the report be noted.

41. 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 7 July 2022.

CHAIR