

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

2 December 2022

Commenced: 10.00am

Terminated:12.25pm

Present: Councillor Cooney (Chair)

Councillors: Barnes (Salford), Butt (Trafford), Cowen (Bolton), Cunliffe (Wigan), Drennan, Grimshaw (Bury), Jabbar (Oldham), Lane, Massey (Rochdale), North, Quinn, Ricci, Ryan, Smart (Stockport) and Taylor Ms Herbert (MoJ) joined the meeting virtually

Fund Observers:

**John Pantall – Independent Advisor
Councillor Taylor (Stockport)**

Apologies for Absence: Councillors Andrews (Manchester), Patrick and Ward

44. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney welcomed everyone to the meeting and began by highlighting a number of recent key events including the mini-budget followed by massive volatility in the markets and intervention from the Bank of England. There was also a new Prime Minister and a new minister responsible for the LGPS, Lee Rowley MP.

He made reference to closed private sector pension schemes, which were in the headlines as they sought to raise cash, however reminded Members that, as an open, long term pension scheme, the LGPS was not impacted. A statement had been added to the GMPF website to reassure members that their pensions were not affected by stock market performance. GMPF members did not bear any financial market risks, their pension promise was set out in legislation and was calculated based on pay and service.

The Chair was delighted to announce that, the previous evening, the Fund won the Investment and Pensions Europe 2022 Pension Fund UK award and were also shortlisted for the Public Sector Pension Fund award.

He detailed the notable achievements of the Fund as follows:

- On a cumulative basis, the Fund had outperformed the average Local Authority Fund by over £5.1 billion;
- The Fund investments already produced more power through renewables than they did from coal and oil;
- The Fund's active equity holdings were 20% less carbon intensive than the average pension fund so the Fund was both moving and leading in the right direction to becoming carbon neutral;
- The Fund was also the biggest direct local government pensioner investor in renewable energy and energy efficiency, with nearly a billion pounds allocated in a number of areas including biomass and wind farm assets;
- Government recognition that GMPF were the only Fund to have invested 5% of its assets in local projects across Greater Manchester – it had invested nearly a billion pound alone in just property infrastructure in Greater Manchester;
- The government's levelling up paper also cited the influence of the GLIL Infrastructure platform, which GMPF established together with a small number of like-minded funds. GLIL had invested around £2.5billion, which included £800 million of GMPF's commitments. Investments included Anglian Water, Forth Ports and Clyde Wind Farm;

- Last year GMPF was one of the first UK funds to be approved as a signatory to the Financial Reporting Council's UK Stewardship Code. The stewardship code was a code requiring institutional investors to be transparent about their investment processes, engage with investee companies and vote at shareholders' meetings. The Fund was successful in being approved again this year following a rigorous process;
- In December last year, the 2021 Responsible Asset Allocator Initiative 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. The Fund scored an impressive 96 out of a potential 100 to achieve this rating;
- Earlier this year the Fund set a 2030 interim emissions reduction target in line with the IPCC's (The Intergovernmental Panel on Climate Change) 1.5 degree pathway and reported these publicly:
 1. reduce carbon intensity by 50% by 2030 versus 2019 benchmark; and
 2. Between 2021 and 2030, an additional \$2 billion investment in climate solutions, on top of the \$1 billion already invested through its Northern LGPS infrastructure.

In particular, the Fund was recognised in receiving the Investment and Pensions Europe 2022 Pension Fund UK award for updating social responsibility and its commitment to homeless charities and social housing sectors.

The Chair was also proud to announce that in the last few weeks, GMPF had allocated another £10 million to the National Homelessness Property Fund 2 bringing the impact fund investments to £465 million.

He added that such awards recognised pension providers that had set the professional standards in order to best serve European pension funds. The Chair congratulated everyone at the Fund for the significant achievement and reflection of the important contribution of all trustees.

The Chair advised that, later on the agenda, a presentation would be delivered by John Simmonds from CEM Benchmarking, who measured the performance of over 400 pension funds globally and would feedback favourably on how the Fund performed globally, especially following a very challenging two year pandemic.

The actuarial valuation would also be discussed, where contribution rates were set for employers. At its meeting on 10 October 2022 the Local Government Pension Scheme Advisory Board discussed emerging results from the current round of triennial local fund valuations, with calculations being made "as at" 31 March 2022. It was noted that as a result of general market performance over the three-year period to 31 March 2022, it was expected that a good proportion of funds were likely to move into surplus. In the context of extreme financial pressures being faced in local government by all types of LGPS employers, it was understandable that the need to find cost savings was paramount. However, since 31 March 2022, the Board also noted the impact of the war in Ukraine, increasing rates of inflation and wider global economic uncertainty as well as changes in interest rates in the G7 countries, which had resulted in greater financial market turmoil.

Thus, the Scheme Advisory Board warned that while LGPS funds may show a degree of surplus "as at" 31 March 2022, the Board agreed that, notwithstanding the current economic and wider funding pressures, they would require contribution rates to be set at a prudent level and one which recognised the uncertainty. The Board acknowledged that this may mean increases rather than decreases in contribution rates for employers. In light of this discussion, whilst understanding and recognising the extremely challenging position for local government finance, the Board recommended that administering authorities and other fund employers had regard to the desirability for long term stability in pension contributions given the lower growth outlook for many investment markets and the increasing cost of accruing benefits.

Notwithstanding this, the Chair was pleased to say that, owing to the long term approach that the

fund has taken to achieving low cost sustainable pensions, and the £620 million achieved through not disinvesting, it was possible for the Actuary to propose sustainable cuts to contribution rates. All local authority pools stood to benefit from contribution rate reductions, with the typical reduction somewhere between 1.0% and 2.0%, this was the equivalent for most GM authorities of 1 to 2% of Council tax. This was a significant contribution by the Funds to keep costs down at a time of high inflation of 10.1%.

45. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

46. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 16 September 2022 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 16 September 2022 were signed as a correct record.

47. 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>
8, 9, 10, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23	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.

48. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 6 October 2022 were considered.

RESOLVED

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

49. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 7 October 2022 were considered

RESOLVED

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

50. 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 7 October 2022 were considered

RESOLVED

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

51. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 24 November 2022 were considered

RESOLVED

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

52. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 7 July 2022 were received.

RESOLVED

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

53. RESPONSIBLE INVESTMENT UPDATE

A report was submitted and a presentation delivered by the Assistant Director of Pensions Investments.

RESOLVED

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

54. CEM BENCHMARKING

A report was submitted by the Assistant Director of Pensions and presentation delivered by a representatives of CEM Benchmarking.

RESOLVED

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

55. 2022 ACTUARIAL VALUATION

Steven law, Hymans Robertson, Actuary to the Fund, presented before Members in respect of the 2022 Actuarial Valuation

RESOLVED

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

56. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A presentation was delivered by the Assistant Director of Pensions Investments.

RESOLVED

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

57. 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.

58. 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.

59. ADMINISTRATION UPDATE

A report was submitted by the Assistant Director of Pensions Administration.

RESOLVED

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

60. 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.

61. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LAPFF Annual Conference - Bournemouth	7-9 December 2022
LGA Fundamentals Day 3 - Virtual	20 December 2022
LGPS Governance Conference - Bournemouth	20-21 January 2023
PLSA Investment Conference - Edinburgh	6-8 June 2023
PLSA Local Authority Conference - Gloucestershire	26-28 June 2023
PLSA Annual Conference - Manchester	17-19 October 2023

62. DATES OF FUTURE MEETINGS

It be noted that the date of future meetings be held as follows:

Management/Advisory Panel	24 March 2023 14 July 2023 15 Sept 2023 1 Dec 2023 8 March 2024
Local Pensions Board	26 Jan 2023 13 April 2023 27 July 2023 28 Sept 2023 25 Jan 2024 11 April 2024
Policy & Development Wrk Grp	2 March 2023 22 June 2023 7 Sept 2023 23 Nov 2023 22 Feb 2024
Investment Monitoring & ESG Wrk Grp	20 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024
Administration & Employer Funding Viability Wrk Grp	20 Jan 2023 14 April 2023 28 July 2023 29 Sept 2023 26 Jan 2024 12 April 2024

CHAIR