GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

24 March 2023

Commenced:	**10.00am**	**Terminated: 12.35pm**
Present:	**Councillor Cooney (Chair)** **Councillors: Butt (Trafford), Cowen (Bolton), Grimshaw (Bury), Massey (Rochdale), and Smart (Stockport)** **Employee Representatives:** **Ms Blackburn (UNISON), Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UNITE)** **Fund Observers:** **Councillor Taylor (Stockport)** **John Pantall – Independent Observer** **Local Pensions Board Member (in attendance as observer):** **Paul Entwistle (part meeting)** **Advisors:** **Mr Bowie (Virtual attendance), Mr Moizer and Mr Powers**	
Apologies for absence:	**Councillor Andrews (Manchester), Councillor Barnes (Salford), Cunliffe (Wigan), Jabbar (Oldham) and Scott Caplan (UNISON)**	

63. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney welcomed everyone to the meeting and began by reminding Members that it was more than a year since Russia's invasion of Ukraine. In addition to the death, destruction and hardship to the Country, in the rest of Europe, albeit insignificant by comparison, the war had affected the cost of living and created a lot of volatility in the markets.

The Chair was pleased to advise that the Fund stood at £29.3 billion which was around £300 million more than at the end of December 2022, although it reached a new Fund high when it reached over £30 billion last month.

He noted that Fund members did not bear any financial market risks, their pension promise was set out in legislation and was calculated based on pay and service. Pensions were critical to many members as they struggled with the cost of living crisis and the Chair was pleased to advise that they will increase form 10.1% from the 10 April 2023, which was the first Monday after the start of the new tax year.

It was known that the better the investment performance was, the more resources were available for front line services delivered by employers across Greater Manchester. As would be reported later in the agenda, the valuation process was being finalised and the Chair was pleased to report that, owing to the long term approach that the Fund had 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.

The Chair was further delighted to announce that the Fund and its infrastructure partnership GLIL were shortlisted for four awards at the Pension Age Awards on Tuesday, with GLIL winning the specialist sector alternatives manager of the year. This was a great achievement and reflection on the Fund, given its significant involvement.

The Chair made reference to communications circulated recently to some Members, which said that the Fund should win the award for the 'dirtiest fund of the year', he added that this was based on ignorance not fact. The Fund shared the ambition for a transition to a net zero economy, but there was fundamental disagreement on the means to achieve it, with the Fund preferring to be activist owners rather than 'passing the buck' to someone else, which will have no impact on global climate risk.

The best way to achieve the investment objectives and real world decarbonisation was to invest and pressure portfolio companies through robust corporate engagement and active ownership.

The Chair recalled that, last quarter, the Fund won the Investment and Pensions Europe 2022 Pension Fund UK award with the notable achievements of the Fund being recognised, and in particular:

- 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;
- 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 were 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 – investing 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 has 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 were 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; and
- 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.

There was currently no legislation in place to cover the LGPS climate reporting. As had been reported to Panel over recent quarters, the DLUHC (Department for Levelling UP, Housing and Communities) had just consulted on climate reporting and target setting in the LGPS. The Fund was fully supportive of the proposals in its public consultation response, and had voluntarily reported in line with guidance for over the last five years. Moreover, the Fund, via its chairing of the Responsible Investor Advisory Group of the Scheme Advisory Board, had taken an active part in helping DLUHC shaped their consultation. The outcome of the consultation was keenly awaited. As a local authority pension scheme, GMPF would report carbon emissions in alignment with the industry leader TCFD (Task Force for Climate Related Financial Disclosure) guidance on methodology as a public pension scheme. The Fund had set portfolio emissions targets in line with science-based pathways as laid out in the Net Zero Investment Framework and the Net Zero Asset Owners Alliance guidance, which were consistent with achieving net zero global emissions by 2050. The best way to achieve the investment objectives and real world decarbonisation was to invest and pressure portfolio companies through robust corporate engagement and active ownership.

The Chair referenced a further significant announcement last week; the confirmation of a new devolution deal for the Greater Manchester city region. The seventh such deal, it was a wide-ranging and ambitious programme that would hand greater control over policy areas such as education, public transport, housing and environmental sustainability over to the Greater Manchester Combined Authority. The Government had set an ambition of pension funds investing 5% of their assets in 'projects which supported local areas' under government plans to level up the Country. Clearly, it was recognised that LGPS was social workers' and refuse collectors' salary sacrifice to cover their pensions and not government funds to spend on its priorities.

The Chair advised that the Fund had for a number of decades, twin aims to invest locally compatible with its fiduciary duty to seek the return on investment needed to pay pensions, whilst ensuring the money working people had invested for their retirement helped create jobs in their communities. He added that there would be a report later in the agenda on the work that the local investments team had been delivering to achieve this and the Panel would hear from the Good Economy who advised the Government that if all LGPS funds were to allocate 5% to local investing this would unlock £165bn in new investment in the UK.

64. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

65. MINUTES

(a) The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 2 December 2022 were signed as a correct record.

(b) The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 2 December 2022 were noted.

66. 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, 19, 20, 21, 22, 23, 24	**3&10, 3&10, 3&10, 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.**

67. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 19 January 2023 were received.

Councillor Ryan, on behalf of the Chair of the Local Pensions Board, Councillor Fairfoull, advised that the Board discussed the latest activities of the administration section. Also discussed was the performance dashboard for the quarter July to September 2022, and how levels of casework and performance against turnaround targets had remained relatively consistent. The Board were pleased to hear that the steps taken by officers to reduce response wait times for members wishing to access benefits on hold had resulted in improvements in that area.

Further discussion ensued in respect of the issuing of pension saving statements to those members who had exceeded, or were close to exceeding, the annual allowance tax limits. Officers reported that all statement were issued to those members affected by the statutory deadline of 6 October. Officers also details the support they provided to members in this area and explained how they were enhancing this support by offering members the opportunity to attend online sessions about pensions tax and creating several short, animated videos to accompany these sessions. Officers would also be looking to work with several employers to develop employer awareness of pensions tax.

As at each meeting of the Board, monitoring of late payment of contributions or late submissions of data from employers, was reviewed. It was encouraging to note that the timeliness of contribution payments and receipt of data from employers had been good over the last quarter. 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 19 January 2023 be noted.

68. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 20 January 2023 were considered.

The Chair of the Working Group, Councillor Ryan, advised that L&G 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, engaging the regulator and through public pressure.

The Fund’s responsible investment advisors, PIRC, attended the meeting and gave a presentation on workforce related risks. PIRC gave an overview of their research into companies listed in the UK across three key risk areas including labour retention and recruitment, health and safety and industrial relations. Finally, PIRC made a number of recommendations for improvements in company reporting on those issues, which would allow investors to manage risks more effectively.

RECOMMENDED
That the Minutes be received as a correct record;

69. 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 20 January 2023 were considered.

The Chair of the Working Group, Councillor North, advised that Members had reviewed the Additional Voluntary Contributions scheme and how it had performed for members over the previous year. AVC's allowed Scheme members to pay more to build up extra savings for their retirement, and supplement their main LGPS benefits. The Working Group reviewed the performance of the various AVC funds on offer and found that they were performing in line with other comparable providers. Overall, the Working Group were content that GMPF AVC members were receiving a reasonable service and good investment returns.

Monthly data submissions received from employers were also discussed. The monthly returns contained pensionable pay and contribution information for GMPF contributing members. Employers must submit their returns in line with the deadline set in the Pensions Administration Strategy and the admin team monitored all employer submissions against the deadline. The number of submissions received on time had been improving each month, with 85 per cent of employers meeting the deadline in October 2022. The team would continue to work with employers to ensure the deadlines were achieved and performance continued to improve.

As usual, the administration strategic service update and updates relating to member services, employer services, developments and technologies and communication and engagement, were reviewed.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the Administration, Communications and Engagement Update that the updates made to the Communications Policy be approved.

70. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 2 March 2023 were considered.

The Chair of the Working Group, Councillor Cooney, advised that Members received a presentation from APAM, one of the two relatively new direct property portfolio managers. The manager had made very positive progress with the portfolio as a whole, particularly in respect of some of the more challenging assets.

As well as considering the Manager Monitoring Report for the latest quarter, an updated Trustee Member Development Policy and Training Plan for 2023/24, were also reviewed, along with an updated Governance Policy and Compliance Statement.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of the Trustee Member Development Policy and Training Plan for 2023/24, that the updated Trustee Member Development Policy, as appended to the report, be approved; and
(iii) In respect of the Governance Policy and Compliance Statement, that the updated

Governance Policy and Compliance Statement, as appended to the report, be approved.

71. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 6 October 2022 were received.

RECOMMENDED
That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 6 October 2022, be noted.

72. GMPF BUDGET 2023/24 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 2023/24 alongside a medium-term financial plan for 2023 to 2026.

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 2023 to 2026 would be finalised for the annual report following approval of budget and Fund Valuation at 31 March 2023.

Members were advised that the Fund remained committed to its core objectives. 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 2023/24 sought an increase from that in 2022/23. 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 in recent years 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 2023/24 with a comparison to projected out-turn for 2022/23, 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 2023/24, as appended to the report, be approved; and
(ii) That the Medium-term Financial Plan, as detailed in the report, be approved.

73. GMPF STATEMENT OF ACCOUNTS 2022-23 - 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 2022-23 and the Audit Strategy Memorandum

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

74. RESPONSIBLE INVESTMENT UPDATE

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.

The Assistant Director gave details of deployment of capital as follows:
- Impact Portfolio - £20m commitment to a social infrastructure fund; and
- Overseas Property Portfolio - £100m commitment to build affordable homes.

He further made reference to the Northern LGPS Stewardship quarterly report, which explored Increasing Pressures: Shareholder Resolutions and the quarterly engagement report of the Local Authority Pension Fund Forum, highlighting: Human Rights, Mining, Drax, Renault, Mercedes and Chipotle.

The Assistant Director focused on the 'S' in ESG, and gave further information on:
- Modern Slavery Training;
- Mining & Tailings Summit;
- World Benchmarking Alliance Investor Statement; and
- PIRC workplace rights webinar.

In respect of Climate Action, the Assistant Director referenced letters from the Fund and co-signatories to banks calling for them to cease direct funding of new oil and gas fields.

He further highlighted shareholder resolutions that the Fund had sought to file at companies as follows:
- Nestle – Health and nutrition
- Apple – Worker rights
- Cisco Systems – Tax

Details of GMPF's Responsible Investment partners and collaborations were appended to the report. Discussion ensued in respect of the content of the report and presentation. The Chair and Members highlighted the importance of a 'just transition' and why active engagement was more effective than divestment.

The Chair thanked the Assistant Director for an interesting presentation.

RECOMMENDED
That the content of the report and presentation be noted.

75. 2022 ACTUARIAL VALUATION

The Director of Pensions submitted a report providing a final progress update, confirming the valuation trends and outcomes for all employers. It also highlighted that GMPF officers and the Fund's Actuary had been reviewing the suitability of the Funding Strategy Statement for cessation valuations, in light of two recent employer exits.

It was reported that, at a whole fund level, the funding position of GMPF had improved slightly since the 2019 actuarial valuation. Using the assumptions set out in the current Funding Strategy Statement, GMPF's funding level as of 31 March 2022 was 104%.

Employer Valuation results for Local Authorities were detailed and it was explained that all local authority pools would benefit from contribution rate reductions, with the typical reduction somewhere between 1.0% and 2.0%. In respect of all other employers, it was reported that most employers would have reduced contribution rates or would see their contribution rates stay at their current level from 1 April 2023.

RECOMMENDED
That the content of the report and the imminent completion of the valuation project, be noted.

76. LOCAL INVESTMENTS UPDATE

Consideration was given to a report and presentation of the Assistant Director, Local Investments and Property, which updated Members on progress with the local/impact investment portfolios.

In terms of GMPVF, it was explained that the aim of the portfolio was to gain cost effective, diversified exposure to property development assets located predominantly in the North West of England and with a clear emphasis on Greater Manchester. Also, to add value to the economy of the North West through property development to generate employment, improve long term employment prospects and generally contribute to the overall development of the local economy.

The mandate adopted a very broad definition of property development, to be as flexible as possible to the opportunities available. However, examples of possible investments included direct development, including purchase of land and property for development, either with or without a partner. They also included investment in financial instruments such as debt or equity in property development and investment in collective investment vehicles. The development could involve construction of new buildings or renovation of existing buildings. The allocation of the portfolio across the capital structure and a summary of deployment and performance, were detailed in the report. Progress with the portfolio was also presented to the Panel.

In respect of the Impact Portfolio, it was reported that it had been active since 2014. Investments had been made into a range of Limited Partnerships, this being the most common form of investment vehicle for the private markets.

The purpose of the allocation was to gain cost effective, diversified exposure to a portfolio of "impact" investments located predominantly in the North West of England. The principal aims used to define impact investing being: -

- Targeting underserved markets
- Promoting health and well being
- Supporting Improvement in Education and Skills
- Supporting Sustainable Living
- Renewable energy generation

- Job creation/safeguarding

It was explained that the Panel had previously agreed, that to meet the aims of the Impact portfolio, investments would be diversified across key themes, details of which, were provided in the report. Actual deployment would be subject to the availability and timing of suitable investment opportunities.

Progress with the impact portfolio was presented to the Panel and summaries of deployment to date/expected and performance were also detailed.

Two promotional videos were also presented to Members.

The Assistant Director then introduced representatives of 'The Good Economy' (TGE), a respected Impact Advisor, well known to officers, producing Impact Reports for some of the Local Investment Fund Managers and also for other LGPS Funds. They participated in producing the 2021 Government White Paper on "Place Based Investment", which mentioned GMPF as a leading example of a LGPS Fund having an allocation to local investment.

The Good Economy, had been directly appointed from the National LGPS Framework for Stewardship Services, to prepare an independent report on the outputs achieved from the Funds Local Investment Portfolios. The work was underway but not yet complete. A summary of their initial work was appended to the report.

Sarah Forster, Dr David Greenwood and Mark Hepworth of the Good Economy then presented before Members and explained how they were working with GMPF to independently report on the impact of GMPF's place-based investments.

Discussion ensued in respect of the information presented including the transformational nature of Impact investing and further clarity was sought with regard to how it could influence improvements to local public transport. The difficulties of attracting investment in deprived areas was also explored.

The Chair thanked the Assistant Director and representatives of The Good Economy for a very interesting and informative presentations.

RECOMMENDED
That the content of the report and presentations be noted.

77. 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.

Key information from the Quarter 4 2022 Performance Dashboard was summarised. It was explained that Equity and credit markets rallied as inflation fell, surprising to the downside, but tight labour markets and strong wage growth prompted the major central banks to continue raising interest rates.

Growth data released in quarter four surprised to the upside. US labour and consumer demand remained resilient while the worst fears about potential European gas shortages had abated more recently. However, high inflation and rising interest rates increasingly weighed on the outlook for consumers and businesses. As a result, forward-looking indicators still pointed to a very challenging economic outlook, with global GDP forecasts revised lower in the fourth quarter. December's manufacturing PMI (Purchasing Managers Index) moved further into contractionary territory as new orders fell sharply. Price measures provided better news, as the rates of input costs and output charges fell to two-year lows. The services sector had generally performed better than the manufacturing sector in the major advanced economies, supported by robust labour markets. In November, year-on year headline CPI inflation fell to 7.1%, 10.7% and 10.1% in the US, UK and eurozone respectively. Headline inflation was forecast to come down sharply over the course of the first half of 2023, but central bankers remained concerned about strong wage growth and core inflation. Following a round of 0.75% pa interest rate rises, the major central banks shifted down to smaller 0.5% per annum increases in December, taking policy rates in the US, UK and eurozone to 4.5% pa, 3.5% and 2.0% pa respectively.

Global equities rose over the fourth quarter amid increasing optimism about inflation moderating in 2023. Europe was the best performer as warmer-than-average weather sent European gas prices lower and risks of severe recession appeared to lessen. The Asia Pacific region also outperformed, with China's sudden relaxation of many of its COVID-19 restrictions expected to boost economic activity.

It was a mixed picture for global government bonds over the fourth quarter of 2022, with the 10-year US Treasury yield roughly flat, German and Japanese yields rising and UK gilt yields falling. Global investment-grade and speculative-grades credit spreads fell. Speculative-grade default rates had risen a little since the start of 2022 but remained below long-term average results.

Over the quarter total Main Fund assets increased by £597 million to £28.1 billion. On a cumulative basis, over the period since September 1987, GMPF had outperformed the average LGPS, equating to over £5.4 billion of additional assets. Apart from 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 2022/23 review of Investment Strategy, further changes to the 'realistic' strategic allocations to alternatives were made in Q3 2022. Within the Main Fund, there was an overweight position in private equity and cash (of around 3% in aggregate). Allocations to Private Debt, Infrastructure and GLIL were also overweight relative to their respective (realistic) benchmarks. The overweight positions were offset by underweight positions in bonds, equities and property. The property allocation continued to be underweight (by around 1.6%) versus its benchmark.

The Main Fund outperformed its benchmark over Q4 2022. 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 2022, 1 year active risk reduced further having reached a recent high at the end of Q2 2022. Active risk remained elevated relative to recent history – 1 year active risk remained materially higher than the levels reached 10 years ago. 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 more stable at around 1.5% pa. Risk in absolute terms (for both portfolio and benchmark) increased in Q4 2022. The uncertainty surrounding the macro economic outlook remained high; in particular, future inflation levels, the war in Ukraine, supply chain disruptions and the future impact of the pandemic on economic output remained unclear

As at the end of Quarter 4; Over a 1 year period; three of the Fund's active securities managers outperformed their respective benchmarks whilst one underperformed its benchmark. Over a 3 year period, two managers underperformed their respective benchmarks whilst two had outperformed their respective benchmarks. The long-term performance remained strong. The performance history of the Factor Based Investing portfolio was relatively short (around 3 years), so at that very early stage no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

78. 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 2022/23 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 with the senior leadership team.

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 Employer flexibilities/exits, assessing the impact of the McCloud changes, changes to the CARE revaluation date, pensions dashboard, cyber security work and changes prompted by the budget.

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.

79. 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.

80. 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:

- Confirmation of annual revaluation, earnings and pensions increase;
- Annual revaluation date change in the LGPS;
- Consultation on changes to SAB's cost management process; and
- MAPS Pension Dashboard update.

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

81. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

PLSA Webinar – Implementing TPR's new code of practice	**28 March 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

82. DATES OF FUTURE MEETINGS

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

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

CHAIR