GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

14 July 2023

Commenced:	**10.00am**	**Terminated: 12.35pm**
Present:	**Councillor Cooney (Chair)** **Councillors: Axford (Trafford), Mistry (Bolton), Jabbar (Oldham), O'Neill (Rochdale), Sheikh (Manchester), Smart (Stockport) and Walters (Salford)** **Employee Representatives:** **Mr Caplan (UNISON), Mr Flatley (GMB) and Mr Llewellyn (UNITE)** **Fund Observers:** **Councillor Taylor (Stockport)** **John Pantall – Independent Observer** **Local Pensions Board Member (in attendance as observer):** **Councillor Fairfoull** **Advisors:** **Mr Bowie, Mr Moizer and Mr Powers**	
Apologies for absence:	**Councillor Grimshaw (Bury), Councillor Rehman (Wigan)** **Ms Blackburn (UNISON), Mr Drury (UNITE) and Mr Thompson (UNITE)**	

1. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney, began by welcoming new and returning Trustees and in particular, Councillor Jaqueline North as the new Vice Chair and Cllr Jim Fitzpatrick who was re- elected this year and had returned as the Deputy of the Fund.

He further extended a very warm welcome to those who had just been appointed to the Fund: from Tameside: Cllr Laura Boyle, Cllr Charlotte Martin, Cllr George Jones and Cllr Liam Billington.

And from other Local Authorities:
Cllr Champak Mistry – Bolton – replacing Cllr Amy Cowen
Cllr Basat Sheikh – Manchester – replacing Cllr Paul Andrews
Cllr Shaun O'Neill – Rochdale - replacing Cllr Philip Massey
Cllr Andrew Walters – Salford – replacing Cllr Michele Barnes
Cllr Jill Axford – Trafford – replacing Cllr Dylan Butt
Cllr Nazia Rehman – Wigan – replacing Cllr Keith Cunliffe

The Chair also extended thanks and gratitude to the retired members of the Panel for their contribution to the work of the Fund over the last year.

The Chair then announced the recent sudden and untimely death of David Schofield, who was a Local Board Trade Union member and previous Panel member. He had been a stalwart to the Fund and would be sadly missed, particularly for his good humour and pragmatic interventions. The meeting then stood and observed one minutes silence in respect.

The Chair stated that ordinary people working in public sector jobs serving their communities, get to live out their retirement years with security and dignity, was a noble cause. There was nothing more important than safeguarding the deferred pay, which were the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to the employers and taxpayers alike. He reminded everyone that attendance at meetings was important and in particular to undertake the training provided to ensure that members had the appropriate skills and knowledge to be a trustee.

On the 23 June 2023 Government published the Economic Activity of Public Bodies (Overseas Matters) Bill to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this was required by formal Government legal sanctions, embargoes, and restrictions.

The Scheme Advisory Board, who advised Government had pointed out that, the LGPS was a well-funded and well-run scheme. Administering authorities took their statutory and fiduciary duties around the investment of pension funds very seriously. As far as the Board was aware, there was no evidence that any LGPS fund had instituted inappropriate politically motivated boycott or divestment policies. There would be further reports on the bill as it made its way through Parliament and the implications for the Fund.

Members were advised that on the 15 June 2023, a letter from the Minister was sent to the Scheme Advisory Board on governance and reporting of climate change risks in the LGPS. DLUHC had confirmed that implementation of climate reporting obligations would be delayed at least until next year. Presuming regulations were forthcoming in time for 1 April 2024, reports covering the next financial year would need to be produced by December 2025. In the meantime, the Responsible Investment Advisory Group (RIAG) who advise the Scheme Advisory Board, and chaired by the Director of Pensions for the Fund, Sandra Stewart, were looking at what advice could be given to funds wishing to do a shadow reporting year, and also what could be done to standardise the development of climate reporting approaches at the pool level.

The Fund had been undertaking voluntary climate reporting and disclosure for over 7 years. The Chair was also pleased to announce that one of Fund’s managers, Mushfiqur Rahman, had been awarded the CFA Environment Social and Governance certificate. Congratulations were extended to Mush for all the hard work he put into achieving the certification.

The Chair made reference to plans announced by the Chancellor to consult the Local Government Pension Scheme (LGPS) on new targets to double their existing investments in private equity to 10%, in a move that was intended to help unlock £25bn by 2030. The consultation also outlined a March 2025 deadline for all LGPS funds to transfer their assets into LGPS pools, suggesting that each pool should exceed £50bn of assets. The Northern Pool, consisting of GMPF, West Yorkshire and Merseyside Pension Fund were already collectively over £50billion at about £60 billion and there was oversight over 100% of the pool. In the consultation, the government suggested that whilst pooling had delivered "substantial benefits" so far, the pace of transition should accelerate to deliver further benefits, including improved net returns, more effective governance, increased savings and access to more asset classes. There were a number of other technical proposals as well. This would be studied very carefully and the Fund would be responding. It was agreed that there were opportunities to deliver the twin aims of unlocking investment into pioneering UK businesses, growing the economy, whilst ensuring affordable and sustainable pensions, and Government acknowledged that Greater Manchester Pension Fund had led the way on this, one of the fundamental beliefs of the Fund had always been that all decisions were in the best interests of members and the taxpayer and decisions were not based on politics or to address fiscal policy.

The Chair was pleased to note that the fantastic work done as the GMPF, elected members, officers and advisors, had been recognized, by GMPF being shortlisted in the LGPS Fund of the Year (assets over £2.5 billion at 31 March 2023) category. He added that, someone who should be very proud of this nomination as a testament and reflection of the contribution he has personally made, was one of the advisors, Ronnie Bowie, who after 36 years of shaping and supporting the Fund, had decided that the time had come for him to retire. Ronnie’s history with the Fund began on 13 November 1987, and since then, the Fund had grown from strength to strength. To give one example; when Ronnie did his first valuation as the Fund’s actuary in 1989, it had £1.9 billion of assets with just short of 14 thousand members. He leaves it in 2023 more than 100% funded, with a value of £30 billion and 420 thousand members. He had a huge impact on the ability of Greater Manchester to sustain affordable pensions for the public sector workforce and the huge number of people who had been able to live their retirement in comfort and dignity. The Chair thanked Mr Bowie for his hard work and commitment over the years and wished him well in his retirement and future endeavours. The Chair presented Mr Bowie with a gift. Mr Bowie responded in kind.

2. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

3. MINUTES

(a) The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 24 March 2023 were signed as a correct record.

(b) The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 24 March 2023 were noted.

4. 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
9, 10, 11, 12, 13, 14, 15, 16, 17, 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**	**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.**

5. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 13 April 2023 were received.

Councillor Fairfoull, Chair of the Local Pensions Board, advised that for any pension fund to operate effectively it was imperative that its decision-making bodies had the necessary level of knowledge and understanding to carry out their roles effectively. The Local Board had statutory knowledge and understanding requirements that must be met. At the last meeting GMPF's Trustee Member Development Policy and training plan for 2023/24 was discussed. He encouraged all Panel and Board members to take advantage of the development opportunities identified in the training plan where possible.

The process whereby members transferred their benefits to a different pension scheme when they leave GMPF, was also discussed. The right to a transfer exists under regulation 96 of the LGPS Regulations. The safeguards in place to ensure that members didn't transfer to questionable pension schemes that may be scams or offer poor value for money, was also discussed. In August 2022, the Pensions Regulator unveiled a new scam-fighting plan aimed at protecting savers. Following this new initiative, GMPF completed TPR's pension scams pledge self-certification process, which confirmed the Fund had adopted higher standards to help protect pensions from criminals and would be innovative to help protect pensions in the future.

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

The Board further 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.

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 14 April 2023 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the GMPF Submission to the UK Stewardship Code Reporting Framework, that the draft updated GMPF Stewardship Report be endorsed for submission to the FRC

7. 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 14 April 2023 were considered.

RECOMMENDED
(i) That the Minutes be received as a correct record; and
(ii) In respect of the Administration and Communications and Engagement Update, that the new Communications & Engagement Strategy be approved.

8. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 22 June 2023 were considered.

The Chair of the Working Group, Councillor Cooney, advised that the Working Group, along with the Advisors, devoted time to considering a draft of the Investment Strategy report for the Main Fund. Feeding into this were detailed mandates and associated reviews of strategy and implementation covering the internally managed portfolios of Alternative, Local and Property Investments. The final Investment Strategy report would be presented later in the agenda.

Separately, over five years ago the Fund implemented a Global Equity Trigger Process, which was designed to either protect the Fund when the stock market became very expensive, or enhance the Fund's returns by investing at times of extreme stock market lows.

Going into 2022/23, the triggers had reduced the Fund's exposure to equities and, as markets fell, this protection was unwound, in line with the process. No triggers were subsequently activated as the market fluctuated fairly tightly around the Fund's estimate of Fair Value.

Officers provided Members with an updated estimate of Fair Value for 2023/24. Officers also provided an update in relation to the size of the maximum asset switch to be targeted. The updates were recommended for adoption by the Panel.

RECOMMENDED

(i) That the Minutes be received as a correct record;

(ii) In terms of Investment Strategy and Tactical positioning 2023/24; That there be no significant changes to the Fund's approach and the current Investment Strategy and long term direction of travel be maintained;

(iii) In terms of Internally Managed Portfolios: Investment Mandates; that the Investment Mandates for the Internally Managed Portfolios, as appended to the report, be adopted by the Panel;

(iv) In terms of Private Equity: Review of Strategy and Implementation;

(i) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium-term strategic allocation for private equity remains at 5% by value of the total Main Fund assets;

(ii) the target geographical diversification of the private equity portfolio remains:

Geography	Target Range
Europe inc UK	35% to 50%
USA	35% to 50%
Asia & Other	10% to 20%

(ii) the investment stage diversification of the private equity portfolio remains:

Stage	Target Range
Lower Mid-Market & Growth	10%-20%
Mid-Market	45%-55%
Large Buyout	30%-40%

(iv) the pace of Primary Fund commitments to be £120m pa so that, together with co-investment deployment of approximately £38m pa on average, private equity exposure is targeted at or around the 5% target strategic Main Fund allocation;

(v) GMPF's private equity strategy is implemented by appropriately sized commitments to Northern Private Equity Pool such that the anticipated deployment will be consistent with the pacing recommendation at 8.5; and

(vi) it is recognised that the portfolio may not fall within the target ranges at 8.3 and 8.4 above from time to time to reflect, *inter alia*, portfolio repositioning.

(v) In terms of Private Debt: Review of Strategy and Implementation;

(i) the medium-term strategic allocation for private debt remains at 5% by value of the total Main Fund assets.

(ii) the target geographical diversification of the private debt portfolio remain as follows:

Geography	Target Range
Europe	40% to 50%
USA	40% to 50%
Asia & Other	0% to 20%

(iii) the portfolio should continue to be populated by partnership commitments to funds

where the vast majority of investments are senior secured loans;

(iv) the scale of commitment to funds to be £375m per annum, to maintain the strategy allocation; and

(v) it is recognised that the portfolio may not fall within the target ranges at 8.3 above from time to time to reflect, inter alia, portfolio repositioning.

(vi) In terms of Infrastructure Funds: Review of Strategy and Implementation;

(i) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium-term strategic allocation to Infrastructure Funds remains at 5% by value of total Main Fund assets;

(ii) the target geographical diversification of the infrastructure portfolio remains:

Geography	Target Range
Europe	50% to 70%
North America	20% to 30%
Asia & Other	0% to 20%

(iii) the target stage diversification of the infrastructure portfolio is amended to reduce the target range for Opportunistic, with a concomitant increase in the target range for Value Added:

Investment Stage	Relative Risk	Target Range
Core & Long Term Contracted	Low	30% to 40%
Value Added	Medium	50% to 70%
Opportunistic	High	0% to 10%

(iv) the pace of new fund commitments is reduced to £160m per annum to maintain achievement of the strategy over a sensible time frame;

(v) the Private Markets team implement the Infrastructure strategy via commitments to private partnerships and to co-investments; and

(vi) it is recognised that the portfolio may not fall within the target ranges at 8.3 and 8.4 from time to time to reflect, *inter alia*, portfolio repositioning.

(vii) In terms of the Special Opportunities Portfolio: Review of Strategy and Implementation;

(i) the allocation to the Special Opportunities Portfolio remains at up to 5% by value of the total Main Fund assets; and

(ii) the main strategic control to remain the Type Approval mechanism described at Section 3.2.

(viii) In terms of UK Property Portfolio: Review of Strategy and Implementation and Performance Monitoring;

(i) That the medium-term strategic allocation for the UK Property portfolio remains at 8% by value of the total Main Fund assets;

(ii) That the current Northern LGPS UK Housing allocation is transferred from local investments to UK Property as a deliberate over-weight position against the sectoral weightings within MSCI benchmark;

(iii) That the UK Property portfolio construction is revised to the following sub allocations as per the contents of the report;

Allocation	Proposed Allocation Range	Proposed Allocation	Target MSCI Outperformance
Direct Property	2-3%	2.5%	0%
Balanced Funds	2-4%	3.0%	0%
Specialist	0-2%	1.0%	2%
Housing	1-2%	1.5%	0%
	7-9%	8.0%	

(iv) That the pacing of commitment to UK property continue as per section 9.8 in

order to meet a "realistic" target of allocation of 8% of the Main Fund allocation by end of 2025; and

(v) That it be recognised that the portfolio may not fall within its target ranges from time to time to reflect, inter alia, portfolio repositioning.

(ix) In terms of Overseas Property Portfolio: Review of Strategy and Implementation

(i) That the medium-term strategic allocation for the Overseas portfolio remains at a target range of 0-3% by value of the total Main Fund assets;

(ii) That the Overseas Property target risk remains:

Risk Factor	Investment Characteristics	Outperformance over UK IPD	Target Portfolio Weight	Range
Matching (core and core plus strategies which are intended to match long running UK IPD – whilst providing diversification benefits)	Low to moderate use of leverage, benchmark level active management, and high-income return component.	0% (Europe and US) 2% (Rest of World)	50%	40 – 60%
Enhancing (value add and opportunistic strategies which are intended to enhance long running UK IPD through active management)	Moderate to high use of leverage, above benchmark level of active management and high capital value return component.	4% (Europe and US) Enhancing strategies in the Rest of the World will not be considered.	50%	40 – 60%

(iii) That the Overseas Property target geographic diversification remains:

Geography	Target Portfolio Weighting	Range
US	45%	30 – 60%
Europe	45%	30 – 60%
Rest of the World	10%	0 – 20%

(iv) That the pacing of commitment to funds to remain at £100m per annum in order to maintain a "realistic" target allocation of 2% of the Main Fund allocation over the next 4 years; and

(v) That it is recognised that the portfolio may not fall within its target ranges from time to time to reflect, inter alia, portfolio repositioning.

(x) In terms of Property Venture Fund: Review of Strategy and Implementation

(i) the medium term strategic allocation for the GMPVF portfolio remains at 2.5% by value of the total Main Fund assets;

(ii) the target geographical diversification of the GMPVF portfolio remains:

Geography	Target Range
Greater Manchester	60%-100%
Northern LGPS Area (ex GM)	0%-40%

(iii) the investment stage diversification of the GMPVF portfolio is amended as follows:

Stage	Current Core %	Current Range	Proposed Core%	Proposed Range	Change %
Income Generating Property	33%	20% - 45%	50%	40% - 60%	17%
Development Equity	15%	5% - 25%	20%	15% - 30%	5%
Development - Mezzanine Debt	26%	15% - 35%	10%	5% - 15%	-16%
Development - Senior Debt	26%	15% - 35%	20%	15% - 30%	-6%
	100%		100%		

(iv) the sector diversification of the GMPVF Income Generating Properties is amended as follows:

Sector	Current Core %	Current Range	Proposed Core%	Proposed Range	Change %
Industrial	35%	25% - 45%	50%	40% - 60%	15%
Offices	35%	25% - 45%	25%	15% - 35%	-10%
Other (Retail,Leisure, Housing, Alternatives)	30%	20% - 40%	25%	15% - 35%	-5%
	100%		100%		

(v) the permitted range of exposure to speculative risk, based on a percentage of the total amount committed by GMPVF, remains:

	Range
	% of Committed
Pre - Let	20-100
Speculative	0-80

(vi) commitments to projects continue to be scaled and timed such that, combined with investments in income producing property and likely realisations of existing developments, the allocation is deployed over the medium term. It is recognised that at any given time, the portfolio may vary significantly from the target ranges shown above.

(xi) In terms of Impact and Invest for Growth Portfolio: Review of Strategy and Implementation

(i) The medium term strategic allocation for the Impact portfolio remains at 2% by value of the total Main Fund assets.

(ii) The Impact Theme target diversification for the Impact portfolio remains:

Impact Themes		Target % Range
JOBS	50%	25%-75%
Loans to SMEs		
Equity Investment in Underserved Markets		
Investment in Technology Jobs		
PLACE	50%	25%-75%
Social Infrastructure		
Housing/Property Dev in Underserved Markets		
Renewable Energy Infrastructure		
Social Investment		
Total		100%

(iii) The pacing of commitment to funds to continue at £80m pa, to meet the "realistic" target of allocation of 1.5% of Main Fund allocation by end of 2024.
(iv) It is recognised that the portfolio may not fall within the target ranges at 8.2 from time to time to reflect, inter alia, portfolio repositioning.
(v) The Investment Mandate for this portfolio (reported as a separate item) is adopted to ensure appropriate monitoring arrangements.

(xii) In terms of GLIL Infrastructure LLP: Review of Strategy and Implementation;
(i) That the 5% Main Fund allocation to GLIL remains unchanged;
(ii) That the Investment Mandate and Investment Guidelines remain unchanged; and
(iii) That the results of the strategic review once approved by Northern LGPS, are reported to the working group.

(xii) In terms of Global Equity 'Purchase/Sale' trigger process – Update of Fair Value Estimate, Trigger Points and size of Switch; that the updated Fair Value estimate, associated updated trigger points and the updated 'size' of the maximum asset switch to be targeted, as contained within the report, be adopted.

9. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 2 February 2023 were received.

RECOMMENDED
That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 2 February 2023, be noted.

10. SCHEME GOVERNANCE/WORKING GROUP MEMBERSHIP

RECOMMENDED
That details of the Scheme Governance and Working Group membership be circulated separately, following the meeting.

11. GMPF STATEMENT OF ACCOUNTS 2022/23 AND ANNUAL REPORT

The Assistant Director, Local Investments and Property, submitted a report, giving details of the draft annual report and accounts for GMPF (as appended to the report), including a summary financial report and updates Members with respect to the external audit.

Members were advised that there was no movement from the position as at the last meeting of Management Panel for the audit of GMPF's 2022 and 2023 accounts. Following work with auditors Financial Reporting Council CIPFA, and GM authorities the auditors were closer to issuing audit opinions for these accounts, but they were still outstanding.

RECOMMENDED
(i) That the draft accounts be noted; and
(ii) That the update on the progress of external audit, be noted.

12. 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 regional private equity fund; and
- Property Venture Fund - £75m co-investment to build homes with affordable rents in the North West.

He commented on and gave further details of:

- PIRC's new carbon 1.5 Proxy Voting Service – specific focus on the world's largest emitters where investment risks were greatest with proxy voting recommendations which escalated action according to how short a company is of investor expectations on 1.5°C targets;
- Legal and General Reporting – measuring Scope 3 emissions;
- The Northern LGPS Stewardship quarterly report which explored Labour Rights and Risks, Say on Climate, Brazil, Volvo, Constellation Brands and Water Stewardship

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, in particular the consequences of voting against shareholder resolutions and the importance of raising the profile of how sustainable elements such as rain water capture were included in residential projects the Fund was invested in. The Advisors 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.

13. LGPS PERFORMANCE UPDATE

Karen Thrumble of PIRC, attended virtually before Members and delivered a presentation, which provided an overview of the Fund's investment performance within a long-term, peer group context to enhance governance and improve decision making.

The Chair thanked Ms Thrumble for a very informative and thought provoking presentation.

RECOMMENDED
That the content of the presentation be noted.

14. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2023/24

Consideration was given to a report and presentation of the Assistant Director of Pensions Investments, to review the benchmark asset allocations for the Main Fund and Investment Managers and to consider changes to the investment restrictions.

It was explained that the Investment Managers and Advisors believed that the current investment strategy was capable of delivering the required returns over the long term (albeit one fund manager was a more pessimistic 'dissenting' voice). Economic uncertainties remained, with a medium term outlook that, whilst broadly positive, could potentially encompass a number of unattractive scenarios (including the likelihood of economic recessions in the short term). In such circumstances, it was not apparent that any significant changes to the Fund's approach would prove beneficial, other than the diversification methods already being employed by the Fund.

The increasing maturity profile of Fund employers as public sector spending reductions continued, were likely to reduce the tolerance of the Fund to its volatility of returns between years. Officers continued to work with Hymans Robertson (Hymans) on the issue. Options were being considered for better aligning Employers' investment strategies to their own (recently improved) funding position, which would help to reduce the funding level volatility of individual employers, and therefore the Fund as a whole.

More attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers and, following on from the 2022 Actuarial Valuation, it was intended to undertake further work in the area.

Historically, the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to around 8.5% of Main Fund assets. Separately and where appropriate, 'realistic' benchmarks for Private Market assets and Local Investments would be increased to reflect the strong progress made in implementing the portfolios during 2022/23. The likelihood of reaching the strategic benchmark weights would depend on how markets behaved over that timeframe. The rapidly rising equity markets of recent years had meant an increased £ amount allocation was required to reach the target weights (although the recent market falls of 2022 had somewhat attenuated this). Officers were working with Hymans with a view to enhancing the benchmark indices used.

One immediate implication of the increasing maturity of the Fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets, and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund's Investment Managers over the coming years. Additional cash required over and above that currently held within the Fund would be sourced from the Main Fund's roster of public markets equities and investment grade bond Investment Managers. Following completion of the 2022 valuation, Officers were working with Hymans to review the Fund's liquidity arrangements and would report back to future meetings of the Panel.

Approval for a pilot Global (Developed) Value Equity allocation within the UBS Portfolio was given at the 24 November 2022 meeting of the Policy and Development Working Group. Following approval, a new UBS Global (Developed) Value Equity portfolio was incepted on 20 December 2022, equating to 2.6% of UBS' multi-asset portfolio and was funded from assets already managed by UBS. The Global (Developed) Value Equity allocation would be kept under review and increased subject to satisfactory progress against the standard monitoring framework and prior approval by Panel. It was anticipated that any increases would take into account the Main Fund's gradual reduction of exposure to the UBS Value Team within the regional equity allocation (as a result of the established Main Fund's 'come what may' move towards a global market cap 'centre of gravity').

The report concluded that the Fund was facing a range of strategic and tactical investment related issues, each having their own 'research agenda' in terms of background work, policy formulation and practical implementation. How the Fund addressed those issues and implemented suitable changes would be a critical determinant of its standing in 5 or 10 years' time.

Discussion ensued with regard to the content of the report and presentation and the Advisors were broadly supportive of the proposals.

RECOMMENDED

1. Main Fund Overall Asset Allocation

- **(a) No changes proposed for the 'fully implemented' benchmark asset allocation.**
- **(b) Adjust the Public Equity to take account of the changes in 'realistic benchmark' allocations to Infrastructure, Private Debt, Special Opportunities Portfolio, Direct UK Infrastructure and Local Investment *[see 5. (f), 5. (g), 5. (h), 6. (a) and 8. (a) below].* More specifically, reduce the Public Equity allocation by 4.0% (from 45.3% to 41.3%) to take account of these changes.**

2. Public Equity Allocation

- **(a) Set the Public Equity benchmark allocation as 41.25% *[see 1. (b) above]*.**
- **(b) Set the overall splits within the Public Equity allocation as:**
  - **i. 59% Regional and 41% Global**
  - **ii. Within the Global allocation: 36% Global Public Equity (managed by Ninety One), 52% Global Developed Equity (managed by SciBeta) and 12% Global (Developed) Value Equity (managed by UBS)**
  - **iii. Within the Regional allocation: 91% by UBS (ACTIVE) and 9% by L&G (INDEX TRACKING)**
- **(c) To proceed as planned to implement the third tranche in terms of moving gradually over a number of years from the recouched current mix of the Regional Equity allocation towards a Market Cap weighted shape as adopted at the July 2021 Panel. No further change necessary at this time.**

3. Debt Related Investments (inc Bonds)/Cash Allocation

- **(a) No changes proposed for the overall bond position – maintain current overall benchmark allocation for bonds.**
- **(b) No change to the 3.2% allocation to Strategic Cash.**
- **(c) No changes proposed to the current 'liquidity waterfall' and approach to managing the Fund's liquidity needs. Any developmental changes regarding the ongoing management or implementation of the Fund's liquidity requirements to be considered as part of the Fund's review of Investment Management Arrangements.**

4. Environmental, Social and Governance Factors

- **(a) No changes proposed for the Fund's incorporation of ESG factors into the strategic benchmark and investment strategy.**
- **(b) The Fund's approach to being an activist investor via company engagement, as outlined in 16.3, is noted.**

5. Alternative Investments

- **(a) Private Equity : The recommendations of the Policy & Development Working Group be adopted (minute 5 refers).**
- **(b) Infrastructure : The recommendations of the Policy & Development Working Group be adopted (minute 7 refers).**
- **(c) Private Debt : The recommendations of the Policy & Development Working Group be adopted (minute 6 refers).**
- **(d) Special Opportunities Portfolio : The recommendations of the Policy & Development Working Group be adopted (minute 8 refers).**
- **(e) Maintain the strategic target allocation to private equity at 5%.**
- **(f) Change the realistic allocation to Infrastructure from 4.0% to 5.0%.**
- **(g) Change the realistic allocation to Private Debt from 3.5% to 5.0%.**
- **(h) Change the realistic allocation to Special Opportunities Portfolio from 2.0% to 2.5%.**

(i) All increases in realistic allocation to Infrastructure, Private Debt and Special Opportunities Portfolio to come entirely from Public Equities.

6. Direct UK Infrastructure

(a) Change the realistic allocation to GLIL from 3% to 3.5%.

(b) Direct Infrastructure : The recommendations of the Policy & Development Working Group be adopted (minute 12 refers).

7. Property

(a) Maintain the overall strategic target exposure to property at 10%.

(b) Property : The recommendations of the Policy & Development Working Group be adopted (minutes 9 and 10 refers).

8. Local Investment

(a) Maintain the overall limit on those assets which are locally invested at 5% of Main Fund as agreed at the July 2011 Panel. Change the 'realistic benchmark' allocation for Local Investments from 3.0% to 3.5%.

(b) Local Investment: The recommendations of the Policy & Development Working Group be adopted (minutes 11 and 12 refers).

9. Currency hedging

(a) Maintain the existing currency hedging arrangements and review at future reviews of investment strategy. No other changes are proposed to the management of currency exposure elsewhere within the Fund at this stage.

10. Rebalancing

(a) No changes are proposed to the existing rebalancing arrangements. Any developmental changes to the Fund's approach to rebalancing and its implementation to be considered as part of the Fund's review of Investment Management Arrangements.

11. Benchmark Indices

(a) No changes are proposed to the current benchmark indices of the Fund.

12. Implementation

(a) The nature, timing and detailed implementation of any benchmark changes necessary to reflect the decisions of the Panel be settled by the Director of Pensions following consultation with the Advisors and/or managers where appropriate.

15. 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 1 2023 Performance Dashboard was summarised. It was explained that stresses in the banking sector caused financial market sentiment to decline amid concerns around financial stability. Worries over the health of the banking system on both sides of the Atlantic were the main preoccupation for both central bankers and investors in March 2023. Economic and financial market sentiment was undermined early in the month by the collapse of two mid-sized lenders in the US – Silicon Valley Bank and Signature Bank – forcing US regulators to take urgent action to shore up confidence. That was followed by news a week later that UBS would acquire Credit Suisse, in a move that the Swiss regulator FINMA said would "ensure stability for the bank's customers and the financial centre".

Global growth surprised positively in the first quarter of 2023 with resilient labour markets and falling energy prices, improving the outlook for consumers and businesses. Forecasted 2023 GDP growth was revised higher in most developed economies, while recession in the UK was now forecasted to be shorter and shallower than previously expected. Year-on-year headline CPI inflation in the US and Eurozone fell to 6.0%, and 8.5%, respectively, as the UK measure rose to

10.4%. The equivalent core measures fell to 5.5% in the US as the UK and Eurozone measures rose to 6.2% and 5.6% respectively. The ECB, BoE and the Fed continued to announce increases in interest rates. The BoE and the Fed both raised policy rates by 0.25% p.a., to 4.25% p.a. and 5.0% p.a. respectively. The ECB raised rates by a larger 0.50% p.a., to 3.50% p.a. However, the improvement in the near-term economic outlook and upside inflation surprises saw a reassessment of both the likely peak in interest rates and the subsequent pace of interest rate cuts, as economists and investors moved to anticipate higher for longer interest rates may be required to return inflation to target. Market volatility was likely to stay high, and policymakers may have to go further to make sure faith in the global financial system stayed solid. Financial conditions were also likely to tighten, which increased the risk of a hard landing for the economy, even if central banks eased off on interest rate rises.

Equity markets gained in March and over the quarter, pointing to confidence that regulators had acted with sufficient speed and force to avert a full-blown banking crisis. The improvement in consumer and business sentiment in Europe, on the back of lower gas prices, led European equities to outperform. Growth stocks outperformed value stocks over the quarter, as falling bond yields supported the former while the latter were weighed down by stresses in the banking sector and a significant hit to bank shares in March. By sector, energy, healthcare and financials were the worst underperformers.

Bonds had been volatile over the quarter, rallying in January before posting mark-to-market year-to-date losses in February and rallying again in March after investor flight to safety due to stresses in the banking sector and low investor sentiment. The concerns contributed to an overall fall in government bond yields over the quarter. Corporate bonds posted positive returns due to the falling underlying sovereign bond yields.

Over the quarter total Main Fund assets increased by £386 million to £28.5 billion. On a cumulative basis, over the period since September 1987, GMPF had outperformed the average LGPS, equating to over £4.8 billion of additional assets.

Apart from private equity, allocations to alternative assets, whilst increasing, remained below their long-term (Fully Implemented) 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 1.5%) versus its benchmark. The Main Fund underperformed its benchmark over Q1 2023. 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 Q1 2023, 1 year active risk increased having fallen in recent quarters from its 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 Q1 2023. 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 1; 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 of one manager 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.

16. LONG TERM PERFORMANCE 2022/23 – MAIN FUND AND ACTIVE MANAGERS

The Assistant Director of Pensions Investments, submitted a report, which advised members of the recent and longer term performance of the Main Fund as a whole and of the external Public Markets active Fund Managers. Detailed results covering periods up to 30 years were given.

The performance of UBS over their time as a Manager for the Fund and performance for Ninety One since their inception in 2015/16, were displayed.

RECOMMENDED
That the content of the report be noted.

17. CASH MANAGEMENT

A report was submitted by the Assistant Director of Pensions Investments, which explained that the Fund adopted a relatively prudent approach to its cash management. The report outlined the constraints in place to ensure an appropriate level of prudence, focusing primarily on capital preservation and secondly on higher returns. It also detailed the performance achieved over the last three years. The report also set out broad proposals for an operationally simplified and 'futureproofed' set of cash management arrangements. Officers proposed to come back to a future meeting of the Panel, or appropriate Working Group, with detailed proposals for new arrangements.

The report concluded that the Pension Fund's cash had been generally well managed. Performance in 2022/23 exceeded the benchmark and total interest received was £10.9 million.

RECOMMENDED
(i) That the content of the report be noted; and
(ii) The decision to move to new cash management arrangements be approved in principle.

18. 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, cyber security work and recruitment challenges.

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.

19. GMPF POTENTIAL EXITING EMPLOYER

Consideration was given to a report of the Director of Pensions, which gave details of a potential exiting employer.

It was explained that a large and mature admission body of GMPF had notified the Fund of its intention to exit the LGPS. The employer was likely to be fully funded on a cessation basis at present and had requested that GMPF considered options to reduce the risk of a deficit arising prior to the anticipated exit date.

This report summarised details of the employer's participation in GMPF, outlined some of the potential options available and highlighted relevant considerations for the Management Panel.

RECOMMENDED
That the Director of Pensions be authorised to determine an appropriate exit strategy for the employer in consultation with GMPF's Actuary and Hymans investment advisors.

20. 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.

21. LGPS UPDATE

Consideration was given to a report of the Assistant Director of Pensions Administration providing the Panel with an update on the latest developments regarding the Local Government Pension Scheme, as follows:
- Scheme Annual Report 2022
- Letter from the Minister on governance and reporting of climate change risks in the LGPS
- McCloud Supplementary Issues Consultation
- Guarantee For Academy Trusts Outsourcing Arrangements
- Audit Issues for 2021/2022 Accounts
- LGPS Compatibility with Sharia Investment Principles
- MAPS Pensions Dashboard update

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

22. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGA Fundamentals – Day 1, Manchester Piccadilly Hotel	**5 October 2023**
PLSA Annual Conference - Manchester	**17-19 October 2023**
LGA Fundamentals – Day 1 virtual (two half days)	**19 October 2023** **26 October 2023**
UBS Training Day, Lowry Hotel, Manchester	**30 October 2023**
LGA Fundamentals – Day 2, Manchester Piccadilly Hotel	**8 November 2023**
LGA Fundamentals – Day 2 virtual (two half days)	**16 November 2023** **23 November 2023**
LGA Fundamentals – Day 3, Manchester Piccadilly Hotel	**13 December 2023**
LGA Fundamentals – Day 3 virtual (two half days)	**11 December 2023** **19 December 2023**

23. DATES OF FUTURE MEETINGS

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

Management/Advisory Panel	15 Sept 2023 1 Dec 2023 8 March 2024
Local Pensions Board	20 July 2023 28 Sept 2023 25 Jan 2024 11 April 2024
Policy & Development Wrk Grp	7 Sept 2023 23 Nov 2023 22 Feb 2024
Investment Monitoring & ESG Wrk Grp	21 July 2023 22 Sept 2023 26 Jan 2024 12 April 2024
Administration & Employer Funding Viability Wrk Grp	21 July 2023 22 Sept 2023 26 Jan 2024 12 April 2024

CHAIR