

GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

22 February 2024

Commenced: 11:00am

Terminated: 12.30pm

IN ATTENDANCE

Councillor Cooney (Chair)	
Councillor North	
Councillor Fitzpatrick	
Councillor O'Neill	
Councillor Sheikh	
John Thompson	UNITE
Petula Herbert	MoJ
Councillor John Taylor (Stockport)	Observer
Mark Powers	Advisor to the Fund
Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Pensions Investments
Steven Taylor	Assistant Director of Pensions (Special Projects)
Neil Cooper	Head of Pension Investment (Private Markets)
Kevin Etchells	Senior Investment Manager (Local Investments)
Edward Henshaw	Investment Manager (Local Investments)
Abdul Bashir	Investment Manager (Public Markets)
Mushfiqur Rahman	Investments Manager (Public Markets)
Alex Jones	Investment Officer (Local Investments)
Reka Todor	Investment Officer (Local Investments)
Shauna Moreland	Investment Officer (Local Investments)
Tony Christie	APAM
Rhys Williams	APAM
Simon Jaguar	APAM

Apologies for absence: Peter Moizer – Advisor to the Fund

37. DECLARATIONS OF INTEREST

There were no declarations of interest.

38. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 23 November 2023, were approved as a correct record.

39. DIRECT PROPERTY PORTFOLIOS: INVESTMENT MANAGEMENT ARRANGEMENTS UPDATE

The Assistant Director, Local Investments and Property, submitted a report, which advised Members that, following a strategic review of property management arrangements and a subsequent procurement exercise, Schrodgers and APAM were appointed to manage two direct national property portfolios for GMPF from November 2021.

Members were further advised that APAM was the manager of the internal 'Bad Bank' portfolio, which was a collection of more challenged assets which required significant asset management to

stabilise and create liquidity. The core objective of the mandate was to stabilise assets to either transfer to the core portfolio or seek an overall sale.

Representatives of APAM then presented before Members providing an update on progress to date on their portfolio as well as giving an outlook for the future including their key priorities in managing the portfolio.

Discussion ensued in respect of the content of the presentation and Members and Advisors thanked APAM for their presentation and noted the very positive progress with the portfolio on the whole, particularly in respect of some of the more challenging assets.

Further information was sought with regard to management arrangements/risk management of a number of the assets including lease arrangements and factors involved in the long term valuation of an asset.

The Chair thanked the representatives for their excellent presentation.

RECOMMENDED

That the content of the presentation be noted.

40. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 31 December 2023.

The Overall Status Levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager in an appendix to the report.

It was explained that the Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions, which could be used to form a view on the Manager's prospects of outperforming going forward. These included the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made and the underlying investment philosophy itself.

In addition, a traffic light approach (Green, Amber, Red) had been developed to provide a single overall indicator that summarised Officers' current subjective assessment of People, Process and Philosophy for each Manager. The respective traffic light should be viewed as providing additional context to supplement the codified Status Levels of the Monitoring Escalation Protocol.

RECOMMENDED

That the content of the report be noted.

41. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS INCLUDING UPDATE ON CURRENT INVESTMENT MANAGER FEE NEGOTIATIONS

The Assistant Director, Investments, submitted a report providing Members with an update on the Fund's review of investment management arrangements, and current fee negotiations with the Public Markets Securities Managers.

It was explained that the Investment Management arrangements of the Fund reflected a wide range of significant past decisions concerning how the Fund chose to position itself in terms of the management of its assets. The significant decisions included, inter alia, a consideration of the choice of benchmark and the detail of any bespoke benchmark, and whether, for example, to adopt active versus passive management or specialist versus multi-asset management.

Areas of focus identified in the October 2020 review of Investment Management Arrangements report to Panel had formed the basis of subsequent reports to a number of Panel meetings since that time and were detailed and discussed.

At the December 2022 Meeting of the GMPF Management Panel, the Assistant Director of Pensions (Investments) presented some of the issues faced by the Fund in terms of Benchmarking from both a strategic asset allocation perspective, and a performance measurement perspective.

Officers had sought assistance from Hymans to carry out a review of the Fund's benchmark indices. Benchmarking, and in particular benchmarking of illiquid assets, was a complex area that had seen numerous recent evolutions. This review was ongoing, and Officers would bring a paper to a future meeting of the Policy and Development Working Group/Management Panel.

Officers had also engaged Hymans to review the Fund's liquidity profile and cashflow requirements to assist the Fund to meet longer term cash requirements. This would be the subject of a future report to the Policy and Development Working Group/Management Panel.

In terms of fee negotiations, the current Investment Management fee arrangements for UBS and Ninety One were due to expire soon, and were currently being renegotiated by the Director of Pensions.

Members were advised that there were two main types of fee arrangements for Investment Managers:

- (a) a "flat fee" whereby the manager was paid either a fixed amount per annum or a fixed proportion of the value of the assets per annum; and
- (b) a "performance fee" structure where the manager received a "base fee" together with an additional fee dependent on performance.

Fee proposals for 2024-2027 had recently been sought from both Public Markets Securities Managers, on a flat fee and a performance fee basis. Officers would continue to negotiate with the Securities Managers as required, and select the most advantageous fee offer for GMPF.

RECOMMENDED

That the content of the report be noted.

42. DATE OF NEXT MEETING

It was noted that the next meeting of the Policy & Development Working Group was scheduled to take place on Thursday 27 June 2024.

CHAIR