

**GREATER MANCHESTER PENSION FUND
ADVISORY PANEL**

1 December 2023

Commenced: 10.10am **Terminated: 12.40pm**

Present: Councillor Cooney (Chair)
Councillors: Axford (Trafford), Grimshaw (Bury), Mistry (Bolton), O'Neill (Rochdale), Sheikh (Manchester), Smart (Stockport) and Walters (Salford)

Employee Representatives:
Ms Blackburn (UNISON), Mr Caplan (UNISON), Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UNITE)

Fund Observer:
Councillor Taylor (Stockport)

Local Pensions Board Member (in attendance as observer):
Councillor Fairfoull

Advisors:
Mr Moizer and Mr Powers

Apologies for absence: Councillors Jabbar (Oldham) and Rehman (Wigan)

43. CHAIR'S OPENING REMARKS

The Chair, Councillor Cooney, advised with great sadness, of the death of John Pantall. John had been on the Fund firstly, as the representative for Stockport MBC and latterly, when he retired after 44 years as a Stockport Councillor, became an independent observer on the Fund.

John was a remarkable man and a tremendous public servant for over forty years. His commitment to the Pension Fund was second to none and he was well-respected across the Pension world. John was a stalwart supporter of the Fund and indefatigable in his efforts to do his best and represent the interests of members, Employers and taxpayers who he represented so assiduously over the years. He would be sadly missed by all who knew him.

The Chair extended sincere condolences to John's wife Marlis, and his family at this very sad time.

The meeting then stood in silence in memory of John.

The Chair stressed the importance of 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 was important and in particular, training opportunities, to ensure that Members had the appropriate skills and knowledge to be a trustee to manage nearly £30 billion pounds in order to meet the pension promises of the Fund's members.

The Chair further announced that Councillor Billington had decided to resign from his position on the Fund due to work commitments and he thanked him for his contribution to date.

The Chair also thanked UBS, who were present in the meeting to provide an update on GMPF's approach to climate risk on the excellent training they delivered 4 weeks ago.

The Chair was delighted to announce that the Fund was successful at the IPE awards the previous day and was:

- the Winner for Impact Investing – as informed at the last meeting (meeting of 15 September 2023 refers), the Fund was the first LGPS fund to have their impact investing assessed independently by the Good Economy and published on the GMPF website;
- Highly Commended UK Fund; and
- Highly commended Public Sector Fund.

He added that the IPE Awards over the last 20 years had recognised pension providers that had set the highest professional standards across Europe. He congratulated everyone at the Fund as this was a significant achievement and reflection on the enormous amount of work which had taken place by all over recent years.

On the 13 November, a new minister responsible for the LGPS, Simon Hoare was appointed local government minister at the Department for Levelling Up, Housing & Communities as part of the Prime Minister's recent reshuffle, replacing Lee Rowley who Rishi Sunak made housing minister. A week later, alongside the Chancellor's Autumn Statement, the response to the "next steps on investments" consultation was signed off and published by the new Minister on 22 November 2023.

The consultation largely adopted the measures the government originally consulted on, with the main points from the consultation set out as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their Investment Strategy Statement assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan
- revise Investment Strategy Statement guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

The Chair advised that the consultation response was out too late for a report to be produced for the meeting on implications for the Fund, however a report would be brought to a future meeting of the Panel, when the response had been fully scrutinised.

The Chair concluded that John Simmonds from CEM Benchmarking (who measured the performance of over 400 pension funds globally), was in attendance and would be presenting before Members later in the agenda. He would be providing feedback favourably on the Fund's position globally particularly during the post covid, fiscally and geopolitically difficult and unstable times.

44. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

45. MINUTES

- (a) The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 15 September 2023 were signed as a correct record.
- (b) The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 15 September 2023 were noted.

46. 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, 21, 23, 24, 25	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.

47. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 28 September 2023 were received.

Councillor Fairfoull, Chair of the Local Pensions Board, advised that the Board had discussed the Fund's cyber security. He explained that, as a large pension scheme, GMPF held and was responsible for, large amounts of personal data and sensitive information. The Fund's Cyber Security Strategy and Cyber Security Policy had recently been updated to align with the new Cyber Assessment Framework created by the National Cyber Security Centre. Furthermore, GMPF had worked with a partner called WithSecure since October 2022 to develop a new Incident Response Plan. The Incident Response Plan would guide GMPF's incident responders through the steps they needed to take to ensure any cyber incident was properly dealt with, escalated, and communicated to limit the impacts.

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 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 28 September 2023 be noted.

48. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 22 September 2023 were considered.

Councillor North, Chair of the Investment Monitoring and ESG Working Group, advised that the Fund's responsible investment advisor, PIRC, attended the meeting and discussed their recent engagement work on behalf of the Fund. The focus of the engagement had been on four areas; tax transparency, the risks of modern slavery in the supply chains of UK retailers, companies that had received high shareholder opposition on issues such as executive pay, and companies that were taking an approach to freedom of association that was inconsistent with their stated policies.

Schroders also attended the meeting and gave an informative overview of the Main Property portfolio. There was a focus on the macro environment and the positive performance of the portfolio over the last 12 months, which was the result of active asset management. The Head of Sustainability & Impact also presented in detail, on ongoing work into Net Zero Carbon transition and external reporting and validation of the portfolio's ESG performance.

RECOMMENDED

That the Minutes be received as a correct record.

49. 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 22 September 2023 were considered.

Councillor Fitzpatrick, Chair of the Administration and Employer Funding Viability Working Group, advised that Members had discussed the recent review of the Pensions Administration Strategy (PAS). The PAS was a key document that provided clarity on the roles and responsibilities of GMPF and its employers. It set out expectations and confirmed the targets that GMPF and its employers needed to work towards. The PAS was usually reviewed and updated annually. The PAS had recently been updated to provide further clarity in respect of performance targets as well as enhancing some of the escalation timescales in place. Given that no material changes were made to the PAS in the latest revision, a consultation with employers was not needed. The PAS could be found on the GMPF website.

The latest developments regarding pension dashboards were also discussed. Government originally intended for Public Service Pension Schemes to connect to the dashboard ecosystem by 30 September 2024. However, Government realised that this was an unachievable objective for the entire pensions industry. Therefore, the final connection date was recently revised to 31 October 2026 to allow pension schemes more time to prepare.

The administration strategic service update and updates relating to member services, employer services, developments and technologies, and communication and engagement, were also reviewed.

RECOMMENDED

- (i) That the Minutes be received as a correct record; and**
- (ii) In respect of the Administration Developments and Technologies Update, that the revised policy and strategy documents, as appended to the report, be approved.**

50. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 23 November 2023 were considered.

Councillor Cooney, Chair of the Policy and Development Working Group advised that representatives of both Ninety One and Stone Harbor presented on their respective performance since inception, and in particular over the last 12 months. This gave Members and Advisors an opportunity to probe both managers' underlying process and philosophy. An update on the managers was included later in the agenda within the Performance Dashboard.

RECOMMENDED

That the Minutes be received as a correct record.

51. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 6 July 2023 were received.

RECOMMENDED

That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 6 July 2023, be noted.

52. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2022-2023

The Assistant Director, Local Investments and Property, submitted a report, giving details of the draft annual report and accounts for GMPF, including a summary financial report and updated Members in respect of the external audit.

In terms of the GMPF Draft Accounts, Members were advised that a draft simplified statement of accounts had been reported previously to Panel. Whilst the audit was not yet completed the majority of fieldwork was complete and no changes were anticipated to the headline number, as detailed in the report.

With regard to the progress of external audit, the report displayed the progress to date with the Audits for 2021 and 2022. The highlights were that 2021 accounts were now fully signed off and the 2022 Audits Finding Report had been signed off by Tameside Audit Panel, (copy appended to the report).

The annual report was still being finalised due to late completion of audit.

RECOMMENDED

That the progress of the Annual Report and external audit be noted.

53. 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 Growth Credit Fund with an Impact and ESG focus to improve portfolio company performance in carbon reduction, inclusion and diversity; and
- Property Portfolio - £150m into a UK-wide science, tech and innovation specialist property platform

He commented on and gave further details of:

- The Northern LGPS Stewardship Report, which explored Climate and Finance Engagement; Minimum Wage and Water Companies;
- Stewardship Activity - Co-filed a shareholder resolution at Royal Bank of Canada requesting Racial Equity audit; and
- Proxy Voting - PIRC webinar on pass through voting, which enabled voting on shares in proportion to the value of investment and enhanced alignment of voting with asset owner policies.

Details of GMPF's Responsible Investment partners and collaborations were appended to the report.

The Chair thanked the Assistant Director for an interesting presentation.

RECOMMENDED

That the content of the report and presentation be noted.

54. UPDATE ON GMPF'S APPROACH TO CLIMATE RISK – PART II

The Assistant Director of Investments, submitted a report and Steve Magill, Francis Condon and James Rogers presented before Members and presented their investment rationale for their carbon intensive holdings. Members were advised that an update of the UBS pamphlet, "How we're investing for the energy transition" was appended to the report and had been uploaded to the GMPF website.

The presentation provided an overview of the following areas in respect of GMPF's portfolio:

- GMPF Fiduciary duty;
- Partnership on climate transition;
- Trucost data;
- Fossil Fuels and climate transition;
- Engagement activity; and
- Portfolio management.

Detailed discussion ensued and, in response to questions from members, UBS representatives commented on a just transition and why active engagement was more effective than divestment.

The Chair thanked Messrs Magill and Condon for their presentation.

RECOMMENDED

That the content of the report and presentation be noted.

55. CEM COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions Investments and the Assistant Director of Pensions Administration, providing Members with an update on investment management cost benchmarking for the Fund over 2022/23. In addition, CEM provided a report analysing and benchmarking the Fund's administration costs and member services, an update on which was provided in the report. John Simmonds and David Jennings of CEM Benchmarking also delivered a presentation.

In respect of CEM Investment Cost Analysis, it was reported that GMPF had generated significant underlying savings in 2022/23.

CEM had also benchmarked GMPF's costs against a peer group of 19 relatively similar sized global funds (including LGPS funds and non-LGPS funds) and GMPF was lower cost than the benchmark.

With regard to GMPF CEM Administration costs and service score analysis 2022/23, it was reported that GMPF was a high service, low cost provider relative to its peers.

The key outcomes from the 2022/23 benchmarking were highlighted. GMPF's total cost per member was £16.91, being £6.71 lower than the adjusted peer average of £24.62. GMPF's service score was 69 out of 100, being 8 points above the peer median of 61.

It was explained that CEM had made some changes to the service model this year and so the scores for previous years had been adjusted to enable a like-for-like comparison to be made.

The total cost per member was slightly higher than last year (by £1.00) but the cost position relative to peers had fallen. The service score remained unchanged when compared to the year before.

It was further explained that work towards the administration sections' achievement of business plan objectives and key projects may lead to further improvements to the service score in future years. Work would continue improving all aspects of customer service and the customer experience, which should lead to improved metrics for telephone calls, website usage and other member contact. Work would also continue with encouraging members to register and use My Pension. Officers would be using the analysis within the CEM report to identify other areas where changes could be made to the way services were provided or measured to further enhance member experience.

The Chair thanked Mr Simmonds and Mr Jennings for a very informative presentation.

RECOMMENDED

That the content of the report be noted.

56. 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 3 2023 Performance Dashboard was summarised. Global equity markets weakened and sovereign bond yields rose as markets braced for higher-for-longer interest rates being needed to return inflation to target. Credit spreads marginally tightened as expectations of outright recession receded. Better-than-expected Q2 data, released in Q3, led to further upwards revisions to 2023 global growth forecasts for Q3. Survey indicators suggested that economic activity weakened in Q3, particularly in Europe, but growth was expected to slow, rather than collapse. Whilst inflation generally declined, it remained above target, and markets were coming to expect that central banks would have to keep interest rates higher for longer to return inflation to target.

Headline inflation was at 3.7%, 6.7%, and 4.3% year on year in the US, UK, and eurozone, respectively. Furthermore, year-on-year core CPI inflation, which excluded more volatile energy and food prices, was also substantially above central bank targets, at 4.3%, 6.2%, and 4.5%, in the US, UK and eurozone, respectively. The Fed and Bank of England (BoE) both raised interest rates 0.25% pa in Q3, to 5.5% pa and 5.25% pa, respectively, before leaving interest rates unchanged at their September meetings. The BoE took markets by surprise as another 0.25% pa interest rate increase was expected. Given a smaller cumulative increase in interest rates in this cycle, the European Central Bank raised its deposit rate twice, to 4.0% pa. Whilst major central banks, and markets, were indicating interest rates were close to peaking, they also suggested that interest rates may have to remain at current, or higher levels for longer to return inflation to target.

Over the quarter total Main Fund assets increased by £310 million to £28.8 billion. On a cumulative basis, over the period since September 1987, GMPF had outperformed the average LGPS, equating to over £4.5 billion of additional assets. Apart from private equity and infrastructure, 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 2023/24 review of Investment Strategy, further changes to the 'realistic' strategic allocations to alternatives were made in Q3 2023. Within the Main Fund, there was an overweight position in private equity and cash (of around 4% in aggregate). The overweight positions were largely offset by underweight positions in bonds and property. The Main Fund outperformed its benchmark over Q3 2023. Relative performance over 1 year was negative. The Main Fund was ahead of its benchmark over 3, 5 and 10 years and performance since inception remained strong.

Over Q3 2023, 1 year active risk fell sharply but 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) decreased in Q3 2023. The uncertainty surrounding the macro economic outlook remained high; in particular, future inflation levels, the war in Ukraine and conflicts in the Middle East, supply chain disruptions and the future impact of the pandemic on economic output, remained unclear.

As at the end of Quarter 3; 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 managers 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 4 years), so at this early stage no conclusions could be drawn with regard to performance.

RECOMMENDED

That the content of the report be noted.

57. 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 2023/24 business plan was detailed in the report.

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 investment pooling uncertainty; employer flexibilities; McCloud; cyber fraud/attacks; website software and AI and ChatGPT usage.

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.**

58. GMPF EMPLOYER EXIT CREDIT DETERMINATIONS

The Director of Pensions submitted a report explaining that when an employer leaves the LGPS and a surplus of assets exists, the Administering Authority had sole discretion about whether to pay an exit credit to the exiting employer.

It was further explained that GMPF had a policy in place to assist with exercising that discretion. GMPF had six months within which to exercise this discretion unless an extension was agreed with the exiting employer. The policy stipulated that GMPF must seek advice from GMPF's actuary and legal advisors and assess each case against several factors outlined in the policy before making a decision.

The Director of Pensions did not currently have delegated authority to decide whether to pay an exit credit payment or not.

The report provided details about the relevant regulations and policies to be followed when making decisions on these matters and suggested that the Director of Pensions be given delegated authority to make decisions where certain circumstances applied.

RECOMMENDED

That responsibility be delegated to the Director of Pensions to make determinations about the payment of exit credits, where those decisions are in line with agreed criteria and are made after having sought advice from GMPF's actuarial and where appropriate legal advisors.

59. 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;
- Employer funding activities; and
- Key projects updates.

RECOMMENDED

That the content of the report be noted.

60. 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 Advisory Board Guidance on Academy Conversion;
- Inflation figures for September 2023;
- The Pensions Regulator Review;
- Scottish LGPS Valuations;
- Expansion of Automatic Enrolment; and
- MAPS Pensions Dashboard update.

RECOMMENDED

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

61. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGA Fundamentals – Day 3, Manchester Piccadilly Hotel	13 December 2023
LGA Fundamentals – Day 3 virtual (two half days)	11 December 2023 19 December 2023

62. DATES OF FUTURE MEETINGS

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

Management/Advisory Panel	8 March 2024
Local Pensions Board	25 Jan 2024 11 April 2024
Policy & Development Wrk Grp	22 Feb 2024
Investment Monitoring & ESG Wrk Grp	26 Jan 2024 12 April 2024
Administration & Employer Funding Viability Wrk Grp	26 Jan 2024 12 April 2024

CHAIR