

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

30 March 2017

Commenced: 3.00pm

Terminated: 4.40pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Councillor Cooper	Employer Representative
	Richard Paver	Employer Representative
	Paul Taylor	Employer Representative
	Dave Schofield	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative
	Chris Goodwin	Employee Representative
	Mark Rayner	Employee Representative

Apologies for absence: **Jayne Hammond**

29. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

30. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 15 December 2016, having been circulated, were signed by the Chair as a correct record.

31. SUMMARY OF GMPF DECISION MAKING

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Management Panel at its meeting on 18 November 2016 and the recommendations made by the six GMPF working groups.

It was explained that Tameside MBC delegated its decision making in respect of GMPF to the Management Panel which in turn permitted the Executive Director of Pensions to implement its strategy via delegated powers. The Pension Fund Advisory Panel worked closely with the Management Panel, and advised them in all areas. Each local authority was represented on the Advisory Panel, and there were six employee representatives nominated by the North West TUC.

Four external advisors assisted the Advisory Panel, in particular regarding investment related issues. A key element was helping it to question the Fund's investment managers on their activities. GMPF also had six permanent working groups, which considered particular areas of its activities and made recommendations to the Management Panel. The Working Groups covered:

- Alternative Investments;
- Policy and Development;
- Employer Funding Viability;
- Investment Monitoring and Environmental, Social and Governance (ESG);
- Pensions Administration; and

- Property.

The Panels and Working Groups met quarterly and the recommendations of each of the working groups from the meetings that had taken place in Autumn 2016 were set out in the report.

RESOLVED

That the content of the report be noted.

32. 31 MARCH 2016 ACTUARIAL VALUATION

Consideration was given to a report of the Assistant Executive Director of Pensions, Funding and Business Development, which provided an update on progress of the Actuarial Valuation; summarised the high-level outcomes and set out the steps being taken in order to complete the valuation process.

Members were informed that previous reports to the Local Pensions Board had provided a provisional result for GMPF as a whole and provided a comparison of how the funding position of GMPF compared to other LGPS funds in England and Wales.

Over the period since the previous Pensions Board meeting, GMPF employers had been notified of their provisional contribution rates and GMPF officers and the Actuary had had detailed discussions with some employers.

Reference was made to the Funding Strategy Statement (FSS), which provided guidance to the Actuary in undertaking the actuarial valuation. An updated Funding Strategy Statement, setting out, amongst other things, the methodology for setting contribution rates, was reviewed at the meeting of the Management/Advisory Panel on 18 November 2016 and approval was given for this to be issued to employers for consultation.

It was reported that no substantive comments had been received on the draft Funding Strategy Statement and the proposed final version of the Funding Strategy Statement was adopted by the GMPF Management Panel at its meeting on 10 March 2017.

Provisional whole-fund results, as presented at previous Pensions Board meetings, were set out in the report and it was explained that a typical GMPF employer was likely to see an improvement in their funding level of around 5% from 2013, although this would differ between employers depending on liability profile and member experience.

It was explained that the majority of employers had acknowledged receipt of their new contribution rates (effective from 1 April 2017) and GMPF officers were conducting an exercise to ensure all employers were aware of their new rates. Further details on funding position and derivation of contribution rates had been provided to employers on request. If employers did not take any further action then they were assumed to be satisfied with the contribution rate that had been allocated.

The contribution rates for a small number of employers were the subject of ongoing discussion, which also involved the guarantor where applicable. GMPF officers and the Actuary continued to engage with these employers on a regular basis.

The report summarised that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers' average employer contribution rate would again be at the lower end of the range. GMPF's major employers such as the ten GM Local Authorities and the National Probation Service, were likely to see minimal changes to their rates. This was also the case for a large majority of Scheduled Bodies such as Academy Schools and Further Education Colleges.

However, careful consideration was being given to the proposed contribution rate for each employer to ensure it reflected the risk that the employer posed to the Fund, whilst remaining affordable for the employer.

Discussion ensued with regard to the valuation results and the Executive Director of Pensions agreed to circulate the Actuary's report to Board Members.

RESOLVED

That the content of the report be noted.

33. INVESTMENT STRATEGY STATEMENT

The Assistant Executive Director of Pensions, Investments, submitted a report, which was considered and approved by the GMPF Management Panel at its meeting on 10 March 2017, informing Members that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, required that the Fund publish an Investment Strategy Statement no later than 1 April 2017.

A copy of the GMPF's draft Investment Strategy Statement was attached to the report. This draft was adopted by the Panel.

The main differences between the draft Investment Strategy Statement and the current Statement of Investment Principles were outlined. It was explained that the draft Investment Strategy Statement largely mirrored the approach taken by the fund within the preceding Statement of Investment Principles with only relatively minimal amendments and may thus be considered to be an interim position, pending progress on pooling and developing the Fund's approach to certain areas

It was further explained that it was intended that officers would undertake a more detailed review of the Investment Strategy Statement in the next 6 to 9 months, the outcome of which may or may not require a revised Investment Strategy Statement being recommended for adoption by the Panel.

It was anticipated that a public consultation would be held in conjunction with the detailed review and it was also intended that the Fund would hold a Stakeholder Engagement event later in the year, at which the Investment Strategy Statement would be consulted upon. All Members of the Board would be invited to the event.

Discussion ensued in respect of voting activity delegated to the Investment Managers and Members were informed that such activity was currently reported to the Investment Monitoring and ESG Working Group and that this information would also be included in the Annual Report and Accounts for the first time this year, which would be submitted to the Management Panel for consideration at its meeting on 21 July 2017.

RESOLVED

That the content of the report be noted.

34. CONSOLIDATION OF LGPS INTERESTS

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report considered by the Policy and Development Working Group on 22 February 2017.

The Working Group considered the proposal of one of GMPF's largest private-sector employers to consolidate its two other LGPS arrangements into a single fund, with GMPF being the preferred host fund.

The benefits of consolidation to both the employer and to GMPF were detailed, as were the risks and challenges, including mitigating factors. A number of practical issues that would need to be addressed as part of agreement to proceed with the consolidation, were also outlined and discussed, for example, the importance of carefully managing the transfer of assets and data, to ensure that there was no negative impact on the membership and the service provided to other GMPF employers.

Board Members were informed that Hymans Robertson, Actuary to the Fund, had also provided a paper discussing the key funding and investment risks that GMPF would need to manage and the factors that the GMPF Management Panel would need to consider in reaching their decision.

The report concluded that, for the proposed consolidation to proceed, both the approval of the GMPF Management Panel and the Secretary of State was required. It was understood that the Secretary of State had indicated that he had no objections to the proposal subject to the consent of the receiving and ceding administering authorities.

The Working Group recommended to Panel that this be approved in principle, subject to reaching satisfactory agreement with the employer on contribution rates, investment strategy and the details of the admission agreements.

Members were further advised that GMPF officers were in regular dialogue with the employer and their advisors to ensure a smooth transition should the proposals be approved.

RESOLVED

That the content of the report be noted.

35. 2016/2017 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2016/17 audit.

RESOLVED

That the content of the report be noted.

36. RISK MANAGEMENT AND AUDIT SERVICES 2016/2017

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the 49 weeks to 10 March 2017.

Details were given of final issued during the period as follows:

- Unitisation;
- Visits to Contributing Bodies – Manchester Airport, Greater Manchester Police and Crime Commissioner, Bolton Council and Rochdale Council;

Draft reports were also issued as follows:

- Debtors;
- Application review of the Altair Administration system; and
- Visit to the Property Fund Manager.

Details were also given of audits in progress as follows:

- The National Fraud Initiative Data Matching Exercise for 2016/17;
- Visits to Contributing Bodies – National Probation Service;
- Risk Management Review;
- Employer Agreements;
- VAT;

- Review and Advice re: the new process/monitoring of Payment of Employers Contributions in Advance;
- GM Property Venture Fund – Review of First Street Development;
- Transfer of Assets to Stone Harbor; and
- Review of Fund Manager (Investec).

RESOLVED

That the content of the report be noted.

37. INTERNAL AUDIT VISITS TO CONTRIBUTING BODIES – OUTCOMES AND LEARNING

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the common themes that had emerged from Internal Audit visits carried out since the introduction of the 2013 LGPS Regulations and the action taken to address the issues.

It was reported that an allocation of days would be included in the Internal Audit Plan for 2017/18 to carry out further visits to Employers. There were still issues being found at the visits which needed to be addressed, to ensure that the correct contributions were being sent to the Pension Fund. Internal Audit would continue to work with officers of the Fund to identify improvements.

It was further reported that the Fund would continue to improve the resources available to employers for training and information purposes. The Executive Director of Pensions added that the Fund would help to support employers to ensure correct procedures in place.

RESOLVED

That the content of the report be noted.

CHAIR