

## **GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL**

**20 July 2018**

**Commenced: 10.00am**

**Terminated:12.30pm**

**Present: Councillor Warrington (Chair)**

**Councillors: Barnes (Salford), Mistry (Bolton), O'Neill (Rochdale), Cooney, Drennan, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), J Lane, Pantall (Stockport), S Quinn, Ricci, M Smith, Taylor and Ward**

**Apologies for Absence: Councillors Ball (Oldham), Mitchell (Trafford), Patrick and Ms Herbert**

### **1. CHAIR'S OPENING REMARKS**

The Chair welcomed everyone to the meeting, in particular, to the new Councillors on the Panel: Councillor Ball (Oldham), Councillor Drennan (Tameside), Councillor Mistry (Bolton) and Councillor O'Neill (Rochdale). She further thanked former Panel Members, Councillor Jabbar (Oldham), Councillor Brett (Rochdale) and Councillor Francis (Bolton) for their contribution to the work of the Fund over the past year.

The Chair also thanked Steve Lee of Investec for putting together an abridged version of the 3 day Local Government Essential Pensions training into a single day and delivering the training especially for the Greater Manchester Pension Fund. The Chair encouraged everyone to attend training and in particular, recommended the Pension Regulators on-line training and agreed that the link for this would be forwarded to all Members.

The Chair outlined key issues on the agenda, as follows:

- An update on pooling, including meeting with the Minister,
- A proposal in relation to the pension aspects of the Waste Retendering;
- The annual review of Investment Strategy;
- Investment Management arrangements;
- Long term performance reports; and
- The Fund's Annual Report and Accounts.

The Chair reported that at the end of March, the fund stood at £22.5 billion a decrease of £0.5 billion over the quarter since the last meeting of the Panel. However, the value of the Fund had subsequently recovered to stand at almost £23.5 billion today.

2017/18 had been another successful year for the Fund and the year saw positive returns in almost all investment categories, whilst the Main Fund achieved a return of 4.2%; outperforming a number of comparative benchmark indexes. The Main Fund had also consistently delivered annual returns 0.6% higher than that of the average local authority over 30 years and over periods of 15, 20 and 30 years had ranked in the top 10 of such funds. The Fund was responsible for more than 370,000 members and 560 employers with administration costs per member remaining lower per year than the Local Government Pension Scheme average.

As had been the case in previous years, the growth had been undertaken in a challenging financial and economic climate. This had placed extra pressure on pension funds, particularly around higher values being placed on pension promises earned, and the performance of assets required to meet those promises. The Fund and its employers also faced the continued impact of austerity measures and government policies on public sector delivery, perpetuating the risk of financial difficulties within public sector organisations and potentially weakening the Fund's covenant strength. Albeit in the last 30 years, the Fund had overachieved £3.7 billion above what it would

have achieved it if had been operating at the level of performance of the average Local Government fund.

With regard to developments since the last meeting, the Chair informed Panel members that she had, along with Northern Pool counterparts and the Director of Pensions, met Rishi Sunak, the Minister with responsibility for the LGPS in May at the Houses of Parliament. The Northern Pool's unique approach to pooling and the progress made was discussed. It was explained that achieving the right outcomes was more important than process or structure. The Minister agreed with that and commented that he was keen for funds to invest at least a tenth of their assets into infrastructure investment. He also name checked the Greater Manchester Pension Fund and its contribution to housing at the pensions conference where he delivered a key note speech the day before the meeting and said how keen he was to hold a conference to find ways to free blockages to infrastructure investing perceived or real, and would be looking to the Northern Pool and the Fund to assist with that.

The Chair was pleased to inform members that she had received a letter from Mary Creagh MP, Chair of the Environment Audit committee advising that on the 25 May 2018, she had published the Fund's response to her committee on the steps taken to manage the risks that climate change poses to UK pension investments. It was satisfying to hear that the Greater Manchester Pension Fund, along with its pooling partner, West Yorkshire, were stated to have reached the highest standard of being 'more engaged' and were committed to report on the climate change risks and opportunities facing funds in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Chair was further pleased to report that, as of 5 June 2018, the Greater Manchester Pension Fund and the Northern Pool had been recognised as Transition Pathway Initiative Supporters meaning that the Fund was committed to the transition to a low-carbon economy, and supporting efforts to address climate change. A notable addition to this year's Annual Report was the section on the Pension Fund's approach to Climate Risk. The Fund whole-heartedly supported the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. Financial decarbonisation of the economy was a complex and challenging issue, particularly for long-term investors such as pension funds. However, this had not stopped the Fund's commitment to the Paris Agreement goal of 100% of assets being compatible with the net-zero emissions ambition by c2050. Progress towards this goal would be regularly evaluated in line with the objective of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that the Fund could continue to deliver affordable and sustainable pensions for employers and taxpayers. The Fund would continue to use its position on the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest.

The Chair concluded by extended congratulations to the Fund's Private Markets Investment Team, who had been awarded the prestigious Fund Selection Team of the Year 2018 by the Institutional Investor Institute.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest submitted by Members.

## **3. MINUTES**

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 23 March 2018 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 23 March 2018 were signed as a correct record

#### **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:**

| <b><u>Items</u></b>            | <b><u>Paragraphs</u></b>  | <b><u>Justification</u></b>  |
|--------------------------------|---|--|
| <b>7, 8, 9, 10, 11, 12, 13</b> | <b>3&amp;10, 3&amp;10, 3&amp;10, 3&amp;10, 3&amp;10, 3&amp;10, 3&amp;10</b> | <b>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 beneficiaries and/or tax payers.</b> |

#### **5. LOCAL PENSIONS BOARD**

##### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted**

#### **6. POLICY AND DEVELOPMENT WORKING GROUP**

The Minutes of the proceedings of the Policy and Development Working Group held on 14 June 2018, as circulated at the meeting, were considered.

##### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

#### **7. INVESTMENT MONITORING AND ESG WORKING GROUP**

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 6 April 2018 were considered.

##### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted**

#### **8. PENSIONS ADMINISTRATION WORKING GROUP**

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 6 April 2018 were considered.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted**

**9. ALTERNATIVE INVESTMENTS WORKING GROUP**

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 8 June 2018 were considered.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

**10. EMPLOYER FUNDING VIABILITY WORKING GROUP**

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 20 April 2018 were considered.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

**11. PROPERTY WORKING GROUP**

The Minutes of the proceedings of the Property Working Group held on 29 April 2018 were considered.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

**12. INVESTMENT STRATEGY AND TACTICAL POSITIONING**

A report of the Assistant Director of Pensions Investments was submitted and a presentation delivered by the Actuary to the Fund.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

**13. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS**

A report of the Assistant Director of Pensions, Investments, was submitted.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

**14. PERFORMANCE DASHBOARD**

A report of the Assistant Director of Pensions, Investments, was submitted.

**RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **15. ANNUAL PERFORMANCE REPORTS**

### **(a) Long Term Performance 2017/18 – Main Fund and Active Managers**

A report of the Assistant Director of Pensions, Investments, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

### **(b) Cash Management**

A report of the Assistant Director of Pensions, Investments, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

### **(c) Property Investment Performance Monitoring**

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **16. NORTHERN POOL UPDATE**

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **17. REPROCUREMENT OF GM WASTE DISPOSAL CONTRACT**

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **18. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2017-2018**

A report of the Assistant Director of Pensions, Local Investments and Property, was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **19. REVIEW OF SCHEME GOVERNANCE AND WORKING GROUPS**

A report of the Director of Pensions was submitted.

#### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **20. PENSIONS ADMINISTRATION UPDATE**

A report of the Pensions Policy Manager was submitted.

### **RESOLVED**

**That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.**

## **21. FUTURE TRAINING DATES**

Trustee Training Opportunities were noted as follows:

|   |   |
|---|---|
| <b>SPS Credit and private Debt Investing for Pension Funds Conference<br/>London</b>                      | <b>30 August 2018</b>   |
| <b>LGS Investment Summit<br/>Celtic Manor</b>   | <b>6 – 7 September 2018</b>                                   |
| <b>Sustainable and Responsible Investing Forum 2018 – Asset Owners Meet Portfolio Managers<br/>London</b> | <b>11 – 12 September 2018</b>                                 |
| <b>LGE Fundamentals Training<br/>Leeds<br/>Day 1<br/>Day 2<br/>Day 3</b>                                  | <b>2 October 2018<br/>6 November 2018<br/>5 December 2018</b> |
| <b>PLSA Annual Conference<br/>Liverpool</b>   | <b>17-19 October 2018</b>                                     |
| <b>Investec Trustee Training<br/>Venue: tbc</b>   | <b>14 November 2018</b>                                       |
| <b>CIPFA Pensions Network Annual Conference<br/>The Leadenhall Building, London</b>                       | <b>22 November 2018</b>                                       |
| <b>LAPFF Annual Conference<br/>Bournemouth</b>  | <b>5 – 7 December 2018</b>                                    |
| <b>UBS Trustee Training<br/>Venue: tbc</b>  | <b>13 December 2018</b>                                       |
| <b>LGS Governance Conference<br/>Bristol</b>  | <b>17 – 18 January 2019</b>                                   |

**CHAIR**