

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

12 April 2019

Commenced: 10.00am

Terminated:12.25pm

Present: Councillor Cooney (in the Chair)

Councillors: Councillors: Drennan, Grimshaw (Bury), Halliwell (Wigan), J Lane, Mistry (Bolton), Mitchell (Trafford), O'Neill (Rochdale) and Pantall (Stockport), Quinn, Ricci, Smith, Taylor and Ms Herbert (MoJ).

**Apologies for Cllrs Warrington, Ball (Oldham), Barnes (Salford), J Fitzpatrick and Ward.
Absence:**

63. APPOINTMENT OF CHAIR

RECOMMENDED

In the absence of the Chair, Councillor Warrington, that Councillor Cooney be appointed in the Chair for this meeting only.

64. CHAIR'S OPENING REMARKS

Councillor Cooney, in the Chair, began by explaining that the Chair, Cllr Brenda Warrington and Lynn Brown were absent as they were presenting in a Municipal Journal shortlisted award that clashed with the meeting. He also noted the apologies from Professor Peter Moizer one of very few in his over 30 year tenure. He unfortunately has been summoned to London to talk about examination review board criteria.

Councillor Cooney further explained that the Fund had been very busy particularly following Councillor Paul Doughty, Chair of the Northern LGPS, stepping down from his role as Chair, and that he (Councillor Cooney) had been nominated and agreed by Members of the Northern LGPS Shadow Joint Committee as the Chair of the Northern LGPS going forward.

Cllr Cooney explained that during the first week of January 2019, the Minister issued a consultation on his draft statutory guidance on Pooling. Representatives of the Northern LGPS had met with the Minister last week in order to discuss Northern LGPS' and the Fund's objections to the consultation and proposed guidance. They further reminded the Minister of the Fund's 'constancy of purpose', which had meant the Fund had outperformed other Local Authority pension funds on a like for like basis by £3.5 billion. Since pooling commenced in 2016, £1.5 billion 'added value' had been achieved. A Pooling update was an item later on the agenda.

As well as meeting the Minister, representatives of the Fund attended the LAPFF All party Parliamentary Group, chaired by Clive Betts MP, which was also considering the Draft Statutory Guidance on Asset Pooling in the Local Government Pension Scheme, where concerns were raised in respect of moving too quickly to a particular model without using the correct process. It was proposed that the APPG could recommend that evaluation of pooling experience so far could go on the agenda of the MHCLG (Ministry) Select Committee for an inquiry in the Autumn.

Clive Betts said that it would be helpful if the importance of the issue was shared more widely amongst MPs and so he suggested Pension Funds should contact MPs to ask them to write to Committee Chair, Clive Betts MP. This would be taken up with local MPs.

The Chair reported that the total Fund valuation as of today was £24.1 billion, which marginally exceeded the predicted end of 3 year Total Fund valuation of £23.8 billion. This was up from £22.5

billion as at 23/12/18 in the dashboard. The Fund had now more than recovered the Q4 2018 'losses' when there was a significant drop before Christmas.

The funding level had increased to about 98% and remained above that identified in the previous valuation and the Fund remained on track compared to actuarial expectation.

It was also reported that the final tranche of First Group assets from West Yorkshire Pension Fund had been received making a total of just over £450 million.

Councillor Cooney commented on and thanked Members for, the excellent attendance and engagement at the Northern LGPS Stakeholder event held in January 2019 at Aintree Racecourse, where the Responsible Investor Policy was launched. A summary of the event was detailed on the Northern LGPS website.

At the last meeting of the Management Panel, discussion ensued with regard to a press article raising concerns that the Fund along with other Local Government Pension Schemes, were holding shares in BAE Systems, a multinational defence, security, and aerospace company and was the largest defence contractor in Europe and World's third largest defence company. It was also the largest manufacturer in Britain sustaining thousands of jobs.

Due to the complex nature of such issues, Councillor Cooney confirmed that the Fund had asked LAPFF to commission some work and advice into particular concerns and a scoping paper had been prepared on engagement with Defence companies who had sales to Saudi Arabia, which would be discussed by LAPFF the following week.

Councillor Cooney advised that the Chair had been approached by the Midland Bank Clawback Campaign in respect of the Fund's almost £200 million shareholding in HSBC plc seeking support for their resolution for the abolition of 'clawback' of state pension from HSBC's defined benefit pension scheme, which the proponents of the resolution argued that this practice disproportionately penalises the lowest paid scheme members. He further advised that, following contact with PIRC, an alert had been forwarded to all LAPFF members recommending that members vote for the resolution primarily to encourage the Company to procure an independent actuarial review of the case.

The Fund had also joined the initiative targeting Facebook, Google and Twitter that the NZ Super Fund announced earlier in the month. The objective of the engagement was for social media companies to strengthen controls to prevent the live streaming and distribution of objectionable content, such as the shootings that took place in Christchurch on Friday 15 March 2019.

Representatives and Trustees of the fund continued to receive calls to disinvest from Fossil Fuel companies and assertions that the Fund were investing in fracking. Councillor Cooney gave assurances that the Fund was not supporting or investing in fracking, although it does have substantial investment in traditional fossil fuel companies such as Centrica (formerly known as British Gas).

Members were advised that the Fund had committed to becoming carbon neutral by 2050 and was continually looking to accelerate this without jeopardising the fund's ability to meet its liabilities and maintain relatively low contribution rates from employers. An exercise was undertaken last year to understand the Fund's Carbon footprint in order to have a clear baseline from which to measure progress. Progress would be regularly evaluated in line with the Fund's objectives of maintaining long-term financial performance, taking care to avoid stranded assets and ensuring that affordable and sustainable pensions for employers and taxpayers could continue to be delivered.

It was explained that the Fund would continue to use its position on the LAPFF and the Institutional Investor's Group on Climate Change to engage with and challenge companies in which it had an interest. 80% of the Fund's stakeholders agreed that this consultative approach was more

effective than divesting holdings to others, who may not share the same commitment to responsible investment.

With this in mind, the Fund co-filed a BP Resolution requesting that BP set out its business strategy consistent with the goals of the Paris Agreement on climate change. BP's board planned to support the resolution at their Annual General Meeting this year. This action demonstrated that the Fund were helping to ensure that climate change was firmly on the boardroom agenda, which was especially important for the oil and gas sector.

The Fund had also signed up to 'Just Transition', as delivering a just transition would be key to the UK's success in building a zero-carbon and resilient economy. It was noted, however, that this needed to be done in a sustainable way that supported an inclusive economy, with a particular focus on workers and communities across the country. The Paris Agreement on climate change stated that its Parties take into account 'the imperatives of a just transition of the workforce and creation of decent work and quality jobs in accordance with nationally defined development priorities'. It was hoped that a representative of Just Transition would present to a future meeting of the Management Panel.

65. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

66. MINUTES

The Minutes of the proceedings of the meeting of the Annual General Meeting held on 19 October 2018 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 January 2019 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 January 2019 were signed as a correct record.

67. 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:**

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
7, 8a, 8b, 9a, 9b,	3&10, 3&10, 3&10,	Disclosure would or would be likely to prejudice

10, 11, 12, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.
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68. LOCAL PENSIONS BOARD

RESOLVED

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

69. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 8 March 2019 were considered.

RESOLVED

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

70. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 21 December 2018 were considered.

RESOLVED

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

71. ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration, Employer Funding and Viability Working Group held on 21 December 2018 were considered.

RESOLVED

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

72. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 20 December 2018 were considered.

RESOLVED

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

73. NORTHERN LGPS UPDATE

A report of the Director and 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.

74. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

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.

75. PRESENTATION ON COSTS BENCHMARKING – ‘WHAT GETS MEASURED GETS MANAGED’

Members received a presentation from John Simmonds, CEM Benchmarking UK Ltd on understanding both GMPF's and Northern LGPS's costs.

RESOLVED

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

76. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions, Investments, was submitted and a presentation from John Dickson, Hymans Robertson, delivered.

RESOLVED

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

77. ASSESSING PERFORMANCE (WITH REFERENCE TO MULTI-ASSET CREDIT)

William Marshall, Hymans Robertson, delivered a training item on the Multi Asset Credit mandate managed by Stone Harbor, the Fund's most recently funded external mandate.

RESOLVED

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

78. 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.

79. ACTUARIAL VALUATION AND RELATED LGPS DEVELOPMENTS

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.

80. GMPF EXTERNAL AUDIT PLAN 2018-2019

Consideration was given to a report of the External Auditor, Mazars LLP, which set out their approach to the 2018/19 audit.

RESOLVED

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

81. 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.

82. FUTURE TRAINING DATES

Trustee Training Opportunities were noted as follows:

PLSA Local Authority Conference, Gloucestershire	13-15 May 2019
The Pensions Age Northern Conference, Leeds	13 June 2019
LGPS Local Pension Board Annual Event	26 June 2019
CIPFA Annual Conference, ICC Birmingham	9 – 19 July 2019
PLSA Annual Conference Manchester	16-18 October 2019

83. DATES OF FUTURE MEETINGS

Management/Advisory Panel	19 July 2019 (AGM) 18 October 2019 17 January 2020 17 April 2020
Local Pensions Board	13 June 2019 8 August 2019 11 October 2019 12 December 2019 26 March 2020
Policy and Development Working Group	13 June 2019 19 September 2019 19 December 2019 6 March 2020
Property Working Group	13 June 2019 19 September 2019

	19 December 2019 6 March 2020
Investment Monitoring and ESG Working Group	12 July 2019 27 September 2019 20 December 2019 20 March 2020
Administration and Employer Funding Viability Working Group	12 July 2019 27 September 2019 20 December 2019 20 March 2020

CHAIR