

# GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

12 July 2019

**Commenced:** 9.00 am

**Terminated:** 10.46 am

**Present:** Councillors Cooney (Chair), Andrews, Barnes, Homer, Jabbar, Mitchell, O'Neill, Ricci, Smith, Taylor and Ward

Mr Drury and Mrs Fullham

**In Attendance:** Sandra Stewart Director of Governance and Pensions  
Tom Harrington Assistant Director of Pensions (Investments)

Lorraine Peart Investments Officer  
Mushfiqur Rahman Investments Manager  
Michael Ashworth Investments Manager  
Abdul Bashir Investments Manager  
Neil Cooper Head of Pension Investments (Private Markets)

**Apologies for Absence:** Councillors Fitzpatrick, Newton and Parkinson

Mr Llewellyn and Mr Flatley

## 1. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 2. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group meeting held on 22 March 2019 were approved as a correct record with the inclusion of Councillor O'Neill in the list of persons present.

## 3. PRIVATE EQUITY PORTFOLIO - REVIEW OF PERFORMANCE

The Head of Pension Investments (Private Markets) presented a report, which provided an update to the Working Group on the returns achieved by Greater Manchester Pension Fund's Private Equity Portfolio.

The Members of the Working Group were informed that the positive trend of the performance of private equity assets continued through 2018. Economic growth in developed economies continued to be positive whilst interest rates remained at very low levels compared to historic levels. Debt markets remained very accommodative in terms of quantum rate and leverage provision. All these features were supportive of profit growth and business valuation metrics, which through the impact of leverage, delivered growth in equity valuations.

The Head of Pension Investments (Private Markets) presented a comparison of Greater Manchester Pension Fund's Private Equity Portfolio with the Public Equity Markets and a comparison of Greater Manchester Pension Fund's Private Equity Portfolio compared with Private Market Comparators over the 1980s, 1990s, 2000s and 2010s.

Members made reference to the maximum amount of exposure to a single company. The Head of Pension Investments (Private Markets) informed members that there were no limits on the amount of exposure to one company, however, investments were appropriately diversified

**RECOMMENDED**

**That the report be noted.**

**4. INFRASTRUCTURE FUNDS PORTFOLIO - REVIEW OF PERFORMANCE**

The Head of Pension Investments (Private Markets) presented a report, which updated the Working Group on the returns achieved by Greater Manchester Pension Fund's Infrastructure Funds portfolio to the end of 2018.

The Working Group were informed of the purpose and role of performance measurement and presented with information on the market background and comparison data.

It was explained that the Infrastructure Funds Portfolio was immature and that only 37% of the portfolio was sufficiently mature to merit performance measurement. The investments within the mature portfolio had delivered returns consistent with the middle of the range of the programme's target. Members of the Working Group discussed regulatory risk in the context of infrastructure investing.

**RECOMMENDED**

**That the report be noted.**

**5. UBS CORPORATE GOVERNANCE REVIEW**

The Working Group welcomed representatives from UBS, Malcolm Gordon, Managing Director, Head of UK Institutional and Paul Clark, Director, Head of Stewardship who attended the meeting to provide an update to Members on Corporate Governance activity in the last 12 months.

Members of the Working Group were informed of changes to the UBS Sustainable and Impact Investing team and the reason for, and benefits of, Stewardship: monitoring and influencing.

The Working Group was presented with examples of key engagements undertaken by UBS over the 12 month period. Paul Clark explained that engagements were structured on four main focus areas including, Thematic Engagement, Reactive Engagement, Voting at Shareholder meetings and the work undertaken by Investment Analysts and Portfolio Managers. Members discussed the importance of well governed companies that manage their businesses in a responsible and sustainable manner.

**RECOMMENDED**

**That the report be noted.**

**6. UBS REPORT ON TRADING COSTS**

The Assistant Director of Pensions (Investments) submitted a report, which facilitated Members scrutiny of UBS's approach to, and practice with regard to, trading costs. UBS's Best Execution and Order Handling Policy and Greater Manchester Pension Fund's Level Two report for the year to 31 December 2018 were appended to the report.

Mr Gordon presented details of commissions paid between the 1 January 2018 and 31 December 2018. This included an analysis of Greater Manchester Pension Fund's trading volumes and commissions.

Members of the Working Group were informed that there were no significant changes to the Best Execution and Order Handling Policy previously reviewed by the group in July 2018. It was reported that the 'level two' report was reviewed by officers of the Fund and any questions arising from the review were satisfactorily answered by UBS.

**RECOMMENDED**

**That the report be noted.**

**7. RESPONSIBLE INVESTMENT UPDATE**

Representatives of PIRC Ltd, Alan MacDougall, Managing Director and Janice Hayward, Client Services Director, presented the Northern LGPS Quarterly Stewardship Report.

Mr MacDougall summarised and set out Northern LGPS engagement with social media companies, house builders, and the Just Transition initiative.

Members were presented with 2019 Quarter 1 Voting Overview, and informed that Northern LGPS members voted at 318 meetings during Q1 2019. In its role as Responsible Investment adviser to Northern LGPS, PIRC was in contact with 121 companies where votes were cast during the quarter, and in 23 cases this led to further dialogue. In six cases this led to changes in voting decisions ahead of the meeting. Mr MacDougall informed Members that gender balance on boards had increasingly become a voting issue and that more companies were looking at the gender analysis of their company.

**RECOMMENDED**

**That the report be noted.**

**8. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE**

The Assistant Director of Pensions (Investments) submitted a report which advised Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the quarter.

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter that ended March 2019. Stocklending income during the quarter was £147,116 compared to £105,829 in the same quarter of 2018, and commission recaptured during the quarter was £7,269 compared to £3,197 in the same quarter of 2018.

The report outlined that income from these activities was very sensitive to market conditions therefore the amounts generated were expected to vary from one quarter to another and from one year to another.

**RECOMMENDED**

**That the report be noted.**