

## GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

19 July 2019

**Commenced:** 10.00am **Terminated:**12.30pm

**Present:** Councillor Warrington (Chair)

**Councillors:** Andrews (Manchester), Barnes (Salford), Cooney, Drennan, Fitzpatrick, Grimshaw (Bury), Mitchell (Trafford), Newton, O'Neill (Rochdale), Parkinson (Bolton), Ricci, Sharif, Ward and Wills.

**Councillor Pantall (Stockport) - Observer**

**Apologies for** Cllrs Halliwell (Wigan), J Homer, Patrick, M Smith, Taylor (Stockport)

**Absence:** Ms Herbert (MoJ)

### 1. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the first meeting of the cycle and in particular welcomed new Councillors nominated to Panel for 2019/20: Councillors Jack Homer, George Newton, Tafheen Sharif and Eleanor Wills, all from Tameside MBC, together with Councillor Diane Parkinson (Bolton), Councillor John Taylor (Stockport) and welcomed back Councillor Abdul Jabbar (Oldham). The Chair further extended her gratitude to retired Members of the Panel for their contribution to the work of the Fund over the last year, which was formally set out in the Annual Report and was due to be published next week following the sign off of the accounts by the Auditors.

In addition, the Chair welcomed Councillors John Pantall of Stockport MBC, a long stand Member of the Fund and Oliver Ryan, Executive Member for Finance and Economic Growth at Tameside MBC, who had each accepted the role of Observer. She explained that the purpose of the observer role was to strengthen governance within the Fund by enhancing the scrutiny of decision making, and provide the Management and Advisory Panel with additional experience and knowledge, impartial from Fund officers, and to create some resilience for the Administering Authority in knowledge and experience.

The Chair stressed the importance of ensuring that ordinary people working in public sector jobs serving their communities, were able to live out their retirement years with security and dignity. The need to safeguard deferred pay, the pensions of public sector workers, whilst balancing the affordability to the employers and tax payers alike, was paramount.

The Chair further reminded Members of the importance of attendance at meetings and training, to ensure an appropriate skill and knowledge base to be a trustee.

The Chair went on to explain the absence of herself and Lynn Brown (Advisor) from the previous meeting (meeting of 12 April 2019), as they were called to London to be interviewed at a shortlisting event by the Municipal Journal. She was delighted to confirm that this resulted in Sandra Stewart, Director of Governance and Pensions being announced as the Municipal Journal first Corporate Director of the Year. In their unanimous decision, the judges paid tribute to Sandra going 'way beyond the call of duty and consistently performing over and above what is expected in her role'. In addition, the Chair announced that the GLIL infrastructure partnership had won the European Pensions Award for 'Infrastructure Manager of the Year'. She congratulated everyone involved in respect of both awards.

As the largest local government pension scheme in the country, the GMPF managed the pension arrangements for 585 employers and 377,000 members from across the public sector, in Greater

Manchester and beyond. Balancing the long term solvency of the GMPF as a whole whilst maintaining its affordability for employers, was a responsibility that could not be discharged effectively without regular communication and engagement.

The Chair reflected that the past year had been one of the most turbulent in the world of pensions in recent memory, as ongoing concerns over global trade wars and Britain's exit from the European Union had fostered an atmosphere of considerable uncertainty and turbulence. However, thanks to the hard work of the managers, advisors and staff, she was pleased to announce that at the end of the valuation cycle as at 31 March 2019 the Fund stood at £23.8 billion. This was both a higher funding level than that identified in the previous valuation and on track compared to actuarial expectation. She added that today, the Fund stood at £24.8 billion.

During the year, welcome news was also received that, according to the annually updated index of Global Pension Funds, Greater Manchester Pension Fund was now ranked as the 11<sup>th</sup> biggest Pension Fund in the UK, one place above the position last year, and the 153<sup>rd</sup> biggest in the world, up seven places from last year.

The Chair explained that, whilst the returns for this year were below set targets, the Fund remained ahead of expectation in the long-term specific and peer group benchmarks. Work continued with consultants Hymans Robertson, to look at what could be done to further improve governance arrangements to be both an exemplar and to improve both risk adjusted investment returns and resilience in the face of adverse investment and regulatory conditions.

It had become increasingly apparent that the Pension Fund's response to the generational challenge presented by the climate crisis and environmental protection was an area of significant concern to members, employers and stakeholders. Greater Manchester Pension Fund had pledged to become carbon neutral by 2050 at the very latest – a higher target than the Government had set itself. As part of the process to deliver that commitment expediently, a number of exercises had been undertaken to acquire an in-depth understanding of the Fund's carbon footprint. Progress would be regularly evaluated, taking care to avoid stranded assets and deliver pensions to members in a way that remained sustainable for employers and taxpayers.

It was further explained that the Fund was the biggest local government pensioner investor in renewable energy and energy efficient, with a half a billion pounds allocated in a number of areas, including biomass assets and a significant stake in the Clyde wind farm, one of the largest off-shore facilities of its kind in Europe. These efforts to date had been recognised by the House of Commons Environmental Audit Committee noting the Fund's highest levels of engagement to manage the risks that climate change posed to UK pension investments.

The Pension Fund had a track record of using its position on the Local Authority Pension Fund Forum to challenge companies in which it had an interest to direct their own efforts towards environment sustainability and other issues of concern. Over the past year there had been a number of successes in such engagements, including co-filing a resolution requesting that BP set out a business strategy consistent with the goals of the Paris Agreement on climate change.

It was because of this history of close and productive dialogue that 80% of Members agreed that a consultative approach was more effective than divesting holdings to others who may not share the Fund's commitment to responsible investment and engagement. The Responsible Investor policy had also been refreshed and published, with support from the ESG advisor PIRC.

The Chair reiterated that fighting the climate crisis was one of the Fund's highest priorities. Failure to deliver on this would not just threaten the viability of the Pension Fund, it would threaten the viability of the economy, the society, and the planet as a whole.

This needed to be addressed within the fiduciary duty that as a Fund and as Trustees, it had to be demonstrated that investment decisions did not threaten financial performance. It was a matter of fact that over the last three years, the Fund achieved over £400 million more in returns than if it had divested from equities in such companies such as BP Centrica, formerly known as British Gas.

Accordingly, with such clear evidence that disinvestment rushed at this stage would cause material financial detriment to the Fund, a 'Just Transition' was required, which ensured that the burden of this cost was not transferred to the employers and taxpayers of Greater Manchester alike, which would result in significant Council tax hikes, and importantly avoided job losses for residents across the conurbation who were employed in those industries. As part of a recent review of investment strategy, the Fund was currently implementing £2.5 billion of Fund assets being divested to a low carbon approach targeting a significant reduction in carbon footprint and intensity.

The Chair made reference to a meeting she had attended with Fossil Free GM last week, where it was recognised that there was a shared goal of a zero-carbon economy as quickly as possible, although Fossil Free GM would like this to be faster. The Fund was working on this, whilst also committed to a Just Transition, ensuring interests of workers and communities were properly taken into account.

It was further explained that, earlier in the year, the Fund signed up to 'Just Transition' because delivering a just transition would be key to the UK's success in building a zero-carbon and resilient economy. However, this needed to be done in a sustainable way that supported an inclusive economy, with a particular focus on workers and communities. The Paris Agreement on climate change stated that its Parties take into account *'the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities'*.

The Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science and the Sustainability Research Institute at the University of Leeds, Principles for Responsible Investment (PRI) and the Trades Union Congress (TUC) analysis showed that unless a transition was effected carefully, the parts of the country that would be impacted most would be the North of England.

The Chair explained that, Nick Robins, Professor in Practice in Sustainable Finance from the London School of Economics and Political Science would be presenting to the Panel later in the agenda. Professor Robins brought a wealth of experience and expertise from the public and private sector. As co-director of UN Environment's Inquiry into a Sustainable Finance System, he led country activities in Brazil, the EU, India, Italy and the UK, as well as thematic work with a focus on investors, insurance and green banking. Prior to this role, he was also Head of the Climate Change Centre of Excellence at HSBC, Head of Sustainable and Responsible Investment funds at Henderson Global Investors, and worked at the International Institute for Environment and Development, the European Commission and the Business Council for Sustainable Development. He was at the tip of the spear in the drive for investing in a Just Transition and what could be done to enable a shift to allow carbon economy that was not only sustainable but also fair to workers and businesses alike.

The Chair further made reference to items later in the agenda updating on ongoing commitment to harnessing the financial power and unique long-term outlook of the Pension Fund through pooling arrangements; driving regeneration and investment across the country, while at the same time providing a commercial return that would allow the Fund to continue to meet its obligations to members. The focus today would be on a presentation on the forthcoming actuarial evaluation and related matters, including developments in the wider Local Government Pension Scheme and the impact that they had on the contribution rates of employers. Additionally the focus would be on the Investment Strategy to ensure the Fund was in a position to meet those liabilities and ensure the approach of low cost sustainable pensions, was continued.

## **2. DECLARATIONS OF INTEREST**

There were no new declarations of interest submitted by Members.



## **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 22 March 2019 were considered.

### **RESOLVED**

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

## **8. 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 22 March 2019 were considered.

### **RESOLVED**

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

## **9. PROPERTY WORKING GROUP**

The Minutes of the proceedings of the Property Working Group held on 8 March 2019 were considered.

### **RESOLVED**

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

## **10. WORKING GROUP TERMS OF REFERENCE**

A report of the Director of Pensions was submitted.

### **RESOLVED**

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

## **11. PRESENTATION ON CLIMATE CHANGE – INVESTING IN A JUST TRANSITION**

The Assistant Director of Pensions, Investments, submitted a report and Nick Robins, Professor in Practice – Sustainable Finance, London School of Economics and Political Science delivered a presentation in respect of 'Investing in a Just Transition: connecting climate action with an inclusive economy'.

### **RESOLVED**

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

## **12. 2019 ACTUARIAL VALUATION**

A report of the Assistant Director of Pensions, Funding and Business Development, was submitted and a presentation by Hymans Robertson was delivered.

### **RESOLVED**

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

### **13. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2019/20**

The Assistant Director of Pensions, Investments, submitted a report and delivered a presentation.

#### **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. LONG TERM PERFORMANCE REPORTS**

#### **(a) Long Term Performance 2018/19 – 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. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT**

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.**

### **17. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS**

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

#### **RESOLVED**

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

## **18. NORTHERN LGPS UPDATE**

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

### **RESOLVED**

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

## **19. PENSIONS ADMINISTRATION UPDATE**

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

### **RESOLVED**

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

## **20. FUTURE TRAINING DATES**

Trustee Training Opportunities were noted as follows, with particular attention drawn to the UBS Trustee Training Session on 18 September 2019, which was considered as mandatory.

<b>LGC Investment &amp; Pensions Summit, Celtic Manor</b>	<b>5 – 6 September 2019</b>
<b>UBS Trustee Training, Manchester</b>	<b>18 September 2019</b>
<b>CIPFA Introduction to the LGPS – hosted by Northern Trust, London</b>	<b>25 September 2019</b>
<b>PLSA Annual Conference Manchester</b>	<b>16-18 October 2019</b>
<b>LGE Fundamentals Training, Day 1, Leeds</b>	<b>17 October 2019</b>
<b>LGE Fundamentals Training, Day 2, Leeds</b>	<b>14 November 2019</b>
<b>Annual LAPFF Conference, Bournemouth</b>	<b>4 – 6 December 2019</b>
<b>LGE Fundamentals Training, Day 3, Leeds</b>	<b>5 December 2019</b>
<b>LGE Annual Conference, York</b>	<b>23 – 24 January 2020</b>

## **21. DATES OF FUTURE MEETINGS**

<b>Management/Advisory Panel</b>	<b>18 October 2019 17 January 2020 17 April 2020</b>
<b>Local Pensions Board</b>	<b>8 August 2019 11 October 2019 12 December 2019 26 March 2020</b>
<b>Policy and Development Working Group</b>	<b>19 September 2019 19 December 2019 6 March 2020</b>
<b>Property Working Group</b>	<b>19 September 2019 19 December 2019 6 March 2020</b>

**Investment Monitoring and ESG Working  
Group**

**27 September 2019  
20 December 2019  
20 March 2020**

**Administration and Employer Funding  
Viability Working Group**

**27 September 2019  
20 December 2019  
20 March 2020**

**CHAIR**