

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

17 January 2020

Commenced: 10.00am

Terminated:12.35pm

Present: Councillor Warrington (Chair)

Councillors: Barnes (Salford), Cooney, J Fitzpatrick, Grimshaw (Bury), J Homer, O'Neill (Rochdale), Parkinson (Bolton), Patrick, Ricci, Sharif, M Smith, Taylor (Stockport), Wills and Ms Herbert.

Fund Observers:

Councillors Pantall (Stockport) and Ryan

Apologies for Cllrs Drennan, Mitchell (Trafford), Newton and Ward

Absence:

43. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and began by commenting on a very busy time for the Fund. Responsible Investment was dominating agendas and further changes were expected to the Employer Funding and Exit legislation and the Scheme Advisory Board's Good Governance Review continued to gather momentum.

As the Government worked towards a remedy for McCloud it seemed likely that the greatest burden of the work would fall to administrators. However, there would be a few actuarial issues to resolve also. English and Welsh funds including GMPF, had made allowance for possible McCloud impacts within valuations, however these allowances would need to be refined when the final remedy known.

It was likely that the impact would vary for different employers within funds. The remedy would have to be cost assessed at national level, fund level and employer level and funding plans adjusted where needed.

Members were advised that a great deal of work went into collecting and cleansing data for the purpose of the valuation. In order to derive the greatest benefit from the effort, there were two categories of follow-up activities that weren't always fitted into the valuation timetable. The first was ensuring that any data issues identified during the valuation were fixed at the source. The second was a detailed analysis of the information coming out of the valuation about the evolution of the Fund. This analysis was key to informing important decisions including the investment strategy, administration resourcing and risk management activities.

It was expected that Responsible Investment and Environmental Social and Governance would continue to be regular and high priority agenda items, going forward. One of the main developments in 2019 was the publication of the Financial Reporting Council's new UK Stewardship Code, which came into force on the 1 January, which increased the best practice standard for funds as asset owners.

The preparation of the Stewardship Report for March 2021 would commence in earnest and the work would be paired with the upcoming Scheme Advisory Board Responsible Investment guidance to further develop the Fund's ESG approach. Consultation on the first part of the draft guidance had taken place and case studies were submitted to the Scheme Advisory Board for their RI guidance. Further regulatory developments were expected over the coming year.

Work continued to be undertaken towards becoming carbon neutral if not negative and as a consequence of the LAPFF Climate Change survey the Fund contributed to before Christmas, it was agreed by LAPFF yesterday that they would use the survey findings to:

- Update the LAPFF climate change policy framework;
- Develop an approach to working with policy makers;
- Develop LAPFF's offer to members, including around training, making the case for engagement over divestment and showing impact of engagement; and
- Consider how LAPFF might further engage with asset managers.

Shareholder resolutions had also been co-filed in respect of a number of companies seeking more transparency as to whether their lobbying activities via trade association were consistent with their company's expressed climate related goals, and in the best interests of shareholders, together with a resolution to a large on-line retailer in relation to labour rights.

Work had commenced towards the Fund becoming Carbon Literate with the Director of Pensions attending a Carbon Literacy course in the near future, along with the Assistant Director for Investments, and the Chair advised that all Fund Members would be required to undergo some rigorous training over the coming year. The Fund was also working with the Department for Business, Energy and Industrial Strategy to draft and pilot the first Carbon Literacy course for pension funds.

Furthermore, Northern LGPS had officially joined the 30% Club, which sought to increase gender diversity on boards and senior management teams.

Strong asset returns in recent years made the results of the 2019 valuation largely positive for English and Welsh Funds, however, funding improvements needed to be balanced with the cost of accruing benefits given the lower growth outlook for many investment markets. To ensure the Fund's sustainability, the establishment of a balance between investment risk and contributions would be high on meeting agendas in 2020.

There were strong reminders in 2019 that effective governance was key to any Fund's success. For instance, the Competition and Markets Authority Order that came into force on 10 December set requirements for pension schemes to establish objectives for their investment consultants. There was a need to keep long-term goals at the heart of priorities and continuously reflect on whether decisions were suitably aligned with intended outcomes.

There would be continued reflection on what resource was required to establish adequate internal controls, evaluate risk and contributions, and most skilfully direct investment managers and consultants towards achieving the Funds objectives.

Members were further advised that the Scheme Advisory Board's Good Governance Review continued to gather momentum and the overall direction of travel was clear. The Scheme Advisory Board was seeking to work with MHCLG to put in place a clear statutory governance framework for the LGPS. Funds would be expected to demonstrate that the way they were set up and run promoted high standards of service delivery for scheme members.

For many LGPS administration teams, the 2018/19 tax year had been the most challenging due to the ever-increasing number of tax calculations and reporting required. As more and more members became subject to an annual allowance charge, the job of identifying who was affected and carrying out the necessary work had become a major administration task. Issues such as poor data, tapering, the impact of transfers and the use of 'voluntary scheme pays' could make the job more difficult. That's why work was underway to help improve processes and staff knowledge well in advance of the next round of pension savings statements even before the tax payment year ended on 31 January.

The biggest administration challenge facing LGPS Funds in 2020 and beyond would be the outcome of the McCloud decision. Whatever form final redress takes, affected cohorts would need

to be identified and liaison with employers would need to take place in order to obtain retrospective data, amend records, revisit calculations, uplift pensions in payment, communicate all of this with the employers whilst ensuring throughout that the project had the appropriate level of governance.

44. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

45. MINUTES

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

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

46 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, 8, 9, 10, 11, 17, 18, 19, 20	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	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.

47. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 19 December 2019 were considered.

RESOLVED

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

48. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 27 September 2019 were considered.

RESOLVED

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

49. 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 27 September 2019 were considered.

RESOLVED

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

50. LGPS PERFORMANCE UPDATE

Neil Sellstrom, PIRC, attended before Members and gave a presentation in respect of LGPS performance.

RESOLVED

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

51. UPDATE ON INVESTMENT MANAGEMENT COST AND ADMINISTRATION BENCHMARKING

A report of the Assistant Director of Pensions Investments and the Assistant Director of Pensions Administration, was submitted. John Simmonds of CEM Benchmarking also delivered a presentation.

RESOLVED

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

52. 2019 ACTUARIAL VALUATION

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.

53. 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.

54. RISK MANAGEMENT AND BUSINESS PLANNING

A report of the Director of Pensions was submitted.

RESOLVED

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

55. GMPF WEBSITE REDEVELOPMENT

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.

56. GMPF BUDGET 2020/21 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

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.

57. 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.

58. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGE Annual Conference, York	23 – 24 January 2020
LGC Investments Seminar, Carden Park 2020	27 - 28 February 2020
PLSA Investment Conference, Edinburgh	11 – 13 March 2020
PLSA Local Authority Conference, Gloucestershire	18 - 20 May 2020
PLSA Annual Conference, ACC Liverpool	14 – 16 October 2020

59. DATES OF FUTURE MEETINGS

Management/Advisory Panel	17 April 2020
Local Pensions Board	26 March 2020
Policy and Development Working Group	6 March 2020
Investment Monitoring and ESG Working Group	20 March 2020
Administration and Employer Funding Viability Working Group	20 March 2020

CHAIR