

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

17 July 2020

Commenced: 10.00am

Terminated:12.30pm

Present: Councillor Warrington (Chair)

Councillors: Andrews (Manchester), Cooney, Cunliffe (Wigan), Grimshaw (Bury), J Homer, Jabbar (Oldham), Mitchell (Trafford), Newton, O'Neill (Rochdale), Parkinson (Bolton), Ricci, Sharif, M Smith, Taylor (Stockport), Wills and Ms Herbert

Fund Observers:

Councillors Pantall (Stockport) and Ryan

Apologies for Absence: Cllrs Barnes (Salford) and J Fitzpatrick, Patrick and Ward

1. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting and commented on an exceptional 12 month period for everyone. She made reference to unforgiving global stock markets and the unprecedented scale of the fiscal response. She hoped, however, that after 116 days of lockdown, everyone would emerge from the experience stronger and more resilient.

Throughout this period the safety and welfare of employees had been paramount and investment and service delivery had to be quickly adapted to accommodate the lockdown restrictions.

The Chair explained that the most obvious continuing change in day to day routine was that much of the work of the Pension Fund had moved into the home and the virtual world. This included critical processes, including the payment of member benefits, retirement processing and bereavement services. The Fund was also being vigilant in protecting against scammers who were unfortunately seeking to take advantage of the uncertain situation. The need to respect social distancing had meant that all face to face member events scheduled for the next few months had been cancelled and the offices in Guardsman Tony Downes House in Droylsden remained closed to all visitors. However, all pension fund members continued to have access to administration services, including their 'My Pension' online account.

The Chair was pleased to announce that ongoing relationships, often through new ways of communicating, had been sustained. Technology had remained resolute and new channels of communication, had been a revelation as to their widespread adoption, use and bandwidth.

The Investment Strategy had also remained resilient despite market headwinds. The long-term approach of the Fund remained committed irrespective of the challenges.

In terms of liquidity, significant working capital was retained to cover the payroll for the foreseeable future without the need to raise additional funds, taking into account that some employers may be experiencing their own financial difficulties. It was also clear how and where any additional cash would be sourced should that be necessary. Two thirds of listed portfolios by value were actively managed, giving the flexibility to react to events, and the overall long term asset allocation factors in all risks, including left tail risks from events such as a pandemic.

Even looking beyond the coronavirus pandemic, the past twelve months had been a very busy time for the LGPS as a whole and GMPF in particular, with significant changes to the law, rules and the interpretation of them, through the courts.

Whilst turbulence in the markets and the start of the pandemic meant that the Fund closed out at £22.0 billion down from £23.8 billion last year, the Chair was pleased to advise that as at today it was back up at £24.5 billion.

However, whilst last year had been a difficult one financially, the Chair was pleased to note that the abilities and capacity of the Fund continued to strengthen, which had been externally recognised as last year started with:

- The Director of Pensions and Governance being announced as the Municipal Journal first Corporate Director of the Year, at the MJ Awards;
- GMPF Administration Team winning the LAPF Investments Awards 2019 Scheme Administration Award; and
- Infrastructure partnership GLIL winning the European Pensions Award for “Infrastructure Manager of the Year”.

Additionally, amongst other notable achievements, there was the transition to a new common custodian for the Northern LGPS, unlocking significant savings.

The Chair informed Members that GMPF’s carbon footprinting exercise found that the active equity holdings were 25% more efficient than the combined benchmark on the weighted average carbon intensity method, as recommended by Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, a key element of the Fund’s commitment to an orderly transition to a low carbon economy was implemented, involving the replacement of £2.5 billion of GMPF’s passive, index tracking investments, with an enhanced approach that has significantly reduced GMPF’s exposure to carbon emissions and intensity. This was the biggest divestment by any Local Authority taken anywhere in the UK.

As was expected, Responsible Investment and Environmental Social and Governance continued to be regular and high priority items. The Chair was delighted to say that the work of the GLIL platform had secured two new major investments over the past eighteen months in Forth Ports Group, which operated eight major ports in strategic areas such as Tilbury (London), Dundee and Grangemouth, and in Cubico, a leader in sustainable investments in the wind and solar power industries.

The Fund’s engagement with companies through the Local Authority Pension Fund Forum (LAPFF) also met with success this year as, in conjunction with Share Action and Barclays plc, because of the size of holdings that was able to be supported, a successful climate resolution at Barclays AGM requesting that the multi-national bank set and disclose targets to phase out the provision of financial services to the energy sector and gas and utility companies that were not aligned with the Paris Agreement. The proposal was the first to refer to the ‘Just Transition’ wording in the Agreement, which stated that tackling climate change required the transformation of sectors and economies with important implications for the global workforce.

The Chair reiterated that the full impact of the pandemic on the health of citizens, businesses and economies had yet to be understood. The future was uncertain, yet from that uncertainty had arisen greater clarity: that short-term demands for stimulus measures arising from COVID-19 must align with the long-term imperative of transitioning to a net-zero carbon economy the world over. The pandemic did not make the urgency of addressing climate change any less critical or its potential impact less catastrophic. It was in fact a reminder of the need to build systems for resilience and inclusion in order to mitigate the impacts of future shocks, many of which, it was predicted would be environmental and social in nature.

The Chair added that, before COVID-19, there wasn’t a coherent, scientifically supported high-carbon route to economic prosperity. Instead, there was widespread recognition that the pathways to prosperity were the same as the pathways to net zero. A newly optimistic narrative for green finance was increasingly coming to the fore – one that focused on creating new green jobs and rebuilding communities through investing in sustainable infrastructure, clean technology, resilient supply chains and healthy ecosystems.

More than ever, examples of what could work were required: financial solutions that generated acceptable, risk-adjusted returns; investable policy pathways that were also informed by finance practitioners; and definitions, data and analysis that supported financial innovation, all focused on deploying capital where it was needed in the real economy.

The Fund's vision was of a greener future made possible by finance, a society transformed through better investment and it was recognised that the finance sector could only unlock the funding for the transformation of the global economy through collaboration that global challenges could be solved. Responsible Investing would continue to be an important part of the fabric of GMPF so the Chair was pleased to announce a new standing report on the agenda which highlighted the leading work undertaken by the Fund in relation to Responsible Investment.

At a high level, through partnerships and collaborations, the Fund lobbied and engaged with policy makers, regulators, stakeholders and companies. The Fund added its voice to those of hundreds of other major global investors on the need for a green and sustainable recovery to the pandemic, recognising the need to Build Back Better. The Fund had moved quickly on specific key emerging issues, with recommendations for meat processors during COVID19, and calling for a reversal to escalating deforestation in Brazil.

The Fund was also encouraging companies to improve. Fundamentally using its voice for positive change, rather than divesting and 'passing the buck' to someone who, perhaps, wouldn't use their shareholding to create change. The Northern LGPS stewardship report and the Local Authority Pension Fund Forum engagement report demonstrated the results of efforts on topics that were vitally important.

The Chair stated that environmental issues were at the top of the Fund's agenda. However there was also a need to raise awareness of social issues. The transition to a low carbon economy should be a just transition, creating decent jobs and not neglecting the most vulnerable parts of society, in Greater Manchester, and also in the Fund investments across the world.

To further help in raising awareness of these issues, and to galvanise interest, the Chair announced that approval was being sought for the Fund to become a partner of the Make My Money Matter campaign, which was being spearheaded by the film director Richard Curtis, supported by Mark Carney former Governor of the Bank of England. Make My Money Matter wanted to unlock the power of £3 trillion of pension's savings and they had recognised the Fund as a leader in the field.

The Chair concluded by reporting that work continued with the Director of Pensions and consultants, Hymans Robertson, to build on the Fund's work to ensure that GMPF's governance remained not only the best in UK local government, but an exemplar for pension funds worldwide. Following the release of the Phase II Good Governance Report at the end of last year, the Scheme Advisory Board's review continued to gather momentum and while some of the details still needed to be finalised, the overall direction of travel was clear. In March, Hymans Robertson also undertook the first-ever LGPS National Knowledge Assessment to provide funds with a clear insight into the knowledge levels of their key decision makers on a national basis. By participating in the assessment, GMPF had been able to benchmark its position against other LGPS funds and receive bespoke feedback and training plans for Pensions Committee and Pensions Board and, the Chair was pleased to say, Committee Members and the Local Board were recognised as the most engaged with the most knowledge.

As one of the largest funds in the UK, the Fund had broadened and deepened its relationship with the Pension Regulator in the hope that GMPF and other funds could be made better for its members. In the face of the gravest public health and economic crisis faced in living memory, staff, advisors and members had carried out their work with diligence and professionalism.

2. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

3. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 April 2020 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 April 2020 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
8, 9, 10, 11, 12, 13, 14, 15, 16, 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	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.

5. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 25 June 2020 were considered.

RESOLVED

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

6. WORKING GROUP MEMBERSHIP 2020/21

A report of the Director of Pensions was submitted.

RESOLVED

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

7. RESPONSIBLE INVESTMENT UPDATE Q2 2020

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

8. COVID 19 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.

9. LGPS NATIONAL KNOWLEDGE ASSESSMENT

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.

10. LGPS PERFORMANCE UPDATE – TRAINING ITEM

A presentation was delivered by Neil Sellstrom of PIRC.

RESOLVED

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

11. INVESTMENT STRATEGY AND TACTICAL POSITIONING

A report was submitted and presentation delivered, by the Assistant Director of Pensions Investments.

RESOLVED

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

12. 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.

13. LONG TERM PERFORMANCE – 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.

14. 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.

15. UK PROPERTY PERFORMANCE 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.

16. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020

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. LGPS UPDATE

A report of the Director of Pensions was submitted.

RESOLVED

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

18. GMPF WEBSITE 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.

19. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGC Investment & Pensions Summit, Leeds	9 - 11 September 2020
PLSA Annual Conference, ACC Liverpool	14 – 16 October 2020
Schroders Trustee Training, Leeds	20 November 2020
LAPFF Annual Conference, Bournemouth	2 – 4 December 2020

20. DATES OF FUTURE MEETINGS

Management/Advisory Panel	18 Sept 2020
	11 Dec 2020
	19 Mar 2021
	16 July 2021
	17 Sept 2021

	10 Dec 2021 18 Mar 2022
Local Pensions Board	1 Oct 2020 14 Jan 2021 8 April 2021 29 July 2021 30 Sept 2021 13 Jan 2022 7 April 2022
Policy and Development Working Group	3 Sept 2020 26 Nov 2020 4 Mar 2021 24 June 2021 2 Sept 2021 25 Nov 2021 3 Mar 2022
Investment Monitoring and ESG Working Group	2 Oct 2020 22 Jan 2021 16 April 2021 30 July 2021 1 Oct 2021 21 Jan 2022 8 April 2022
Administration and Employer Funding Viability Working Group	2 Oct 2020 22 Jan 2021 16 April 2021 30 July 2021 1 Oct 2021 1 Jan 2022 8 April 2022

CHAIR