GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

16 July 2021

Commenced:	**10.00am**	**Terminated: 12.30pm**
Present:	**Councillor Warrington (Chair)**	
	Councillors: Barnes (Salford), Connor (Bolton), Cunliffe (Wigan), Grimshaw (Bury), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), and Taylor (Stockport)	
	Employee Representatives:	
	Mr Drury (UNITE), Ms Fulham (UNISON), Llewellyn (UNITE)	
	Fund Observer:	
	Mr Pantall	
	Local Pensions Board Members (in attendance as observers):	
	Councillor Fairfoull	
	Advisors:	
	Mr Bowie, Mr Moizer and Mr Powers	
Apologies for absence:	**Councillor Andrews (Manchester), Mr Flatley (GMB), Mr Thompson (UNITE) and Councillor Ryan (Fund Observer)**	

Further to the decision of Tameside Metropolitan Borough Council (Meeting of 25 May 2021), to maintain Covid secure access to all Members of the GMPF Management and Advisory Panel, which has representatives from all Greater Manchester Districts and the Ministry of Justice, that all future meetings of the Panels remain virtual until further notice with any formal decisions arising from the published agenda being delegated to the Chair of the Panel taking into the account the prevailing view of the virtual meeting.

1. CHAIR'S OPENING REMARKS

The Chair began by welcoming everyone to the meeting both those Members who had been reappointed to continue in their role as trustees, and also to those new members who had been appointed to the Fund as follows:

- Tameside: Cllr Naylor replacing Cllr Leigh Drennan
- Bolton: - Cllr Connor – replacing Cllr Parkinson
- Rochdale: - Cllr Joinson – replacing Cllr O'Neill

It was noted that Pat McDonagh employee representative, had retired and notification of his replacement was awaited. The Chair further extended thanks and gratitude to the retired members of the Panel for their contribution to the work of the Fund over the last year.

The Chair stressed the importance of safeguarding deferred pay, which were the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to the employers and taxpayers alike. She further reminded Members of the importance of attendance at meetings and the training provided. In particular, the Pensions Regulators on-line training and the three day Fundamentals training course.

The Chair made further reference to the recent resignation of Lynn Brown, who was standing down from her role as independent advisor to the Fund, to take up the post of CEO of the Scottish Police Authority. The Chair extended best wishes to Lynn for the future and thanked her for all her invaluable work with the Fund. She added that a replacement would be sought to strengthen governance within the Fund by enhancing the scrutiny of decision making, and providing 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 made reference to the past 18 months being an exceptional time for all. Unforeseeable challenges had been faced in day to day life. However, it was hoped that, after 480 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 services delivery had been quickly adapted to accommodate the lockdown restrictions. The Chair thanked staff for their strength and commitment throughout the period, particularly as work had increased by over 20%.

The Fund's Investment Strategy had also remained resilient despite market headwinds. The Chair made reference to the long-term approach of the Fund and was pleased to advise that the Fund was currently valued at £27.6 billion and continued to be fully funded meaning all liabilities could be met for the foreseeable future.

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. Despite this, the Chair was pleased to note that the Fund continued to strengthen its abilities and capacity, which had been externally recognised with Room 151 short listing for the Impact Investment of the Year and Pension Age, which covered both private and public pension schemes. The Fund being nominated for 3 categories for their annual Pension Awards:

- Defined Benefit Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration Award

This was a great achievement and testament to the Fund and only served to remind of the importance of delivering the pension promises during such uncertain times.

As was expected, Responsible Investment and Environmental Social and Governance continued to be a regular and high priority issue for the Fund. 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 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 explained that, now more than ever, examples of what could work were needed: 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.

Responsible Investing would continue to be an important part of the fabric of GMPF, and the Chair made reference to the report on the agenda highlighting the leading work the Fund had undertaken 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, adding 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 was also encouraging companies to improve, using its voice for positive change, rather than divesting and ‘passing the buck’ to someone who didn’t care and wouldn’t use their shareholding to create change.

The Chair emphasised that GMPF committed, before any GM Authority, to achieving net-zero carbon emission by 2050 at the latest, in line with the Paris Agreement. It was further confirmed in October last year that it was exploring a 2030 target in line with the IPCC’s 1.5-degree pathway”.

As a Net Zero Asset Owner the Fund was committed to setting objectives and targets, including an interim target for 2030 or sooner and was currently working within the recently launched Net Zero Investor Framework to do this and looked forward to sharing in due course. Richard Curtis, co-founder, Make My Money Matter said: “*It’s exciting to see, one of Britain’s largest public pension funds working to tackle the climate emergency, commit to partnering with Make My Money Matter to push this vital agenda forward*.”

Unlike many other organisations, the Fund had also undertaken a large amount of proactive stewardship work to turn that commitment into action. Over the past two quarters this had included, but was not limited to, being one of the first Local Government Pension Scheme funds to complete the reporting for the new UK Stewardship Code, co-signing the 2021 Global Investor Statement to Governments on the Climate Crisis, and providing evidence to The All-Party Parliamentary Group for Local Authority Pension Fund with regard to their inquiry into “Responsible Investment for a Just Transition”.

The Fund further gave support to the ‘*Say on Climate’* initiative Initiated by Sir Christopher Hohn founder of the Children’s Investment Fund Foundation. The initiative encouraged all listed companies to develop a climate transition plan and put it to a shareholder vote at their AGM. At the time of writing, 15 companies had had a climate transition plan related vote included in their most recent AGM and all had passed to date with the Fund having a holding in 10 of these companies.

The Chair advised that in May of this year, the Good Economy Project, Impact Investing Institute and Pensions for Purpose joined forces to produce a report on place-based impact investing that could mobilise capital to help build back better and level up the UK. The report found that GMPF was the only LGPS fund to have an approved allocation to invest some of its assets locally to achieve this.

The Fund had used its position on the Executive of the Local Authority Pension Fund Forum, a collaboration of over 80 local authority pension funds representing over £200 billion of assets, to challenge companies in which it had an interest on not just Climate Change, but on a wide variety of other concerns such as working conditions and human rights.

GMPF must continue to transition towards a net-zero carbon position, whilst ensuring that promises to members and taxpayers were upheld, with all possible expediency.

The Fund co-signed the 2021 Global Investor Statement to Governments on the Climate Crisis co-ordinated by the Institutional Investors Group on Climate Change, which asked governments to raise their climate ambition and implement robust policies by COP26 in November. The Fund had called upon Government to undertake the following 5 actions urgently:

- Strengthen Nationally Determined Contributions for 2030 in line with limiting warming to 1.5°C
- Commit to a mid-century net zero emissions target with clear sectoral decarbonisation roadmaps
- Ensure ambitious pre-2030 policy action including strengthened carbon pricing, phasing out fossil fuel subsidies and thermal coal-based power, avoiding new carbon-intensive infrastructure (no new coal power plants) and developing just transition plans
- Ensure COVID-19 economic recovery plans support the transition to net zero emissions
- Commit to implementing mandatory climate risk disclosure requirements.

Environmental issues were at the top of the Fund's agenda, however the Chair further stressed the importance of raising 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 where the Fund invested across the world.

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 19 March 2021 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 19 March 2021 were noted.

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:

Items	Paragraphs	Justification
8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 22, 23, 24, 25, 26, 27, 28	**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, 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 stakeholders and/or tax payers.**

5. LOCAL PENSIONS BOARD

The Chair of the Local Board Councillor Fairfoull advised that the Board had discussed the Pensions Regulator's (TPR) consultation on its new Single Code of Practice. TPR was attempting to streamline old codes of practice into a new consolidated code that would apply to all occupational pension schemes. Overall, the Local Board was supportive of TPR's aims in introducing the consolidated code of practice, although further clarity was required in some areas.

The new employer flexibilities powers were discussed and how they should allow the Administering Authority more flexibility and options when dealing with employer exits. This subject would be discussed further as part of this meeting's agenda.

As at each meeting, the monitoring of late payment of contributions or late submissions of data from employers, was reviewed. Given the current economic difficulties it was encouraging that the timeliness of contribution payments from employers had been maintained, or even improved over the last year.
Reassuring updates were also provided from the fund's pension administration team and the Board discussed the findings of recent internal audit reports.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 8 April 2021 be noted.

6. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 16 April 2021 were considered.

The Chair of the Working Group, Councillor Cooney, explained that Ninety One attended the meeting and gave an informative update on their Responsible Investment activity, and trading costs over the last 12 months.

Ninety One made reference to the broadening of their ESG research and engagement and its increasingly proactive rather than reactive nature. As a firm, Ninety One had made a significant investment in training their investment professionals in climate risk and the energy transition, in partnership with a leading university.

Members were also provided with an update from PIRC on their '2021 UK Shareowner Voting Guidelines'. In particular, a number of changes had been made to the guidelines in response to the COVID pandemic. For example, PIRC were seeking adequate disclosure over staffing health and safety impacts.

RECOMMENDED
(i) That the minutes be received as a correct record; and
(ii) In respect of the UK Stewardship Code, that the draft updated GMPF Stewardship Report be endorsed and the Director of Pensions be authorised to submit a final version to the FRC further to any drafting/presentation support which can be provided by PIRC.

7. ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration and Employer Funding Viability Working Group held on 16 April 2021 were considered

The Chair of the Working Group, Councillor Smith, advised that increasing concern was discussed regarding Prudential's performance in administering the Fund's AVC arrangements. The working group would continue to monitor Prudential's performance closely until all issues were satisfactorily resolved.

Members received news on the latest developments relating to the McCloud case remedy. MHCLG had yet to release their final response to the consultation but it seemed likely it would involve a new final salary underpin for qualifying members, which could improve some members benefits. The overall impact on members and employers would likely be relatively limited but applying the remedy and recalculating some benefits already in payment would require significant administrative resource in the short to medium term.

As usual, the administration strategic service update and updates relating to member services, employer services, developments and technologies, and communication and engagement were reviewed.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Scheme Additional Voluntary Contributions, that further work and discussions take place with Prudential and that a further report on the Additional Voluntary Contributions be considered at the meeting of the Administration, Employer Funding and Viability Working Group on the 30 July 2021;
(iii) In respect of the Administration Strategic Service update, that the content of the report be noted and approval be given to withdrawing GMPF's participation in the annual CIPFA benchmarking excise for the foreseeable future; and
(iv) In respect of the Administration Communications and Engagement update, that the report be noted and approval be given to the Director of Pensions to proceed with the purchase of the new contact centre system.

8. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 24 June 2021 were considered.

The Chair of the Working Group, Councillor Warrington, advised that the Working Group, along with the Advisors, devoted time to considering a draft of the Investment Strategy report for the Main Fund. Feeding into this were detailed reviews of strategy and implementation covering the internally managed portfolios of Alternative, Local and Property Investments. Following a suggestion from Mark Powers, Investment Mandates for each of the internally managed portfolios had been codified and were recommended for adoption by the Panel. The final Investment Strategy report would be presented later in the agenda.

Separately, as a reminder, over three years ago the Fund implemented a Global Equity Trigger Process, which was designed to either protect the Fund when the stock market became very expensive, or enhance the Fund's returns by investing at times of extreme stock market lows.

The Working Group were provided with an overview of the evolution of the Global Equity metric over 2020/21, which had been fully activated as the market had risen substantially above our estimate of Fair Value.

Officers provided Members with a pro tem updated estimate of Fair Value for 2021/22. Due diligence was ongoing on some of the inputs to this estimate and when this was satisfactorily completed, Officers would be supporting a three year "smoothed" incorporation of certain of the increases. A further report would be tabled at the next meeting of the Working Group.

Officers also provided an update in relation to the size of the maximum asset switch to be targeted. These updates were recommended for adoption by the Panel today.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Investment Strategy and Tactical Positioning 2021/22:
(a) That the current 'rules' for the Public Equity allocation be recouched;
(b) That a rules based process be developed, which would time and pace, any potential move to a more cap weighted Public Equity allocation;
(c) That the overall strategic target to Property be maintained at 10%;
(d) In respect of ESG, that alternative approaches be considered for the benchmarks underlying the index- tracking mandates run by L&G; and
(e) That cash requirements be funded initially from internal In House cash and then a

fixed pro-rata slice from UBS, L&G, SciBeta and Ninety One.

(iii) In respect of Internally Managed Portfolios – Investment Mandates:

(a) That the Investment Mandates for the Internally Managed Portfolios, attached to the report as an Appendix, be adopted by the Panel; and

(b) That if the Panel approves the creation of any further Internally Managed Portfolios (eg Northern LGPS Pooled Housing), appropriate Investment Mandates be drawn up for approval by the Policy and Development Working Group.

(iv) In respect of Private Equity – Review of Strategy and Implementation:

(a) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium-term strategic allocation for private equity remains at 5% by value of the total Main Fund assets;

(b) the target geographical diversification of the private equity portfolio remains:

Geography	Target Range
Europe inc UK	35% to 50%
USA	35% to 50%
Asia & Other	10% to 20%

(c) the investment stage diversification of the private equity portfolio remains:

Stage	Target Range
Lower Mid-Market & Growth	10%-20%
Mid-Market	45%-55%
Large Buyout	30%-40%

(d) the pace of Primary Fund commitments to be £120m pa so that, together with co-investment deployment of approximately £38m pa on average, private equity exposure is targeted at or around the 5% target strategic Main Fund allocation;

(e) GMPF's private equity strategy is implemented by appropriately sized commitments to Northern Private Equity Pool such that the anticipated deployment will be consistent with the pacing recommendation at 9.5;

(f) it is recognised that the portfolio may not fall within the target ranges at 9.3 and 9.4 above from time to time to reflect, *inter alia*, portfolio repositioning.

(v) In respect of Private Debt – Review of Strategy and Implementation:

(a) the medium term strategic allocation for private debt remains at 5% by value of the total Main Fund assets.

(b) the target geographical diversification of the private debt portfolio remain as follows:

Geography	Target Range
Europe	40% to 50%
USA	40% to 50%
Asia & Other	0% to 20%

(c) the portfolio should continue to be populated by partnership commitments to funds where the vast majority of investments are senior secured loans.

(d) the scale of commitment to funds to be £375m per annum, to work towards achievement of the strategy allocation over a sensible time frame.

(e) it is recognised that the portfolio may not fall within the target ranges at 8.3 above from time to time to reflect, inter alia, portfolio repositioning.

(vi) In respect of Infrastructure Fund – Review of Strategy and Implementation:

(a) Consistent with the recommendations of the Main Fund Investment Strategy Review, the medium term strategic allocation to Infrastructure Funds remains at 5% by value of total Main Fund assets;

(b) the target geographical diversification of the infrastructure portfolio remains:

Geography	Target Range
Europe	50% to 70%
North America	20% to 30%
Asia & Other	0% to 20%

(c) the target stage diversification of the infrastructure portfolio remains:

Investment Stage	Relative Risk	Target Range
Core & Long Term Contracted	Low	30% to 40%
Value Added	Medium	40% to 60%
Opportunistic	High	0% to 20%

(d) the pace of new fund commitments is maintained at £240m per annum to work towards achievement of the strategy over a sensible time frame;
(e) the Private Markets team to continue to implement the Infrastructure strategy via commitments to private partnerships; and
(f) it is recognised that the portfolio may not fall within the target ranges at 8.3 and 8.4 from time to time to reflect, *inter alia*, portfolio repositioning.

(vii) In respect of the Special Opportunities Portfolio – Review of Strategy and Implementation, that the allocation to the Special Opportunities Portfolio remains at up to 5% by value of the total Main Fund assets; and the main strategic control to remain the Type Approval mechanism described in the report.

(viii) In respect of UK Property Portfolio – Review of Strategy, Implementation and Performance Monitoring:
(a) That the medium-term strategic allocation for the UK Property portfolio remains at 8% by value of the total Main Fund assets
(b) That the UK Property portfolio construction remains as per the agreed recommendations at the Management Panel in March 2021 and as below:

Risk Factor	Investment Characteristics	Outperformance over MSCI All Property Index	Target Portfolio Weight	Range
UK Direct (consisting of the two new separate mandates of care and maintenance and bad bank portfolios)	No leverage, specialist active management, and high-income return component.	0% Care and Maintenance 0% Bad Bank	3%	2-4%
UK Indirect (balanced and specialist investment strategies via pooled vehicles which are intended to match performance of the broad property index – whilst providing diversification benefits)	Low to moderate use of leverage, benchmark level active management, and high-income return component.	0% Balanced Funds	3.5%	2-5%
	Moderate use of leverage, specialist active management, and low to medium-income return component with higher capital return.	2% Specialist through sector or value add and other alternative asset classes	1.5%	0-3%

(c) That the pacing of commitment to UK property to continue at an average of c.

£250m per annum in order to meet a "realistic" target of allocation of 8% of the Main Fund allocation by end of 2024.

(d) That it is recognised that the portfolio may not fall within its target ranges from time to time to reflect, *inter alia*, portfolio repositioning.

(ix) In respect of Overseas Property Portfolio – Review of Strategy and Implementation:

(a) That the medium-term strategic allocation for the Overseas portfolio remains at 2% by value of the total Main Fund assets

(b) That the Overseas Property target risk remains:

Risk Factor	Investment Characteristics	Outperformance over UK IPD	Target Portfolio Weight	Range
Matching (core and core plus strategies which are intended to match long running UK IPD – whilst providing diversification benefits)	Low to moderate use of leverage, benchmark level active management, and high-income return component.	0% (Europe and US) 2% (Rest of World)	50%	40 – 60%
Enhancing (value add and opportunistic strategies which are intended to enhance long running UK IPD through active management)	Moderate to high use of leverage, above benchmark level of active management and high capital value return component.	4% (Europe and US) Enhancing strategies in the Rest of the World will not be considered.	50%	40– 60%

(c) That the Overseas Property target geographic diversification remains:

Geography	Target Portfolio Weighting	Range
US	45%	30 – 60%
Europe	45%	30 – 60%
Rest of the World	10%	0 – 20%

(d) That the pacing of commitment to funds to increase to £150 - £200m per annum in order to meet a "realistic" target allocation of 2% of the Main Fund allocation by end of 2024.

(e) That it is recognised that the portfolio may not fall within its target ranges from time to time to reflect, *inter alia*, portfolio repositioning.

(x) In respect of Property Venture Fund – Review of Strategy and Implementation:

(a) the medium term strategic allocation for the GMPVF portfolio remains at 3% by value of the total Main Fund assets

(b) the target geographical diversification of the GMPVF portfolio remains:

Geography	Target Range
Greater Manchester	60%-100%
Northern LGPS Area (ex GM)	0%-40%

(c) the investment stage diversification of the GMPVF portfolio remains:

Stage	Target Range

Income Generating Property	**20%-45%**
Development Equity	**5%-25%**
Development Mezzanine Debt	**15%-35%**
Development Senior Debt	**15%-35%**

(d) the sector diversification of the GMPVF Income Generating Properties remains:

Stage	Target Range
Industrial	**25%-45%**
Offices	**25%-45%**
Other (Retail, Leisure, Housing, Alts.)	**20%-40%**

(e) the permitted range of exposure to speculative risk, based on a percentage of the total amount committed by GMPVF, remains:

	Range % of Committed
Pre - Let	**20-100**
Speculative	**0-80**

(f) Commitments to projects continue to be scaled and timed such that, combined with investments in income producing property and likely realisations of existing developments, the allocation is deployed over the medium term.

(g) It is recognised that at any given time the portfolio may vary significantly from the target ranges shown at 3.4 – 3.9.

(xi) In respect of Impact and Invest for Growth Portfolio:

(a) The medium term strategic allocation for the Impact portfolio remains at 2% by value of the total Main Fund assets

(b) The Impact Theme target diversification for the Impact portfolio remains:

Impact Themes	Target % Range
Loans to SME's	**30% - 40%**
Social Infrastructure	**20% - 30%**
Property Dev in underserved markets	**15% - 25%**
Renewable Energy Infrastructure	**10% - 20%**
Social Impact Bonds	**5% - 10%**
Equity Invest in Underserved Markets	**20% - 30%**
Total	**100%**

(c) The pacing of commitment to funds to continue at £80m pa, to meet the “realistic” target of allocation of 1.5% of Main Fund allocation by end of 2024.

(d) It is recognised that the portfolio may not fall within the target ranges at 8.3 from time to time to reflect, inter alia, portfolio repositioning.

(e) The Investment Mandate for this portfolio (reported as a separate item) is adopted to ensure appropriate monitoring arrangements.

(xii) In respect of Global Equity 'Purchase/Sale' Trigger Process – Update of Fair Value Estimate, Trigger Points and Size of Switch; that the Panel adopt the updated pro tem Fair Value estimate and trigger points (Table 5) associated with "Option 3" from Appendix 2 together with the updated ‘size’ of the maximum asset switch to be targeted, as contained within the report; and that a further report be tabled at the forthcoming meeting of Panel or the subsequent P&D Meeting, on completion of the due diligence referred to within the report.

(xiii) In respect of Academy Consolidation; that the recent developments regarding the proposed consolidation be noted; and Comments on the draft response, as circulated, be provided to the Director of Pensions before 30 June 2021.

9. WORKING GROUP MEMBERSHIP 2021/22

Consideration was given to a report of the Director of Pensions, which gave details of the appointments to the Working Groups, Scheme Governance and Terms of Reference.

RECOMMENDED
That the content of the report including the membership of the Working Groups, Scheme Governance and Terms of Reference, be noted.

10. RESPONSIBLE INVESTMENT UPDATE Q1 2021

The Assistant Director of Pensions Investments, submitted a report and delivered a presentation providing Members with an update on the Fund's responsible investment activity during Q1 2021.

It was explained that the Fund was a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, the Fund was required to publicly report its responsible investment activity through the PRI's 'Reporting Framework'.

Upon becoming a PRI signatory, the Fund committed to the following six principles:

1. We will incorporate ESG issues into investment analysis and decision making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles

A summary of the Fund's Responsible Investment activity for Q1 2021 against the six PRI principles was detailed in the report.

Details of GMPF's Responsible Investment partners and collaborations were appended to the report.

Detailed discussion ensued in respect of the Fund's commitment to Responsible Investment and Members commented on the encouraging progress achieved to date, whilst acknowledging that there was still work to be done.

The Chair thanked the Assistant Director for the comprehensive and informative presentation, which detailed the action taken towards the goal to achieve a net zero carbon Fund and demonstrated the Fund's approach to a Just Transition.

RECOMMENDED
That the content of the report be noted.

11. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, GMPF, providing an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

It was reported that, on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

Government had yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. MHCLG civil servants continued to indicate that a new consultation on pooling guidance and potentially, changes to the LGPS Investment Regulations were expected sometime later in the year. In the short-term there may be a ministerial statement on the Government's commitment to pooling.

MHCLG had issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future.

MHCLG was keen for all pools to be reporting cost savings on a consistent basis and representatives of Northern LGPS, ACCESS and the Wales Pensions Partnership had been invited to attend the meetings which take place between the Chief Operating Officers of the five pools which operated their own FCA regulated fund manager in order to discuss how this could be achieved going forward.

Based on the information shared at the meetings, Northern LGPS has used similar methodology to most of the other pools when calculating cost savings in previous years and whilst a consistent LGPS-wide methodology is yet to be agreed, it was expected that no significant changes would need to be made by Northern LGPS when calculating both achieved and projected future savings for this year's MHCLG progress report.

Northern LGPS' cost savings for 2020/21 were expected to be between £25m and £30m (increasing from approximately £21m in 2019/20), giving total savings since inception of between £65m and £70m. These figures were consistent with the future projections made last year. The increase in costs savings achieved was as a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles.

Members were advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2021 year end accounts and an annual report. At the Joint Committee meeting in July 2020 it was agreed that a 2020 Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. It was proposed that a 2021 Pool Annual Report be produced following confirmation of the basis for calculating cost savings as previously detailed and that the Fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

It was reported that all pools, other than Northern LGPS, had agreed to work with a financial services consultant with the aim of developing new reporting metrics for Pools to show the on-going and future success of pooling. Further details of the proposed project were set out in an appendix to the report.

The minutes of the Northern LGPS Joint committee meeting which took place on 15 April 2021 were attached to the report for information.

RECOMMENDED
That the content of the report be noted, including the estimated 2020/21 cost savings of the Northern LGPS.

12. LGPS PERFORMANCE UPDATE – TRAINING ITEM

Karen Thrumble of PIRC, attended before Members and delivered a presentation, which provided an overview of the Fund's investment performance within a long-term, peer group context to enhance governance and improve decision making.

The Chair thanked Ms Thrumble for a very engaging and thought provoking presentation and for staying up to deliver from New Zealand.

RECOMMENDED
That the content of the presentation be noted.

13. INVESTMENT STRATEGY AND TACTICAL POSITIONING 21/22

Consideration was given to a report and presentation of the Assistant Director of Pensions, Investments, to review the benchmark asset allocations for the Main Fund and Investment Managers and to consider changes to the investment restrictions.

It was reported that the Investment Managers and Advisors believed that the current investment strategy was broadly capable of delivering the required returns over the long term (albeit there were short/medium term caveats). Economic uncertainties remained, with a medium term outlook, while broadly positive, could potentially encompass a number of unattractive scenarios. In such circumstances, it was not apparent that any significant changes to the Fund's approach would prove beneficial, other than the diversification methods already being employed by the Fund.

The increasing maturity profile of Fund employers as public sector spending reductions continued, were likely to reduce the tolerance of the Fund to its volatility of returns between years. Officers continued to work with Hymans Robertson (Hymans) on this issue. Options were being considered for better aligning Employers' investment strategies to their own funding position, which would help to reduce the funding level volatility of individual employers, and therefore the Fund as a whole.

Attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers as issues that had been raised during the 2019 Actuarial Valuation were followed up.

Historically, the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to around 7% of Main Fund assets. Separately and where appropriate, 'realistic' benchmarks for Private Market assets and Local Investments would be increased to reflect the progress made in implementing these portfolios during 2020/21. The likelihood of reaching these strategic benchmark weights would of course depend on how markets behaved over that timeframe. The rapidly rising equity markets of recent years had meant an increased £ amount allocation was required to reach the target weights.

One immediate implication of the increasing maturity of the Fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets, and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund's Investment Managers over the coming years. Additional cash required over and above that currently held within the Fund would be sourced from the Main Fund's roster of public markets equities and investment grade bond Investment Managers.
In line with the recommendations from the 2019/20 Investment Strategy Review, Officers funded the 10% Main Fund allocation to the Factor Based Investment and the 2% increase in the global equity mandate managed by Ninety One during the second half of 2019. Funding was sourced from the legacy Capital mandate that was temporarily held with L&G pending the implementation of

these replacement arrangements.

Following the 2017/18 Investment Strategy Review, the Fund introduced a Main Fund allocation to Private Debt, funded from a reduction in equities, to diversify the Main Fund, reducing the reliance on Public Equities as the source of growth assets. The Senior Private Debt allocation within the Special Opportunities Portfolio was promoted into a standalone Main Fund allocation. Additional commitments to Private Debt have since been made and the portfolio was now 2.5% of the total value of the Main Fund. Officers had reviewed the Fund's current exposures to Private Debt across the Main Fund to potentially enhance portfolio construction, oversight and monitoring.

It was concluded that the Fund was facing a range of strategic and tactical investment related issues, each having their own 'research agenda' in terms of background work, policy formulation and practical implementation. How the Fund addressed these issues and implemented suitable changes, would be a critical determinant of its standing in 5 or 10 years' time.

Discussion ensued with regard to the above and the Advisors were broadly supportive of the proposals. The complex nature of measuring ESG performance was also explored.

RECOMMENDED

1. Main Fund Overall Asset Allocation

(a) No changes proposed for the 'fully implemented' benchmark asset allocation.

(b) Adjust the Public Equity to take account of the changes in 'realistic benchmark' allocations to Private Debt *[see 5. (f) below].* More specifically, reduce the Public Equity allocation by 1.0% (from 47.3% to 46.3%) to take account of this changes.

2. Public Equity Allocation

(a) Recouch the current 'rules' for the Public Equity allocation in order to simplify the presentation of the current and future positions and so help ensure a clearer appreciation of these key matters amongst all involved.

- **Set the Public Equity benchmark allocation as 46.25% of Main Fund assets.**
- **Maintain the current Public Equity allocation as 64% Regional and 36% Global.**
- **Maintain the current Regional Public Equity split as per the table below:**

Region	**Current Split (%)**
North America	**6**
UK	**44**
Europe (ex UK)	**20**
Japan	**10**
Pacific	**7**
Emerging Markets	**13**

- **Maintain the current Regional Public Equity allocation as being managed 83% by UBS (ACTIVE) and 17% by L&G (INDEX TRACKING).**
- **Maintain current Global Public Equity as 41% Global Equity (managed by Ninety One) and 59% Global Developed Equity (managed by SciBeta).**
- **Take account of an aspirational target for the split of overall public equity assets managed actively versus index tracking, to be in the ratio 2/3 active : 1/3 index tracking.**
- **Take account of the aspiration to retain UBS' 'deep value' management proposition wherever possible.**

(b) Introduce routine explicit measurement of the effect on Main Fund performance of implementing the overall GMPF equity shape vs the Market

Cap shape.

(c) Adopt a "strategic direction of travel" in terms of moving gradually over a number of years from the recouched current mix of the Regional Equity allocation (as set out above) towards a Market Cap weighted shape in the form of the MSCI ACWI index.

(d) Adopt a two-pronged approach to timing and pacing the journey towards the Market Cap shape for the Fund's Regional Public Equity allocation :

1) Routinely move gradually towards the Market Cap shape in 10 'equal proportionate value steps' over a period of 10 years. The first such routine move would occur following approval by Panel and finalisation of arrangements; and

2) Develop a suitable "one way", rules based equity market valuation "signal" arrangement, designed to speed up the rate of strategic transition towards the Market Cap shape when relative market pricing appears particularly attractive. Such "signal" arrangement to also target a broadly 10% point closing of the current 'gap' between the recouched current Regional Public Equity allocation and the Market Cap shape.

3. Debt Related Investments (inc Bonds)/Cash Allocation

(a) No changes proposed for the overall bond position – maintain current overall benchmark allocation for bonds.

(b) No change to the 3.2% allocation to Strategic Cash.

(c) Formally adopt the revised 'liquidity waterfall' defined under Section 11 and in line with it source the 2021/22 cash requirements from : (1) internal In House cash, (2) a fixed pro-rata slice (based on AUM as at 30 June 2021) from UBS, L&G, SciBeta and Ninety One.

4. Environmental, Social and Governance Factors

(a) No changes proposed for the Fund's incorporation of ESG factors into the strategic benchmark and investment strategy.

5. Alternative Investments

(a) Private Equity : The recommendations of the Policy & Development Working Group be adopted (minute 5 refers).

(b) Infrastructure : The recommendations of the Policy & Development Working Group be adopted (minute 7 refers).

(c) Private Debt : The recommendations of the Policy & Development Working Group be adopted (minute 6 refers).

(d) Special Opportunities Portfolio : The recommendations of the Policy & Development Working Group be adopted (minute 8 refers).

(e) Maintain the strategic target allocation to private equity at 5%.

(f) Change the realistic allocation to Private Debt from 2.0% to 3.0%.

(g) Maintain the realistic allocation to Infrastructure and Special Opportunities Portfolio at 3.5% and 2.0% respectively.

(h) All increases in realistic allocation to Private Debt to come entirely from Public Equities.

6. Direct UK Infrastructure

(a) Maintain the realistic allocation to GLIL of 3%.

(b) The commitment to GLIL be maintained at £1bn, with the phasing of commitments above the current £800m being at the discretion of the Director of Pensions.

7. **Property**

(a) **Maintain the overall strategic target exposure to property at 10% and maintain the phased increase in 'realistic benchmark' allocation over two years reflecting the forecast investment programmes, and moving to the 10% target.**

(b) **Continue to phase in 'realistic benchmark' allocations and movement towards the 10% target, as follows :**

	2022 Realistic% Range% Cash flow	2023 Realistic% Range% Cash flow	2024 Realistic% Range% Cash flow
Direct Portfolio (care and maintenance and bad bank)	3.00 2-4 n/a	3.00 2-4 n/a	3.00 2-4 n/a
UK Balanced Funds	3.00 2-5 £150m	3.25 2-5 £100m	3.50 2-5 £125m
UK Specialist and Other	1.00 0-3 £100m	1.25 0-3 £80m	1.50 0-3 £85m
Overseas	1.50 1-3 £175m	1.75 1-3 £175m	2.00 1-3 £175m
Total	8.50 6-10 £425m	9.25 7-11 £355m	10.0 8-12 £385m

(c) **The recommendations of the Policy & Development Working Group be adopted (minutes 9 and 10 refers).**

8. **Local Investment**

(a) **Maintain the overall limit on those assets which are locally invested at 5% of Main Fund as agreed at the July 2011 Panel.**

(b) **Continue to phase in 'realistic benchmark' allocations to reflect the movement towards the respective targets for the three elements of GMPVF, Impact and Northern LGPS Housing, as follows:**

	2022 Realistic% Range% Cash flow	2023 Realistic% Range% Cash flow	2024 Realistic% Range% Cash flow
GMPVF	1.5 1-2 (£20m)*	2.0 2-3 £100m	2.5 2-3 £100m
Impact Portfolio and legacy I4G	1.25 1-2 £40m	1.5 1-2 £80m	1.5 1-2 £80m
Northern LGPS Housing	0.25 0-0.5 £50m	0.5 0-1 £50m	0.75 0-1 £50m
Total	3.0 2-4 £70m	4.0 3-5 £230m	4.75 3-5 £230m

Net cash inflow driven by the opportunistic disposal of Plot 5 First St.

(c) **The recommendations of the Policy & Development Working Group be adopted (minutes 11 and 12 refers).**

9. **Currency hedging**

(a) **Maintain the existing currency hedging arrangements and review at future reviews of investment strategy. No other changes are proposed to the management of currency exposure elsewhere within the Fund at this stage.**

10. **Rebalancing**

(a) **Continue to monitor the Main Fund formally once each year immediately following the review of Investment Strategy and rebalance back to the Main Fund benchmark allocation as necessary.**

(b) **Take account of aspirational targets for the split of assets managed actively versus index tracking at 2/3 active: 1/3 index tracking and the aspiration to retain the UBS' 'deep value' proposition wherever possible.**

(c) **Any developmental changes to the Fund's approach to rebalancing and its implementation to be considered as part of the Fund's review of Investment Management Arrangements.**

11. **Benchmark Indices**

(a) **The long-held benchmark indices detailed within table below are confirmed by the Panel as being the Fund's current benchmark indices.**

Asset Class	Indices
UK Equities	FTSE All Share
Overseas Equities	
North America	FTSE AW North America Index
Europe (ex UK)	FTSE AW Dev Europe ex UK Index
Japan	FTSE AW Japan Index
Asia Pacific (ex Japan)	FTSE AW Dev Asia Pac ex Japan Index
Emerging Markets	FTSE AW Emerging Market Index
Global Equities	MSCI ACWI with Special Taxes GBP
UK Gilts	FTSE UK Gilts All Stocks Index
O/S Fixed Income	JPM World Ex UK Government Bond Index
UK Corporate Bonds	Barclays Inv Grade Sterling Non-Gilts All Mats Index
O/S Corporate Bonds	Barclays Global Aggregate Credit Index
UK Index-Linked	FTSE UK Gilts IL All Stocks Index
US TIPS	Barclays US TIPS
Multi-Asset Credit	LIBOR 3 Month + 4%
Cash	LIBID 7 Day
Alternatives	
Private Equity	FTSE All Share
Private Debt	LIBOR 3 Month + 5%
Infrastructure	RPI + 4%
GLIL Direct UK Infrastructure	RPI + 4%
Special Opportunities	RPI + 4%
Impact/Local Investments	RPI + 4%
Property	IPD UK Monthly Property Index

(b) **Benchmarks for alternatives and multi-asset credit to be reconsidered as part of the wider review of the Fund's benchmarks.**

(c) **Benchmarks underlying the index-tracking mandates managed by L&G to be**

reviewed in light of developments in integrating responsible investment and ESG factors into benchmarks.

12. Implementation

(a) The nature, timing and detailed implementation of any benchmark changes necessary to reflect the decisions of the Panel be settled by the Director of Pensions following consultation with the Advisors and/or managers where appropriate.

14. INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions Investments submitted a report, which considered the Fund's Investment Management arrangements and the appointments of the Fund's external active Securities Managers.

It was explained that the Investment Management arrangements of the Fund reflected a wide range of significant decisions concerning how the Fund chose to position itself in terms of the management of its assets. These significant decisions included, inter alia, a consideration of the choice of benchmark and the detail of any bespoke benchmark, and whether, for example, to adopt active versus passive management or specialist versus multi-asset management.

John Dickson and Elaine Torry of Hymans Robertson then presented before Members addressing two areas of focus with respect of the Fund's review of Investment Management arrangements, as detailed in the previous Review of Investment Management Arrangements report to the September 2020 meeting of the Panel:

- A review of the pros and cons of using multi asset versus specialist managers; and
- The role of the Absolute Return Funds within the Special Opportunities Fund.

The presentation outlined a number of potential next steps.
An update on a recent review of investment manager arrangements – areas of focus, was also given.

Discussion ensued and the Advisers commented in general on the direction of the Fund and were supportive of the recommendations. Mr Powers commented on the counter cyclical approach that the Fund had historically taken and encouraged the Fund to maintain that approach which had served it well. Mr Bowie considered that the review of Investment Management Arrangements represented good, disciplined 'housekeeping'.

The Chair thanked Mr Dickson and Ms Torry for a very informative presentation.

RECOMMENDED
That the content of the report and presentation be noted and that the recommendations, as specified in the Hymans Robertson report, be approved.

15. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions Investments, providing high level, investment performance information, including the value of the Pension Fund Investment Portfolio, the performance of the Main Fund, and the over/under performance of the external Fund Managers against benchmark.

The key information from the Quarter 1 2021 Performance Dashboard was summarised. It was explained that the first quarter of 2021 delivered two main surprises: faster-than-expected vaccine rollouts and bigger-than-expected US fiscal stimulus. The backdrop of vaccination-led re-openings, plus substantial monetary and fiscal stimulus, had driven expectations for a faster economic recovery. The improved growth outlook and signs of re-emerging inflation pushed 10-year US Treasury yields sharply higher. US 10-year Treasury yields rose 0.8% p.a. to 1.7% p.a. and UK yields rose 0.7% p.a. to 0.8% p.a.. UK Implied inflation (as measured by the difference between conventional and inflation-linked bonds of the same maturity) had risen 0.4% p.a. since the start of the year, as nominal yields rose more than real yields. Current futures pricing indicated that the US Federal Reserve (Fed) would start raising interest rates in 2022.

However, the Fed reiterated at its March meeting that it had no plans to raise interest rates until the end of 2023 and was willing to let the US economy "run hot". The Fed's view was that the spike in inflation would prove temporary and was due to base effects and demand-supply mismatches caused by the COVID-19 pandemic. So, given the economy remained a long way from their employment and inflation goals, the majority of the Federal Open Market Committee members did not expect to raise rates until 2024. Expectations of negative interest rates in the UK had all but evaporated.

In corporate bond markets, investment grade bonds suffered from the impact of higher government bond yields and ended the quarter with negative returns. Riskier higher-beta-lower-rated segments of the markets (such as High Yield) benefitted from a compression in spreads and posted positive returns over the quarter. Global equities continued to deliver positive returns in the first quarter. The improving economic outlook was favourable for the more cyclical sectors, such as materials, industrials or oil & gas and resulted in a rotation out of growth into value stocks. On a quarterly basis, S&P Value outperformed S&P Growth by the biggest margin since the aftermath of the dotcom bubble in 2001.

Over the quarter total Main Fund assets increased by £709 million to £25.8 billion. Allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continued apace with allocations expected to increase further over the coming years. Following the review of Investment Strategy, further changes to the ‘realistic’ strategic allocations to alternatives were made in Q3 2020.

Within the Main Fund, there was an overweight position in cash (of around 1% versus target respectively). The property allocation continued to be underweight (by around 3.0%) versus its benchmark. This was offset by an overweight position in equities.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.3 billion of additional assets.

The Main Fund outperformed its benchmark over Q1 2021. Relative performance over 1 year was positive, whilst over 3 years it remained negative. The Main Fund was ahead of its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q1 2021, 1 year active risk remained elevated having risen sharply over the preceding quarter. This has resulted in a marked increase in active risk over 3 and 5 year periods. However, over longer time periods, active risk of the Main Fund remained broadly consistent at around 1% pa. Risk in absolute terms (for both portfolio and benchmark) having increased substantially over Q4 2020 and had somewhat moderated in Q1 2021. Risk was expected to moderate further over the coming months as the effects of the pandemic subsided.

As at the end of Quarter 1; Over a 1 year period three of the Fund’s active securities managers had underperformed their respective benchmarks whilst one manager outperformed its benchmark. Over a 3 year period, two of the managers had underperformed their respective benchmarks whilst one manager had outperformed its benchmark. The long-term performance of one manager remained strong. The performance history of the Factor Based Investing portfolio was extremely short, so at this very early stage no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

16. LONG TERM PERFORMANCE 2020/21 – MAIN FUND AND ACTIVE MANAGERS

The Assistant Director of Pensions Investments, submitted a report, which advised members of the recent and longer term performance of the Main Fund as a whole and of the external Public Markets active Fund Managers. Detailed results covering periods up to 30 years were given.

The performance of UBS over their time as a Manager for the Fund and short term only performance for Ninety One since their inception in 2015/16, were displayed.

RECOMMENDED
That the content of the report be noted.

17. CASH MANAGEMENT

A report was submitted by the Assistant Director of Pensions Investments, which explained that the Fund adopted a relatively prudent approach to its cash management. The report outlined the constraints in place to ensure an appropriate level of prudence, focusing primarily on capital preservation and secondly on higher returns. It also detailed the performance achieved over the last three years.

The report concluded that the Pension Fund's cash had been generally well managed. Performance in 2019/20 exceeded market returns and total interest received was £5.4 million.

RECOMMENDED
That the content of the report be noted.

18. PROPERTY MANAGEMENT

Consideration was given to a report of the Assistant Director, Local Investments and Property detailing the 2019 performance review of the main UK property portfolio managed by LaSalle Investment Management and the internally managed UK Balanced Funds. The report further provided detail of H1 2020 valuation impact of Covid-19 of the main UK property portfolio.

Members were advised that a strategic review into the property allocation, conducted by officers and GMPF's strategic advisors had been on-going. This had led to the establishment of a new Northern LGPS Property Framework, whereby GMPF and its pooling partners (either individually or collectively) could procure managers for the various services it required during the length of the framework (7 years). Further recommendations would be made in the future as to when the current mandate would be re-tendered through the framework.

It was explained that the previous expansion of the Fund's overall property investment portfolio was achieved, in part, by investment in indirect property vehicles. The majority of these were generalist balanced pooled vehicles, which were selected by the Director of Pensions with the specific aim of increasing the overall exposure of GMPF to property across a range of sectors. These were monitored by the in-house Local and Property Investments Team.

The UK Balanced Fund portfolio had delivered a strong performance over a 1 and 3 year period. Monitoring of this exposure would continue by the internal team.

RECOMMENDED
That the content of the report be noted.

19. MIFID II: CLIENT CATEGORISATION

The Assistant Director of Pensions Investments submitted a report, which explained that since 2018, the Financial Conduct Authority's implementation of MiFID II had categorised Local Authorities as Retail Clients but allowed LGPS administering authorities to "opt-up" to Professional Client status. GMPF had used this opt-up provision since the introduction of MiFID II in 2018.

Continuing to opt-up to Professional Client status would enable the Fund to continue to operate in the way that it had done to date and to continue to access the full range of investment products and services necessary to implement the Investment Strategy.

A change from the current Professional Client status would severely hamper the Fund's ability to implement its Investment Strategy.

RECOMMENDED

(i) That GMPF continues to opt-up to elective Professional Client status wherever required in pursuit of implementing its Investment Strategy and;

(ii) That the Director (or her nominated delegates) continue to be authorised to implement the opt-up, as necessary.

20. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions providing an update on the current business planning and budget setting process. It also highlighted the current key risks being monitored.

Members were informed that, each year, GMPF prepared an annual business plan to provide strategic direction and to assist with the planning and monitoring of performance. At the September 2020 Pension Fund Management Panel meeting, the Director of Pensions undertook to review GMPF's strategic objectives to ensure they remained relevant and to revise the business planning process to ensure both the process and format allow for effective monitoring and scrutiny. This review had now concluded and a new detailed business plan for 2021/22 had been drawn up. Details were provided in Appendix A to the report.

The overall aim and emphasis of the strategic objectives recommended remained broadly similar, with updates made to the wording to provide clarity and reflect current ambitions and expectations. There were six key strategic projects that were outlined within the appendix, together with brief details of all the objectives within the plan. All projects and business as usual objectives were now documented in detail within a single spreadsheet to enable the Director and officers to monitor and analyse progress each month.

In terms of the budget, it was explained that GMPF's financial position was determined by two main elements, the first being the receipt of contributions and payment of pension benefits and the second being the performance and costs of its investment portfolio. The third element was the cost of governance, oversight and administration, which had far less material impact. However, it was important that this was managed and monitored effectively to ensure value for money was being achieved and to provide assurance that the service was being managed in line with expectations and linked to the business plan actions as identified in Appendix A. The budget, which excluded investment management fees was set out across expenditure type in Appendix B to the report.

CIPFA guidance for annual reports of LGPS Funds required these reports to include medium term financial planning. Management Panel approved a version of this in April. A revised addition following more certainty of asset values was presented for approval at Appendix C to the report.

In terms of risk management, the overarching risk register was reviewed and updated at least once each quarter and the latest version was attached to the report at Appendix D.

RECOMMENDED
(i) That the current Business Plan and Budget. as detailed in appendices to the report, be approved; and
(ii) That the risk register and the controls in place to mitigate each risk, be noted;

21. EMPLOYER FLEXIBILITIES

The Assistant Director of Pensions, Funding and Business Development, submitted a report which sought approval for the updated employer flexibilities policy, following the consultation exercise with employers.

The responses to the consultation exercise were summarised in the report. It was explained that four responses had been received, which were supportive of introducing the policy with employers recognising that the new powers would provide considerable flexibility in managing employer exits. Some responses sought increased employer input into the usage of these new powers and allowing employers more influence over the investment strategy of their notional section of the Fund. Three of the four responses requested that there should not necessarily be a move towards more prudent investment strategies for exiting employers and there should instead be case-by-case consideration of whether an employer's covenant could support the GMPF Main Fund investment strategy. Where considered appropriate, the suggestions made in the responses had been reflected in the updated version of the policy attached as Appendix A to the report.

Information was given in respect of a specific employer regarding ceasing accrual of benefits in GMPF with effect from 1 August 2021. Options being considered by the employer were outlined in the report.

RECOMMENDED
That the updated Employer Flexibilities Policy, as detailed in the appendix to the report, be approved.

22. LGPS UPDATE

Consideration was given to a report of the Director of Pensions providing the Panel with an update on the latest developments regarding the Local Government Pension Scheme, as follows:

- Guidance on Special Severance Payments
- DWP Pension Scams Consultation
- High Court judgment on exit credits
- McCloud Update
- MAPS Pension Dashboard update
- The Pensions Regulator

RECOMMENDED
That the content of the report be noted, including the potential impact and implications for the LGPS and GMPF.

23. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

European Real Estate Debt: A Compelling Market Opportunity (Barings LLC)	**30 July 2021**

PLSA Annual Conference - Virtual	**12-14 October 2021**
LGE Fundamentals Training Day 1 - Leeds	**21 October 2021**
LGE Fundamentals Training Day 2 - Leeds	**18 November 2021**
LGE Fundamentals Training Day 3 - Leeds	**8 December 2021**
LAPFF Annual Conference - Bournemouth	**8-10 December 2021**
LGE Annual Governance Conference - Bournemouth	**20-21 January 2022**

24. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**17 Sept 2021** **10 Dec 2021** **18 Mar 2022**
Local Pensions Board	**29 July 2021** **30 Sept 2021** **13 Jan 2022** **7 April 2022**
Policy and Development Working Group	**2 Sept 2021** **25 Nov 2021** **3 Mar 2022**
Investment Monitoring and ESG Working Group	**30 July 2021** **1 Oct 2021** **21 Jan 2022** **8 April 2022**
Administration and Employer Funding Viability Working Group	**30 July 2021** **1 Oct 2021** **1 Jan 2022** **8 April 2022**

CHAIR