

# **GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL**

**16 July 2021**

**Commenced: 10.00am**

**Terminated: 12.30pm**

**Present: Councillor Warrington (Chair)**

**Councillors: Barnes (Salford), Connor (Bolton), Cooney, Cunliffe (Wigan), Grimshaw (Bury), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), Naylor, Newton, Patrick, Ricci, T Sharif, M Smith, Taylor (Stockport), Ward, Wills and Ms Herbert**

**Fund Observers:**

**Mr Pantall**

**Apologies for Absence: Councillors J Homer 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 noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 19 March 2021 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, 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 beneficiaries and/or tax payers.

## **5. LOCAL PENSIONS BOARD**

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 8 April 2021 were considered.

#### **RESOLVED**

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

## **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

#### **RESOLVED**

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

## **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

### **RESOLVED**

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

## **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

### **RESOLVED**

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

## **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.

### **RESOLVED**

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

## **10. RESPONSIBLE INVESTMENT UPDATE Q1 2021**

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

### **RESOLVED**

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

## **11. POOLING UPDATE**

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

### **RESOVLED**

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

## **12. LGPS PERFORMANCE UPDATE – TRAINING ITEM**

Karen Thumble 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.

### **RESOLVED**

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

## **13. INVESTMENT STRATEGY AND TACTICAL POSITIONING 21/22**

Consideration was given to a report and presentation of the Assistant Director of Pensions, Investments.

**RESOLVED**

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

**14. INVESTMENT MANAGEMENT ARRANGEMENTS**

A report of the Assistant Director of Pensions Investments was submitted and a presentation of John Dickson and Elaine Torry of Hymans Robertson was received.

**RESOLVED**

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

**15. 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.**

**16. LONG TERM PERFORMANCE 2020/21 – 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.**

**17. 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.**

**18. PROPERTY MANAGEMENT**

A report of the Assistant Director, Local Investments and Property was submitted.

**RESOLVED**

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

**19. MIFID II: CLIENT CATEGORISATION**

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.**

**20. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT**

A report of the Director of Pensions was submitted.

**RESOLVED**

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

**21. EMPLOYER FLEXIBILITIES**

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

**RESOLVED**

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

**22. 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.

**23. FUTURE DEVELOPMENT OPPORTUNITIES**

Trustee development opportunities were noted as follows:

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