

**GREATER MANCHESTER PENSION FUND  
MANAGEMENT PANEL**

**17 September 2021**

**Commenced: 10.00am** **Terminated:12.25pm**

**Present: Councillor Warrington (Chair)**

**Councillors: Andrews (Manchester), Cooney, Grimshaw (Bury), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), Naylor, Newton, Ricci, T Sharif, M Smith, Taylor (Stockport), Ward, Wills and Ms Herbert**

**Fund Observers:**

**Mr Pantall**

**Apologies for Absence: Councillors Barnes (Salford), Connor (Bolton), Cunliffe (Wigan), J Homer, Patrick 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.***

**25. CHAIR'S OPENING REMARKS**

The Chair began by welcoming everyone to the meeting including new member, Scott Caplan representing UNISON, replacing Pat McDonagh who had retired. She extended her best wishes to Pat for a happy and fulfilling retirement. The Chair further announced that Councillor Jack Naylor would be taking up a vacancy on the Local Pensions Board and would, therefore, no longer be a Member of the Management Panel.

The Chair extended best wishes to Kemi Badenoch MP, the new Minister responsible for Local Government Pensions.

The Chair was pleased to announce that the Fund had partnered with the Actuary, Hymans Robertson, to access their LGPS Online Learning Academy. The online platform was designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and would supplement development plans, which had changed somewhat during Covid. There was a growing need for LGPS funds to demonstrate that their committees and board members had an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board's Good Governance project - MiFID II and increasing scrutiny from The Pensions Regulator, the expectation for Members to have the requisite skills and knowledge had never been greater.

The Chair was delighted to report that Greater Manchester Pension Fund, along with a small number of asset owners, fund managers and service providers, including Hymans, had been approved as a signatory to the Financial Reporting Council's UK Stewardship Code 2020 under their first assessment process. The UK Stewardship Code 2020 set high stewardship standards for those investing and looking after money on behalf of UK savers and pensioners, and those that supported them. Stewardship was the responsible allocation, management and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. To become a signatory to the Code, organisations must submit to the FRC, the Financial Reporting Council, and a Stewardship Report demonstrating how they had applied the Code's Principles in the previous 12 months. The FRC assessed the report and if it met their reporting expectations, the organisation would be listed as a signatory to the Code. Once

listed, organisations must annually report to remain signatories. The best-practice benchmark comprised a list of 12 'apply and explain' principles for asset managers, owners and service providers. It was recently revised to impose tougher reporting requirements on investors. Applicants were required to undergo a rigorous review process, which included providing evidence of their stewardship activities and showing how they were integrating environmental, social and governance (ESG) factors into investment decisions. The result of the new toughened Code was that 64 previous signatories, including several major big name asset managers, were excluded from the list. Only two thirds of applicants made the list, with Greater Manchester Pension Fund one of only 23 asset owners, which successfully became signatories to the code.

Members were informed that, at a value of £28.2 billion, Greater Manchester Pension Fund was the UK's largest local government scheme and the 10<sup>th</sup> biggest Pension Fund in the UK and retained its position as the 150<sup>th</sup> largest in the World. The Fund had a long history of aiming for strong corporate governance and socially responsible investment and investing to achieve a positive ESG impact. The fund had dedicated more than £1billion to renewable and alternative energy projects - including dozens of wind farms in Scotland and across Europe - saving around hundreds of thousands tonnes of carbon annually and generating power for hundreds of thousands of homes. That's why being approved as a signatory to the UK Stewardship Code was a significant endorsement of the Fund's responsible investment processes and decision-making.

The Chair commented on the world's reliance on oil, gas and coal for most of its electricity, heating and transport and the conflict between what the Fund needed to do and what it could do, which explained why the Fund was being criticised for not divesting completely from fossil fuels before COP26 whilst gaining approval as a signatory to the Financial Reporting Council's stringent new UK Stewardship Code. Greater Manchester Pension Fund had not stopped investing in fossil fuels because it didn't make sense to divest completely from fossil fuels at this time.

Whilst climate change was the biggest existential risk that humankind had ever faced it was also the biggest financial risk for any contemporary investor on public and private markets. However, if every institutional investor in the world divested from fossil fuel companies tomorrow and those companies went out of business as a result, that would precipitate the end more quickly than if they doubled their investments in fossil fuels. Two thirds of global electricity still came from fossil fuels, according to Our World in Data, and for total energy that figure was 84%.

For the energy transition to work, new technologies, new energy sources and new plastics were required. In Europe, according to the British Plastics Federation, about 5% of oil and gas reserves were used in plastics production. Plastics could be made from renewable materials but, as the British Plastics Federation underlined, bioplastics were not automatically the more sustainable choice "*as any material required resources in their production*".

The Chair commented on the difficulties of calculating a company's carbon footprint and used the example of a manufacturer of solar glass, who may, for example have a higher carbon intensity score than a fossil fuel company because of the intense heat used to produce the glass. The plant where the glass was manufactured may run on electricity that was generated using fossil fuels. In China, where a high percentage of solar glass manufacturing took place, there was a good chance the electricity would come from a coal-fired power station. China was reducing its reliance on coal, but it couldn't without using "dirty" power.

The Chair explained that Greater Manchester Pension Fund assessed fossil fuel companies on governance, strategy, risk management, and metrics and targets, which was probably the best way to fulfil its fiduciary duties to members. Complete divestment would undoubtedly create sector imbalances in the portfolio and could lead to missed opportunities.

Castigating Greater Manchester Pension Fund's investment policy would achieve nothing. Instead, as Glasgow prepared to host COP26, the complexities of the climate crisis and the inevitable imperfections in the solutions should be acknowledged, but the Fund should continue to strive to get the right outcome for its pensioners and their children's children in ensuring carbon

neutrality was achieved expediently, with the least amount of risk. It was explained that disinvestment was not a panacea it was made out to be. Trustees and fund managers who looked after the Pension Fund had a challenging task ahead in deciding what was green and what was not.

The Chair made reference to the Agenda for the meeting and the annual presentation from Trucost, who would provide an update on the fund's Carbon Foot printing assessment of its equity and corporate bond holdings. The report and presentation also provided a 'mapping' exercise of the Fund's holdings against analysis undertaken by the Transition Pathway Initiative, a global, asset-owner led initiative, which assessed companies' preparedness for the transition to a low carbon economy. The Chair was pleased to note that the Fund were continuing to travel in the right direction at a faster rate than the average pension fund, towards carbon zero.

The Chair further referenced the Northern LGPS Responsible Investment (RI) Policy, which was also intended to be the RI Policy of the Fund, and how its adoption would build on strong ESG foundations to now explicitly mention human rights, public health, deforestation and water stewardship, which would increase the depth of policies. She added that there would also be focus on Northern LGPS's approach to its activity with companies based in the north of England. This would be in addition to taking further action on climate change.

The Fund was looking to proactively introduce industry-leading environmental standards for its energy investments. Under the scheme, which was based on the Task Force on Climate-related Financial Disclosures (TCFD), the fund would assess fossil fuel companies on governance, strategy, risk management and other targets. The initiative was part of the fund's drive to achieve net zero across its portfolio by 2050. The Fund would also be looking to set interim targets in line with the Paris Agreement of 2016 and recognised the ambitions of the UN's COP26 meeting being held in the city of Glasgow in November.

## **26. DECLARATIONS OF INTEREST**

There were no new declarations of interest submitted by Members.

## **27. MINUTES**

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 16 July 2021 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 16 July 2021 were signed as a correct record.

## **28. 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>
9, 10, 11, 12, 13, 15, 16, 17, 24, 25	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.

## **29. LOCAL PENSIONS BOARD**

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 29 July 2021 were considered.

### **RESOLVED**

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

## **30. INVESTMENT MONITORING AND ESG WORKING GROUP**

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 30 July 2021 were considered

### **RESOLVED**

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

## **31. 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 30 July 2021 were considered

### **RESOLVED**

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

## **32. POLICY AND DEVELOPMENT WORKING GROUP**

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 2 September 2021 were considered

### **RESOLVED**

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

## **33. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE**

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee were noted.

### **RESOLVED**

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

**34. RESPONSIBLE INVESTMENT UPDATE Q2 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**

**35. INVESTMENT STRATEGY STATEMENT**

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**

**36. UPDATE ON GMPF'S APPROACH TO CLIMATE RISK**

A report of the Assistant Director of Pensions Investments was submitted and a presentation from representatives of Trucost, was received.

**RESOLVED**

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

**37. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS**

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

**RESOLVED**

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

**38. 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.**

**39. 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**

**40. 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.**

**41. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2020-2021**

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

**RESOLVED**

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

**42. 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.**

**43. ADMINISTRATION UPDATE**

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

**RESOLVED**

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

**44. FUTURE DEVELOPMENT OPPORTUNITIES**

**Trustee development opportunities were noted as follows:**

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

**45. DATES OF FUTURE MEETINGS**

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

**CHAIR**