

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

7 October 2021

Commenced: 11.00am Terminated: 12.15pm

Present: Councillor Gerald P Cooney (Chair) Vice Deputy – Greater Manchester Pension Fund
Councillor Brenda Warrington Chair – Greater Manchester Pension Fund
Councillor Andrew Thornton Chair - West Yorkshire Pension Fund (WYPF)
Councillor Pat Cleary Chair – Merseyside Pension Fund
Councillor Cherry Povall Vice Chair – Merseyside Pension Fund (MPF)

In attendance:

Rodney Barton	Director of Pensions, WYPF
Sandra Stewart	Director of Pensions, GMPF
Euan Miller	Assistant Director of Pensions, Funding and Business Development, GMPF
Tom Harrington	Assistant Director of Pensions, Investments, GMPF
Paddy Dowdall	Assistant Director of Pensions, Local Investments and Property, GMPF
Steven Taylor	Assistant Director of Pensions, Special Projects, GMPF
Greg Campbell	Merseyside Pension Fund
Owen Thorne	Merseyside Pension Fund
Guy Hayton	Merseyside Pension Fund
Joanna Wilkinson	West Yorkshire Pension Fund
Alan McDougal	PIRC
Janice Hayward	PIRC
Tom Powdrill	PIRC
Conor Constable	PIRC

Apologies for Absence: Liz Bailey

11 DECLARATIONS OF INTEREST

There were no declarations of interest.

12 MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 8 July 2021 were agreed as a correct record.

13 POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development, GMPF, which provided an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

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

stated that the revised and agreed deadline for submission was the 24 September 2021, with the Northern LGPS submission, which set out assets pooled and cost savings achieved and projected in the future attached to the report at Appendix 1.

It was reported that Northern LGPS' cost savings for 20/21 had been calculated as £30.5m, giving total saving since inception of £71.1m. These figures were slightly higher than the future projections made last year and the estimated figures provided at the previous Joint Committee meeting. The increase in cost savings achieved was a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles and in particular the commencement of the private equity co-investment arrangement and Harbourvest.

The Assistant Director for Funding and Business Development explained that the cost savings of other LGPS pools were not known and the Government was expected to report aggregated figures across the LGPS as a whole. It was expected that individual pools' figures could be obtained via freedom of information requests. The Northern LGPS cost savings figures achieved to date would be publicly available via the Northern LGPS Annual Report.

It was stated that each of the partner funds in the Northern LGPS Pool were in the process of finalising their 31 March 2021 year end accounts and annual report. A final draft of the 2021 Northern LGPS Annual Report was attached at Appendix 2.

As reported at previous meetings of the Joint Committee the other seven LGPS Pools commissioned research into potential international comparators to LGPS, where the pooling process was at a more mature stage. The research sought to understand the issues and challenges these pools experienced in their evolution and to use the insights gained to support the LGPS Pools' own future development. A copy of the "LGPS in the UK: Learning from International Peers" report was made available to members of the committee.

Members of Committee discussed their performance in delivering savings relative to other LGPS Pools.

RESOLVED

That the report including the Northern LGPS' progress submission to Government as at 31 March 2021 and the final version of the Northern LGPS Annual Report.

14 SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions (MPF), the report provided an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that took place on the 20 September 2021.

Members of the Joint Committee were advised that attached the report at Appendix 1 was the actions and agreements from the meeting on the 19 July.

The principal items on the agenda for the 20 September 2021 included an update on the recent meeting of the Responsible Investment Advisory Group, the Chair of the RIAG group the Director of Pensions (GMPF) delivered an update on the items considered at the meeting of RIAG on the 1 September 2021.

Further, the Sub Committee also considered a report on the CIPFA Pensions Panel. It was reported that the CIPFA Pensions Panel had been wound up and it was proposed that the CIPFA Pensions Panel would be replaced by a SAB Committee. Clarity was being sought over the maintenance of extant CIPFA guidance for the LGPS.

It was reported that the IG&E Sub Committee also considered a report on Cost Transparency and Compliance, received an update on the Good Governance Project and received a DLUHC Regulatory Update.

The Director of Pensions (GMPF) led a detailed discussion on reports received at RIAG, Members of the Joint Committee were advised of the reports received on the Task Force on Climate-related Financial Disclosures (TCFD) consultation and the potential outcomes of the consultation. Further, the Joint Committee discussed the replacement of the CIPFA Pensions Panel and the gaps that would need to be addressed following the Panel being wound up.

RESOLVED

That the report be noted.

15 UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill, PIRC, Ltd, Responsible Investment advisor to the Northern LGPS, presented the Northern LGPS Stewardship Report for April – June 2021 and provided an update on the Northern LGPS Institutional Investor Group on Climate Change (IIGCC). Further, an update was provided on the FRC Stewardship Code.

Members of the Joint Committee were updated on PIRC's engagements over the last quarter. In regard to house builders and leaseholders it was reported that PIRC had engaged with 2 of the 3 PLCs that had not reached a settlement with the CMA. PIRC had stressed support for the elimination of increasing ground rent clauses for leaseholders, PIRC had also engaged with staff at the regulator itself. It was reported that in September Countryside had agreed to remove the clauses and PIRC were now pursuing engagements with remaining companies.

The Joint Committee were reminded that PIRC wanted to make Just Transition part of their Responsible Investment approach. As part of this PIRC had been engaging with the Cement Industry. It was stated that there were social issues facing the transition to low carbon cement, this predominantly revolved around the displacement of the employee base and the impact on regional economies. Members of the Joint Committee were advised that initial engagements had revealed a lack of planning and disclosure and companies were underestimating the social impact of a transition to low carbon cement on their employee base.

In regard to Human Rights, it was reported that PIRC had identified low scoring companies on the Corporate Human Rights Benchmark (CHRB) and mapped these against common holdings across the Pool. PIRC had been looking at the causes behind the low scores. The Investment advisor to the Northern LGPS explained that these engagements were complicated but there needed to be more disclosure.

It was reported that PIRC had undertaken research on Covid cases in the FTSE100 the research found that 8 out of 10 of the largest employers in the FTSE100 did not report any Covid-19 workforce fatalities. Further, only 5 out of 100 companies in the FTSE100 reported any fatalities. The Investment advisor for PIRC stated that there had been a poor level of disclosure across the FTSE100 and research would continue on Covid related non-disclosure.

It was stated that in February 2021, the Joint Committee resolved that the Northern LGPS pool become a signatory to the IICC Net Zero Asset Owner. Attached at Appendix B was the Net Zero Investor Framework, which provided a high-level implementation guidance. The Assistant Director of Pensions for Investments (GMPF) explained that the report sought endorsement of a joint approach to the expedient setting of interim targets under the IIGCC guidance.

RESOLVED

- (i) That Members of the Joint Committee note the latest quarterly Responsible Investment report; and**
- (ii) That Members endorse a joint approach to the expedient setting of interim targets under the IIGCC Net Zero commitment, upon receipt of detailed IIGCC guidance.**

16 DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF). The report provided an update to Members of the Joint Committee on the progress with the Northern LGPS's direct infrastructure investment platform (GLIL).

It was reported that the quarterly report for GLIL to the end of June was attached as Appendix 1 to this report. It was reported that in May 2021, GLIL acquired a Preferred Equity stake in Smart Meter Assets (SMA). It was explained that SMA's smart meters play a role in the UK's energy transition and net zero emissions ambitions.

The report also showed that the performance since inception was satisfactory for the current stage of GLIL's deployment, the since inception at 7.5% IRR. The yield was slightly behind at target at 2.5% largely due to short term factors impacting on ability of specific assets to distribute income.

It was stated that post quarter the key piece of work had been an investment of £100m in an energy storage platform known as Flexion which would deploy capital through the build out of a pipeline of battery units. The returns were a stabilised yield of 9.6%, the structure provided significant governance rights and it provided diversification to the existing renewable energy assets in the portfolio. The next quarterly report would provide a fuller update.

RESOLVED

That the report be noted.

17 PROPERTY FRAMEWORK

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF). The report informed Members on the use of the Northern LGPS property Framework by GMPF for lots 1 and 6.

RESOLVED

That the content of the report be noted.

18 PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF) and the Assistant Director of Investments, (GMPF). The report provided member of the Joint Committee with an update on performance measurement.

It was stated that an extract from the draft Northern LGPS reporting for periods to 30 June 2021 was attached as Appendix A. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was reported that officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in these performance reports, given their importance to the Northern LGPS proposition.

It was stated that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2020/21 Annual Review was attached as Appendix B. The PIRC LGPS Universe comprised of 64 funds with total assets valued at £230 billion as at 31 March 2021.

RESOLVED

That the content of the report be noted.

19 COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Investments (GMPF). The report detailed the key performance indicators, milestones and deliverables for the quarter 30 June 2021 in relation to the Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in the appendix to the report.

RESOLVED

That the content of the report be noted.

20 NORTHERN LGPS WEBSITE

Consideration was given to a report of the Director of Pensions (MPF), the report informed members of website content including recent updates over the previous 18 months.

Members of the Joint Committee were advised of the news updates to the website over the 18-month period.

It was reported that the website had been updated with 'Northern Private Equity Pool LP holdings' data, up to 31 December 2020. The first quarter data for 2021 was expected shortly for publication. The Responsible Investment Policy as January 2019 was held on the website and would be updated to the new version once ratified.

During the 18-month period, the website had received 12,908 visits with the average daily rate of between 10 and 20 visits. The website had received significant peaks of activity when coinciding with press announcements in May 2020 and October 2020.

RESOLVED

That the content of the report be noted.

CHAIR