

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

6 July 2023

Commenced: 11:00

Terminated: 12.00pm

Present:	Cllr Gerald P Cooney (Chair) Councillor Jacqueline North Councillor Andrew Thornton Elizabeth Bailey Ken Drury Alan Flatley	Chair, Greater Manchester Pension Fund Vice Chair (1st Deputy), GMPF Chair, West Yorkshire Pension Fund UNISON UNITE GMB
In attendance	Sandra Stewart Peter Wallach Euan Miller Tom Harrington Paddy Dowdall Steven Taylor Neil Cooper Michael Ashworth Alex Jones Owen Thorne Adil Manzoor Greg Campbell Joanne Wilkinson Leandros Kalisperas Simon Edwards Colin Standish Robert Hulme Alan McDougal Janice Hayward Tom Powdrill Conor Constable	Director of Pensions, GMPF Director of Pensions, MPF Managing Director, WYPF Assistant Director of Pensions, Investments, GMPF Assistant Director, Local Investment and Property, GMPF Assistant Director of Pensions, Special Projects, GMPF Head of Pension Investment, GMPF Principal Investments Manager, GMPF Investment Officer, GMPF Merseyside Pension Fund Merseyside Pension Fund Merseyside Pension Fund Merseyside Pension Fund Chief Investment Officer, WYPF Assistant Director, Alternative Investments, WYPF West Yorkshire Pension Fund West Yorkshire Pension Fund PIRC PIRC PIRC PIRC
Apologies for Absence:	Councillor Julie McManus – Chair, Merseyside Pension Fund Councillor Cherry Povall - Deputy Chair, Merseyside Pension Fund	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 13 April 2023 were agreed as a correct record.

3. COMMON CUSTODIAN UPDATE

The Assistant Director of Pensions Investments, GMPF submitted a report, which provided details of

key performance indicators and key milestones and deliverables for the quarter to 31 March 2023 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED

That the report and presentation be noted.

4. POOLING UPDATE

Consideration was given to a report of the Managing Director (WYPF), providing an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised 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 include 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 appeared to blur the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. Government was yet to publish a response to the consultation (it appeared that it would be superseded) and therefore the 2015 guidance remained in force.

DLUHC civil servants had been indicating for some time that a consultation on several key policy areas for the LGPS was expected to be issued in the near future. The consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds and investing LGPS assets to support the levelling-up agenda. However, a consultation on implementation of TCFD requirements was released separately on 1 September 2022.

At a speech on 9 December 2022, the Chancellor of the Exchequer announced that Government would also consult on requiring LGPS funds to ensure they were considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy. It was once again reiterated that Government would be releasing new pooling guidance for consultation.

Members were advised that the Chancellor of Exchequer delivered his Budget on 15 March. It was stated that the Government was challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets. A forthcoming consultation would propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling had delivered substantial benefits so far, progress needed to accelerate delivery and the Government was ready to take further action if needed. The Government would also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets. At the time of the report, the consultation had still not been issued.

In respect of LGPS Central, Members were advised that the CEO at LGPS Central, had announced his departure from the pool. His role as CEO had been taken over by his deputy on an interim basis while the board searched for a permanent replacement.

RESOLVED

That the report be noted.

5. SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions, MPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that had taken place.

Actions & Agreements from the meeting on 6 February 2023 were appended to the report.

The Director of Pensions, GMPF, attended the meeting on 15 May 2023 and provided a verbal update on the principal items on the agenda as follows:

- Code of Transparency Update;
- Sharia Compliance Report;
- RIAG Report; and
- DLUHC Regulatory Update.

RESOLVED

That the report be noted.

6. UPDATE ON RESPONSIBLE INVESTMENT

Consideration was given to a report and presentation of representatives of PIRC, which set out the Q1 2023 Northern LGPS Stewardship Report (attached at Appendix 1 to the report).

Mr Powdrill and Mr Constable presented the Q1 2023 Northern LGPS Stewardship report, which focused on and explored the following issues:

- NLGPS Support for Decent Work;
- Just Transition;
- Decarbonising the Auto Supply Chain; and
- Company Engagements.

They further advised in respect of the PIRC Workforce Data and Voting Project. It was explained that the project aimed to pull together numerous workforce data points and sources of information into one place. The portal provided a summary for each company alongside access to data compared to both universe and sector and data would inform engagement and NLGPS voting recommendations across All-Share constituents. It was also explained how the data was used to engage and vote.

RESOLVED

That the content of the presentation and the Q1 2023 Northern LGPS Stewardship report, be noted.

7. NORTHERN PRIVATE EQUITY POOL – ANNUAL REVIEW OF STRATEGY AND IMPLEMENTATION

A report was submitted and a presentation delivered, by the Assistant Director of Pensions Investments, GMPF, which gave a review of activity, strategy and implementation approach regarding Northern Private Equity Pool.

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2020, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;

- Implementation during calendar year 2022;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. Execution had not been flawless, but the quantum and frequency of errors was not a significant concern currently. Officers continued to monitor the performance of the administrator through monthly assessments of KPIs.

Mazars was re-appointed as external auditor, on a three-year contract following a market tender. Tax, legal and investment advice was procured on an ad hoc basis, as required.

The year end audit of both the GP company and the Limited Partnership entities was completed in a timely fashion, with both entities receiving a clean audit opinion. The requisite Partnership and Corporate tax filings were made, in time, by KPMG.

RESOLVED

That the content of the report and presentation be noted.

8. PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF), the provided members of the Northern LGPS Pool Joint Committee with an update on performance measurement.

It was explained that, at the Shadow Joint Committee meeting of 10 January 2019, Members endorsed the appointment of Portfolio Evaluation Ltd as the common performance measurement provider for the Pool.

An extract from the Northern LGPS reporting for periods to 31 March 2023 was attached as an appendix to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

Portfolio Evaluation Ltd recently notified clients of their intention to cease trading on 14 September 2023. Portfolio Evaluation Ltd would produce Northern LGPS reports up to and including the period ending 30 June 2023. Officers had begun the process of reviewing potential alternative common providers with a view to a provider being in place to produce performance numbers for Northern LGPS for the quarter to 30 September 2023.

RESOLVED

That the content of the report be noted.

9. GLIL UPDATE

Consideration was given to a report of the Assistant Director for Local Investment and Property (GMPF) updating members on progress with the Northern Pool's direct infrastructure investment platform (GLIL).

It was reported that GLIL had progressed well and had one external investor, NEST. There had been some engagement with other pools but this had not progressed as well as hoped. Officers had reflected on this and sought to analyse why; and to review the operation of GLIL to ensure that it served the objectives of current owners. An external consultant had been engaged to review the consult with stakeholders and a timetable was agreed with the Joint Committee to review options.

The feedback from stakeholders had been substantive and constructive and required a significant revision of proposals. For these reasons further delays were envisaged before the conclusion of the

project. A report from GLIL Executive Committee was with independent advisors of Member Funds for review, before presentation to the Joint Committee.

The GLIL report to investors for the period ending March 2023 was appended to the report. Members were advised that GLIL had entered into an agreement to purchase a significant minority stake in the M6 toll road. Transaction activity in the UK had slowed, however, as both asset owners and potential purchasers digested the meaningful change in the macro-environment and the implications for asset pricing. Officers remained mindful of this change in the macroeconomic environment when evaluating potential investments. Despite this, GLIL maintained a pipeline of exciting investment opportunities at varying stages of due diligence.

The core priorities for GLIL over next quarter and 12 months were reported as follows:

- Management of investors' current allocations in accordance with the mandate;
- Continue to implement ESG strategies in line with investee Fund's objectives;
- Completion of consultation exercise and implement of resulting recommendations; and
- Continued Engagement with other LGPS Fund's and Pools and potential aligned non LGPS investors.

RESOLVED

That the content of the report be noted.

10. DATE OF NEXT MEETING

RESOLVED

It was noted that the next meeting of the Northern LGPS Joint Oversight Committee was scheduled to take place on 5 October 2023.

CHAIR