

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

1 February 2024

Commenced: 11:00am

Terminated: 12.00pm

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

20. DECLARATIONS OF INTEREST

There were no declarations of interest.

21. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 5 October 2023 were agreed as a correct record.

22. 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. (DLUHC had recently confirmed that implementation of climate reporting obligations would be delayed at least until 2024/25).

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 to deliver 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. On 11 July 2023 the long-awaited consultation, titled 'LGPS: Next Steps on Investments', was finally released, with a closing date for responses of 2 October 2023.

A summary of consultation proposals was provided in the report. The NLGPS Pool response was also attached to the report.

Alongside the Chancellor's Autumn Statement, the response to the "next steps on investments" consultation was published by DLUHC on 22 November 2023. The consultation largely adopted the measures the Government originally consulted on despite significant negative feedback to several of the proposals. The measures the Government was due to adopt were set out in the report.

Members were advised that the Directors of the three NLGPS Partner Funds recently met with the lead Civil Servant for the LGPS at DLUHC to discuss the measures and their potential implications for the NLGPS. Whilst it is clear that DLUHC's preferred model of pooling will be very different to NLGPS, indications were that Government would take more of a 'comply or explain' approach than

seeking to use its direction powers under the LGPS Investment Regulations.

Both the Pool and individual funds would need to consider whether any changes to their reporting of pooling activity was required in light of the consultation proposals. The consultation also indicated that DLUHC would monitor fund annual reports whilst preparing further guidance.

Members were reminded that, at the previous Joint Committee meeting, the idea of preparing a Pool Business Plan for 2024/25 was discussed. A draft of the Business Plan was currently being prepared. The proposed initiatives, which excluded items considered business as usual (such as allocating to NPEP and GLIL) were detailed in the report.

It was reported that each of the partner funds in the Northern LGPS Pool had produced 31 March 2023 year end accounts and a draft annual report (still in draft due to delays in finalising the administering authority accounts/audit).

Whilst the recommendations of the CIPFA guidance went far beyond the requirements of the current pooling regulations, the Pool had in the past, considered it to be expedient for partner funds to provide where possible, the disclosures which were either mandatory or deemed best practice in the CIPFA guidance.

Since 2022, it had been agreed by the Joint Committee that a Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. This would act to provide some of the information to satisfy CIPFA guidance and could be used by the funds in their communications with stakeholders to provide evidence of the Pool's progress against its objectives. A link to the draft of the 2023 Northern LGPS Annual Report was provided in the report.

In terms of progress reports, it was explained that DLUHC had once again 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 2023 and an estimate of costs savings achieved and those expected in future. Northern LGPS' net cost savings for 2022/23 had been calculated as £61.7m (increasing from approximately £41m in 2021/22), giving total savings since inception of £174m.

The cost savings of most other LGPS pools were not yet known, although the expectation was that few pools, if any, would have higher net savings achieved to date than NLGPS. Government was expected to report aggregated figures across the LGPS as a whole.

RESOLVED

That the content of the report be noted, the Northern LGPS Pool Annual Report be approved and the Pool Business Plan items for 2024/25 considered.

23. 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 3 July 2023 were appended to the report.

The Director of Pensions, MPF, attended the meeting on 20 November 2023 and provided a verbal update on the principal items on the agenda as follows:

- Sharia Compliance Update;
- Code of Transparency Update;
- Update on Economic Activity of Public Bodies (Overseas matters) Bill;
- Climate Risk Reporting;
- Private Markets Data Transparency;
- Terms of Reference;

- Committee Workplan;
- RIAG Report; and
- DLUHC Regulatory Update.

RESOLVED

That the report be noted.

24. COMMON CUSTODIAN – CONTRACT EXTENSION AND FEE REVIEW

A report was submitted by the Assistant Director, Investments, GMPF, which explained that Northern Trust, an FCA regulated custodian, was selected as the Northern LGPS's preferred custodial service provider in March 2018. The contract award notice specified an initial period of 5 years, with an option to extend for a further 5 years.

Members were advised that Northern LGPS appointed a custodian selection and monitoring specialist to carry out a fee review and custodian monitoring exercise of the contractual arrangements with Northern Trust, to ensure that the current contractual arrangements with Northern Trust remained value for money.

The report outlined the process and results of the Fee Review and Custodian Monitoring exercise and detailed key findings.

It was reported that the results of the TML fee review and custodian monitoring exercise were generally very positive. The fees paid by the underlying three Northern LGPS Funds for custodial services compared extremely well vs peers.

On balance, Officers believed that Northern Trust were providing a good custodial service at a very competitive price and believed that the best approach to the continued provision of common custodial services was to exercise the option to extend the appointment of Northern Trust for a further 5 years.

RESOLVED

That the overall positive results of the benchmarking exercise be noted, and the three underlying Northern LGPS Funds exercise the option to extend the appointment of Northern Trust for a further 5 years.

25. COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Assistant Director for Investments (GMPF) and representatives of Northern Trust presented an update on the key milestones, deliverables and high level KPIs applicable to their appointment as the common custodian to the Northern LGPS pool.

Members received a presentation from the Relationship Manager for Northern Trust. The presentation set out Key Performance Indicators, measuring trade settlement, income collection and straight through trades. The Key Milestones and Deliverables completed and in progress for GMPF, MPF and WYPF, were also detailed.

RESOLVED

That the report and presentation be noted.

26. UPDATE ON RESPONSIBLE INVESTMENT

Consideration was given to a report and presentation of representatives of PIRC, which set out the Q3 2023 Northern LGPS Stewardship Report (attached as an appendix to the report).

Mr Powdrill and Mr Hunter of PIRC, presented the Q3 2023 Northern LGPS Stewardship report, which focused on and explored:

- Just Transition;
- Effective Engagements;
- Voting Statistics;
- Water Stewardship; and
- Labour rights and risks.

Discussion ensued in respect of the content of the report and presentation and it was:

RESOLVED

That the content of the presentation and the Q3 2023 Northern LGPS Stewardship report, be noted.

27. PERFORMANCE MEASUREMENT

Consideration was given to a report of the Assistant Director, Investments, GMPF, which provided Members with an update on performance measurement.

It was explained that, following Portfolio Evaluation Ltd's notification of their intention to cease trading, at the Joint Committee meeting of 6 July 2023, it was agreed that the Directors would finalise arrangements for a common performance measurement provider for Northern LGPS, such that a provider was in place for reporting periods commencing 30 September 2023.

The Northern LGPS Directors approved the appointment of Hymans Robertson as the common performance measurement provider for the Pool for reporting periods commencing 30 September 2023 at the September meeting of the Northern LGPS Directors.

Performance reporting for the Northern LGPS was being transitioned from Portfolio Evaluation Ltd, to Hymans Robertson. The on-boarding process was substantially complete, with only a few remaining items on the on-boarding plan remaining, including the benchmarking arrangements for property.

An extract from the Northern LGPS reporting for periods to 30 September 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.

RESOLVED

That the performance reporting for periods to 30 September 2023 be noted.

28. 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).

Members were advised that, at the last meeting of the Committee the plans for changes to GLIL structure were agreed. Progress towards this had been limited. Officers at Northern LGPS Funds were ready to review and agree documents from LPPI subject to them reflecting the principles agreed at last meeting. Progress would be reported as it was made.

The GLIL report to investors for the period ending 30 September 2023, was appended to the report and key highlights detailed and discussed.

The core priorities for GLIL over next quarter and 12 months remained:

- Implementation of revised management arrangements;

- Management of investors' current allocations in accordance with the mandate;
- Continue to implement ESG strategies in line with investee Funds' objectives; and
- Continued Engagement with other LGPS Funds and Pools and potential aligned non LGPS investors.

RESOLVED

That the content of the report be noted.

29. 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 11 April 2024.

CHAIR