

## NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

18 July 2024

Commenced: 11:00am Terminated: 12.05pm

**Present:**

|   |   |
|---|---|
| <b>Councillor Gerald P Cooney (Chair)</b> | <b>Chair, Greater Manchester Pension Fund</b>     |
| <b>Councillor Andrew Thornton</b>         | <b>Chair, West Yorkshire Pension Fund</b>         |
| <b>Elizabeth Bailey</b>                   | <b>Deputy Chair – West Yorkshire Pension Fund</b> |
| <b>Councillor Jeff Green</b>              | <b>Vice Chair, Merseyside Pension Fund</b>        |
| <b>Ken Drury</b>                          | <b>UNITE</b>                                      |
| <b>Alan Flatley</b>                       | <b>GMB</b>  |

**In attendance:**

|                             |  |
|-----------------------------|--|
| <b>Sandra Stewart</b>       | <b>Director of Pensions, GMPF</b>  |
| <b>Peter Wallach</b>        | <b>Director of Pensions, MPF</b>   |
| <b>Euan Miller</b>          | <b>Managing Director, WYPF</b>   |
| <b>Tom Harrington</b>       | <b>Assistant Director of Pensions, Investments, GMPF</b>                   |
| <b>Paddy Dowdall</b>        | <b>Assistant Director of Pensions, Local Investment and Property, GMPF</b> |
| <b>Steven Taylor</b>        | <b>Assistant Director of Pensions, Special Projects, GMPF</b>              |
| <b>Neil Cooper</b>          | <b>Head of Pension Investment, GMPF</b>                                    |
| <b>Michael Ashworth</b>     | <b>Principal Investments Manager, GMPF</b>                                 |
| <b>Mushfiqur Rahman</b>     | <b>Investments Manager, GMPF</b>   |
| <b>Owen Thorne</b>          | <b>Merseyside Pension Fund</b>   |
| <b>Adil Manzoor</b>         | <b>Merseyside Pension Fund</b>   |
| <b>Alex Abela-Stevenson</b> | <b>Merseyside Pension Fund</b>   |
| <b>Greg Campbell</b>        | <b>Merseyside Pension Fund</b>   |
| <b>Leandros Kalisperas</b>  | <b>Chief Investment Officer, WYPF</b>                                      |
| <b>Simon Edwards</b>        | <b>Assistant Director, Alternative Investments, WYPF</b>                   |
| <b>Robert Hulme</b>         | <b>West Yorkshire Pension Fund</b>   |
| <b>Alan McDougal</b>        | <b>PIRC</b>  |
| <b>Tom Powdrill</b>         | <b>PIRC</b>  |
| <b>Janice Hayward</b>       | <b>PIRC</b>  |
| <b>Conor Constable</b>      | <b>PIRC</b>  |
| <b>Paul Hunter</b>          | <b>PIRC</b>  |
| <b>Mona Ackholm</b>         | <b>PIRC</b>  |

**Apologies for absence:**

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|--|
| <b>Cllr Jacqueline North – Vice Chair, Greater Manchester Pension Fund</b> |
| <b>Elizabeth Bailey – Deputy Chair – West Yorkshire Pension Fund</b>       |
| <b>Cllr Stephen Bennett – Chair, Merseyside Pension Fund</b>               |

### 1. APPOINTMENT OF CHAIR AND DEPUTY

## **RESOLVED**

- (i) That Councillor Gerald P Cooney, GMPF, be appointed Chair of the Northern LGPS Joint Oversight Committee for 2024/25 municipal year; and**
- (ii) That Councillor Stephen Bennett, MPF and Councillor Andrew Thornton, WYPF be appointed Deputy Chairs for 2024/25 municipal year.**

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. MINUTES**

The Minutes of the meeting of the Northern LGPS Joint Committee held on 11 April 2024 were agreed as a correct record.

## **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 explained that, during the previous Government, 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 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.

The Chancellor of Exchequer delivered a Budget on 15 March 2023. 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. 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 issued a response to the consultation, as did each of the three partner funds. The NLGPS Pool response repeated many of the messages from the response to the 2019 consultation, in particular:

- Government needed to focus on delivering successful outcomes;
- LGPS funds are diverse – a ‘one size fits all’ approach was not appropriate; and
- Funds’ fiduciary duty was paramount.

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 would 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. Much of the detail would be set out in statutory guidance which had not yet been released.

Members were further advised that the Chancellor delivered his budget on 6 March 2024, with three relevant issues for the LGPS being raised:

- a) Encouragement for the LGPS to hold more UK equities and for the holdings to be clearly stated in the fund accounts;
- b) Reiterating the requirement for LGPS funds to pool assets by 2025 unless there was a value for money case not to do so;
- c) A desire for the LGPS to fund new children’s homes with the potential for some sort of financial incentive from Government. There were no further details in the paperwork accompanying the budget, but it was understood that a working group to explore this was being organised by DLUHC.

On 28 March updated guidance for preparing the fund annual report was released. The guidance was the first publication which had been reviewed and jointly approved by the SAB’s Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC). It replaced the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.

The new guidance applied to 2023/24 annual reports which were due for publication by 1 December 2024, and later years. The guidance states that funds should use their best endeavours to comply fully with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The guidance would be kept under regular review.

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 guidance and consultation proposals. The consultation indicated that DLUHC would monitor fund annual reports whilst preparing further guidance.

In May 2024 the DLUHC Minister Simon Hoare MP issued a letter to all administering

authorities in England asking them to set out their approach to efficiencies in the management, governance and administration of their LGPS fund and asset pool. The deadline for responses was 19 July 2024. A copy of the letter was attached as Appendix A to the report.

On 22 May 2024 the Prime Minister announced that a general election would take place on Thursday 4 July 2024, which the Labour Party subsequently won with a significant majority.

On 5 July the King approved the following appointments relevant to the LGPS:

- Rachel Reeves MP as Chancellor of the Exchequer
- Darren Jones MP as Chief Secretary to the Treasury
- Angela Rayner MP as Secretary of State for Levelling Up, Housing and Communities. She will also be the Deputy Prime Minister
- Liz Kendall MP as Secretary of State for Work and Pensions
- Jim McMahon MP as a Minister of State in the DLUHC (at the time of writing thought to have the brief for Local Government Finance including the LGPS)
- Stephen Timms MP as Pensions Minister

No further policy announcements specifically relating to the LGPS had been made by the new Government, however the Labour Party Manifesto stated that Labour would:

- act to increase investment from pension funds in UK markets;
- adopt reforms to ensure that workplace pension schemes take advantage of consolidation and scale in order to deliver better returns for UK savers and greater productive investment for UK plc;
- undertake a review of the pensions landscape to consider what further steps are needed to improve pension outcomes and increase investment in UK markets.

It remained to be seen whether the outstanding TCFD reporting guidelines, Good Governance review recommendations and pooling guidance proceed as previously outlined by DLUHC.

On 9 July the Government announced the creation of a National Wealth Fund via the alignment of the UK Infrastructure Bank and the British Business Bank. A National Wealth Fund Taskforce would be created which would be chaired by the Green Finance Institute. £7.3bn of additional funding would be allocated for investment, focusing on priority sectors such as green energy and growth capital with the expectation of catalysing private investment at a greater scale.

A 'Stakeholder Day' for the Committees and Local Pension Boards of the three partner funds was arranged to be held at Bradford City Hall on Friday 21 June 2024. However, this was postponed due to the calling of the general election. The Stakeholder Day would now be held on Friday 22 November 2024. At the previous Joint Committee meeting it was agreed to ask Simon Hoare MP to speak at the Stakeholder Day, however he confirmed that he was unable to attend. Discussion ensued and it was agreed that the new DLUHC Minister should be asked to speak.

## **RESOLVED**

**That the content of the report be noted and an invitation to the Stakeholder event be extended to the new DLUHC Minister.**

## **5. SCHEME ADVISORY BOARD UPDATE**

Consideration was given to a report of the Managing Director, WYPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that had taken place on the 8 July 2024.

Actions & Agreements from the meeting on 26 February 2024 were appended to the report.

The Director of Pensions, MPF, attended the meeting on 8 July 2024 and provided a verbal update on the principal items on the agenda as follows:

- Code of Transparency Update;
- RIAG report;
- Responsible Investment and the General Election;
- Update on recent engagement activity;

## **RESOLVED**

**That the report be noted.**

## **6. 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 2024 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.**

## **7. UPDATE ON RESPONSIBLE INVESTMENT**

Consideration was given to a report and presentation from representatives of PIRC, which set out the Q1 2024 Northern LGPS Stewardship Report (attached as an appendix to the report).

Mr Powdrill and Mr Hunter of PIRC, presented the Q1 2024 Northern LGPS Stewardship report, which focused on and explored:

- Freedom of Association and collective bargaining;
- Effective engagement;
- Voting statistics.

Representatives of PIRC also highlighted a stewardship theme: Deforestation and outlined short, medium and long term objectives and gave examples of company engagement.

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

## **RESOLVED**

**That the content of the presentation and the Q1 2024 Northern LGPS Stewardship report be noted.**

## **8. 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 2023;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A satisfactory year from an administrative perspective was reported. There had continued to be some issues around the quality of service delivery, 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 acted as external auditor with its contract due to be retendered in 2024. 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.**

## **9. 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.

Members were advised that the transition of Northern LGPS performance reporting from Portfolio Evaluation Ltd, to Hymans Robertson was substantially complete. Officers

continued to work with Hymans Robertson to finalise the benchmarking arrangements for property. The performance of property has not been benchmarked in the appendix, pending resolution of index licensing queries.

An extract from the Northern LGPS reporting for periods to 31 March 2024 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.

Members were further advised that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2023/24 Local Authority Fund Statistics were shown in tabular format in Appendix B to the report, and fund returns for universe participants over various time periods were shown graphically in Appendix C to the report. Appendix D to the report showed 1 year universe returns by asset class. The PIRC LGPS Universe comprised of 63 funds with total assets valued at £266 billion as at 31 March 2024.

## **RESOLVED**

**That the performance reporting for periods to 31 March 2024 be noted.**

## **10. 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, GLIL had progressed well and had one external investor. There had been some engagement with other pools, but this has 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.

The broad conclusions of the review were to recommend changes to the legal agreements to give responsibility for delivery of the management of GLIL to the executive team at GLIL. Directors of LGPS Funds were given delegation to review these documents and execute on behalf of Northern LGPS Funds at a previous meeting of the Joint Committee.

The GLIL report to investors for the period ending 31 March 2024, 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.**

**11. DATE OF NEXT MEETING**

**RESOLVED**

**It be noted that the next meeting of the Northern LGPS Joint Oversight Committee is scheduled to take place on Thursday 3 October 2024.**

**CHAIR**