

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

3 October 2024

Commenced: 11:00am

Terminated: 12.17pm

Present:	Councillor Gerald P Cooney (Chair)	Chair, Greater Manchester Pension Fund
	Councillor Andrew Thornton	Chair, West Yorkshire Pension Fund
	Councillor Jeff Green	Vice Chair, Merseyside Pension Fund
In attendance:	Sandra Stewart	Director of Pensions, GMPF
	Peter Wallach	Director of Pensions, MPF
	Euan Miller	Managing Director, WYPF
	Tom Harrington	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
	Michael Ashworth	Principal Investments Manager, GMPF
	Mushfiqur Rahman	Investments Manager, GMPF
	Adil Manzoor	Merseyside Pension Fund
	Leandros Kalisperas	Chief Investment Officer, WYPF
	Simon Edwards	Assistant Director, Alternative Investments, WYPF
	Robert Hulme	West Yorkshire Pension Fund
	Janice Hayward	PIRC
	Conor Constable	PIRC
	Mona Ackholm	PIRC
Apologies for absence:	Cllr Jacqueline North – Vice Chair, Greater Manchester Pension Fund	
	Elizabeth Bailey - Deputy Chair – West Yorkshire Pension Fund	
	Alan McDougal PIRC	
	Ken Drury (UNITE)	

12 DECLARATIONS OF INTEREST

There were no declarations of interest.

13 MINUTES

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

14 POOLING UPDATE

Consideration was given to a report of the Managing Director (WYPF) the report provided an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

The report provided an update on the 'Pensions Review', there had been increasing focus by Government on consolidation across all types of pension schemes, with Government's general perception that a smaller number of larger schemes would deliver better value for money for members and scheme sponsors.

It was reported that the new Labour Government had picked up on this theme where the previous Government left off and launched a 'Pensions Review', which would be led by the Pensions Minister Emma Reynolds (who reports to both Treasury and DWP), with support from MHCLG in relation to the LGPS parts of the review. Phase 1 of the review was focusing on Defined Contributions Master Trusts and the LGPS, presumably because these were the types of schemes which were most able to invest in assets, which could help drive UK economic growth.

On 4 September the Government announced a 'Call for Evidence' in support of the Pensions Review (link below), with a notably short deadline for responding (25th September). Amongst questions regarding how to incentivise further productive investment in the UK, there was also a question seeking views on whether LGPS pooling had been a success and whether any specific pooling model had or will produce superior outcomes.

The Northern LGPS response to the consultation was attached as Appendix 1 to this report. It was understood that each of the partner funds also submitted a broadly similar response. The Pensions Minister and HMT civil servants had also held a number of meetings with LGPS funds, pools and other stakeholders. A further verbal update on Government engagement with the Northern LGPS Pool would be provided at the meeting. It was expected that Government could issue a statement summarising its broad intentions in this area at some point in the autumn, potentially as part of the budget announcements. Any regulations or guidance to implement changes is not expected until at least Spring 2025, however it is thought that Government wishes to move quickly. As a result, proposals to merge LGPS funds seem unlikely, with a greater emphasis expected to be placed on accelerating pooling and Government working more closely with pools.

Discussion ensued on the response of the Northern LGPS Pool to the Call for Evidence, Members discussed the uniqueness of the Pool and how the model reflected the underlying partner funds. The Committee discussed the savings that had been achieved to date by the NLGPs to 31 March as detailed in the response and what costs would be incurred by changing this model as part of the review.

The Committee discussed lobbying the government and agreed that the chairs of partner funds would write to government on the matter.

RESOLVED

That the report and its appendices be noted.

15 COMMON CUSTODIAN UPDATE

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

RESOLVED

That the report and presentation be noted.

16 INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Pensions for Investments (GMPF). The report provided members of the Northern LGPS Pool Joint Committee with an update on investment management cost benchmarking.

It was reported that the 2017 Framework was replaced by a new updated framework in November 2022; Investment Management Consultancy Services (the 2022 Framework). In particular, Lot 4, Investment Management Cost Monitoring and Reporting Services, allowed for the procurement of investment management cost benchmarking services. A key difference of the 2022 Framework was

that the provision of an aggregated pool benchmarking report is not included in the scope of services provided by CEM under this framework. It should be noted that CEM provided the most recent NLGPS cost benchmarking report at no additional charge given our long-standing relationship and short deadlines at the time of delivery. However, going forward, CEM indicated that the aggregated pool report would incur a fee.

It was stated that Officers had engaged with CEM who have highlighted that the work involved in aggregating three data sets for the NLGPS and then running a consolidated report, and anonymising that report, was material and this work had not been done for a few years for any of the other pools. In addition, CEM continued to develop the analysis and tools for the pool report and envisage better analysis on the private assets where the NLGPS collaborate most closely (GLIL and NPEP in particular).

Procuring investment cost benchmarking services from CEM would ensure reporting continues uninterrupted, and in the same format as current reporting. Officers believed CEM's fees were not material and would likely compare very favourably with any potential alternatives, and with no requirement for transitional activities (in comparison to any alternative solutions). Importantly, CEM were uniquely placed to provide aggregated investment cost benchmarking analysis given that all three partner funds mutually contract said services from CEM.

RESOLVED

That the Joint Committee notes the report and approves the appointment of CEM Benchmarking as the investment cost benchmarking provider for the Pool for reporting periods commencing 31 March 2023.

17 UPDATE ON RESPONSIBLE INVESTMENT

Consideration was given to a report and presentation from representatives of PIRC, which set out the Q2 2024 Northern LGPS Stewardship Report (attached as an appendix to the report).

Representatives of PIRC delivered the presentation and which focused on :

- PIRC's approach for Northern LGPS
- The Stewardship Theme 'Modern Slavery in the Seasonal Worker Scheme'
- Company Engagement with UK Supermarkets
- The Stewardship Theme 'Significant Shareholder Dissent'
- Company Engagement on Board Composition
- Company Engagement on Executive Pay

RESOLVED

That the Q2 2024 Northern LGPS Stewardship Report be noted.

18 PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Pensions for Investments (GMPF). This report provides members of the Northern LGPS Pool Joint Committee with an update on performance measurement.

An extract from the Northern LGPS reporting for periods to 30 June 2024 was attached as an Appendix, which detailed the 'Northern LGPS attribution - client assets vs northern benchmark'. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

RESOLVED

That the performance reporting for period 30 June 2024 be noted.

19 GLIL UPDATE

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

It was reported that Macro-economic trends continued without material surprises during the period under review. CPI continued to drift lower and hit the Bank of England's 2% target in June. There remained, however, pockets of inflationary pressure within the economy and it was far from certain that UK inflation would remain benign. There are expectations, though, that the Bank of England would begin an interest rate easing cycle in the near term which should be to the benefit of the portfolio's asset valuations. Valuations during the quarter have changed little.

The fund's longer-term IRR remains a little under 7% and the cash yield was at 4.25%. Since the end of the period under review there had been a number of notable events. Firstly, GLIL had agreed to the disposal of SMA, its smart meter business, to its investment partners, Arcus. This preferred equity investment was made in 2021 and achieved an above-budget annualised return of 10%. GLIL had concluded the second phase of its strategic partnership with Bluefield Solar Investment Fund, and had been working hard to engage with and understand the implications and opportunities presented by the new government elected in early July.

It was also reported that the fund had added Jerry Williamson to its list of industry experts who represented GLIL as Non-Executive Directors on portfolio company boards. Jerry had worked in the renewable energy sector for many years, including as Director of asset management, engineering and technology at SSE Renewables, and was a valuable addition to the team.

Members of the committee discussed the remaining amount of monies available for investment and the amount already deployed and highlighted the importance of a diversified programme over a long period of time. Members also discussed the impact of interest rates on investments and how interest rates took time to reflect in pricing. It was anticipated that under the new government there could be further opportunities for PFI type schemes.

RESOLVED

That the report be noted.

20 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 13 February 2024.

CHAIR