

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

7 July 2022

Commenced: 11.00am

Terminated: 12.25pm

Present: Cllr Gerald P Cooney Chair, Greater Manchester Pension Fund (Part Meeting)
Cllr Oliver Ryan Vice-Chair, Greater Manchester Pension Fund (In the Chair part meeting)
Cllr Andrew Thornton Chair, West Yorkshire Pension Fund
Elizabeth Bailey Deputy Chair, West Yorkshire Pension Fund
Councillor Cherry Povall Deputy Chair, Merseyside Pension Fund

In attendance

Sandra Stewart Director of Pensions, GMPF
Peter Wallach Director of Pensions, MPF
Rodney Barton Director of Pensions, WYPF
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
Neil Cooper Head of Pension Investment, GMPF
Mushfiqur Rahman Investments Manager, GMPF
Owen Thorne Merseyside Pension Fund
Greg Campbell Merseyside Pension Fund
Colin Standish West Yorkshire Pension Fund
Simon Edwards West Yorkshire Pension Fund
Alan McDougal PIRC
Tom Powdrill PIRC
Conor Constable PIRC

Apologies for

Absence: Councillor Pat Cleary, MPF

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Oversight Committee held on 14 April 2022 were agreed as a correct record.

3. POOLING UPDATE

Consideration was given to a report of the Assistant Director, Funding and Business Development, GMPF, which provided an update on pooling activity since the previous Northern LGPS Joint Oversight 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 included 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 had blurred 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.

Members were advised that Government was yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. DLUHC civil servants had indicated that a consultation on several key policy areas for the LGPS was expected to be issued in autumn 2022. 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. Further details were given in the report.

As discussed at a previous meeting of the Joint Committee, (meeting of 2 February 2022 refers) government published the long awaited ['Levelling Up' whitepaper](#), which included references to LGPS funds and pools having plans for up to 5% of assets to be allocated to projects which supported local areas (as stated on page 163 of the whitepaper). It was understood that in this context 'local' referred to UK rather than to the local area of a particular LGPS fund and that there would be no mandate beyond the requirement to have a plan. The 5% target was intended to be a lower bound target with an expectation that funds and pools would substantially exceed 5% in future.

It was explained that it had been a long-term ambition of Government that LGPS funds and pools invest more in local infrastructure as part of their investment strategy. Government's previous attempts at mandating change were met with stern challenge by some stakeholders, who saw the potential for investment targets to conflict with administering authorities' fiduciary duties.

Members were further advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2022 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. This guidance currently includes a section on accounting for asset-pooling arrangements

In 2020 and 2021 it was 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.

It was proposed that a 2022 Pool Annual Report be produced that followed the basis for calculating cost savings that was agreed on a cross-pool basis in 2021. At the time of the report, Government did not appear to have issued a request for pools to submit a progress update as at 31 March 2022 (in previous years it has issued a template for pools to complete). However, it was likely that Government would once again be seeking a progress update from each pool. Estimates made last year indicated cost savings net of fees for the pool of £37.9m for 2021/22 vs £30.5m in 2020/21.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

RESOLVED

- (i) That the content of the report be noted;**
- (ii) That the production of a concise Northern LGPS Annual Report for 2021/22 which can be included within the annual reports of the participating funds, be approved.**

4. 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 on the 23 May 2022.

Details of the actions and agreements from the meeting held on 21 February 2022 were appended to the report.

The principal items on the agenda for the 23 May 2022 included:

- Queen's Speech;
- SAB Forward Look;
- Cost Transparency Compliance Update;
- Michael Lynk Letter Update;
- RIAG Chair's Report; and
- DLUHC Regulatory Update;

RESOLVED

That the content of the report be noted.

5. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill and Conor Constable, PIRC Ltd, Responsible Investment Advisor to the Northern LGPS, presented Northern LGPS' Stewardship Report for Quarter 1 2022. The report explored water stewardship; tackling tax; effective engagement and voting on shareholder resolutions. The Assistant Director of Pensions Investments, GMPF gave an update on the Northern LGPS's approach to implementing its Institutional Investor Group on Climate Change (IIGCC) Net Zero commitment. The Northern LGPS would use the services of a common carbon footprinting provider to track its progress to a 2019 baseline.

RESOLVED

- (i) That the presentation and the content of the latest quarterly Responsible Investment report be noted; and**
- (ii) That a consistent approach to measuring carbon emissions of the Northern LGPS to a common 2019 baseline, be endorsed.**

6. 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 2021, 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 2021;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. All statements and reports

were circulated consistent with legal agreements and the day-to-day functioning of Northern Trust as fund administrator had worked well.

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.

7. PERFORMANCE MEASUREMENT

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

An extract from the Northern LGPS reporting for periods to 31 March 2022 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.

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.

Universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2021/22 Annual Review was attached as an Appendix to the report. The PIRC LGPS Universe comprised of 62 funds with total assets valued at £250 billion as at 31 March 2022.

RESOLVED

That the content of the report be noted.

8. EQUITY PROTECTION STRATEGIES FRAMEWORK

The Director of Pensions, Merseyside Pension Fund submitted a report explaining that in January 2019, Merseyside Pension Fund put in place a framework of investment managers able to provide equity downside protection strategies. As frameworks were for a term of four years, there was a requirement for the framework to be refreshed. West Yorkshire Pension Fund was also intending to utilise equity protection strategies and it was proposed that the Funds work together to put in place a new framework that was available to all funds in the Northern LGPS.

RESOLVED

That the content of the report be noted.

9. 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 2022 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 content of the report be noted.

10. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director, Local Investment and Property, GMPF, providing an update on the progress with the direct infrastructure investment platform (GLIL).

The latest report to stakeholders was attached as an appendix to the report.

The Assistant Director updated Members of developments in respect of a significant investment, which he had reported on at the last meeting of the Committee. He explained that unfortunately, negotiations had broken down and that the investment would no longer be progressed.

RESOLVED

That the report be noted.

11. NORTHERN LGPS HOUSING INVESTMENT UPDATE

The Assistant Director, Local Investment and Property, GMPF, submitted a report updating Members on the progress of the pooled approach to housing investment.

Members were advised that, in addition to the existing investment programmes of the three Funds, two collective investments had been approved by the Directors. One of which had been reported to the previous meeting of the Committee and details of the second investment were appended to the report.

RESOLVED

That the content of the report be noted.

12. 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 6 October 2022.

CHAIR