

## NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

5 October 2023

Commenced: 11:00am

Terminated: 12.20pm

<b>Present:</b>	<b>Cllr 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>Councillor Julie McManus</b>	<b>Chair, Merseyside Pension Fund</b>
	<b>Councillor Cherry Povall</b>	<b>Vice Chair, Merseyside Pension Fund</b>
	<b>Elizabeth Bailey</b>	<b>UNISON</b>
	<b>Ken Drury</b>	<b>UNITE</b>
	<b>Alan Flatley</b>	<b>GMB</b>

<b>In attendance</b>	<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>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>Alex Jones</b>	<b>Investment Officer, 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>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>Janice Hayward</b>	<b>PIRC</b>
	<b>Tom Powdrill</b>	<b>PIRC</b>
	<b>Conor Constable</b>	<b>PIRC</b>

**Apologies for Absence:** Councillor Jacqueline North – GMPF

### 11. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 12. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 6 July 2023 were agreed as a correct record.

### 13. 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 30 June 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.**

### **14. 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 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. A draft NLGPS Pool response was also attached to the report.

Members were advised that the draft 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 – one size fits all not appropriate; and
- Funds' fiduciary duty was paramount.

In addition, the draft response made the following points:

- Consistent reporting was much more difficult than it sounds;
- NLGPS Pool was supportive of greater cross-pool collaboration;
- Long-term benefits of pool merger unlikely to outweigh short term disruption;
- Pools must deliver funds' strategic asset allocation; and
- Concerns regarding Pools advising funds and individual funds' ability (or lack of) to influence Pools.

It was not known when Government would respond to the consultation or make the regulations changes and issue the guidance proposed. However, it was widely expected that the Chancellor would announce that he was pressing ahead with the proposals regarding levelling-up and investment in private equity, in his Autumn Statement.

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.

At the most recent NLGPS Directors' meeting the idea of preparing a Pool Business Plan for 2024 was discussed. This may cover areas such as enhancing reporting, exploring the creation of further vehicles to make collective investments in private markets (for example a private credit equivalent of NPEP) and reviewing the Pool RI policy and voting arrangements. Further details will be provided at the next Joint Committee meeting.

#### **RESOLVED**

**That the report and the Northern LGPS Pool response to the recent consultation on LGPS Investments, be noted.**

### **15. 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 15 May 2023 were appended to the report.

The Director of Pensions, GMPF, attended the meeting on 3 July 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.**

### **16. UPDATE ON RESPONSIBLE INVESTMENT**

Consideration was given to a report and presentation of representatives of PIRC, which set out the Q2 2023 Northern LGPS Stewardship Report (attached at Appendix 1 to the report).

Mr Powdrill and Mr Constable presented the Q2 2023 Northern LGPS Stewardship report, which focused on and explored as follows:

- Anti-ESG rhetoric directed at passive managers;
- ESG – rebalancing, retreating or rebadging;
- Just Transition challenges and supply chain issues; and

- Company engagement, including the challenges of decarbonisation and human rights issues.

Discussion ensued in respect of the content of the report and presentation, in particular, the engagement versus divestment challenge/debate and the importance of long term engagement in order to bring about significant/efficient change and positive outcomes.

#### **RESOLVED**

**That the content of the presentation and the Q2 2023 Northern LGPS Stewardship report, be noted.**

### **17. 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 30 June 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.

As previously reported, earlier this year, Portfolio Evaluation Ltd notified clients of their intention to cease trading in September 2023.

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 before the next meeting of the Joint Committee, such that a provider was in place for reporting periods commencing 30 September 2023.

It was noted that 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.

#### **RESOLVED**

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

### **18. 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).

The Director of Pensions advised 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. Pending asset allocation reviews, the outcome of which may also have had a significant impact on what a future GLIL should look like to best serve Northern LGPS Funds. At the

last meeting it was reported to Members that advisors were considering a report from GLIL Executive Committee before presentation to the Joint Committee. A copy of which was appended to the report.

Members were advised the exercise was complete and a summary was provided in the report.

The GLIL report to investors for the period ending June 2023 was appended to the report.

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

- 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.
- Continued Engagement with other LGPS Funds and Pools and potential aligned non LGPS investors.

#### **RESOLVED**

- (i) That the content of the report be noted; and**
- (ii) That the Directors be approved to make arrangements for revision of GLIL management arrangements and approve any resulting changes to Partnership Agreements subject to those remaining consistent with principles agreed within the report.**

#### **19. 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 1 February 2024.**

**CHAIR**