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GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

Day:	**Monday**
Date:	**1 August 2016**
Time:	**3.00 pm**
Place:	**Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF**

Item No.	AGENDA	Page No
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST**	
	To receive any declarations of interest from Members of the Board.	
3.	**MINUTES**	1 - 6
	The Minutes of the meeting of the Local Pensions Board held on 30 March 2016 to be approved as a correct record.	
4.	**FUNDING AND INVESTMENT TRAINING**	
	To receive a presentation of the Assistant Executive Director, Funding and Business Development and the Assistant Executive Director of Pensions Investments.	
5.	**UPDATE FROM GMPF MANAGEMENT PANEL**	7 - 24
	Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	
6.	**POOLING OF ASSETS**	25 - 98
	Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	
7.	**ACTUARIAL VALUATION**	99 - 120
	Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	
8.	**EXTERNAL AUDIT PLAN - 31 MARCH 2016**	121 - 140
	Report of Grant Thornton, External Auditor, attached.	
9.	**RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT**	141 - 150
	Report of the Head of Risk Management and Internal Audit Services attached.	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton on 0161 342 3050 or at carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
10.	**RISK MANAGEMENT AND AUDIT SERVICES - SUMMARY REPORT MARCH - JUNE 2016** Report of the Head of Risk Management and Audit Services attached.	151 - 158

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton on 0161 342 3050 or at carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

30 March 2016

Commenced: 2.00pm **Terminated: 4.20pm**

Present:	**Councillor Middleton (Chair)**	**Employer Representative**
	Councillor Cooper	**Employer Representative**
	Richard Paver	**Employer Representative**
	David Schofield	**Employee Representative**
	Catherine Lloyd	**Employee Representative**
	Mark Rayner	**Employee Representative**
	Chris Goodwin	**Employee Representative**
Apologies for absence:	**Jayne Hammond**	

25. DECLARATIONS OF INTEREST

In noting that reports and minutes of Panel meetings were submitted for information only and no decisions were made, Board members declared their interests as follows, for transparency:

Member	Subject Matter	Type of Interest	Nature of Interest
Richard Paver	Agenda Items 4 & 7	Personal	Director of Matrix Homes; Board Member of Transport for Greater Manchester; and Committee Member of the Housing Investment Fund

26. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 19 January 2016 were approved as a correct record.

27. CHAIR'S OPENING REMARKS

The Chair, Councillor Middleton, welcomed everyone to the meeting, in particular Mrs Pat Catterall, Pensioner representative and Mr Paul Taylor, The Manchester College Group, who were in attendance as observers, with a view to their appointment to the Local Board being ratified at the meeting of Annual Council on 24 May 2016.

28. GMPF MANAGEMENT PANEL UPDATE

The Executive Director of Pensions submitted a report providing an update for Board members on some of the key agenda items from the meeting of GMPF Management/Advisory Panel held on 11 March 2016, as follows:

Pooling of Assets
It was reported that the progression of the Government's proposals for the pooling of assets was a key area of work for the Panel, Chair of the Fund and officers.

Members were informed that a group of 25 funds, including GMPF, formed a joint working group to work together on a project to deliver a joined-up response to government on options for LGPS investment pooling. Hymans Robertson supported the project by providing technical support, project management and data analysis. The aim of the project was to deliver an authoritative and objective based assessment of options for pooling LGPS investments. With help from Hymans the working group quantified expected cost savings using data received for £140bn of assets out of the £200bn total for the LGPS as well as an estimate of the costs of setting up and running any new pooled vehicles. All of the options for pooling were assessed against the Government criteria for pooling. The final report was delivered to Government on 21 January 2016 and shared with all administering authorities, the LGA and other interested parties. A summary version of the report was appended to the report.

As reported at previous meetings of Panel and the Policy and Development Working Group, discussions regarding collaboration had been ongoing on a regular basis with a number of other, predominantly northern based LGPS funds. During this process the funds involved in discussions had developed a Memorandum of Understanding setting out the operation of a "Collective Asset Pool" and the proposed steps in its formation. The Memorandum of Understanding (a copy of which was appended to the report), had been signed by GMPF, Merseyside Pension Fund ('MPF') and West Yorkshire Pension Fund ('WYPF'). The 3 funds had combined assets of around £35 billion, therefore clearly meeting the scale criteria (Government was looking for pools in excess of £25 billion).

The funds provided a joint submission to Government on 19 February based on the Memorandum of Understanding, the key points of which were detailed and discussed. Structure, governance, costs and savings were also outlined.

It was further explained that the Pool remained open to other funds to join based on the Memorandum of Understanding and this would remain the case up until final proposals were submitted to Government in July.

The report provided details of the composition of 8 other proposed pools.

In conclusion, it was explained that the process within Government for assessing pooling proposals would be that Sir John Kingman, 2nd Permanent Secretary to Treasury would preside over a cross-department group (expected to consist of HMT, Cabinet Office and DCLG) to assess each proposal shortly after the February submission and provide feedback to the pools.

It was also likely that there would be some discussion with the Financial Conduct Authority regarding investment decision making and the role it would play in monitoring this. It remained to be seen whether this dialogue was directly with Pools or via Government. All pools were required to submit detailed proposals to Government by 15 July 2016 and significant work would be required for the foreseeable future.

Detailed discussion had ensued at the meeting of the Panel with regard to the above and Members had raised a number of issues, including; governance and decision making going forward and sovereignty of asset allocation, similar concerns were also raised by Local Board Members.

Actuarial Valuation
Members were advised that the next actuarial valuation was due to be undertaken as at 31 March 2016, with revised employer contribution rates to take effect from 1 April 2017. This was a major task for all areas of the Pension Service and it was time critical for both employers and the administering authority. Progress would be monitored by the Employer Funding and Viability

Working Group with the valuation being the main item at its next meeting. All members were invited to this meeting. Updates would be presented to Panel meetings throughout the year.

Mr Bowie, Actuary to the Fund, had explained to the Panel that full results would be available in September 2016. He reported on very challenging financial markets over the first 6 weeks of 2016 and explained that if markets achieved a 4.8% per annum growth in future, then the Fund had a better than 50:50 chance of meeting its liabilities.

He stated that there was a desire that for Greater Manchester authorities and major employers, there would be no material change in contribution rates. However, if investment returns are not as high as expected then more will be required in deficit recovery in future.

In response to a query from Panel Members in respect of possible further cuts to Local Government funding and the impact this would have on public services, employers and employees, Mr Bowie made reference to the Executive Director's comments at recent Panel meetings with regard to the prospect of a shrinking workforce and the difficulties of trying to strike a sensible middle course. He added that the Fund was in a better position than many other Funds, going forward.

GMPVF – One St Peter's Square
Progress on lettings was reported, including details of the possible sale of One St Peter's Square.

First Street, Manchester
It was reported that the Property Working Group had heard details of a new joint venture with a German company, to build a major office development at First Street, Manchester. Work had commenced on site and there was one pre-let.

Fossil Free Greater Manchester
Members were advised that, on 13 February 2016, Fossil Free Greater Manchester had campaigned in Manchester City Centre, seeking signatures for their divestment petition. This was followed up by an email to Members of the Advisory Panel, in which a number of actions were sought from the Fund, including:

- An immediate freeze on any new investment in fossil fuel companies;
- Divest from any company, which is involved in the exploration or production of coal and unconventional oil or gas within 2 years and from all fossil fuel companies within 5 years; and
- Work with the Greater Manchester Combined Authority to develop and fund a sustainable low-carbon investment programme for Greater Manchester.

The Fund's response to this request was detailed in the report.

Global Credit Manager
It was reported that GMPF was seeking to establish a framework agreement of three active multi-credit managers with Hymans Robertson assisting on the procurement process. The application process was detailed and the six qualifying managers had been interviewed at the beginning of February 2016. The three highest scoring Global Credit Managers were chosen, and, assuming no objections were raised during the 10 day 'stand still' period, all three would be appointed to the Framework Agreement.

The next step was to issue a mini-competition questionnaire which would be reviewed by Hymans Robertson who would then issue a report with scoring. The final step of the procurement process was for each of the three framework managers to be interviewed by Members of the Panel and the appointment of a preferred manager in the first week of April 2016.

Scenario Planning
Members were reminded of the resolution adopted at the meeting of the Panel held on 11 December 2015, which included a work programme prioritising 'Tactical Cash Scenarios' and details were given of progress to date.

A report setting out detailed proposals, in line with progress reported, would be taken to the next meeting of the Policy and Development Working Group.

Consultation on Reforms to Public Sector Exit Payments
It was reported that Government had made it clear that it intended to take action to curb the incidence of, and costs associated with, early termination of employment in the public sector, including local government.

Consultations had already been published relating to the recovery of termination payments for certain higher earners who were re-employed in the public sector within 12 months of having been made redundant, as well as introducing an overall cap on exit payments of £95,000. It had now published the final part of its trilogy of consultations looking at the reform of public sector exit payments. The latest consultation considered the options for change relating to the calculation of discretionary exit payment lump sums (over and above statutory redundancy payments) as well as the early release of pension benefits resulting from efficiency/redundancy terminations.

Options for consideration were detailed and it was explained that most of the suggestions, if taken forward by Government, could have implications for local government employers, who would be required to reconsider their policies around workforce management and termination policies. The consultation was due to close on 3 May 2016.

Investment Regulations Consultation
It was reported that the Investment Monitoring and ESG Working Group considered the Government's consultation on new investment regulations at its last meeting. A copy of the Fund's response was published on its web site at:
http://www.gmpf.org.uk/documents/investments/regulationsresponse.pdf

RESOLVED
That the content of the report be noted.

29. RISK MANAGEMENT AND AUDIT SERVICES – SUMMARY REPORT JANUARY – MARCH 2016

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the period January – March 2016.

Details were given of final and draft reports issued during the period.

Information was also given of other work carried out in the period, including:
- Advice – Access to Altair and Employers' Year end Return (compliance checks);
- Irregularities – none in this quarter.

With regard to the current status of the Internal Audit Plan for 2015/16, a status report was appended to the report, which showed that the actual days spent up to week 50 was 220. When work in progress had been completed, it was anticipated that the 250 days would be achieved.

Board members sought further information with regard to Post Audit Reviews and assurances were given that any issues identified were reported to the Council's Audit Panel. Members agreed that it would useful if this information could also be included in a report to the Local Board, on an annual basis.

RESOLVED
That the content of the report be noted.

30. RISK MANAGEMENT AND AUDIT SERVICES – INTERNAL AUDIT PLAN 2016-17 AND 2018-19

The Head of Risk Management and Audit Services submitted a report, which gave details of the proposed Internal Audit Plan of work to be carried out in the three years from 2016-17 to 2018-19.

It was explained that the plan was intended to be a three year rolling plan, which would be reassessed every year. The Pension Fund was entering a period of change particularly in relation to Investments and Pooling, so the Internal Audit Plan would need to be reviewed when more information was available in relation to the future structure of the investment side of the Fund.

Board members made reference to the level of resources allocated and sought assurances that 300 days was considered to be the appropriate level of coverage.

The Head of Risk Management and Audit Services responded in the affirmative and added that 300 days gave good coverage across all areas.

Reference was also made to the production of Annual Benefit Statements in 2015 and the problems incurred by the Pensions Administration team obtaining accurate, timely year-end returns from employers, which resulted in a number of Annual Benefit Statements being sent after the statutory deadline of 31 August 2015.

The Assistant Executive Director, Pensions Administration, informed members of the Board that a lot of work was currently being done to improve the process, including the creation of an Improvement Working Group, to which a representative from Internal Audit had been invited.

The Head of Risk Management and Audit Services added that the year-end processing audit, currently included in 2017/18 in the 3 year plan, may need to be brought forward to 2016/17 in order to review issues raised from the 2015/16 year end process, at an earlier stage.

The Assistant Executive Director, Pensions Administration, agreed to report on progress at the next meeting of the Local Board.

RESOLVED
That the content of the report be noted.

31. LOCAL INVESTMENTS

Consideration was given to a report of the Executive Director of Pensions, giving information about the Fund's long-standing programme of local investments, which had delivered its twin aims of generating commercial returns and delivering a positive local impact.

It was reported that, last year, a submission had been made to the Scottish Parliament Local Government and Regeneration Committee, which provided a history of GMPF's local investment programmes and assessed the benefits and risks of local investments. A copy of the submission was appended to the report.

It was explained that the most significant component of GMPF's local investment programme had been the Greater Manchester Property Venture Fund (GMPVF), which had undertaken direct development and redevelopment of commercial property. The current investment guidelines for GMPVF were also appended to the report.

Board members were informed that the Fund had recently established an Impact Investing Portfolio, the aim of which was to deliver commercial returns and for the investments to have a social impact. The investment guidelines for the impact portfolio were also appended to the report.

The Assistant Executive Director, Local Investments and Property gave examples of three recent investments, for Board members information.

RESOLVED
That the content of the report be noted.

32. INTERNAL DISPUTE RESOLUTION PROCEDURE

The Executive Director of Pensions submitted a report providing information about the LGPS's statutory dispute resolution procedure.

Board members asked if statistical information with regard to Stage 1 appeals was available. The Assistant Executive Director agreed to make enquiries with the Administration and Communications Sub-Committee, to seek further information in respect of Stage 1 appeals.

Mr Schofield made reference to a presentation recently delivered to members of the Pensions Administration Working Group on ill-health retirements and asked when this would be rolled out to employers?

The Assistant Executive Director – Pensions Administration, explained that the presentation on ill-health retirements would hopefully be rolled out to employers this calendar year.

RESOLVED
That the content of the report be noted.

33. RETIREMENT OF PETER MORRIS, EXECUTIVE DIRECTOR OF PENSIONS

The Chair announced that this was the last Local Board meeting of Peter Morris, Executive Director of Pensions, who was retiring after 40 years service, with Tameside Metropolitan Borough Council, 27 of which had been with the Greater Manchester Pension Fund.

The Chair thanked Peter for all his hard work and wished him well for the future.

Peter Morris responded in kind.

CHAIR

Report To:	**Greater Manchester Pension Fund Local Board**
Date:	1 August 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Euan Miller, Assistant Executive Director of Pensions - Funding and Business Development
Subject:	**GMPF MANAGEMENT PANEL UPDATE**
Report Summary	This report provides an update for the Board on some of the key agenda items from the meeting of the GMPF Management Panel on the 1 July 2016. Attached to this report are: **Appendix 1** - Management Summary report and its appendices; and **Appendix 2** - LGPS Update.
Recommendations:	Board members are asked to note the reports.
Financial Implications: **(Authorised by the Section 151 Officer)**	If the changes to the Scheme Regulations are made as proposed, these should be broadly cost neutral or slightly to the Fund's advantage. It is usually considered to the Fund's advantage, for example, to have benefits brought into payment early with an actuarial reduction applied, as liabilities are crystallised and the ten-year pension guarantee period starts whilst people are younger. Thus, there is a reduced likelihood of a death grant becoming due.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	Legal advice may need to be taken on the individual projects referenced in the reports.
Risk Management:	The reports are primarily for information only.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	For further information please contact Euan Miller, Assistant Executive Director, Funding and Business Development, and Ged Dale, Assistant Executive Director – Pensions Administration Telephone: 0161 301 7141/7227 e-mail: euan.miller@gmpf.org.uk/ged.dale@gmpf.org.uk

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APPENDIX 1

Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions
Subject:	**MANAGEMENT SUMMARY**
Report Summary	The aim of this report is to provide a short commentary on issues and matters of interest arising during the last quarter.
Recommendations:	To note the progress on matters and issues raised in the Management Summary.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	There are no material direct financial implications arising from this report.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	Legal advice needs to be taken expediently on each of the individual projects referenced in the report as required.
Risk Management:	The report is primarily for information only.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	For further information please contact Paddy Dowdall, Assistant Executive Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

1.1 The aim of this report is to provide a short commentary on issues and matters of interest arising over the last quarter.

2. POOLING OF ASSETS

2.1 The progression of the Government's proposals for pooling of assets is a key area of work for the Panel, Chair of the Fund and officers.

2.2 A separate report will be provided on progress. The final submission from the Pool is due to be made to Government by 15 July.

3. ACTUARIAL VALUATION 2016

3.1 The next actuarial valuation is being undertaken with an effective date of 31 March 2016. Revised employer contribution rates will take effect from 1 April 2017. This is a major task for all areas of the Pension Service and it is time critical for both employers and the administering authority. Progress is being monitored by the Employer Funding and Viability Working Group with the valuation being a very prominent item at its meetings this year. Updates will be presented to Panel meetings throughout the year.

3.2 As reported at previous Panel meetings, the Employer Funding and Viability Working Group is giving consideration to the case for giving employers a discount for paying employer contributions in advance. This matter has also been discussed with local authority treasurers, several of whom have expressed interest in participating. Discussions are progressing with the local authorities' auditors on potential accounting requirements regarding this matter.

4. GMPVF - ONE ST PETER'S SQUARE

4.1 An update will be given at the meeting on the progress of the lettings and the possible sale of One St Peter's Square.

5. CLIMATE CHANGE

5.1 On 18 May 2016 'Fossil Free Greater Manchester' (FFGM) published an open letter to the Chair of the Panel. The letter contained questions to the Chair of the Panel, following a Tameside Radio interview with the Chair and a member of FFGM. The questions related to the Fund's holding in coal mining companies, and the Fund's engagement strategy with fossil fuel companies. A copy of the letter is attached as **Appendix A**.

5.2 On 6 June 2016, the Chair of the Panel replied to the FFGM letter. The reply reiterated, amongst other things, that the Fund has no plans to divest from fossil fuel companies at this time. A copy of the reply is attached as **Appendix B**.

6. GMPF & LFPA INFRASTRUCTURE LLP (GLIL)

6.1 GLIL continue to proactively pursue a number of infrastructure investment opportunities across a variety of sub-sectors within the UK, achieving full Investment Committee approval for two deals in 2016 so far.

6.2 The first of these approvals was for the purchase of a minority stake in a regulated water utility. When we started the process to acquire this stake we believed there to be very little competition and thus expected that we could transact at a relatively attractive price. Unfortunately however, interest in the asset increased after another shareholder launched a process to sell a larger stake. Our offer for the original minority share was declined and whilst we then attempted to join a process to buy the larger stake, it became apparent that the complexities surrounding the transaction and the various existing shareholder interests were too great.

6.3 In January we were approached with an opportunity to buy a 21.7% stake in one of Europe's largest onshore wind farms from SSE for £150m. We had previously declined the opportunity in late 2015 because of an expectation that the process would be highly competitive. However, the scale and complexity of the transaction deterred many potential acquirers, leaving GLIL in a strong position to purchase the asset at a particularly attractive price. Crucially, SSE will remain majority holders of the asset, meaning that they are aligned to achieve maximum performance. Expected returns are approximately 1% per annum higher than market norms for onshore wind assets. The portfolio consists of 152 Siemens 2.3MW turbines located in South Lanarkshire. SSE is constructing a further 54 turbines for which we will have the option to buy a pro-rata share or have our shareholding diluted. We are very pleased with this deal because it has demonstrated to the market that we are able to source and execute attractive deals at a scale and complexity at which few others are able to transact.

6.4 The team have also spent significant time building a pipeline of opportunities, including a share in a large UK gas distribution network, a UK toll road and the financing of rolling stock. Given our already significant exposure to energy/renewable energy, we have declined a number of related opportunities, including a greenfield gas generation opportunity within Greater Manchester, a similar project in Cumbria and several solar opportunities.

7. RECOMMENDATION

7.1 To note the progress on matters and issues raised in the Management Summary.

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Fossil Free Greater Manchester
c/o Manchester Friends of the Earth
Green Fish Resource Centre
46-50 Oldham Street
Manchester
M4 1LE

Friday, 13 May, 2016

Councillor Kieran Quinn,
Chair, Greater Manchester Pension Fund,
Guardsman Tony Downes House
5 Manchester Road
Droylsden
M43 6SF

Dear Councillor Quinn,

Further to your comments in response to the Tameside Radio interview with one of our members (also covered in the Tameside Reporter), we would like to thank you for your engagement with the issues raised. In particular we were pleased to hear you acknowledge our effectiveness in raising public awareness of climate change and greenhouse gas emissions from fossil fuels.

Given your recent comments we would like to ask for responses to the following questions:

1. You disputed our suggestion that the Greater Manchester Pension Fund (GMPF) recently lost approximately £148 Million in the value of its coal stocks. This figure was based on the publicly available information on GMPF's holdings, together with published data on share price movements. The calculations were done by the think tank Platform and only cover the losses in value of four coal mining companies in the last 18 months from April 2014 (Anglo American, BHP Billiton, Glencore and Rio Tinto). Considering the Fund may have assets in coal companies other than the four listed we speculate the losses may be even greater. Platform's study (also covered by Damian Carrington in the Guardian of 12 October) is at this link: http://platformlondon.org/p-pressreleases/uk-local-council-pensions-lose-683-million-with-coal-crash/. (See appendix.) However, we acknowledge that this analysis may have missed some changes in holdings (information on which is not available in real time). To allow us to check our calculations could you please provide the holdings data on fossil fuel companies that have coal assets for the last 18 months from April 2014 (and ideally to the end of March 2016). This will enable us to quantify the actual loss that occurred as a result of falling share values of your major fossil fuel stocks.

2. In your interview you agreed with us on the need to leave fossil fuels in the ground as part of a major transformation in global energy systems to renewables. However, you disagreed with us that divestment is an effective way of pursuing that goal, instead arguing for engagement as a shareholder with fossil fuel companies. Could you set out the specific goals of your engagement strategy? We are somewhat sceptical, we must admit, because fossil fuel companies are just that, fossil fuel companies, with an interest in the exploitation

of fossil fuel reserves rather than the promotion of alternative forms of energy. What is it you hope to achieve by engagement?

3. In the light of the above, could you say what the successes of your engagement strategy have been so far? Is it possible to quantify them in terms of saved emissions or investments in alternative energy? Or is success limited, as we suspect, to adoption of resolutions to improve risk management in relation to unburnable reserves and stranded assets?

While we are critics of the amount of fossil fuel holdings the Fund has and of the failure to embrace a managed programme of divestment, we would like to recognise and commend the GMPF's good practices. Specifically, the Fund's decision to divest from the tobacco industry, the recent investment in offshore wind and the change to the Fund's Statement of Investment Principles which now acknowledges the relevance of ethical factors in investment decisions. The threat that tobacco poses to public health is indisputable; scientists have determined that fossil fuels pose the same indisputable threat to public health and the global economy. We, and the 4000 people who have added their voice to our petition, believe that there is no ethical, financial or scientific reason to retain investments in the fossil fuel industry.

In light of this it is encouraging to see the Fund's recent investments in renewables. Paired with a strategy of phased removal of investments from oil, gas and coal companies, this would provide the basis for a rebalanced investment approach in keeping with the threat of runaway climate change.

Globally, institutions worth $3.4 trillion had, by December last year, already committed to some form of fossil fuel divestment (see http://350.org/cop21-divestment/). Therefore, if the GMPF decided to divest from fossil fuels, they would join a growing number of leading health, charitable and financial institutions.

We look forward to hearing your responses.

Yours Sincerely,

Dr Ali Abbas and Dr Mark Burton
for *Fossil Free Greater Manchester*

Appendix

Calculations (from Platform) of losses over 18 months from April 2014.

GMPF holdings		Original Value	Current Value	Loss	Percentage lost ot
	BHP Billiton	10,946,928	3,209,228	7,737,700	
	RIO TINTO	168,131,905	110,593,431	57,538,474	
	ANGLO AMERIC	66,299,955	24,192,291	42,107,664	
	GLENCORE XSTR	57,427,947	16,890,573	40,537,374	
				147,921,213	1.11%
GMPF total		13,284,054,000			

Source:

http://platformlondon.org/p-pressreleases/uk-local-council-pensions-lose-683-million-with-coal-crash/

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APPENDIX B

Greater Manchester Pension Fund

Administered by Tameside Metropolitan Borough

To Dr Ali Abbas and Dr Mark Burton
for Fossil Free Greater Manchester
By Email

Guardsman *Tony Downes* House
5 Manchester Road, Droylsden
Tameside, M43 6SF

Tel: 0161 342 3016
Email: Kieran.quinn@tameside.gov.uk

Website: www.gmpf.org.uk

Date: 06 June 2016

Dear Dr Abbas and Dr Burton

Thank you for your letter and for acknowledging the work we are doing towards an orderly transition to a low carbon economy. We will continue to do all that we can on this important issue. We were extremely pleased to have recently been ranked 30th in the world by the Asset Owners Disclosure Project (AODP) for the leadership we have shown in managing climate risk in investments.

As we have consistently indicated to you, the Fund has no plans to divest from fossil fuel companies at this time. The primary duty of the Management Panel is to pay the pension promises earned by its members. In doing this it is also critically important that the cost is affordable to members, employers and the taxpayer. Many local government services are under extreme pressure due to Central Government cuts and it has never been more important than now to maximise resources for front line services. Moreover, in reaching decisions the Fund must comply with its fiduciary responsibilities. Indeed, our recent investment in the South Lanarkshire wind farm was driven by our expectations of generating a commercial return.

GMPF has an excellent long term investment track record. It is important to note that over the last 25 years, the value of its returns has been over £2 billion more than would have been the case if it had achieved the average LGPS fund return. All employers and the taxpayer have benefited from this outperformance through lower employer contribution rates and GMPF being better funded than most LGPS funds, which will provide more long term benefits to the employers in the Fund and enables more to be spent on local services.

A recent report from the Carbon Tracker Initiative (http://www.carbontracker.org/wp-content/uploads/2016/05/Sense-Sensitivity_Full-report2_28042016.pdf) highlighted the significant value of the oil majors' upstream assets within a 2 degree warming scenario. Perhaps surprisingly, Carbon Tracked argue that this value is likely to be maximised under a 2 degree warming scenario rather than a 'business-as-usual' approach, unless oil prices move to historically unprecedented highs. Carbon Tracker state that "this has crucial implications for [asset] owners who may be surprised at just how much value can be created by oil & gas companies in a carbon-constrained scenario", and it is one reason why we have been engaging with companies to disclose an analysis of their business models under a 2 degree warming scenario.

Shares in oil & gas and mining companies have been extremely volatile over the past few years, with a falling oil price and uncertainty over the future levels of growth, and therefore demand for commodities, in China. The study by Platform reflects this volatility.

The Fund is a patient, long term investor. Our overall 'value' style of investing may lead to prolonged periods of over and underperformance compared to a style neutral approach. This approach has served the Fund extremely well over the long term. Inevitably, over discrete, short term periods within a volatile market, such as that identified by Platform, the value of our holdings may decrease, as was the case with our holdings in mining companies in the 18 months from April 2014 to September 2015, but we will have received income over that period. Any decrease in the value of our holdings is only crystallised into a realised loss if and when those shares are sold. If, as you requested, we had disinvested from these shares in September 2015, the Fund would have incurred a loss. However, our Fund Manager believes that the share prices of mining companies will recover to generate positive returns for the Fund over their investment horizon. Indeed, in the first quarter of 2016, mining shares were amongst the very best performers yet it would be wrong to claim this as a 'success' in isolation. The Management Panel has challenged, and will continue to challenge, the Fund Manager on this issue.

We should also acknowledge that the large mining companies' operations (including those tracked by Platform) are much more diversified than a singular focus on coal. Your attribution to coal as the sole reason for the decrease in value over-simplifies the situation. Furthermore, some mining companies are now adapting their business models and divesting of coal assets themselves. But we acknowledge the importance and relevance of mining companies to climate change, which is why we co-filed climate change resolutions at Anglo American, Rio Tinto and Glencore at this year's AGMs.

Engagement is a key element of our approach to climate change. By joining forces with 69 other LPGS funds within the Local Authority Pension Fund Forum, we collectively have a very powerful voice. If we disinvest, we cannot engage with these companies. Rather, we would encourage you to work with us to achieve your objectives.

The focus of LAPFF's engagement to date has been on those highest emitting companies where we can have the biggest potential impact. We are clear that 'business as usual' for fossil fuel companies is not an option, and that is why we believe that challenging these companies to disclose their business models, and the assumptions that underpin their investment decisions, will lead to greater capital discipline. This could have the dual success or enhancing shareholder value, whilst also reducing greenhouse gas emissions.

We fundamentally believe that if fossil fuel company transparency and disclosure can be improved, all investors within the market will be armed with the necessary information with which to make investment decisions that fully reflect the risks of stranded assets under a 2 degree warming scenario. LAPFF has seen a 'step change' in companies' attitudes towards disclosure as a result of this engagement (see http://www.lapfforum.org/press/files/2016_Rio_AGM_result.pdf).

In order to enhance and refine the engagement approach, LAPFF has recently commissioned a paper from the Carbon Tracker Initiative on how best to engage with oil and gas companies on aligning their business plans with a 2 degree warming scenario. The paper will be published in summer 2016 and we look forward to being able to share further details of this exciting work.

Finally, the outcome of all LAPFF engagement is published within the Quarterly Engagement Reports (see http://www.lapfforum.org/Publications/engagement).

Yours sincerely

Councillor Kieran Quinn
Chair - Greater Manchester Pension Fund

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APPENDIX 2

Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Ged Dale, Assistant Executive Director of Pensions (Administration)
Subject:	**LGPS UPDATE**
Report Summary:	The report provides information about recent developments regarding the Scheme, in this case regarding a DCLG consultation about possible changes to the Scheme Regulations, and academy schools.
Recommendation:	That the content of the report be noted.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	If the changes to the Scheme are made as proposed, these should be broadly cost neutral or slightly to the Fund's advantage. It is usually considered to the Fund's advantage, for example, to have benefits brought into payment early with an actuarial reduction applied, as liabilities are crystallised and the ten-year pension guarantee period starts whilst people are younger. Thus, there is a reduced likelihood of a death grant becoming due.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The LGPS is a statutory scheme – any changes to the Regulations will be applied by the Fund.
Risk Management	For employers that are admitted to the Fund following a transfer of members, the intention is that when actuarial advice requires it, a "protected transferee employer" would be required to provide a bond, indemnity or guarantee to mitigate any risks identified.
ACCESS TO INFORMATION	**NON – CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	The DCLG's document *Consultation: LGPS Regulations* may be found here: http://www.lgpsregs.org/images/Drafts/2016-05LGPSAmendsCons.pdf For further information please contact Ged Dale, Assistant Executive Director, tel 0161 301 7227, email ged.dale@gmpf.org.uk.

1. DCLG CONSULTATION

Fair Deal

1.1. On 27 May 2016, the DCLG published a consultation about the LGPS Regulations 2013, regarding how they might be amended to incorporate new “Fair Deal” provisions, ie. rules to govern how employee members of the Scheme that are being transferred out of the public sector may remain employee members of the Scheme.

1.2 For central government employees, the guidance that currently applies is HM Treasury’s *Fair Deal for Staff Pensions: staff transfers from central Government.* In local government, the equivalent is the Best Value Staff Transfers (Pensions Direction) 2007.

1.3 The intention is to build on the existing admitted body status framework. This is to be done by designating a local government employee who is subject to a compulsory transfer to the private sector as a “protected transferee”. A new category of Scheme employer will also be introduced, being the self-explanatory “protected transferee employer”.

1.4 It is envisaged that “…a ‘protected transferee employer’ can itself transfer staff to a new provider and these staff would also be regarded as ‘protected transferees’. The original ‘protected transferee employer’ will be regarded as a Scheme employer for these purposes as will the receiving second ‘protected transferee employer’.”

1.5 Under the proposed regulations, protected transferee employers will be obliged to enter into admission agreements, with all bidding organisations to be under the same pension obligations.

1.6 When actuarial advice requires it, a protected transferee employer will be required to provide a bond, indemnity or a guarantee.

1.7 If, at the end of a contract, a protected transferee employer’s sub-fund is in deficit, an exit payment must be paid to that administering authority to address the shortfall or alternative provision made.

Changes to the 2013 Scheme Regulations

1.8 DCLG is also consulting about providing more options regarding additional voluntary contributions, how the Scheme operates within the Public Sector Transfer Club, plus a number of detailed changes for the sake of clarity or to otherwise improve the administration of the Scheme.

1.9 In order to meet the aims of the Government’s pension reform *Freedom and Choice in Pensions*, it is proposed to introduce a new set of options for accessing benefits accrued through the Scheme’s additional voluntary contribution (‘AVC’) arrangements. A member who has accrued benefits under these arrangements may, depending on when they access those benefits, use them for one or more lump sums, to purchase additional pension, to purchase an annuity, or transfer the benefits into another appropriate pension arrangement.

1.10 Currently, when a member with a deferred pension account becomes an active member again, the two accounts are automatically aggregated and the member has 12 months to opt to separate the former deferred account from the new active account. This has proved to be complex to administer and to allocate earned pension into the correct tax year, as the 12-month option period can mean decisions are made outside specific tax years. To remedy the position, it is proposed to give the member the option to aggregate their deferred and active pension accounts within 12 months of becoming an active member. This prevents situations occurring where automatically aggregated pensions accounts have to be disaggregated and follows the policy in the 2008 Scheme.

1.11 The Public Sector Transfer Club allows easier movement of staff mainly within the public sector, by making sure that employees receive broadly equivalent credits when they transfer their pensionable service to their new scheme. As the LGPS participates in the Club, it is proposed that the relevant administering authority calculates the transfer in accordance with provisions in the Club Memorandum, during both the transfer out and the transfer in of the accrued rights.

1.12 It is proposed to remove the need for an employer or former employer to give their consent when a member aged between 55 and 60 wishes to have early payment of benefits under the 2007 Benefits Regulations. As these benefits will be actuarially reduced there is no cost to the employer, and the proposal gives the member more options about how to access their benefits which is in line with the Government's Freedom and Choice in Pensions policy.

1.13 The change described in 1.12 has been one that has been sought by the Fund. Currently those leavers who have been members of the 2014 version of the Scheme may, once they are 55, draw their benefits as of right, albeit subject to early retirement reductions. But 55-60 year olds who left under earlier versions of the Scheme have no such right. This has led to some deferred members in this age group taking transfers to private sector arrangements, so as to access their pension. The charges relating to these transfers however tend to make them poor value. Far better then, that earlier deferred members will also be able to draw their benefits direct from the Fund, albeit again subject to early retirement reductions.

Response to the consultation

1.14 A response to the consultation will be sent. The closing date is 20 August 2016.

2. ACADEMIES

2.1 As members will be aware, it was announced in the Budget that all local authority schools were to be compelled to become academies. This raised the daunting thought of approximately 1,000 new LGPS employers in Greater Manchester alone. As members will also be aware however, the Government has withdrawn this policy.

2.2 The meeting of the Pensions Administration Working Group on 8 April 2016 took place however before the policy was withdrawn, with the Working Group advising that a letter should be sent to schools to warn them about the pension implications of becoming a standalone employer, eg. the employer contribution rate for an academy tends to be higher than the former parent local authority's rate. Academies are also responsible for the costs relating to early retirements, with some Tier 1 incapacity retirement being very expensive. These items however still apply to schools choosing to become academies, so the letter to schools was still sent.

3. RECOMMENDATION

3.1 That the content of the report be noted.

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Report To:	**Greater Manchester Pension Fund - Local Pensions Board**
Date:	1 August 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall, Assistant Executive Director of Pensions (Local Investments and Property)
Subject:	**2015/2016 EXTERNAL AUDIT PLAN**
Report Summary:	A report of Grant Thornton is attached at **Appendix 1** which sets out the external auditor's approach to the 2015/2016 audit. This report has previously been approved by the Management Panel and the Employer Funding and Viability Working Group.
Recommendations:	That the Board note the contents of the report.
Financial Implications: **(Authorised by the Section 151 Officer)**	The estimated audit fee for 2015/2016 is £62,000.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	It is a requirement that the Fund's accounts are externally audited.
Risk Management:	In undertaking the audit, the auditor will identify the business risks and assess the Fund's own risk management and internal control environment. The auditor will also consider the financial performance and provide reassurance that the accounts provide a "true and fair view".
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public**.
Background Papers:	Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

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DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Plan for Greater Manchester Pension Fund

Year ending 31 March 2016

April 2016

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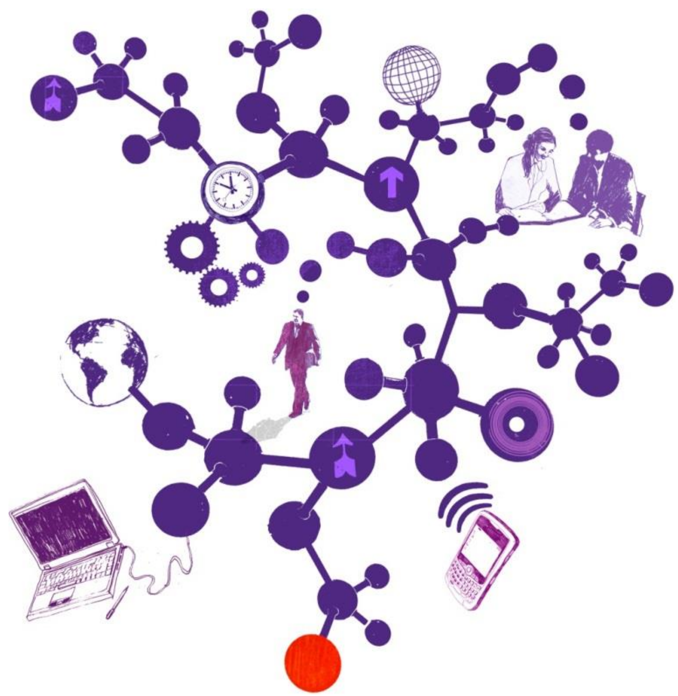
Mike Thomas
Director
T 0161 214 6368
E mike.thomas@uk.gt.com

Marianne Dixon
Manager
T 0113 200 2699
E marianne.dixon@uk.gt.com

Mark Stansfield
Executive
T 0161 234 6356
E mark.stansfield@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton

Greater Manchester Pension Fund
Guardsman Tony Downs House
5 Manchester Road
Droylsden
Manchester M43 6SF

Grant Thornton UK LLP
4 Hardman Square
Spiningfields
Manchester
M3 3EB

T +44 (0)161 953 6900
www.grant-thornton.co.uk

April 2016

Dear Members

Audit Plan for Greater Manchester Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Greater Manchester Pension Fund, Tameside MBC's Overview (Audit) Panel), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Mike Thomas

Engagement Lead

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Increase in Local Government Outsourcing and Academies

- Council's continue to look at outsourcing and the set up of external companies as a more cost effective way to provide services, this together with the growth in independent Academies will have an impact on the LGPS.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.

Our response

1. Pooling of Investments

- Officers are continuing to progress the Fund's proposals in this regard.
- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

2. Changes to the investment regulations

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

3. Governance arrangements

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

4. Increase in Local Government Outsourcing and Academies

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the fund.

5. Earlier closedown of accounts

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of the Pension Fund's financial statements by 31 July as a 'dry run'.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on going compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems In place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.

Our response

1.

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

2.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our audit work.

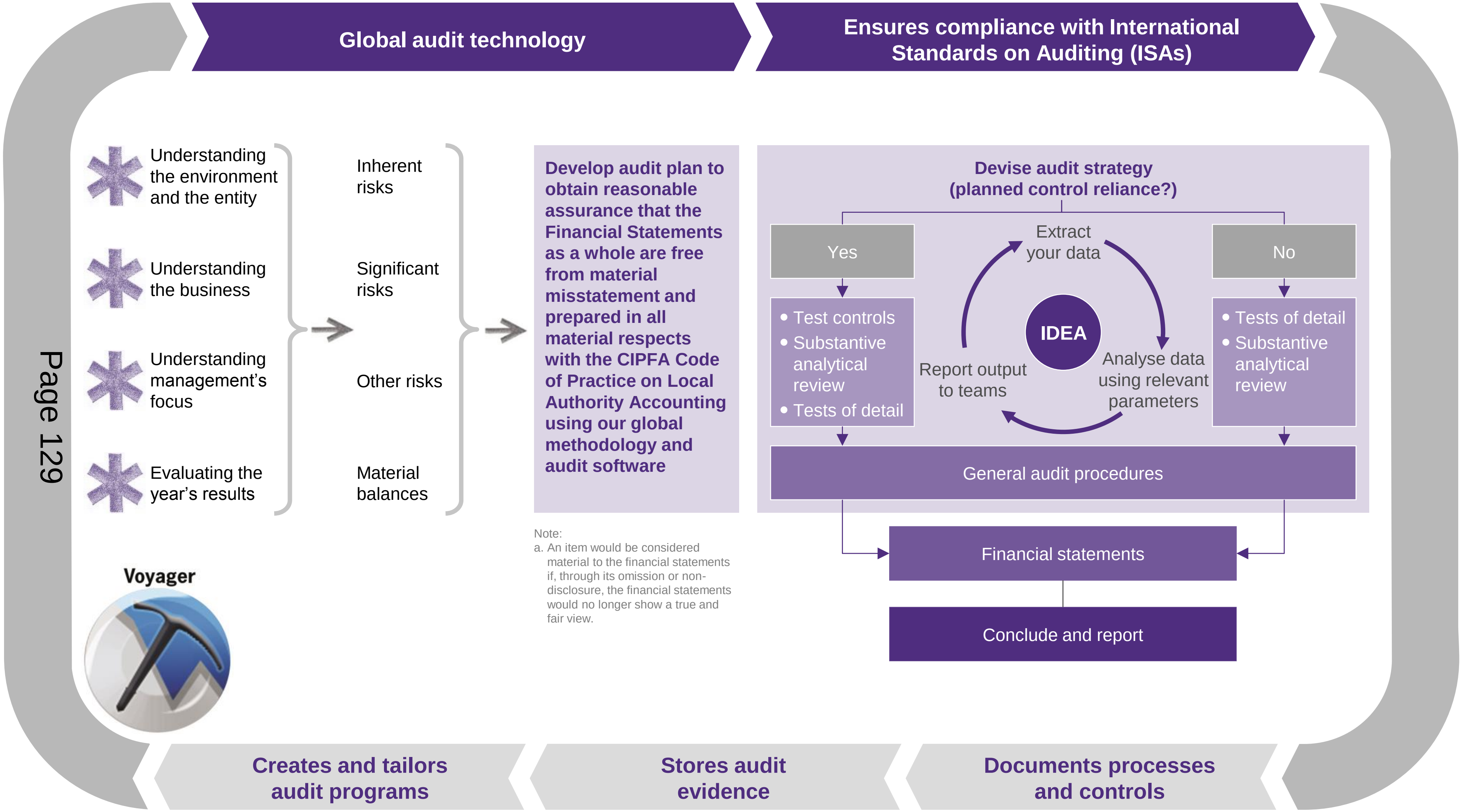
3.

- We will continue to review the arrangements that the Fund has in place for the quality of its' membership data.

4.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £175,912k (being 1% of net assets). We will consider whether this level is appropriate on receipt of the draft financial statements and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £8,796k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we will undertake audit procedures as these are key figures / disclosures in the accounts that should be correct:

Balance/transaction/disclosure	Explanation
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.
Auditor's remuneration	This is a statutory requirement and a requirement of ethical and auditing standards
Cash	All transactions affect the balance and therefore it is considered to be material by nature.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The split of responsibilities between the Pension Fund, its Fund Managers, Custodian and HSBC provides a clear separation of duties reducing the risks relating to investment income • the culture and ethical frameworks of local authorities, including Tameside MBC as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	**Work completed to date:** • Review of journal environment and walkthrough testing of journals • Testing of journal entries up to December 2015 **Further work planned:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for remaining 3 months and closedown journals • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Level 3 Investments – Fair value measurements priced using inputs not based on observable market data not correct. (Valuation is incorrect)	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	**Work completed to date:** • We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. **Further work planned:** • For indirect property investments, test valuations to valuation reports and/or other supporting documentation. • For a sample of private equity investments, test valuations to Fund Manager valuations and/or by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	• For investments held by fund managers, review reconciliation between custodian (JP Morgan), fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. • For other investments,(e.g. direct property), agree a sample to supporting documentation.
Investment purchases and sales	Investment activity not valid. (Valuation gross)	• For investments held by fund managers, review reconciliation between JP Morgan, fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. • For other investments,(e.g. direct property), agree a sample to supporting documentation.
Investment values – Level 2 investments Fair value measurements priced using inputs (other than quoted prices from active markets for identical investments) that are observable either directly or indirectly not correct	Valuation is incorrect. (Valuation net)	• For investments held by fund managers, review reconciliation between JP Morgan, fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. • For direct property investments agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert
Contributions	Recorded contributions not correct (Occurrence)	**Work completed to date:** We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over recorded contributions. **Further work planned:** • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	**Work completed to date:** We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments. **Further work planned:** • Controls testing over, completeness, accuracy and occurrence of benefit payments, • Rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	**Work completed to date:** We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments. **Further work planned:** • Review of reconciliation of member numbers • Sample testing of changes to member data made during the year to source documentation

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Management expenses
- Cash deposits
- Level 1 investments
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Other audit responsibilities

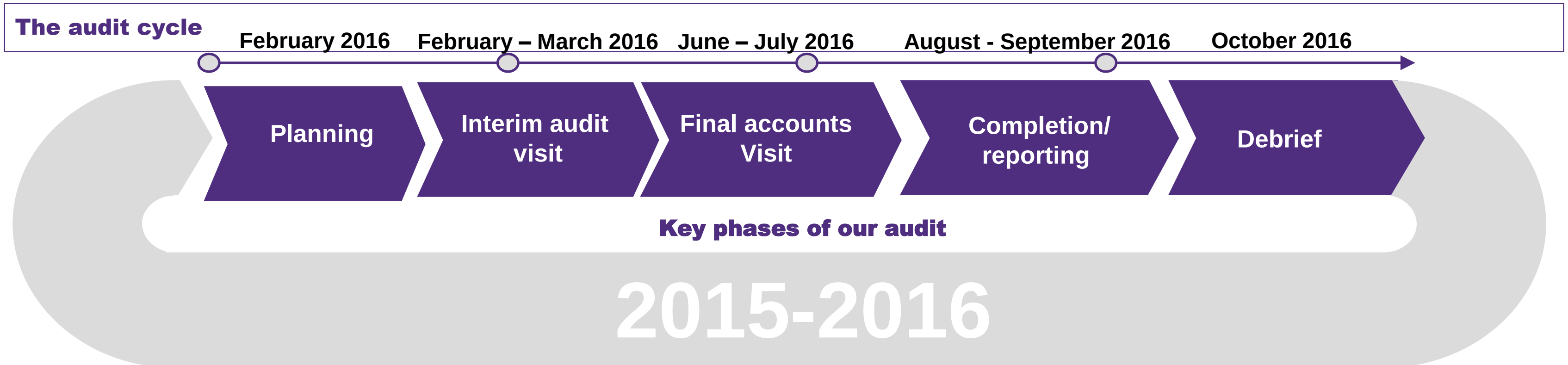
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual Report and ensure that it is consistent with the Pension Fund Accounts included within Tameside MBC statement of accounts.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices.	Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We will continue to liaise with internal audit and consider the outcome of their work on the Pension Fund's key financial systems and any impact it has on our responsibilities.	Our review of internal audit work to date has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements including investments, benefit payments, contributions and member data.	Our work has not identified any weaknesses which impact on our audit approach. Internal controls have been implemented by the Fund in accordance with our documented understanding.
Journal entry controls	We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy. To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.	We have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements. We will carry out additional work including testing on journal transactions for the remainder of the year, including the closedown period, during our final accounts visit.

Key dates



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Date	Activity
February / March 2016	Planning and Interim visit
January 2016	Interim site visit
31 May 2016	Presentation of audit plan to Tameside MBC Overview (Audit) Panel
June – July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Assistant Director of Pensions
September 2016	Report audit findings to those charged with governance Tameside MBC Overview (Audit) Panel
September 2016	Sign Pensions Fund financial statements opinion
September 2016	Present audit findings report to Management Panel AGM

Fees and independence

Fees

	£
Pension Fund Scale Fee	56,341
Proposed fee variation (IAS 19 work for admitted bodies auditors – PSAA regime only)	5,996
Total audit fees (excluding VAT)	**62,337**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Service	Fees £
Audit related services	0
Non-audit services	0

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Grant Thornton UK LLP also provides audit services to Matrix Homes Limited Partnership for fees totalling £11,500 and other services of £2,000. This is a separate engagement outside the remit of Public Sector Audit Appointments Limited

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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