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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day:	**Friday**
Date:	**1 July 2016**
Time:	**10.00 am**
Place:	**Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF**

Item No.	AGENDA	Page No

GENERAL BUSINESS

Item No.	AGENDA	Page No
1.	**DECLARATIONS OF INTEREST** To receive any declarations of interest from Members of the Panel.	
2.	**CHAIR'S OPENING REMARKS**	
3.	**DECLARATIONS OF INTEREST** To receive any declarations of interest from Members of the Panel.	
4.	**MINUTES**	
a)	**MINUTES OF THE PENSION FUND ADVISORY PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 11 March 2016.	1 - 16
b)	**MINUTES OF THE PENSION FUND MANAGEMENT PANEL** To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 11 March 2016.	17 - 22
5.	**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**	
a)	**URGENT ITEMS** To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.	
b)	**EXEMPT ITEMS** The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Items	Paragraphs	Justification
9, 10, 11, 12, 13, 14, 15	3 &10, 3& 10, 3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.

6. PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES

a) INVESTMENT MONITORING AND ESG WORKING GROUP 23 - 26

To consider the Minutes of the meeting held on 8 April 2016.

b) PENSIONS ADMINISTRATION WORKING GROUP 27 - 28

To consider the Minutes of the meeting held on 8 April 2016.

c) ALTERNATIVE INVESTMENTS WORKING GROUP 29 - 32

To consider the Minutes of the meeting held on 15 April 2016.

d) EMPLOYER FUNDING VIABILITY WORKING GROUP 33 - 36

To consider the Minutes of the meeting held on 22 April 2016.

e) POLICY AND DEVELOPMENT WORKING GROUP 37 - 42

To consider the Minutes of the meetings held on 26 May 2016.

f) LOCAL PENSIONS BOARD 43 - 48

To note the Minutes of the meeting held on 30 March 2016.

7. WORKING GROUP APPOINTMENTS 2016/17 49 - 52

Report of the Executive Director of Governance, Resources and Pensions attached.

ITEMS FOR DISCUSSION/DECISION

8. MANAGEMENT SUMMARY 53 - 64

Report of the Executive Director of Governance, Resources and Pensions attached.

9. POOLING OF ASSETS 65 - 82

Report of the Executive Director of Governance, Resources and Pensions attached.

10. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2016/17 83 - 192

Report of the Executive Director of Governance, Resources and Pensions attached.

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

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ITEMS FOR INFORMATION

19. LGPS UPDATE 399 - 402

Report of the Executive Director of Governance, Resources and Pensions.

20. FUTURE TRAINING DATES

Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.

LGA Annual Conference 2016 **Bournemouth International Centre**	**5 – 7 July 2016**
NAPF Annual Conference **ACC Liverpool**	**19–21 October 2016**
LGPS Fundamentals Training **Leeds Marriott Hotel** **Day 1** **Day 2** **Day 3**	 **18 October 2016** **9 November 2016** **6 December 2016**
Capital International Training Day **Hilton Doubletree, Manchester**	**1 December 2016**
LAPFF Annual Conference **Marriott Hotel Bournemouth**	**7–9 December 2016**

21. DATES OF FUTURE MEETINGS

Management/Advisory Panel	23 September 2016 (AGM) 18 November 2016 10 March 2017
Local Pensions Board	1 August 2016 13 October 2016 15 December 2016 30 March 2016
Pensions Administration Working Group	15 July 2016 14 October 2016 27 January 2017 7 April 2017
Investment Monitoring and ESG Working Group	15 July 2016 14 October 2016 27 January 2017 7 April 2017
Alternative Investments Working Group	22 July 2016 21 October 2016 3 February 2017 13 April 2017

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Property Working Group	5 August 2016 4 November 2016 17 February 2017 13 April 2017
Policy and Development Working Group	6 October 2016 2 February 2017 23 March 2017
Employer Funding Viability Working Group	29 July 2016 28 October 2016 10 February 2017 21 April 2017

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GREATER MANCHESTER PENSION FUND ADVISORY PANEL

11 March 2016

Commenced:	**10.00am**	**Terminated: 12.50pm**
Present:	**Councillor K Quinn (Chair)** **Councillors: Akbar (Manchester), Dean (Oldham), Francis (Bolton), Grimshaw (Bury), Halliwell (Wigan), Pantall (Stockport) and Ms Herbert (MoJ)** **Employee Representatives:** **Mr Allsop (UNISON), Mr Drury (UNITE), Mr Llewellyn (UNITE), Mr Thompson (UCATT)** **Local Pensions Board Members (in attendance as observers):** **Councillors Cooper and Middleton and Mr Schofield** **Advisors:** **Mr Bowie, Mr Moizer and Mr Powers**	
Apologies for Absence:	**Councillor Brett and Mr Flatley (GMB)**	

62. MEMBER TRAINING

Robert Plumb, Pensions Regulator, attended before Members to provide information with regard to the role of the Pensions Regulator.

63. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

64. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 11 December 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 11 December 2015 were signed as a correct record.

65. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:
(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and

(ii) **in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:**

Items	**Paragraphs**	**Justification**
8, 9, 11, 12 & 13	**3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

66. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 29 January 2016 were considered.

The Chair of the Working Group, Councillor Taylor, explained that UBS Global Investment Management had attended the Working Group to provide an explanation and detail the reasons behind, a 'redress payment' received by the Fund, in respect of certain payments made by UBS out of equity dealing commissions. The Working Group had received assurances that GMPF had not been disadvantaged by this error.

Legal and General had also attended the meeting and had given a presentation to the Working Group regarding their corporate governance activity over the last 12 months, which had included two case studies.

Representatives of PIRC had also given a presentation to the Working Group on Share Buybacks. PIRC advised that there was an increasing number of UK listed companies requesting authority to buy their own shares and highlighted that there was growing criticism of buybacks and the range of problems associated with them.

Councillor Taylor added that it had been a very interesting meeting and that it had been agreed that future agendas of these meetings would be tailored to allow more time for presenters to speak before Members.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 20 - DCLG Consultation Paper - Revoking and Replacing the Local Government Pension Scheme (Management and Investment) of Funds Regulations 2009, that the Executive Director of Pensions submits a response to DCLG as set out in draft form as an Appendix to the report, following consultation with the Chair of the Panel; and
(iii) With regard to Minute 25, Carbon Disclosure Project, - that the Working Group accepted the invitation to become a signatory, at no charge, to the four Carbon Disclosure Project information requests.

67. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 29 January 2016 were considered.

The Chair of the Working Group, Councillor J Lane, explained that there had been problems issuing annual benefit statements on time in 2015, however, the Pensions Administration Team were working hard to ensure that the year-end processes were much smoother than those for 2014/15.

The Working Group had also considered a draft ‘Procedure for Reporting Breaches of the Law to the Pensions Regulator’. This was to complement Tameside’s whistle-blowing policy and it applied to everyone that was involved in the administration and investment of the Fund. In the event of a breach being suspected, the Procedure requested that the Executive Director of Governance and Resources, who was the statutory S5 Local Government and Housing Act 1989 Monitoring Officer for the Administering Authority and Pension Fund, be consulted first to test whether a material breach had occurred or was likely to occur.

The Working Group had also received a report on revised guidelines for the payments of death grants, to better take into account more complex family situations.

A summary of the findings of the 2015 CIPFA Benchmarking Club for Administration was presented to the Working Group and the differences between GMPF and other Funds were discussed. The Fund’s administration costs were confirmed as being relatively low and stable.

Councillor J Lane reported that the Pensioners Forum had been held on 9 October 2015. The Forum had been well attended and attendees had given, on the whole, very positive feedback.

The Working Group had also received a report on Pensions Increase (PI) payable on SERPS related Guaranteed Minimum Pensions. (GMPs). Traditionally some or all of this PI had been paid by the Government along with State pensions, but it was possible that the Government was going to transfer the liability for the PI at great cost, to LGPS Funds.

RECOMMENDED
(i) That the Minutes be received as a correct record;
(ii) In respect of Minute 18, Procedure for Reporting Breaches of the Law to the Pensions Regulator, that the draft procedure be approved;
(iii) With regard to Minute 19, Guidelines for the Payment of Death Grants and Additional Voluntary Contribution Pots, that the revised guidelines be approved; and
(iv) In respect of Minute 22, Pensions Increase on Guaranteed Minimum Pensions, that a letter be sent to the Department for Communities and Local Government seeking an urgent resolution of this matter.

68. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 5 February 2016 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Working Group had received two external manager presentations and that it had been a good, interactive meeting.

RECOMMENDED
That the Minutes be received as a correct record.

69. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 19 February 2016 were considered.

The Chair of the Working Group, Councillor S Quinn, explained that the Working Group had received a summary of activity in the management of the Overseas Property Portfolio.

La Salle had also reported on performance during the previous quarter and they were continuing to look at sales for some of the older portfolio assets which were dragging performance and were not expected to perform well in the longer term.

The presentation from GVA had focused on the new office development at First Street Manchester and a site visit had been organised for Members of the Working Group on 14 March 2016.

RECOMMENDED

(i) That the Minutes be received as a correct record;

(ii) In respect of Minute 18, Overseas Investments, that the minor amendments to the Investment Guidelines, as set out in the report, be approved.

70. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 12 February 2016 were considered.

The Chair of the Working Group, Councillor J Fitzpatrick, reported that the Working Group had been informed that the expenses for the period were likely to come in under budget.

The Working Group were also notified that outstanding employer debt had reduced and many of the largest debtors had recently paid in full.

An update was received on the work that had been ongoing regarding the bespoke investment strategy for Transport for Greater Manchester's section of the Fund and how these bespoke strategies could be extended to other employers and subject to panel approval some inflation protection would be put in place for this employer.

Further discussion had taken place at the Working Group in respect of increasing numbers of enquiries from employers looking to exit the Fund and the importance of a consistent approach to dealing with such enquiries. The Working Group had also discussed the possibility of allowing some employers to pay some of their contributions in advance. This could potentially be beneficial to both employers and the Fund.

Councillor Fitzpatrick concluded that at the next meeting of the Working Group would focus primarily on the upcoming actuarial valuation and that all members would be invited to attend.

RECOMMENDED

(i) That the Minutes be received as a correct record;

(ii) In respect of Minute 25, Pensions Increase on Guaranteed Minimum Pensions, that a letter be sent to the Department of Communities and Local Government seeking an urgent resolution of this matter;

(iii) With regard to Minute 27, Bespoke Investment Strategies, that consent be given to officers to begin implementation of the agreed strategy subject to receiving confirmation from Hymans Robertson on market pricing remaining acceptable; and

(iv) In respect of Minute 29, Advance Funding of Pension Contributions, that the Working Group support, in principle, the offer to employers to pay contributions in advance.

71. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 11 December 2015 and 4 February 2016, were considered.

The Chair of the Working Group, Councillor K Quinn, explained that the Working Group had discussed the progress made by the Fund towards meeting the government's requirements to pool assets with other LGPS Funds. The Fund had been in discussion with other, predominantly northern based Funds, and a memorandum of understanding regarding how the pool would operate, was being developed.

The Working Group had also discussed a number of specific investment initiatives undertaken by the Fund. The Working Group had been notified that the first phase of Matrix Homes was nearing completion and potential sites had been identified for the second phase of Matrix Homes.

The Working Group had further discussed in detail opportunities in the pipeline for the joint infrastructure vehicle with LPFA.

RECOMMENDED

(i) In respect of Minute 10, Pooling of Assets, that the content of GMPF's response to Government on criteria be noted, including details of 'red lines' that would prevent GMPF becoming party to an agreement with other Funds;

(ii) With regard to Minute 11, Collaboration with other LGPS Funds on Investments, that the change to the investment guidelines for GLIL in relation to concentration limits, as set out in the report, be approved;

(iii) In respect of Minute 13, Class Actions, that the officer recommendations, as set out in Table 1 of the report, in respect of outstanding class actions, be approved;

(iv) That a pilot case be run with GMPF seeking to act as lead plaintiff in a class action against the large pharmaceutical company identified in the report; and

(v) That RGRD be engaged to undertake a pilot case with RGRD identifying this first case and SRKW be engaged to act on GMPF's behalf in seeking to be lead plaintiff in the next suitable class action recommended by SRKW.

72. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the Local Pensions Board held on 19 January 2016 be noted.

73. MANAGEMENT SUMMARY

The Executive Director of Pensions submitted a report updating Members on issues and matters of interest arising during the last quarter, 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. The Pool's submission was made to Government on 19 February 2016 in line with the timetable and a separate report would be presented to the Panel later in the agenda.

Local Board – New Members

The meeting of Council on 29 September 2015 had approved a move to 5 employee and 5 employer representatives for the Local Board, chaired by Councillor Middleton.

Interviews had been held to fill the vacant posts and the following appointments were made:

(i) a non-local authority employer - Paul Taylor, The Manchester College Group

(ii) pensioner representative - Pat Catterall

These appointments would be ratified at the Annual meeting of the Council to be held on Tuesday 24 May 2016.

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, explained that full results would be available in September. 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, then the Fund had a better than 50:50 chance of meeting its liabilities. He cautioned however, that investment returns may not be as high as expected, therefore, more would be required in deficit recovery.

He stated that there was an expectation that for AGMA authorities and major employers, there would be no material change in contribution rates for the next four years.

In response to a query from 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
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 that at the meeting of the Panel held on 11 December 2015, a work programme prioritising 'Tactical Cash Scenarios' was agreed, 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, 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

RECOMMENDED
(i) That the content of the report be noted; and
(ii) In respect of Scenario Planning, the following recommendations be adopted:
- **(a) Restrict initial provision to covering triggers in relation to equity markets only;**
- **(b) Implement any increase and decrease in equity market exposure via the use of "Futures" in the equity market;**
- **(c) Use a dedicated Fund Manager account to operationalise the trigger monitoring and trading processes;**
- **(d) Remove the current 3% "tactical cash" benchmark holding as part of the upcoming annual Investment Strategy Review and allocate this to equity markets within the benchmark which forms the basis of the consultation exercise with the Fund Managers;**
- **(e) Ensure that a pre-invoked "veto" form part of the arrangements surrounding the operation of the equity market trigger; and**
- **(f) That a report setting our more detailed proposals be submitted to the next meeting of the Policy and Development Working Group.**

74. POOLING OF ASSETS

Consideration was given to a report of the Executive Director of Pensions and a presentation of the Assistant Executive Director – Funding and Business Development, providing an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area.

It was explained 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 19th 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 ensued with regard to the above and Members raised a number of issues, including; governance and decision making going forward and sovereignty of asset allocation.

RECOMMENDED
(i) That the progress and developments, which had taken place since the December 2015 meeting of the Panel, be noted; and
(ii) That the Memorandum of Understanding between GMPF and its pooling partners be supported.

75. MEDIUM TERM FINANCIAL STRATEGY

A presentation delivered by the Assistant Executive Director – Local Investments and Property explained that, during the financial year 2016/17 it was estimated that GMPF would pay £737m in pensions and receive £551m in contributions from employers and employees. The Fund had a value of £16,953m at 31 December 2015. The proposed management costs of £28.1m for 2016/17 including £22.2m on investment management represented a cost of £81 per member of the scheme. Taken separately the investment management costs equated to £64 per member or 0.13% of total assets on a projected basis, and the administration costs £17 per member.

It was further reported that the Business Plan set out key assumptions for 2016/17 and beyond. Where the actions had financial implications, separate approvals would be sought for any additional expenditure.

The reporting to panel on the budget last year changed significantly from previous years to reflect the CIPFA requirement to report on medium term financial and expenditure planning. The Fund was now approaching the end of the first year of the initial 2015-18 period.

The report built on last year's report, and:

(i) Reviewed the medium term outlook for the Pension Fund;
(ii) Reviewed the medium term expenditure requirement'
(iii) Sought approval for the 2016/17 expenditure budget;
(iv) Showed unit cost comparisons with other LGPS Funds; and
(v) Set out the key assumptions on which the estimates were based.

RECOMMENDED

(i) That the budget including development items for 2016/17 at £28.1 million be approved;
(ii) That future year estimates, medium term planning and costs comparison be noted; and
(iii) That the methodology for a revised 3 year financial plan, reset from the position as at 31 March 2016, be approved. The actual figures will be reported to Employer Funding Working Group before inclusion in the Annual Report.

76. BUSINESS PLAN

Consideration was given to a report and presentation of the Executive Director of Pensions, which outlined the issues facing the Pension Fund and suggested some key tasks for 2016/17 and future years.

It was reported that the Fund had a relatively strong starting position that had been influenced by the following:

- The Fund had a very good long term investment track record delivered at comparatively low cost and thus the Fund had a better funding level than most LGPS Funds;
- Services were delivered by the most appropriate means for the Fund using both in-house and external providers. External providers were used extensively to provide investment management services;
- The Panel were supporters of active management to deliver returns that were better than those given by the markets in the long term, but recognised that there would be periods when the Fund underperformed compared to other Funds; and
- The Fund had a relatively stable structure and a good history of all relevant parties striving to contribute to its success.

In managing the move to the pooling of assets, the aim was to maintain the Fund's strengths and capture the benefits of working with other Funds whilst understanding and mitigating the risks that such changes brought. The Fund needed to manage external and internal change deliver on its priorities and maintain focus on its objectives. Looking back to 2015, it was overall a good year with solid foundations built in a number of areas, but short term investment performance was disappointing and some backlogs of work had built up. Addressing these matters, reviewing investment strategy and the way it was implemented and successful delivery of new projects made 2016 a potentially very exciting year.

The new home for the Fund, the increased capacity it brought and the scope to develop capabilities to meet the needs of the changing environment should create new opportunities for the Fund. Doing the job very well, being able to demonstrate that it was done well and having the capacity to do more would be beneficial to existing employers and members and there may also be other unforeseen benefits – "the potential game changing opportunity".

The risks associated with Pension Fund Investment Strategies had been very clearly highlighted in recent years, whereby changes in the value of the Fund's assets did not, in the short term at least, move in line with the value of its liabilities. This had been illustrated by the volatility in funding levels over the last decade (and the last 3 months), the impact on the cost of the Scheme and knock on impact on employers. The implications of material changes in membership and the change in risks that the Fund was exposed to needed to be understood and where applicable, measures introduced to mitigate such risks. Delivering in this area was likely to be the main priority for the Fund in the medium term.

The continued success of the Fund's investment performance would be driven by 5 factors:

- (i) The regular review of the Fund's investment strategy (asset allocation) by the Panel and the decisions on when and which new asset class (if any) to introduce.
- (ii) Implementing that strategy through the pool with the appointment of suitable internal or external providers to deliver returns, diversification and maintain the security of the assets.
- (iii) Understanding and communicating to employers the risks inherent in the approach adopted; and where appropriate taking measures to mitigate some of the investment risks.
- (iv) Ensuring implementation/decision making is effective and appropriate monitoring and review procedures are in place.
- (v) The ability to maintain standards of service and respond to the need for changes.

The legislative changes continued to be a major issue for the Panel and the Fund's members and employers.

The work plan, as appended to the report, was driven by the pooling agenda and 2016 valuation, but there were a number of other important and wide ranging tasks that needed to be progressed. As things changed, it may be necessary to review the priority of certain tasks.

Members were further informed that the three yearly review of Investment Management arrangements was due to take place in 2016, however, in light of the pooling agenda, it was proposed that this be delayed for a period of one year and the current Managers, Capital International and UBS Global Asset Management be retained in the interim period. (Reference Minute 77 below)

RECOMMENDED
That the proposed key tasks, as set out in Appendix 1 to the report, be approved.

77. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Executive Director of Pensions submitted a report, which considered the Fund's Investment Management arrangements and the appointments of the Fund's external active multi-asset Securities Managers.

The report outlined WM research findings in relation to fundamental characteristics shared by Local Authority funds, which have exhibited long-term outperformance.

The WM research has not produced any convincing evidence which would contradict a view that the Fund's current and proposed arrangements remain broadly fit for purpose.

Reference was also made to the Asset Pooling proposals (Minute 74 refers) and the significant amount of time and effort to be spent over the next 12 to 18 months or so on developing the detail of pooling arrangements, many aspects of which would be discussed and formalised over the coming 12 months.

The report suggested that inception of further three year fee arrangements with the active multi-asset Managers may not be an optimal way forward whilst uncertainty around the pooling arrangements was high.

Similarly it was felt that a procurement exercise in respect of the Fund’s Custodian would also benefit from greater clarity on the outcome of the pooling exercise.

It was further explained that the Chair of the Management Panel and the Executive Director of Pensions had both met with Capital International and UBS to outline the challenges and opportunities presented to all parties by the pooling agenda and the heightened significance of manager performance in this context.

RECOMMENDED
(i) That, in principle, the current three year fee arrangements with Capital International and UBS be extended for a further year and detailed proposals relating to the extension be considered at a future meeting of the Panel; and
(ii) That the Custodian procurement exercise be scheduled to occur after detail of the pooling arrangements has been settled, over the coming 12 to 18 months or so, in order to maximise potential cost savings to the pool.

78. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 30 September 2015 and 31 December 2015

A report of the Executive Director of Pensions was submitted, detailing and comparing the market value of the Fund’s investment portfolio as at 30 September 2015 and 31 December 2015.

RECOMMENDED
That the report be noted.

(b) External Managers’ Performance

The Executive Director of Pensions submitted a report, which advised Members of the recent performance of the external Fund Managers.

It was noted that in the quarter to 31 December 2015, Capital had outperformed by 0.3% against their benchmark index of 6.6%. UBS had also outperformed by 0.1% against their benchmark index of 4.2% and Legal and General had broadly succeeded in tracking their benchmark.

Performance figures for the twelve months to 31 December 2015 were detailed which showed that Capital had underperformed their benchmark by 0.6% and UBS had also underperformed their benchmark by 1.4%. Legal and General had broadly succeeded in tracking their benchmark.

RECOMMENDED
That the content of the report be noted.

79. REPORTS OF THE MANAGERS

(a) UBS Global Asset Management

Ian Barnes, Head of UK and Ireland, Jonathan Davies, Head of Currency, Global Investment Solutions, Steve Magill, Portfolio Manager, UK Value Equities, and Guy Walker, Portfolio Manager, UK Value Equities attended before Members to present their quarterly report.

Mr Barnes began by commenting on volatile market conditions and added that, generally, developed markets had performed better than emerging markets. He stressed the need to be disciplined and to 'fall back' on fundamental investment beliefs.

Mr Barnes informed Members that, over the last quarter, the portfolio had grown by about 4% and had achieved a slight outperformance versus the market, however had still underperformed for the 12 month period. In respect of long term performance, the portfolio remained ahead of the benchmark since inception and over 3 and 5 year periods.

With regard to multi-asset performance, the slight outperformance over the last quarter was driven by the UK equity portfolio, overseas equities had also had very strong returns.

Mr Davies commented on asset allocation and currency and informed Members that, in his view, indexed linked bonds were good value relative to Gilts. He made reference to an overweighting in the portfolio to Japanese and European equities, however, explained that the weighting given to Japanese equities had subsequently been reduced considerably with more being allocated to UK equities.

Mr Magill gave details of UK equity performance, which had been good in the medium and long term but poorer in the short term. Mr Magill explained that it had been a difficult period for Value style investing but noted that there were now some good opportunities which should lead to future outperformance. Stock attribution and sector positions as at 31 December 2015, were detailed and discussed.

The Advisors were asked to comment.

Mr Moizer made reference to volatility in equity markets and sought UBS's views on this. He further sought views on the forthcoming referendum and the possibility of an exit from the EU.

Mr Magill, in his response, explained that within the UK Value team's process there was an emphasis on assessing the prospect of historic company performance being maintained, and whether this was reflected in the company share price. He added that a 3 – 5 year view was taken on share price and that UBS was unable to predict short term price movements.

With regard to the possibility of an EU exit, it was highlighted that this was clearly a political decision and there was a lot of uncertainty in the run up to the referendum. Mr Walker added that the portfolio was not structured to take advantage of an exit from the EU but if that decision was taken, then he expected certain sectors to benefit.

(b) Capital International

Stephen Gosztony, President and Mr Richard Carlyle, Equity Investment Director, Capital International, attended before Members to present their quarterly report.

Mr Gosztony began by commenting on the scale of market volatility in 2015 and stressed the importance of investing for the long term.

In respect of the results for the quarter, he reported that the portfolio outperformed the benchmark in every sector, however, he highlighted that more work was required in the emerging markets sector due to a weak longer term performance within the portfolio.

Mr Carlyle made reference to global equity returns, explaining that Japan had performed well and that there was a lot of potential within the Indian market.

He concluded by summarising the portfolio outlook as follows:

- US growth may be bolstered by consumer spending;
- European recovery was elusive but valuations were attractive;
- Growth in China had slowed but was likely to remain positive;
- Growth needed to be sought amid volatility.

There were no comments made by the Advisors.

80. A PROCEDURE FOR REPORTING BREACHES OF THE LAW TO THE PENSIONS REGULATOR

The Executive Director of Pensions submitted a report, which provided a draft procedure for reporting material breaches of the law to the Pensions Regulator.

RECOMMENDED
That the Executive Director - Governance and Resources (Borough Solicitor), be given delegated powers to adopt and maintain a Procedure for Reporting Breaches of the Law to the Pensions Regulator and will report annually to the Local Pensions Regulator.

81. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

Legal and General Trustee Education Seminars	
Introductory Seminar (08.30 – 12.30)	21 April 2016
Advanced Seminar (12.30 – 17.00)	21 April 2016
Risk Management (08.30 – 12.30)	22 April 2016
NAPF Local Authority Conference Cotswold Water Park Four Pillars Hotel Gloucestershire	16 – 18 May 2016
UBS Member Training Day Manchester venue to be advised	2 June 2016
Annual LGPS Trustees Conference 2016 MacDonald Hotel, Manchester	23 – 24 June 2016
LGA Annual Conference 2016	5 – 7 July 2016

Bournemouth International Centre

NAPF Annual Conference ACC Liverpool	19 – 21 October 2016
Capital International Training Day Manchester venue to be advised	1 December 2016
LAPFF Annual Conference Marriott Hotel Bournemouth	7 – 9 December 2016

82. DATES OF FUTURE MEETINGS

The dates of future meetings of the Greater Manchester Pension Fund Management/Advisory Panel, Local Board and Working Groups were noted as follows:

Management/Advisory Panel	1 July 2016 23 September 2016 18 November 2016 10 March 2017
Local Pensions Board	30 March 2016
Pensions Administration Working Group	8 April 2016 15 July 2016 14 October 2016 27 January 2017 7 April 2017
Investment Monitoring & ESG Working Group	8 April 2016 15 July 2016 14 October 2016 27 January 2017 7 April 2016
Alternative Investments Working Group	15 April 2016 22 July 2016 21 October 2016 3 February 2017 13 April 2017
Property Working Group	5 August 2016 4 November 2016 17 February 2017 13 April 2017
Policy and Development Working Group	24 March 2016 26 May 2016 6 October 2016 2 February 2017 23 March 2017

Employer Funding Viability Working Group	22 April 2016 29 July 2016 28 October 2016 10 February 2017 21 April 2017

83. RETIREMENT OF THE EXECUTIVE DIRECTOR OF PENSIONS

The Chair announced that this was the last Panel meeting of Peter Morris, Executive Director of Pensions, who was retiring after 40 years' service, with Tameside Metropolitan Borough Council and the Greater Manchester Pension Fund.

The Chair, on behalf of Members of the Panel, thanked Peter for all his hard work and excellent leadership over the years, which had contributed significantly to the success of the Fund.

Mr Bowie, Mr Powers and Mr Moizer, Advisors to the Fund, also thanked Peter and wished him well for his future endeavours.

The Chair then presented Peter with a gift.

Peter Morris extended his heartfelt thanks to everyone for the gift and kind words. He wished all at the Fund good luck for the future.

CHAIR

GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

11 March 2016

Commenced:	**10.00am**	**Terminated:12.50pm**
Present:	**Councillor K Quinn (Chair)**	
	Councillors: Councillors: Akbar (Manchester), Cooney, Dean (Oldham), Dennett (Salford), J Fitzpatrick, Francis (Bolton), Grimshaw (Bury), Halliwell (Wigan), J Lane, Mitchell (Trafford), R Miah, Pantall (Stockport), Patrick, S Quinn, Reid, Ricci, M Smith, Taylor, Ward and Ms Herbert	
Apologies for Absence:	**Councillor Brett**	

62. MEMBER TRAINING

Robert Plumb, Pensions Regulator, attended before Members to provide information with regard to the role of the Pensions Regulator.

63. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

64. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 11 December 2015 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 11 December 2015 were signed as a correct record.

65. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:
- **(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and**
- **(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:**

Items	**Paragraphs**	**Justification**
8, 9, 11, 12 &13	**3&10, 3&10, 3&10, 3&10,**	**Disclosure would or would be likely to prejudice the**

	3&10	**commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

66. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 29 January 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

67. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 29 January 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

68. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 5 February 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

69. PROPERTY WORKING GROUP

The Minutes of the proceedings of the meeting of the Property Working Group held on 19 February 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

70. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 12 February 2016 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

71. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 11 December 2015 and 4 February 2016, were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

72. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the Local Pensions Board held on 19 January 2016 be noted.

73. MANAGEMENT SUMMARY

A report of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

74. POOLING OF ASSETS

A report of the Executive Director of Pensions was submitted and a presentation of the Assistant Executive Director – Funding and Business Development delivered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

75. MEDIUM TERM FINANCIAL STRATEGY

A report was submitted by the Executive Director of Pensions and a presentation delivered by the Assistant Executive Director – Local Investments and Property

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

76. BUSINESS PLAN

A report and presentation of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

77. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

78. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 30 September 2015 and 31 December 2015

A report of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

(b) External Managers' Performance

A report of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

79. REPORTS OF THE MANAGERS

Representatives of UBS Global Asset Management and Capital International attended before Members of the Panel to comment on their investment strategy and to answer questions raised by the Advisers and Members.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

80. A PROCEDURE FOR REPORTING BREACHES OF THE LAW TO THE PENSIONS REGULATOR

A report of the Executive Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

81. FUTURE TRAINING DATES

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83. RETIREMENT OF THE EXECUTIVE DIRECTOR OF PENSIONS

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

The Chair, on behalf of Members of the Panel, thanked Peter for all his hard work and excellent leadership over the years, which had contributed significantly to the success of the Fund.

Mr Bowie, Mr Powers and Mr Moizer, Advisors to the Fund, also thanked Peter and wished him well for his future endeavours.

The Chair then presented Peter with a gift.

Peter Morris extended his heartfelt thanks to everyone for the gift and kind words. He wished all at the Fund good luck for the future.

CHAIR

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

8 April 2016

Commenced: 10.30 am **Terminated:** 12.30 pm

Present: Councillors Taylor (Chair), Ricci, Brett, Akbar, Pantall, Grimshaw, M Francis, Mitchell and Mr Llewellyn

Apologies for Absence: None

28. DECLARATIONS OF INTEREST

There were no declarations of interest.

29. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group held on 29 January 2016 were approved as a correct record.

30. REPORT OF THE GLOBAL EQUITY MANAGER

The Working Group welcomed James Hand and Stephen Lee of Investec who attended the meeting to present GMPF's Investment Activity for the 9 months to 31 December 2015. An extract of Investec's latest report, which detailed the management of the assets entrusted to Investec, was appended to the report.

Investec were appointed by the Fund in February 2015 as a specialist investment manager with a Global Equity Mandate representing 5% of Main Fund assets. Investec had a relatively unconstrained brief to invest against a Global Equity benchmark, which they were expected to exceed by 2-3% per annum on a three year rolling average basis.

Investec adopted a '4Factor' investment philosophy and process to managing GMPF's portfolio. Companies were scored against the four factors of 'Strategy, Earnings, Technical and Value'. Companies who scored highly against these four factors were subject to detailed fundamental research and reviewed on a weekly basis for possible purchase. Investec believed that the 4Factor global core equity strategy aimed to achieve long-term capital growth primarily through investment in a diversified portfolio of the more liquid equity securities around the world. The strategy would not be dominated by a specific investment style.

The 4Factor Global Equity team was unified around a clear philosophy and disciplined process and were highly experienced global sector specialists with an average experience of over 16 years. Over 3000 stocks were screened against the 4Factor framework. The top five positive and top five negative stock contributions were outlined to the group and details of significant transactions were provided. The portfolio's tracking error was also outlined.

A review of the 2015 markets showed many of the same trends that were evident in 2014. It was explained that the three drivers of equity returns over time were valuation, growth and yield. The outlook for these drivers was discussed.

RECOMMENDED:
That the report be noted.

31. INVESTEC CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Naasir Roomanay of Investec who attended the meeting to report on Corporate Governance activity in the last 12 months. The Working Group heard that Investec Asset Management embraced the concept of active stewardship and that the aim of their work was to preserve and grow the real purchasing power of the assets entrusted to them by their clients over the long term. They monitor, evaluate, actively engage or withdraw investments with the aim of preserving or adding value to client portfolios.

The Environmental Social and Governance (ESG) strategy was outlined to the group including integration, active ownership and reporting/publications. As a multi strategy business it was important to develop ESG integration as Investec believed it added value if ESG issues were an integral part of the investment analysis and decision making process rather than a separate consideration. An internal framework for assessing the relevance of ESG integration through the varying stages of the investment process had been developed. This framework allowed Investec to apply a consistent approach to integration analysis and allowed teams to develop their own unique approach to ESG.

It was reported that Investec voted against management resolutions at 45% of meetings relating to directors resolutions, remuneration, capitalisation and fundamental transactions. There had been 88 engagements in 2015, 62 of which related to proxy voting. The engagements across the GMPF portfolio during 2015 and to date in 2016 were outlined to the group.

The Working Group heard that Investec were committed to addressing climate change risk and had formed a collaborative partnership with the Carbon Disclosure Project. A number of letters had been sent to companies across the GMPF portfolio highlighting the risks, benefits and importance of good carbon data and timely disclosure.

A wide ranging discussion took place on the content of Investec's report.

RECOMMENDED:
That the report be noted.

32. TRADING COSTS

The Executive Director of Pensions submitted a report, which facilitated Members' scrutiny of Investec's approach to and practice with regard to trading costs. Investec's 'Level One' disclosure report and GMPF's 'Level Two' disclosure report for the period since inception to 31 December 2015 were appended to the report. A discussion took place on the content of the reports.

It was confirmed that officers of the Fund had reviewed the 'Level One and Level Two' reports and any questions had been satisfactorily answered by Investec.

RECOMMENDED:
That the report be noted.

33. ROUTINE PIRC UPDATE

The Working Group welcomed Alan MacDougall and Janice Hayward of PIRC Ltd, who attended the meeting to present PIRC's report entitled 'UK Shareholder Voting Guidelines 2016' a copy of which was appended to the report.

Members were informed that PIRC had taken the decision not to adopt a blanket recommendation against share buybacks and that the rationale behind such transactions was now being analysed in addition to examining the nature and value of the consideration, comparisons to previous years stock prices and track record. It was reported that PIRC would also now be focusing its efforts on ensuring that details of the appointment dates of companies auditors be disclosed to shareholders.

RECOMMENDED:
That the report be noted.

34. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

The Executive Director of Pensions submitted a report advising Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the quarter.

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter ending December 2015. Stocklending income during the quarter was £137,921 and commission ‘recaptured’ was £4,503.

The report outlined that income generated from these activities were very sensitive to market conditions, therefore the amounts generated were expected to vary from one quarter to another, and from one year to another.

RECOMMENDED:
That the report be noted.

35. CLASS ACTIONS

The Executive Director of Pensions submitted a report, which provided Members with an update on Class Actions.

It was reported that GMPF was invested in various company shares and bonds around the world and periodically legal actions in relation to securities ownership may be brought against companies where there was alleged wrongdoing. There could be a number of potential types of legal action which could be pursued, dependent on the jurisdiction within which the action was brought. The majority of litigation occurred in the US with the European system significantly less well established where investors must actively decide to join the litigation.

GMPF used the services of JPMorgan to file Class Action claims in the US. The service provided by JPMorgan was ‘audited’ in 2013 to confirm that all settled Class Action claims had been correctly filed by JPMorgan.

The Working Group was notified that the Fund received portfolio monitoring services from two US law firms, Spector Roseman Kodroff & Willis (SRKW) and Robbins Geller Rudman & Dowd, who provided timely notification of potential actions where the Fund had suffered a material loss, and provided legal advice on the merits of potential actions. The specialist databases of the two firms were used to extend the original ‘audit’ of JPMorgan’s Class Action filing service, and it was found that the Fund had not missed filing any claims in respect of settled Class Actions where GMPF had an entitlement to recover monies during the period 1 January 2010 to 29 February 2016.

Members were provided with a detailed analysis from SRKW of seven competing shareholder actions against Volkswagen (VW), six of which were in Germany and one in the Netherlands, and it was reported that these actions were seeking to recover losses investors had suffered as a result of VW’s failure to disclose its practice of using software to manipulate the results of emissions tests in the US.

Members were advised of GMPF’s estimated losses under the VW claim, the tentative nature of these estimates, and the likely ‘payout ratio’ if the case was successful. It was reported that significant analysis had been undertaken by SRKW to determine which litigation would be most appropriate for GMPF to join. As a result of this analysis, SRKW recommended that GMPF join the Bentham litigation. Following a review of this analysis, officers recommended that GMPF join the Bentham litigation against VW in Germany subject to the completion of the legal due diligence work.

RECOMMENDED:

(1) That the report be noted; and

(2) That the Fund joins the litigation currently being brought by Bentham against Volkswagen in Germany.

36. URGENT ITEMS

There were no urgent items.

CHAIR

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

8 April 2016

Commenced: 9.00 am **Terminated:** 9.45 am

Present: Councillors J Lane (Chair), Patrick, S Quinn, Akbar, Brett, M Francis, Grimshaw, Mr Allsop and Mr Flatley

Apologies for Absence: None

24. DECLARATIONS OF INTEREST

There were no declarations of interest.

25. MINUTES

The Minutes of the meeting of Pensions Administration Working Group held on 29 January 2016 were approved as a correct record.

The Executive Director of Pensions provided an update in relation to Minute 22 'Pensions Increase on Guaranteed Minimum Pensions'.

26. THE PENSIONS REGULATOR'S ESSENTIAL GUIDE TO ISSUING ANNUAL BENEFIT STATEMENTS

The Executive Director of Pensions submitted a report, which provided information about a new guide published by the Pensions Regulator in March 2016. The 'Public service pensions schemes 'An essential guide to issuing annual benefit statements' was appended to the report.

RECOMMENDED:
That the Guide be applied regarding the production of Annual Benefit Statements for active members and deferred members.

27. ACADEMIES

The Executive Director of Pensions submitted a report, which provided information about the practical implications of the number of GMPF employers more than tripling if all schools became academies, focusing on pension administration.

It was reported that in the Budget 2016 the Chancellor announced that the Government intended to compel all Local Authority (LA) schools to become academies by 2020 or have an academy order in place to convert by 2022. With 931 LA maintained schools in Greater Manchester this had the potential of adding over 1000 new employers to the Fund. This would generate a great deal of administration both in the short-term and in the long-term.

RECOMMENDED:
That a further update be submitted when more clarity on the proposals and the initial assessment of the implications had been completed.

28. PERFORMANCE STANDARDS AND ARREARS

The Executive Director of Pensions submitted a report, which provided the half-yearly review of performance compared to the performance standards established by the Pension Fund Management Panel.

The record of performance of Pensions Administration for the 12 months to February 2016 was appended to the report, which showed that the general standard for Pension Administration was 90% or better for 20 of the 28 standards. The performance of the ten Local Authorities (LA), in respect of notifying the Pensions Office of new starters and early leavers, and details of outstanding queries were also appended to the report.

It was reported that arrears were reducing with approximately 3,500 deferred benefits at various stages of production; however, there had been a large amount of early leavers to process.

RECOMMENDED:
(1) That the performance of the administering authority and employers against their performance standards be noted; and
(2) To increase the frequency of performance reporting to quarterly.

29. ADVERTISING ON GMPF WEBSITE

The Executive Director of Pensions submitted a report, which considered the case for joining the Council Advertising Network to raise income by allowing advertising on the GMPF website.

Members expressed concern over the potential reputational risk to the Fund and the impact that external advertising could have on the speed of the website.

RECOMMENDED:
That the item be deferred to allow for further information to be gathered.

30. URGENT ITEMS

There were no urgent items.

CHAIR

GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

15 April 2016

Commenced: 9.30 am **Terminated:** 10.45 am

Present: Councillors Cooney (Chair), Ricci, Ward and Halliwell

Apologies for Absence: Councillors Reid, Dennett, Ms Baines and Ken Drury

18. DECLARATIONS OF INTEREST

There were no declarations of interest.

19. MINUTES

The Minutes of the previous meeting held on 5 February 2016 were approved as a correct record.

20. CAPITAL DYNAMICS - ANNUAL REVIEW OF GMPF'S PRIVATE EQUITY PORTFOLIO

The Working Group welcomed John Gripton and Angela Willetts of Capital Dynamics Ltd, who attended the meeting to present the annual review of GMPF's Private Equity portfolio for the period ending 31 December 2015.

Mr Gripton began with an overview of developments at Capital Dynamics and then updated members on how the Private Equity environment had changed during the year. Global fundraising continued at a robust level, although aggregate volume declined, and exits were at a level near the record set in 2014.

With regard to GMPF's Private Equity portfolio, it was reported that 2015 had been a record year for GMPF, with commitments totalling £343.1 million made to 12 new funds and one follow-on investment. Two further commitments amounting to £76 million had been made post period end. The portfolio of over 20 active funds was diversified with exposure across geographies and experienced, well established managers.

It was reported that the portfolio return since inception had remained relatively stable, at 16.5% and, the prospects for long term Private Equity returns were considered to remain attractive.

RECOMMENDED:
That the report be noted.

21. PRIVATE EQUITY - REVIEW OF STRATEGY AND IMPLEMENTATION

The Executive Director of Pensions updated the Working Group on Private Equity activity, described the current Private Equity policy, described the current holdings position and briefly outlined the strategic position of the Private Equity portfolio and proposed changes to diversification and implementation targets. There was no backlog position to report in respect of new fund commitments.

The target allocation, effective since 1 July 2014, remained at 5% but officers had undertaken a comprehensive review of the appropriateness of GMPF's geographic and stage targets and proposed a modest change in geographic allocation targets for Europe and US.

It was also proposed that the ‘Venture and Other’ category be re-classified as ‘Venture’, and that an allocation of 5% to 15% be implemented.

It was recommended that the annual rate of new commitments should remain at £240 million and be implemented by way of typical commitment size of £30 million, which was expected to generate an average volume of 24 new fund commitments over a typical 3 year period.

RECOMMENDED:
That :-

(a) **the medium term strategic allocation for private equity remains at 5% by value of the total Main Fund assets,**

(b) **the target geographical diversification of the private equity portfolio be amended to:-**

Geography	Percentage of portfolio Total Value*
EUROPE, inc UK	40% to 50%
USA	40% to 50%
ASIA	10% to 15%

**** Total Value = Net Asset Value + Undrawn Commitments***

(c) **the investment stage diversification of the private equity portfolio be amended to:-**

<table>
<tr><th rowspan="2">Geography</th><th colspan="3">Stage as a percentage of Regional Total Value</th></tr>
<tr><th>Large Buyout</th><th>Mid-Market Buyout</th><th>Venture</th></tr>
<tr><td>EUROPE, inc UK</td><td rowspan="2">40% to 50%</td><td>40% to 50%</td><td rowspan="3">5-15%</td></tr>
<tr><td>USA</td><td>40% to 50%</td></tr>
<tr><td>ASIA</td><td>40% to 50%</td><td>40% to 50%</td></tr>
</table>

**** Total Value = Net Asset Value + Undrawn Commitments***

(d) **the scale of commitment to funds to be £240m pa, to work towards achievement of the strategy allocation over the next 5/6 years or so.**

(e) **the Private Markets team continue to implement the private equity strategy via 3 year programmes of commitments but with the target number of commitments over that period increased from the current target of 20 funds to 24 funds. Each commitment to be of the average size of £30m, in the absence of exceptional factors.**

(f) **commitments to European and US primary buyout funds to be made directly to partnership vehicles. Secondary investments, Asia and Venture Capital to be accessed via Fund of Funds but officers to continue to assess the viability of a direct approach giving due consideration to risk, diversification and resource availability.**

(g) **it continues to be recognised that the portfolio may not fall within the target ranges at (b) and (c) above for a period of 5 – 10 years, because of transitioning from the previous target ranges.**

22. CAPITAL DYNAMICS - ANNUAL REVIEW OF GMPF'S INFRASTRUCTURE PORTFOLIO

The Working Group welcomed Victoria Gorman of Capital Dynamics Ltd, who attended the meeting to present the annual review of GMPF’s infrastructure portfolio for the period ending 31 December 2015 and updated members on how the infrastructure environment had changed during the year.

It was reported that demand for infrastructure assets from institutional investors remained high in a low yield environment, that fundraising was robust and dealflow had slowed with competition driving assets prices higher.

With regard to GMPF's infrastructure portfolio, five new commitments totalling £170.9 million had been made during 2015, increasing total active commitments to £464.8 million at the year end. Two further fund commitments totalling £80 million had been made/approved since the period end. 2015 had been a strong year for both drawdowns and distributions.

It was reported that the portfolio return since inception had increased to 7.9% as at 31 December 2015, compared to 7.2% as at 31 December 2014.

RECOMMENDED:
That the report be noted.

23. INFRASTRUCTURE - REVIEW OF STRATEGY AND IMPLEMENTATION

The Executive Director of Pensions submitted a report summarising and reviewing the overall strategy regarding investment in infrastructure, including material change to the way the infrastructure portfolio was considered from a 'stage' perspective and changes to target geographic ranges. No changes were proposed to the strategy implementation.

The Working Group were updated on infrastructure portfolio activity during 2015 and advised that there was no backlog position to report in respect of new fund commitments. The target allocation, effective since 1 July 2014, remained at 4%.

In terms of geographic diversification, a reduction in the targeted exposure to North America (from 30%-40% to 20%-30%) with an offsetting increase in the allocation to Europe was proposed.

It was also proposed that, in response to key developments in the infrastructure market since GMPF's portfolio was established in 2001, that stage diversification within the portfolio be re-categorised to be consistent with the range and diversity of current and prospective infrastructure opportunities and also placing more meaningful diversification controls on the portfolio. Details and characteristics of the new categories were set out in the report, as were changes to target allocations within the new categorisations.

RECOMMENDED:
That :-

(a) the medium term strategic allocation to infrastructure funds remains at 4% by value of total Main Fund assets,

(b) the target geographical diversification of the infrastructure portfolio be amended to:-

Geography	Target Range
EUROPE, inc UK	50% to 70%
N AMERICA	20% to 30%
ASIA-PACIFIC/OTHER	0% to 20%

(c) the target stage diversification of the infrastructure portfolio be amended to:-

Investment Stage	Relative Risk	Target Range
CORE & LT CONTRACTED	LOW	30% to 40%
VALUE ADDED	MEDIUM	40% to 60%
OPPORTUNISTIC	HIGH	0% to 20%

(d) the scale of fund commitments to be £120m pa to work towards achievement of the strategy over the coming years.

(e) the Private Markets team continue to implement the infrastructure strategy via 3 year programmes of commitments, across between 2 and 4 new funds pa (averaging 3 new funds pa).

(f) Commitments to primary funds to be made directly to partnership vehicles.

(g) It continues to be recognised that the portfolio may not fall within the target ranges at (b) and (c) above for a period of years, because of transitioning from the current portfolio composition.

24. URGENT ITEMS

There were no urgent items.

CHAIR

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

22 April 2016

Commenced: 9.30 am **Terminated:** 11.00 am

Present: Councillors J Fitzpatrick (Chair), Cooney, Reid, Mitchell and Allsop

Apologies for Absence: Councillors Dean and Patrick, Mr Llewellyn, Ms Herbert and Mr Flatley

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MINUTES

The Minutes of the meeting of the Employer Funding Viability Working Group held on 12 February 2016 were approved as a correct record.

33. 31 MARCH ACTUARIAL VALUATION

The Working Group welcomed Barry McKay and Steven Law of Hymans Robertson who attended the meeting to present an overview of the valuation process and the potential outcomes.

The LGPS Regulations required each administering authority in England and Wales to undertake an actuarial valuation as at 31 March 2016 and every third anniversary thereafter. The actuary in undertaking the valuation had to have regard to the Authority's Funding Strategy Statement, the desirability of maintaining as constant a contribution rate as possible and a requirement to ensure the solvency of the pension fund and the long-term cost efficiency of the Scheme.

It was explained that the real cost of a defined benefit pension scheme was dependent on the pensions actually paid, which in turn depended on benefit structure, inflation and longevity. A valuation estimated how much money would be needed to pay the pensions and the estimation was based on the assumptions of: projected amounts of benefits payments and projected probability of benefits being paid.

Hymans Robertson followed a two stage valuation process where the financial position of the Fund was measured using economic indicators and the market value of assets at the valuation date. Contribution rates were set using scenario modelling of future investment returns. A high-level valuation timetable was shown to the group that illustrated the key tasks and deadlines over a valuation period.

The key assumptions were highlighted and included discount rate, inflation, salary growth, pensions increases and longevity. The most material assumption was generally the discount rate, which was mostly set as a prudent estimate of the future investment returns on the Fund's assets. Gilt yields were used as the starting point for setting the discount rate and expected returns on other asset classes were set with reference to gilt yields.

It was reported that gilt yields had fallen since March 2013 therefore, all else being equal, the discount rate would be lower at this valuation and the amount of assets required to meet the benefits due would be higher. However, it could be appropriate to increase the expected outperformance of the Fund's assets above gilt yields from 1.8% to 2% per annum in the calculation of the discount rate. Based on modelling Hymans Roberts had undertaken they believed this to be a prudent discount rate assumption.

In making this change and also making a change to the way CPI inflation was estimated would likely mean that the valuation result at a whole fund level was similar to March 2013. However, there would be significant differences at the individual employer level, which would depend on individual employer experience such as the level of salary increases awarded.

It was reported that GMPF was a diverse fund with many diverse employers and it may be appropriate to implement different funding strategies for different employers. A step by step guide to achieving this along with the parties involved was discussed with the group and an employer classification framework was shown.

RECOMMENDED:
That the actuary calculates draft valuation results using the assumptions proposed in the presentation.

34. ADVANCE FUNDING OF PENSION CONTRIBUTIONS

The Executive Director of Pensions submitted a report, which provided an update on the potential benefits to the Fund and employers from employers paying contributions to the Fund in advance.

It was reported that the return available to local authorities on their cash balances was currently approximately 0.5% per annum. The 2013 actuarial valuation assumed an investment return of 4.8% which provided an opportunity on a balance of probabilities for both the Fund and employers to gain if the employer paid contributions in advance and received a discount that was less than the assumed investment return but higher than the current rate received on cash balances.

Since the last meeting officers had progressed discussions with the Fund's 10 local authority employers, their auditors (KPMG and Grant Thornton) and the Fund's actuary as part of a review of legislative, regulatory and accounting requirements which must be met. The work remained ongoing and a further update would be provided to the Working Group at a future meeting.

RECOMMENDED:
That the report be noted.

35. 31 MARCH 2016 ACTUARIAL VALUATION - WORK STREAMS HIGHLIGHT REPORT AND RISK LOG

The Executive Director of Pensions submitted a report detailing the 31 March 2016 Actuarial Valuation work streams highlight report and risk log.

It was reported that the triennial valuation of the Fund at 31 March 2016 required formal completion of the process no later than 31 March 2017. Due to the success of the project board and project management framework established during the MoJ assimilation a similar process had been adopted for the Valuation. This framework would help to ensure that the project would be delivered on time and to budget.

The Working Group heard that there were six main work streams with a lead officer appointed to each. The report contained highlight reports from each work stream that provided a brief summary of progress against key milestones and set out any issues that needed further consideration together with any actions required. The report also detailed a risk log documenting the key risks to the success of the project and mitigations to manage these risks.

In order to monitor the progress of the project the Working Group would be provided with regular updates.

RECOMMENDED:
That the report be noted.

36. GMPF AGED DEBT AS AT 19 MARCH 2016

The Executive Director of Pensions submitted a report summarising the aged debt for the Fund as at 19 March 2016. The key trends were that total debt had decreased slightly from December to March, however, debt not in a payment plan had increased.

The report detailed all aged debt (31 days and over) as at 19 March 2016 alongside comparison to the previous quarter and explanations for the main changes. A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer related and overpayment of Pensions was detailed.

Tables which showed the highest value invoices within the Employers, Property Main Fund and Property Venture Fund category were appended to the report.

RECOMMENDED:
That the report be noted.

37. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 11 MONTHS TO FEBRUARY 2016

The Executive Director of Pensions submitted a report comparing the administration expenses budget against the actual results for the 11 months to February 2016.

Actual expenditure was £17,636,000, less than the estimate of £21,806,000 for the same period. The main reasons for major variations were listed and included travel and subsistence and managers and professional fees.

RECOMMENDED:
That the report be noted.

38. URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND

POLICY AND DEVELOPMENT WORKING GROUP

26 May 2016

Commenced:	**3.30pm**		**Terminated: 5.00pm**
	Councillor K Quinn (Chair)		
	Councillor J Fitzpatrick		
	Councillor Cooney		
	Councillor J Lane		
	Councillor S Quinn		
	Councillor Pantall		
	William Marshall	**Hymans Robertson LLP**	
	Mark Powers	**Advisor to the Fund**	
Apologies for absence:	**Councillors M Smith and Taylor**		

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 2 February 2016, having been circulated, were agreed as a correct record.

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 7 April 2016, having been circulated, were agreed as a correct record.

3. POOLING OF ASSETS

The Executive Director, Governance, Resources and Pensions submitted a report, which provided an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area.

Members were reminded that, as reported at previous meetings of the Panel and the 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 had been signed by GMPF, Merseyside Pension Fund (MPF) and West Yorkshire Pension Fund (WYPF). A copy of the Memorandum of Understanding was appended to the report.

It was reported that the 3 Funds had combined assets of around £35 billion, therefore clearly meeting the scale criteria (in excess of £25 billion).

Members were informed that there were currently 8 proposed pools, made up as follows:

- Northern Powerhouse;

- London CIV (the 33 London Boroughs) – this has already been established;
- South West Funds plus Environment Agency ('Project Brunel');
- 'ACCESS' (Most of the south East County Council Funds);
- Midlands;
- 'Border to Coast' (The remaining northern funds plus a small number of others);
- Wales; and
- LPFA/Lancashire (plus potentially Berkshire) ('the Local Pensions Partnership – LLP').

Members were informed that Government had previously stated that it was looking for around 6 pools, each of at least £25 billion. The Wales and LPFA/Lancashire pools do not currently meet the Government's scale criteria. However, the Welsh pool had been granted an exemption from the scale criteria. The Northern Pool had links with the pool of LPFA and Lancashire (£10 billion or £12 billion with Berkshire) via GMPF's joint infrastructure vehicle with LPFA. The intention was for the Northern Pool to work alongside LPP on infrastructure investment going forward.

In late March 2016, all pools received a response from Government to their February submissions. The Northern Pool's response was appended to the report. The response confirmed that the Northern pool clearly met the scale criteria.

In respect of the progress of the Northern Pool, it was explained that, for the foreseeable future, the funds in the Northern Pool would be allocating considerable resource towards completing the July submission to Government and creating the pooling arrangements.

Five workstreams had been created to progress the various aspects, as follows:
- Asset Pools;
- Governance;
- Cost Savings;
- Infrastructure and Property; and
- Other alternative assets.

A particularly important task prior to the July submission was to determine the most appropriate operating model for the management of the Pool's assets. The main options for consideration were detailed in the report.

Members were informed that a 'cross-pool' group with representation from each of the individual pools had been created. The purpose of this group was to share best practice amongst the pools and to liaise effectively with the LGA pensions team and the civil servants at DCLG and HMT. The group would also play a role in developing the capability and capacity in infrastructure investment across the LGPS in England and Wales. The cross-pool group was helping Government to develop a standard template for the July submissions. This template effectively removed the requirement for Funds to submit an individual submission in addition to the joint pool submission, although each pool would still be able to submit feedback to Government on particular aspects of pooling. Each pool was expected to be asked to make presentations to the Government assessment panel in advance of the July submission. The Northern Pool's presentation would be on 16 June 2016.

In respect of developing capacity and capability in infrastructure, it was reported that general consensus across the LGPS was that improved access to infrastructure investment and lower cost was most likely to be achieved through a national platform accessible to all the LGPS asset pools. The cross-pool group was considering how the national platform could be established and whether it built on or ran alongside any existing arrangements.

Ahead of the pooling agenda, GMPF, which had a long track record of investing in infrastructure funds, had developed capacity to invest in direct infrastructure opportunities through its joint venture with the London Pension Fund Authority (LPFA). The joint venture partnership was known as ‘GLIL’. This vehicle had been designed to be extended to accommodate other Funds and could form part of the national solution.

Detailed discussion with regard to the Pooling agenda ensued and Members raised a number of issues, including; the importance of establishing, robust governance and decision making arrangements at the out set and the need to ensure that the operating model for the management of the Pool’s assets met the needs of GMPF, going forward.

RECOMMENDED
That progress and developments, which have taken place since the March meeting of the Management Panel, be noted.

4. INVESTMENT INITIATIVES

Consideration was given to a report of the Executive Director, Governance, Resources and Pensions, which provided an update on progress of a number of specific investment initiatives undertaken by the Fund. Members were asked to note certain specific actions that had been taken under delegated authority following consultation with the Chair.

It was reported that since the last meeting of the Working Group actions had been implemented in the Impact Portfolio, which were detailed in the report. It was further reported that discussion with other LGPF’s to pursue joint investment collaboration was currently on hold, whilst Funds were working towards the deadline submission for the pooling agenda.

The LPFA Joint Venture had actively pursued two deals, with both achieving full investment approval. The first of these transactions was for the purchase of a minority stake in a regulated water utility. Unfortunately, however, the Fund’s offer for a minority share was declined and, following a subsequent attempt by the Fund to purchase a larger stake, it became apparent that the complexities surrounding the transaction and the various existing shareholder interests were too great.

In the second transaction, it was reported that the Fund had been approached to purchase a stake in a large offshore wind farm. This was believed to be a successful deal because it had demonstrated to the market that the Fund was able to source and execute attractive deals at a scale and complexity at which few others were able to transact.

The Working Group were notified that in relation to the first phrase of Matrix Homes all units had been completed and handed over across the five sites (222 properties). GVA’s latest forecast was that the overall construction cost would be in line with the target estimate.

With regard to Matrix Homes 2, it was reported that Manchester City Council (MCC) had given formal approval to release five sites, which they believed were suitable for development using the Matrix Homes Model. GVA had reviewed the sites and the financial model prepared by Manchester City Council to illustrate financial viability. GVA did not accept the assumptions used in the model for costs/sales values, and were liaising with Manchester City Council to amend the model to more prudent levels.

It was further reported that GVA had reviewed a financial model prepared by Rochdale MBC for a number of sites close the town centre, which they believed would be suitable for the Matrix model. The view from GVA was that the proposed development was extremely challenging, information had been requested from Rochdale on site remediation and abnormal costs expected and whether any additional sites were available which would improve the overall viability.

Members were informed that Tameside Council and GMPF had agreed to work together to develop a number of sites across Tameside. GVA were working through a programme to prove the viability of development at six sites. Initial site investigation reports had identified moderate risk of abnormal ground conditions. To understand the risks further, intrusive ground investigations were being carried out on the sites during May 2016. Once the outcome of the survey results and the impact on the site layouts were known, GVA would then be able to update the financial model for each site and provide feedback to the partners on the overall financial viability.

RECOMMENDED:
That the report be noted.

5. DETAILED PROPOSALS FOR THE OPERATION OF A GLOBAL EQUITY 'PURCHASE/SALE' TRIGGER PROCESS

A report was submitted by the Executive Director of Governance, Resources and Pensions, which explained that, during the Investment Strategy review in May 2015, Mark Powers, Advisor to the Fund, suggested that the Fund should undertake a 'Scenario Planning' exercise to be better placed to capitalise on market opportunities as they arose. The aim was to build upon the Fund's hitherto 'ad hoc' approach. The report provided Members with detailed proposals regarding a 'trigger process' for Global Equities to be implemented via an account with Legal and General (L&G).

It was explained that under normal market circumstances, the Fund relied upon the expertise of its appointed active multi-asset managers to take advantage of tactical asset allocation opportunities that presented themselves. The process of working up proposals had been systematic and comprehensive, involving; meetings and conference calls with Advisors and Fund Managers; a dedicated workshop held in November 2015; reports by Hymans Robertson which were considered by the Management Panel and engagement with Fund Managers on the practicalities of implementation etc. It was reported that the meetings had been wide ranging and productive and a significant consensus had been reached on a number of key principles and issues and the 'direction' of the exercise.

Members were informed that the Advisors had been consulted on the detailed proposals set out in the report and were supportive of them. The proposed trigger process represented a considered approach to implementing a global equity trigger. In addition, it did so in a way that provided an 'infrastructure' or platform (in terms of the approach taken to designing triggers, the proposed inception of a dedicated arrangement with L&G together with new governance arrangements) upon which future developments could build in light of experience and reflection.

RECOMMENDED
(1) That the detailed proposals set out within the report for the operation of a global equity trigger process be adopted;
(2) That L&G be used to implement the proposed trigger process subject to satisfactory conclusion of legal and other documentation (including as to levels of charges) and finalisation of any other necessary arrangements;
(3) That the 'Designated Officer of the Fund' for the purposes of exercising a veto, in connection with the Global Equity trigger process, as described at Section 10 of the report, shall be the Assistant Executive Director of Pensions (Investments), but that the Designated Officer of the Fund shall not exercise any veto without having consulted the Executive Director of Governance, Resources and Pensions.

6. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2016/17

A report was submitted by the Executive Director of Governance, Resources and Pensions to facilitate a discussion of key relevant points between Working Group members and the Advisors in order to inform the finalised version of the report to Panel.

It was noted that the current benchmark was forecast to achieve the Fund's investment return target over the medium/long term and was efficient. It wasn't possible to adopt a benchmark which would deliver strong returns in all scenarios. No material changes to the benchmark were proposed.

With regard to Infrastructure, it was reported that the Fund had an established programme of commitments to Infrastructure Funds, with a current strategic allocation of 4% of the Main Fund, which, it was proposed, be increased to 5%. In addition, the Fund was progressing a joint venture with the London Pensions Funds Authority (GLIL), which was making direct investments in UK infrastructure, and it was proposed that a 5% strategic allocation to Direct UK Infrastructure be established. The result would be a 10% strategic allocation to infrastructure that reflected the Fund's direction of travel, and matched the scale of ambition set out within the Fund's February 2016 pooling proposal to Government.

It was proposed to increase the Infrastructure 'realistic' benchmark from 1% to 3.5% and the Private Equity 'realistic' benchmark from 2.5% to 3% to reflect further progress made in implementing these portfolio's during 2015/16.

With regard to specialist managers, it was further proposed that, within the pre-agreed range of 3-5%, 5% be allocated to the new Global Credit Manager.

In respect of the Global Equity Manager's allocation, it was proposed that this be increased to 5% to correct the dilution effect of the assimilation of Probation Assets.

Hedging liability risks were highlighted as a longer term consideration, after other key changes currently planned had been implemented. It was explained that the Fund's typical approach would be to 'dial-down' equity exposure to increase the hedging properties of the Main Fund, but other more specific tools which might prove useful regarding inflation hedging or interest rate hedging may facilitate more efficient fine tuning at good prices.

RECOMMENDED

(i) That there be no material change to asset allocations;
(ii) That the Infrastructure strategic benchmark be increased from 4% to 10% (5% Infrastructure Funds and 5% Direct UK Infrastructure);
(iii) That the Infrastructure 'realistic' benchmark be increased from 1% to 3.5% and the Private Equity 'realistic' benchmark be increased from 2.5% to 3%;
(iv) That within the pre-agreed range of 3-5%, 5% be allocated to the new Global Credit manager;
(v) That the Global Equity manager's allocation be increased to 5%, to correct for the dilution effect of the assimilation of Probation Assets;
(vi) That the Hedging liability risks highlighted in the report be noted for future consideration.

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
Mark Rayner	Being a Member of the Local Pensions Board	Personal	Spouse of the Shadow Minister (Work and Pensions)

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 19th 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 AGMA 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

Agenda Item 7

Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions.
Subject:	**WORKING GROUP APPOINTMENTS**
Report Summary	To note the appointments to the Working Groups as detailed in the attached report.
Recommendations:	That the Panel note the appointments to the Working Groups.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	There are no direct financial implications arising from this report.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	There are no direct legal issues arising from this report.
Risk Management:	Allows for transparent and democratic decision making.
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 Carolyn Eaton on 0161 342 3050, or via email carolyn.eaton@tameside.gov.uk.

WORKING GROUP MEMBERSHIP – 2016/2017

INVESTMENT MONITORING & ESG

Cllr Taylor (Chair)	Tameside
Cllr Ricci	Tameside
Cllr Middleton	Tameside
Cllr Brett	Rochdale
Cllr Akbar	Manchester
Cllr Pantall	Stockport
Cllr Grimshaw	Bury
Cllr M Francis	Bolton
Cllr Mitchell	Trafford
Mr Llewellyn	UNITE

PROPERTY

Cllr S Quinn (Chair)	Tameside
Cllr M Smith	Tameside
Cllr J Fitzpatrick	Tameside
Cllr J Lane	Tameside
Cllr Ward	Tameside
Cllr Wilson	Salford
Cllr Halliwell	Wigan
Mr Drury	UNITE
Mr Thompson	UCATT

PENSIONS ADMINISTRATION

Cllr J Lane (Chair)	Tameside
Cllr S Quinn	Tameside
Cllr Middleton	Tameside
Cllr Patrick	Tameside
Cllr Grimshaw	Bury
Cllr Brett	Rochdale
Cllr Akbar	Manchester
Cllr M Francis	Bolton
Mr Allsop	UNISON
Mr Flatley	GMB

POLICY & DEVELOPMENT

Cllr K Quinn	Tameside
Cllr M Smith	Tameside
Cllr S Quinn	Tameside
Cllr J Lane	Tameside
Cllr Cooney	Tameside
Cllr Taylor	Tameside
Cllr J Fitzpatrick	Tameside
Cllr Pantall	Stockport
Ms Baines	UNISON

ALTERNATIVE INVESTMENTS

Cllr Cooney (Chair)	Tameside
Cllr C Francis	Tameside
Cllr Ward	Tameside
Cllr Ricci	Tameside
Cllr Halliwell	Wigan
Cllr Ames	Oldham
Cllr Wilson	Salford
Mr Drury	UNITE
Ms Baines	UNISON
Mr Thompson	UCATT

EMPLOYER FUNDING VIABILITY

Cllr J Fitzpatrick (Chair)	Tameside
Cllr C Francis	Tameside
Cllr Cooney	Tameside
Cllr Patrick	Tameside
Cllr Ames	Oldham
Cllr Mitchell	Trafford
Mr Allsop	UNISON
Mr Llewellyn	UNITE
Mr Flatley	GMB
Ms Herbert	MoJ

MEMBER	WORKING GROUPS
Cllr Akbar	Investment Monitoring and ESG & Pensions Administration
Cllr Ames	Alternative Investments & Employer Funding Viability
Cllr Brett	Investment Monitoring and ESG & Pensions Administration
Cllr Cooney	Alternative Investments & Employer Funding Viability & Policy and Development
Cllr J Fitzpatrick	Employer Funding Viability & Property & Policy and Development
Cllr M Francis	Investment Monitoring and ESG & Pensions Administration
Cllr Grimshaw	Investment Monitoring and ESG & Pensions Administration
Cllr Halliwell	Alternative Investments and Property
Cllr J Lane	Pensions Administration & Property & Policy and Development
Cllr R Middleton	Investment Monitoring and ESG & Pensions Administration
Cllr Mitchell	Investment Monitoring and ESG & Employer Funding Viability
Cllr Pantall	Investment Monitoring and ESG & Policy and Development
Cllr Patrick	Pensions Administration & Employer Funding Viability
Cllr K Quinn	Policy and Development Working Group
Cllr S Quinn	Property & Pensions Administration & Policy and Development
Cllr C Reid	Employer Funding Viability & Alternative Investments
Cllr Ricci	Investment Monitoring and ESG & Alternative Investments
Cllr M Smith	Property & Policy and Development
Cllr Taylor	Investment Monitoring and ESG & Policy and Development
Cllr Ward	Property & Alternative Investments
Cllr Wilson	Alternative Investments & Property
Ms Herbert	Employer Funding Viability
Ms Baines (UNISON)	Alternative Investments & Policy and Development
Mr Allsop (UNISON)	Pensions Administration & Employer Funding Viability
Mr Thompson (UCATT)	Alternative Investments & Property
Mr Flatley (GMB)	Pensions Administration & Employer Funding Viability
Mr Drury (UNITE)	Alternative Investments & Property
Mr Llewellyn (UNITE)	Investment Monitoring and ESG & Employer Funding Viability

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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 of
	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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Greater Manchester Pension Fund

Administered by Tameside Metropolitan Borough

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

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

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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Agenda Item 9

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Agenda Item 10

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Report To:	**Pension Fund Management Panel**
Date:	1 July 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 which sets out the external auditor's approach to the 2015/2016 audit.
Recommendations:	That the Management Panel note the contents of the report.
Policy Implications:	None.
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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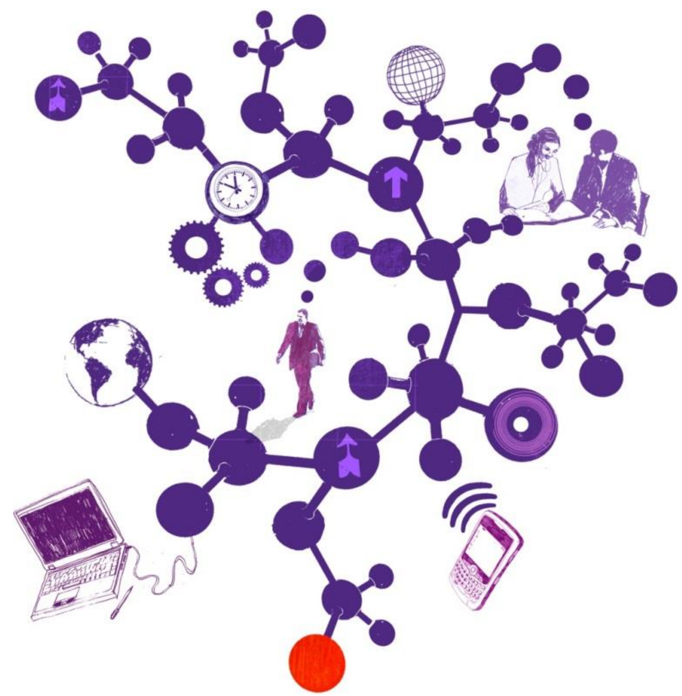

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible 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.

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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

Contents

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.

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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.

- 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.

- 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.

- 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.

- 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.

- 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. Financial Pressures

- 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. Financial Reporting

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

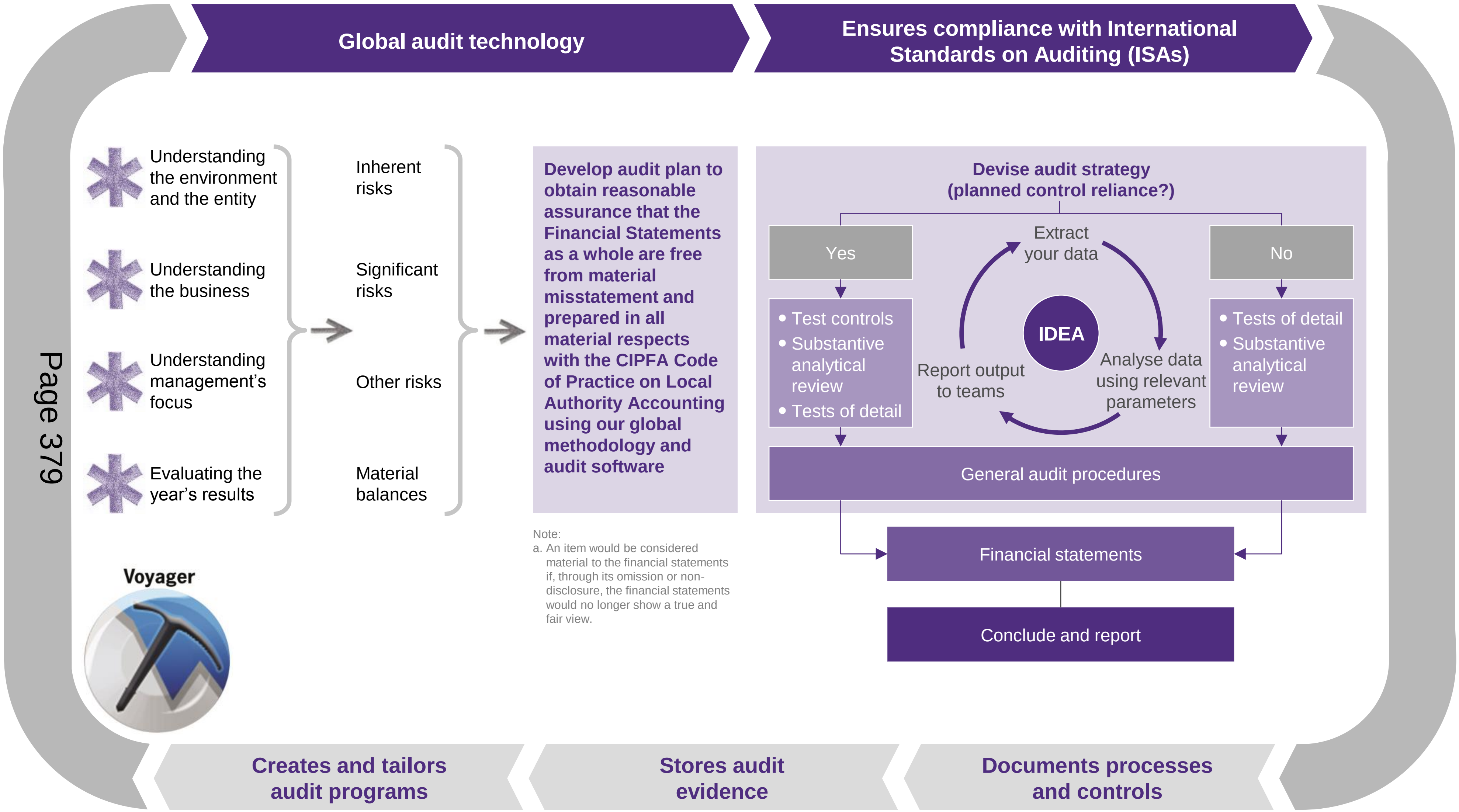
3. LGPS 2014

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

4. Accounting for Fund management costs

- 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

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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.

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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

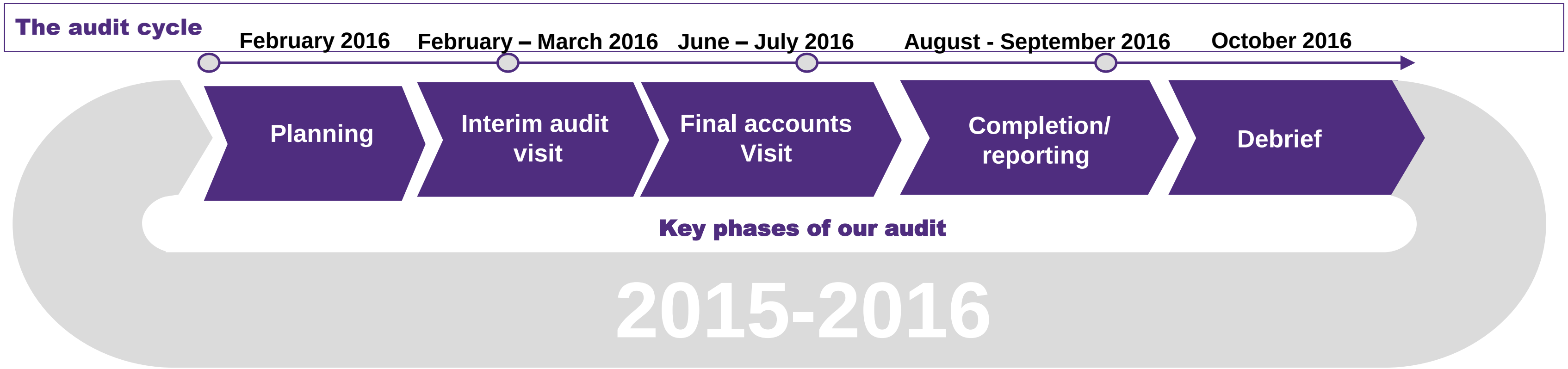
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual Report and ensure that it is consistent with the Pension Fund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



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

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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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Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer(s):	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall, Assistant Executive Director of Pensions (Local Investments and Property)
Subject:	**GMPF STATEMENT OF ACCOUNTS 2015-2016 GOVERNANCE ARRANGEMENTS**
Report Summary:	This report aims to inform Members of the governance arrangements for approval of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. Secondly, the report asks Members to approve the key assumptions for estimates to be used in the GMPF accounts and to note the pre-audit simplified accounts.
Recommendations:	(i) To note the governance arrangements for approval of GMPF accounts. (ii) To approve the assumptions for estimates to be used in the GMPF accounts. (iii) To note the pre-audit simplified accounts
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. However, as the largest fund in the Local Government Pension Scheme, GMPF also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (v mid or offer basis).
Legal Implications: (Authorised by the Solicitor to the Fund)	The administering authority must produce an annual report and accounts.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement

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 background papers used in the preparation of this report were: 1. The 2015/2016 Financial Ledger 2. Closure Working Papers 3. GMPF Statement of Accounts 2015/2016 (pre-audit) Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

1. INTRODUCTION

1.1 This report covers three sections:

- Governance Arrangements for the approval of the accounts;
- Seek approval of the on-going key assumptions made in compiling the accounts; and
- Provide a simplified pre-audit summary of the accounts for this year.

2. GOVERNANCE ARRANGEMENTS

2.1 The Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making bodies for the Council are the Audit Panel which receives accounting policies reports for both GMPF and the Council and the Overview (Audit) Panel which receives the report of the external auditor following the audit of the accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received for both, but in practice delegates the responsibility for GMPF to GMPF.

2.3 The provisional timetable for approval of the accounts and audit reports by these bodies for 2016/17 is outlined in the table below.

Date	Group	Stage
31 May	Audit Panel	Approval of key assumptions and noting of governance arrangements (TMBC and GMPF)
1 July	GMPF Management Panel	Approval of key assumptions and noting of governance arrangements (GMPF)
TBC Early September	Urgent Matters sub group of GMPF Management Panel	Approval of final accounts, annual report and audit report (GMPF)
12 September	Overview (Audit) Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)
23 September	GMPF Management Panel	Noting of the approval of final accounts, annual report and audit report

2.4 Financial requirements are that the pre-audit accounts of both TMBC and GMPF must be signed off by the S151 officer of the Council by 30 June.

2.5 The review by the external auditors commences thereafter. Grant Thornton LLP provide the external audit contract for both, but a separate team conduct the GMPF audit due to the specialist and technical demands of LGPS accounts.

2.6 The audit process must be completed before the end of September. The date for Overview (Audit) Panel is set at 12 September and the GMPF Management Panel has been set at 23 September - hence the need for an Urgent Matters sub group meeting of GMPF Management Panel before 12 September. The audit letters for both GMPF and the Council will be received formally by the TMBC Overview (Audit) Panel in September.

3. CONTINUED KEY ASSUMPTIONS

3.1 The key continuing assumptions used in production of the accounts will be disclosed in note 2 of the GMPF accounts when produced:

- Accruals basis;
- Fair value for investments;
- Market prices at bid where possible;

- For non-listed assets, compliance with accounting standards and best practice;
- Liabilities in compliance with International Accounting Standard 19 (IAS19); and
- Continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS.

4. SIMPLIFIED ACCOUNTS SUMMARY

4.1 The table below shows the key financial movements during the financial year to 31 March 2016 taken from the pre-audit financial accounts:

	£m	£m	£m
Fund Value at 31 March 2015			**17.591**
Contributions and Benefits			(110)
Employee contributions	142		
Employer contributions	455		
Pension benefits Paid		(705)	
Net Transfers		(2)	
Management Costs			(19)
Investment		(13)	
Administration		(5)	
Oversight		(1)	
Investments			(137)
Income	314		
Change in market value		(451)	
Total change in value of Fund			(266)
Fund Value 31 March 2016			**17,325**

5. RECOMMENDATION

5.1 To approve the governance arrangements for the approval of GMPF's accounts.

5.2 To approve the assumptions for estimates to be used in the GMPF Statement of Accounts.

5.3 To note the pre-audit simplified accounts.

Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall, Assistant Executive Director of Pensions (Local Investments and Property)
Subject:	**GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE FINANCIAL YEAR 2015/16**
Report Summary:	To compare the administration expenses budget against the actual results for the 12 months to 31 March 2016.
Recommendations:	That the Management Panel note the content of the report.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	Actual expenditure was £19,330,000 which is £4,708,000 less than the estimate of £24,037,000 for the period.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	There is a duty on the Fund to achieve best value and this report and the monitoring process contributes to the control process and delivery of value for money.
Risk Management:	Failure to properly manage and monitor the Fund's budgets may lead to a reduction in service standards for scheme members or employers, or a loss of confidence in the management of the fund.
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 background papers used in the preparation of this report were: 1. The 2015/2016 Financial Ledger 2. Budget Working Papers Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

1. INTRODUCTION

1.1 This report details the administration expenses incurred by the Fund for the 12 months to 31 March 2016. Comparison is made against the budget for the same period of £24,037,000 which is derived from the Original Estimate for 2015/2016 approved by the members at the Management Panel Meeting on 11 December 2014.

1.2 Budget monitoring and internal control is undertaken by the Fund's management at service unit level on an on-going basis.

2. OVERVIEW

2.1 For the financial year to 31 March 2016 there is an under-spend of £4,708,000 against the budget of £24,037,000 for that period. Details are provided in **Appendix 1.**

2.2 **Reasons for Major Variations**

Reasons for major variations over £50,000 for the year 2015/16

		£'000
(a)	**Investment Managers and Professional fees** Rebate of £3.25m received from UBS alongside £993k reduction in costs associated with appointment of credit manager being later than assumed; other minor variations.	(4,183)
(b)	**Premises** Higher than anticipated expenditure incurred during the move to Guardsman *Tony Downes* House	52
(c)	**Communications** Increased mailing to members during the year.	80
(d)	**Recovery of Management & Legal Fees** Release of management fees from staff recharges for work on the Ministry of Justice project from control accounts, following completion.	(644)

3. RECOMMENDATION

3.1 To note the content of the report.

APPENDIX 1

Administration Expenditure Monitoring Statement for the 12 Months to 31 March 2016

	12 MONTHS TO MARCH 2016		
	(1)	**(2)**	**(3)**
	Original Estimate 2015/16	**Actual Exp. 2015/16**	**Variation To Date (2) - (1)**
Type of Expenditure	-		
	£'000	**£'000**	**£'000**
Staff Costs			
Direct Salaries	4,160	4,153	(7)
On-Costs	1,118	1,100	(17)
	5,278	5,253	(25)
Direct Costs			
Publications and Subscriptions	66	80	14
Travel and Subsistence	32	70	38
Premises	414	466	52
Postage, Printing, Telephone	311	349	38
Office Equipment and Software	943	926	(17)
Investment Advisory Expenses	52	57	5
Bank Charges and Nominee Fees	380	350	(30)
Managers and Professional Fees	16,308	12,125	(4,183)
Performance Measurement Services	96	71	(25)
Communications	150	230	80
	18,752	14,724	(4,028)
Central Establishment Charges	379	379	(0)
Less:			
Recovery of Management and Legal Fees	(251)	(895)	(644)
Admin Fees	(20)	(37)	(17)
Commission Recapture	(100)	(94)	6
	24,037	**19,330**	**(4,708)**

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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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