



**Greater Manchester
Pension Fund**

Administered by



BY EMAIL

oscar.castrolado@gad.gov.uk

STRICTLY PRIVATE & CONFIDENTIAL

Oscar Castro Lado

Trainee Actuary

Government Actuary's Department

Finlaison House

15-17 Furnival Street

LONDON

EC4A 1AB

Sandra Stewart

Director for Governance & Pensions

**Solicitor to the Fund & Statutory Monitoring
officer**

Guardsman Tony Downes House

5 Manchester Road, Droylsden

Tameside, M43 6SF

Tel: 0161 342 3028

Email: Sandra.stewart@tameside.gov.uk

Website: www.gmpf.org.uk

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Dear Oscar,

**Section 13 Engagement - Greater Manchester Pension Fund
ASSET SHOCK FOR GREATER MANCHESTER PENSION FUND**

Thank you for your email of the 20 July 2018, and the courtesy you have shown in sharing with us a breakdown of the data used by GAD and the methodology for the asset shock, other solvency measures and LTCE in advance of publication.

I note the comprehensive explanation you have provided as to the thorough testing that you have applied and the basis upon which it was undertaken.

I would also like to thank you for the time and trouble you have taken in liaising with our actuaries, Hymans, to reach your final conclusion, which we can all have trust and confidence in and supports, rather than undermines your own thorough analysis, in light of the fact the Fund retains a surplus even after your asset shock test.

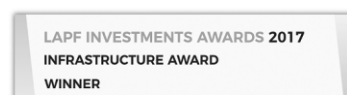
That said I was rather disappointed and surprised to note that you intend to include reference to the Fund in the appendix and highlight that the Fund would have received a flag if the Fund's circumstances were materially different.

This appears to be to be contrary to principles of Wednesbury reasonableness and rationality in that you appear to be going against your own process and flagging the outcome you expected or intended and not the one you actually got.

Indeed, is it not a corollary that all and any of the funds would fail many different flags if their circumstances were different. Hence the purpose of your thorough and comprehensive testing to the same standard, principles and basis at a moment in time and in line with your terms of reference, which you appear to be undermining or not applying with the rigour that you say you value –

<https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference> refers.

We therefore do not accept or agree with the approach being adopted and we are formally putting on record.



GMPPF are well aware of the risks associated with investment in growth assets and have extensively analysed these. The Fund has mitigation plans to not only manage equity downturns, but to also take advantage of these events were they to materialise and we formally review these quarterly.

The Fund also received a very strong report from our external Auditors Grant Thornton, who tested our systems, validity of data and risk management approach. I attached a copy of that report received and presented to the Funds Management Panel on Friday for your information and the final letters received yesterday.

I would invite you to reconsider the indirect flag you still intend to raise in your appendix.

If you have any questions or require any further evidence of the Fund's strategies and mitigation plans for handling significant falls in equity market values, please do let me know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Stewart', with a stylized flourish at the end.

Sandra Stewart
Director & Solicitor to the Greater Manchester Pension Fund