

GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 21 July 2017
Time: 10.00 am
Place: Guardsman Tony Downes House, Manchester Road,
 Droylsden, M43 6SF

Item No.	AGENDA	Page No
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GENERAL BUSINESS

1. 10.00 CHAIR'S OPENING REMARKS

2. APOLOGIES FOR ABSENCE

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

1 - 14

To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 10 March 2017.

b) MINUTES OF THE PENSION FUND MANAGEMENT PANEL

15 - 20

To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 10 March 2017.

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.

Items	Paragraphs	Justification
8,9,10,11,12,13,14a,14b 15a,15b,15c,16,17	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 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. 10.10 PENSION FUND WORKING GROUPS/LOCAL BOARD MINUTES

- | | |
|---|---------|
| a) LOCAL PENSIONS BOARD | 21 - 26 |
| To note the Minutes of the meeting held on 30 March 2017. | |
| b) INVESTMENT MONITORING AND ESG WORKING GROUP | 27 - 30 |
| To consider the Minutes of the meeting held on 7 April 2017. | |
| c) PENSIONS ADMINISTRATION WORKING GROUP | 31 - 36 |
| To consider the Minutes of the meeting held on 7 April 2017. | |
| d) ALTERNATIVE INVESTMENTS WORKING GROUP | 37 - 40 |
| To consider the Minutes of the meeting held on 13 April 2017. | |
| e) EMPLOYER FUNDING VIABILITY WORKING GROUP | 41 - 44 |
| To consider the Minutes of the meeting held on 21 April 2017. | |
| f) PROPERTY WORKING GROUP | 45 - 48 |
| To consider the Minutes of the meeting held on 13 April 2017. | |
| g) POLICY AND DEVELOPMENT WORKING GROUP | 49 - 54 |
| To consider the Minutes of the meeting held on 18 July 2017. | |
| 7. 10.15 WORKING GROUP APPOINTMENTS 2017/18 | 55 - 58 |
| Report of the Executive Director of Pensions attached. | |

ITEMS FOR DISCUSSION/DECISION

- | | |
|---|---------|
| 8. 10.20 MANAGEMENT SUMMARY | 59 - 74 |
| Report of the Executive Director of Pensions attached. | |
| 9. 10.30 POOLING UPDATE | 75 - 90 |
| Report of the Assistant Executive Director of Pensions, Funding and Business Development, attached. | |

Item No.	AGENDA	Page No
10.	10.35 INVESTMENT STRATEGY AND TACTICAL POSITIONING 2017/18 Report of the Assistant Executive Director of Pensions, Investments, attached.	91 - 208
11.	10.55 REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS Report of the Assistant Director of Pensions, Investments, attached.	209 - 242
12.	11.15 PERFORMANCE DASHBOARD Report of the Assistant Director of Pensions, Investments, attached.	243 - 298
13.	QUARTERLY REPORTS OF THE DIRECTOR OF PENSIONS	
a)	SUMMARY VALUATION OF THE PENSION FUND INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2016 AND 31 MARCH 2017 Report of the Assistant Executive Director of Pensions, Investments, attached.	299 - 306
b)	EXTERNAL MANAGERS PERFORMANCE Report of the Assistant Director of Pensions, Investments, attached.	307 - 312
14.	ANNUAL PERFORMANCE REPORTS	
a)	LONG TERM PERFORMANCE 2016/17 - MAIN FUND AND ACTIVE MANAGERS Report of the Assistant Director of Pensions, Investments, attached.	313 - 316
b)	CASH MANAGEMENT	317 - 322
c)	LONG TERM PROPERTY PERFORMANCE (IPD REVIEW 2017 ETC)	323 - 340
15.	11.35 REPORTS OF THE MANAGERS Report of the Assistant Director of Pensions, Investments, attached. To review the performance of UBS Global Asset Management as Fund Manager.	341 - 468
16.	ADVISOR COMMENTS AND QUESTIONS	
17.	12.20 GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2016/17 Report of the Assistant Director of Pensions, Local Investments and Property, attached.	469 - 516
	12.25 ITEMS FOR INFORMATION	
18.	PENSIONS ADMINISTRATION UPDATE Report of the Pensions Policy Manager attached.	517 - 524
19.	FUTURE TRAINING DATES Trustee training opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.	

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

UBS Trustee Training Day Hilton Hotel, Deansgate, Manchester	9 August 2017
LGC Investment Summit Celtic Manor, Newport	7-8 September 2017
Fundamentals Training Day 1 Park Plaza Hotel, Leeds	4 October 2017
Fundamentals Training Day 2 Park Plaza Hotel, Leeds	1 November 2017
Fundamentals Training Day 3 Park Plaza Hotel, Leeds	5 December 2017
PLSA Annual Conference Manchester Central	18–20 October 2017
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	6-8 December 2017

20. DATES OF FUTURE MEETINGS

Management/Advisory Panel	22 September 2017 17 November 2017 23 March 2018
Local Pensions Board	24 July 2017 19 October 2017 14 December 2017 29 March 2018
Pensions Administration Working Group	13 October 2017 19 January 2018 6 April 2018
Investment Monitoring and ESG Working Group	13 October 2017 19 January 2018 6 April 2018
Alternative Investments Working Group	20 October 2017 26 January 2018 13 April 2018
Property Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018
Policy and Development Working Group	5 October 2017 1 February 2018 22 March 2018
Employer Funding Viability Working Group	28 July 2017 27 October 2017 2 February 2018 20 April 2018

Special event for note: GMPF Stakeholder Event – 13 October 2017
ESG Where does the Fund want to position itself?
Invites will be sent to members individually.

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

GREATER MANCHESTER PENSION FUND ADVISORY PANEL

10 March 2017

Commenced: 10.00am

Terminated: 12.50pm

Present: Councillor K Quinn (Chair)

Councillors: Brett (Rochdale), Grimshaw (Bury), Halliwell (Wigan), Hamilton (Salford), Mitchell (Trafford), Pantall (Stockport) and Stogia (Manchester)

Employee Representatives:

Mr Drury (UNITE), Mr Flatley (GMB), Mr Llewellyn (UNITE) and Mr Thompson (UCATT)

Local Pensions Board Members (in attendance as observers):

Councillors Fairfoull and Cooper and Mr Schofield

Advisors:

Mr Moizer, Mr Powers and Ms Brown

Apologies for absence: Councillor Ames and Mr Allsop

70. CHAIR'S OPENING REMARKS

The Chair announced, with great sadness, the recent death of former Councillor Pennington, who represented Salford City Council on the Fund for 27 years. Members were advised that he had served as a Councillor for 53 years and had served as the Mayor of Salford in 1999-2000. Following his retirement as a Councillor, he was awarded the British Empire Medal for Services to Local Government. Those in attendance joined the Chair in a few moments silence to pay their respects and remember former Councillor Pennington and the loyal service he gave to the Fund and his local community.

71. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

72. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 November 2016 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 November 2016 were signed as a correct record.

73. 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
7, 8, 9, 11, 12, 13, 14, 15, 16	3&10, 3&10, 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.

74. LOCAL PENSIONS BOARD

RECOMMENDED

That the Minutes of the proceedings of the Local Pensions Board held on 15 December 2016 be noted.

75. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 27 January 2017 were considered.

RECOMMENDED

- (i) That the Minutes be received as a correct record; and
- (ii) In respect of CDP (formerly Carbon Disclosure Project) – that the invitation to become a signatory be accepted, subject to an annual administration fee of £745 plus VAT to the four Carbon Disclosure Project information requests outlined in the report.

76. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 27 January 2017 were considered.

RECOMMENDED

- (i) That the Minutes be received as a correct record;
- (ii) In respect of the 2016 Year-End Pension Contribution Return Process – that a further report regarding the outcome of the 2017 process be brought to a future meeting;
- (iii) In respect of Aquila Heywood ‘Altair’ Pension System – That a summary report from Aquila Heywood be brought to future meetings;
- (iv) In respect of LGPS Regulatory and Legislative Update – that further information be obtained from metropolitan fund colleagues about their continued participation in the CIPFA benchmarking club and a further report be brought to a future meeting;
- (v) In respect of Communication Activities – that a regular report be brought to future meetings of the Working Group; and

- (vi) In respect of Employer Issue Escalation Procedure – That the Working Group support the adoption of an escalation procedure.

77. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 3 February 2017 were considered.

RECOMMENDED

That the Minutes be received as a correct record.

78. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 10 February 2017 were considered.

RECOMMENDED

- (i) That the Minutes be received as a correct record;
- (ii) In respect of Medium Term Financial Planning –
 - that the 2017/18 expenditure budget be approved;
 - That the assumptions for medium term financial planning be approved;
 - That the 2017/18 expenditure budget and the medium term financial plan be presented at the Management Panel; and
 - That the intention to review all budgets in 2017/18 with a zero based budget approach be noted.

79. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 17 February 2017 were considered.

RECOMMENDED

- (i) That the Minutes be received as a correct record;
- (ii) In respect of Overseas Property Investments – that the revised Overseas Investment Guidelines (as appended to the report) be approved, including the pacing model, and specifically the 4 year pacing strategy subject to annual review of £100 million per annum;
- (iii) In respect of GMPVF Amended Investment Guidelines and 2 year Business Plans;
 - that the Greater Manchester Property Venture Fund Investment Guidelines (as appended to the report) be approved; and
 - That the two year business plans and budgeted cash flow be agreed.

80. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 22 February 2017 were considered.

RECOMMENDED

- (i) That the Minutes be received as a correct record;
- (ii) In respect of Investment Management Arrangements – that the Fund Manager in question be retained in line with the arrangements adopted by the Panel at the meeting of 18 November 2016 (Minute 32 refers), pending the scheduled review of the

overall Investment Management arrangements at the July/September 2017 meetings of the Panel;

- (iii) In respect of Bespoke Investment Strategies – that the Executive Director of Pensions be authorised to implement the appointment of a manager for the TfGM credit mandate in consultation with Hymans Robertson;
- (iv) In respect of Consolidation of LGPS Interests – that, on the basis of the covenant advice provided to date, the proposal as outlined in the report, be approved in principle, subject to the Executive Director of Pensions reaching agreement with the employer on funding strategy, contribution rates, the terms of the admission agreements and receipt of a direction from the Secretary of State;
- (v) In respect of Matrix Homes – that the expedient progression of three schemes be made by the Property and Local Investment team, to enable sign off by an Urgent Matters Meeting of the Panel in due course;
- (vi) In respect of Update on the Global Credit Manager Appointment:
 - (i) That *Stone Harbor Investment Partners LP* ("Stone Harbor") be 'called-off' the Global Credit Framework Agreement to manage 5% of Main Fund assets by value (broadly £1 billion) subject to:
 - (a) the Executive Director of Pensions being satisfied with clarifications to be supplied by Stone Harbor in relation to:
 - (1) its policy and approach on gender diversification;
 - (2) its approach to succession planning; and
 - (3) the pros and cons of a segregated versus a pooled approach and the estimated third party costs involved within a pooled vehicle.
 - (b) satisfactory conclusion of legal agreements; and
 - (c) finalisation of the form of the investment (as a bespoke pooled vehicle) and of the nature of the fee arrangement (ie fixed or performance fee based).
 - (ii) That the nature, timing and detailed implementation of the transition of assets to the appointed investment manager be settled by the Executive Director Pensions, following consultation with the advisors and/or managers where appropriate.
 - (iii) That progress on the above be noted.
- (vii) In respect of Investment Initiatives – that the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair, be noted.

81. 31 MARCH 2016 ACTUARIAL VALUATION

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report providing an update on progress and the high-level outcomes and setting out the next steps in order to complete the valuation process.

Reference was made to the Funding Strategy Statement (FSS), which provided guidance to the Actuary in undertaking the actuarial valuation. An updated Funding Strategy Statement, setting out, amongst other things, the methodology for setting contribution rates, was reviewed at the meeting of the Management/Advisory Panel on 18 November 2016 and approval was given for this to be issued to employers for consultation.

It was reported that no substantive comments had been received on the draft Funding Strategy Statement and the proposed final version of the Funding Strategy Statement was appended to the report.

Provisional whole-fund results, as presented at the last meeting of the Management Panel (Meeting of 18 November 2016, Minute 63 refers), were set out in the report and it was explained that a typical GMPF employer was likely to see an improvement in their funding level of around 5%

from 2013, although this would differ between employers depending on liability profile and member experience.

It was explained that the majority of employers had acknowledged receipt of their new contribution rates (effective from 1 April 2017) and GMPF officers were conducting an exercise to ensure all employers were aware of their new rates. Further details on funding position and derivation of contribution rates had been provided to employers on request. If employers did not take any further action then they were assumed to be satisfied with the contribution rate that had been allocated.

The contribution rates for a small number of employers were the subject of ongoing discussion, which also involved the guarantor where applicable. GMPF officers and the Actuary continued to engage with these employers on a regular basis.

The report concluded that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers' average employer contribution rate would again be at the lower end of the range. GMPF's major employers such as the ten GM Local Authorities and the National Probation Service, were likely to see minimal changes to their rates. This was also the case for a large majority of Scheduled Bodies such as Academy Schools and Further Education Colleges.

However, careful consideration was being given to the proposed contribution rate for each employer to ensure it reflected the risk that the employer posed to the Fund, whilst remaining affordable for the employer.

Barry McKay and Steven Law, Hymans Robertson LLP, then attended before Members and gave a presentation on the valuation process and outcomes, as reported above.

The Advisors were then asked to comment.

Mr Powers sought clarification with regard to risk strategies.

Mr McKay explained that a balance was required and made reference to the diverse nature of the many employers in the fund. He made further reference to the need for more bespoke investment strategies and added that Hymans Robertson would be working with officers on this issue.

Ms Brown commented on the very impressive results and sought confirmation of the deficit recovery period.

Mr Law, in his response, explained that the deficit recovery period was employer specific.

RECOMMENDED

- (i) That the content of the report and the presentation be noted;**
- (ii) That draft Funding Strategy Statement (as attached to the report) be approved; and**
- (ii) That the outcome of the valuation process be noted.**

82. CONSOLIDATION OF LGPS INTERESTS

A report was submitted by the Assistant Executive Director of Pensions, Funding and Business Development, explaining that at the meeting of the Management/Advisory Panel on 18 November 2016 (Minute 66 refers), approval had been granted for officers to undertake further due diligence on the potential consolidation of one of GMPF's largest private-sector employers two other LGPS arrangements into a single fund, with GMPF being the preferred host fund.

The proposal was further considered by the Policy and Development Working Group on 22 February 2017 (Minute 17 refers), with the Working Group recommending to Panel that this be

approved in principle, subject to reaching satisfactory agreement with the employer on contribution rates, investment strategy and the details of the admission agreements.

The benefits of consolidation to both the employer and to GMPF were detailed, as were the risks and challenges, including mitigating factors. A number of practical issues that would need to be addressed as part of agreement to proceed with the consolidation were also outlined and discussed, for example, the importance of carefully managing the transfer of assets and data, to ensure that there was no negative impact on the membership and the service provided to other GMPF employers.

Hymans Robertson, Actuary to the Fund had provided a paper (attached to the report) discussing the key funding and investment risks that GMPF would need to manage and the factors that the GMPF Management Panel would need to consider in reaching their decision.

It was concluded that for the proposed consolidation to proceed, both the approval of the GMPF Management Panel and the Secretary of State was required. It was understood that the Secretary of State had indicated that he had no objections to the proposal subject to the consent of the receiving and ceding administering authorities.

The proposal was considered by the Policy and Development Working Group on 22 February 2017, with the Working Group recommending to the Management Panel that this be approved in principle, subject to reaching satisfactory agreement with the employer on contribution rates, investment strategy and the details of the admission agreements. Further discussions were being held with the employer taking account of the specialist actuarial, investment and covenant advice.

Members were further advised that GMPF officers were in regular dialogue with the employer and their advisors to ensure a smooth transition should the proposals be approved.

Detailed discussion ensued with regard to the proposals and the importance of addressing any potential risks in the admission agreement and it was:

RECOMMENDED

- (i) **That the recommendations made to the Management Panel at the meeting of the Policy and Development Working Group on 22 February 2017 as detailed above, be approved; and**
- (ii) **That delegated authority be provided to the Chair and the Executive Director of Pensions, in consultation with the Funds' Advisors, to finalise the terms of admission of the new employers and the necessary amendments to the current GMPF admission agreement.**

83. INVESTMENT MANAGEMENT ARRANGEMENTS

Consideration was given to a report of the Assistant Executive Director of Pensions, Investments, which informed Members that at the meeting of the Panel on 11 March 2016 (Minute 77 refers), a review of Investment Management arrangements was considered. Given the lack of clarity and detail surrounding pooling arrangements at that time, rather than institute any changes to arrangements or negotiate further three year fee arrangements with UBS and Capital, it was resolved that a one year extension to 31 March 2018 be implemented.

In light of ongoing concerns in relation to a particular Fund Manager's performance, a special meeting of the Policy and Development Working Group of 3 August 2016 considered their continuing role for the Fund. Members recommended that the Fund Manager in question be retained in line with the arrangements and time frame agreed at the meeting of the Management Panel of 11 March 2016. It was further recommended that the Fund Manager's investment mandate be reduced by 10% of assets under management, to partially fund the newly appointed

Credit Manager. These recommendations were adopted by the Panel at the meeting of 18 November 2016 (Minute 32 refers).

A review of the overall Investment Management arrangements, deferred from 2016 pending further clarity and detail surrounding pooling arrangements, would be taking place during 2017.

Members were then informed that the Fund Manager in question had been invited to attend the meeting of the Policy and Development Working Group of 22 February 2017 in order to explain the reasons for their continuing underperformance and to present their proposed solution to address the underperformance.

The Policy and Development Working Group of 22 February 2017 were asked to consider various potential options and make a recommendation to Panel as appropriate.

A copy of the Fund Manager's presentation to the Working Group was appended to the report and Members were advised that extensive debate had taken place amongst Members, Advisors and Officers.

RECOMMENDED

That the Fund Manager in question be retained in line with the arrangements adopted by Panel at the meeting of 18 November 2016 (Minute 32 refers) pending the scheduled review of the overall Investment Management arrangements at the July/September 2017 meetings of the Panel.

84. INVESTMENT STRATEGY STATEMENT

The Assistant Executive Director of Pensions (Investments) submitted a report informing Members that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, required that the Fund publish an Investment Strategy Statement no later than 1 April 2017.

A copy of the GMPF's draft Investment Strategy Statement was attached to the report for consideration by the Panel.

The Chair acknowledged requests by one of the Union Member representatives and a member of the public, who had suggested an amendment to Section 5 of the Investment Strategy Statement to reflect their view of best practice on climate risk.

The Chair explained that it was intended that officers would undertake a more detailed review of the Investment Strategy Statement in the next 6 to 9 months, the outcome of which may or may not require a revised Investment Strategy Statement being recommended for adoption by the Panel. He agreed that the aforementioned suggested amendments/comments be considered as part of the consultation process going forward.

The Chair added that it was anticipated that a public consultation would be held in conjunction with the detailed review and it was also intended that the Fund would hold a Stakeholder Engagement event later in the year, at which the Investment Strategy Statement would be consulted upon.

RECOMMENDED

- (i) That the draft Investment Strategy Statement, as appended to the report, be approved and adopted by the Fund; and**
- (ii) That the Executive Director of Pensions be authorised to arrange and expend the necessary funds for a stakeholder event within the next 6 months to consult and engage on a new Investment Strategy Statement taking into account Pooling guidelines and comments on climate risk, as detailed above.**

85. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING AND RECENT COST SAVINGS ACHIEVED

A report was submitted by the Assistant Executive Director of Pensions, Investments, providing Members with an update on investment management cost savings achieved by the Investments team.

RECOMMENDED

That the content of the report be noted.

86. SAMPLE NEW PERFORMANCE REPORTS

Consideration was given to a report of the Assistant Executive Director of Pensions (Investments) providing details of the management information presented to the Panel, which had been identified as an area for review and enhancement. The report updated Members on the migration to 'Portfolio Evaluation', the Fund's new provider of performance measurement services and provided three illustrative high level reports generated by them.

It was explained that the Fund's longstanding performance measurement provider, WM, ceased providing the service to GMPF at the end of Quarter 2 2016 and the Fund had appointed Portfolio Evaluation Limited as its new provider with effect from Quarter 3 2016.

It was reported that migrating from WM to Portfolio Evaluation had not been a trivial exercise, and GMPF officers were continuing detailed work to ensure that data had been transferred accurately. Work already undertaken included obtaining and checking the large volumes of long term data received from WM, ensuring the data fulfilled the requirements of Portfolio Evaluation and checking that the data had then been taken on board correctly.

It was further reported that officers were currently fine tuning the structure of the reports received from Portfolio Evaluation and dealing with any remaining data issues. Three high level reports produced by Portfolio Evaluation were attached to the report for illustrative purposes. The reports provided the performance of all investment areas of the Main Fund on a single page, giving a sense of the Fund as a whole and highlighting important drivers of Main Fund return.

RECOMMENDED

That the content of the report be noted.

87. LGPS POOLING UPDATE

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report 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 there were currently 8 proposed pools. In November and December 2016, representatives of each of the pools met with DCLG Minister Marcus Jones MP to provide the Minister with an update on the progress of their pool and receive the Minister's expectations for the development of the pooling programme. The Northern Pool's meeting had taken place on 19 December 2016.

It was further reported that it was understood that each pool had subsequently received a letter from the Minister responding to their July submission. Some of these had been circulated amongst other pools. The Northern Pool's response was received on 17 January 2017, a copy of which was attached to the report.

The letter provided the Minister's approval for the Pool to proceed in line with its July submission. One of the key features of the July submission was the creation of an investment management

company, which would be wholly owned by the three funds and comply with Alternative Investment Fund Manager (AIFM) Directive. This AIFM Manager would be regulated by the Financial Conduct Authority (FCA) and would manage segregated accounts in respect of listed assets, but would have the ability to manage pooled funds in alternative asset classes as required.

It was explained that, in order to make significant progress in advance of the April 2018 deadlines, a decision would be required in early 2017 regarding whether the July submission would be implemented as it currently stands or whether a further review of the proposals would be undertaken with any proposed amendments being formally submitted to DCLG.

Members were informed that, prior to making any amendments to the proposed operation of the Pool, a half-day workshop had been arranged for the Chairs of the funds and the independent advisors to provide further information on the implications of FCA authorisation. This was due to take place on 28 March 2017 and the key learning points and any potential implications on the pooling proposals and any recommendations would be communicated to the panel at its next meeting.

Members were advised that a joint committee would be required to oversee the Pool and provide a democratic link back to the individual funds.

Until the Joint Committee's formal establishment it was proposed that the Chairs of the funds continued to meet regularly and effectively form a shadow joint committee, with the minutes of the shadow joint committee being reported to future meetings of the Panel for information.

RECOMMENDED

That the response from Government to the Northern Pool's July submission and the update on progress, be noted.

88. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 30 September 2016 and 31 December 2016

A report of the Assistant Executive Director of Pensions (Investments) was submitted, detailing and comparing the market value of the Fund's investment portfolio as at 30 September 2016 and 31 December 2016.

RECOMMENDED

That the report be noted.

(b) External Managers' Performance

The Assistant Executive Director of Pensions (Investments) 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 2016, Capital had underperformed by 1.0% against their benchmark index of 3.3%. UBS had outperformed by 3.7% against their benchmark index of 3.3%, and Legal & General had succeeded in tracking their benchmark.

Performance figures for the twelve months to 31 December 2016 were detailed which showed that Capital had underperformed their benchmark by 2.8% and UBS had significantly outperformed their benchmark by 5.8%. Legal & General had broadly succeeded in tracking their benchmark.

RECOMMENDED

That the content of the report be noted.

(c) Fund Performance over the Short and Long Term

A report was submitted by the Assistant Executive Director of Pensions (Investments) advising Members of the recent and longer term performance of the Main Fund versus both the Fund's bespoke benchmark, and the Local Authority Universe.

RECOMMENDED

That the content of the report be noted.

89. REPORTS OF THE MANAGERS

The Assistant Executive Director of Pensions, Investments, submitted a report giving details of the Management reports of Capital International, UBS Global Asset Management and Legal & General for the latest quarter ended.

The Chair then introduced Stephen Lee, James Hand, Rhynhardt Roodt and Jonathan Parker of Investec, who would be presenting before Panel today.

Mr Lee began by explaining that Investec had been appointed as a specialist external investment manager with a Global Equity Mandate in February 2015. He further explained that Investec's approach was to achieve long term capital growth primarily through investment in a focused portfolio of equities issued by companies established in the larger, more liquid, equity markets of the USA, Continental Europe and Japan.

Mr Hand then informed Members that Investec adopted a '4Factor' investment philosophy and process to managing GMPF's portfolio. Companies were scored against the four factors of; Strategy, Earnings, Technicals and Value. Those companies who scored highly against these were subject to detailed fundamental, bottom-up research by an experienced team of analysts and portfolio managers and reviewed on a weekly basis for possible purchase, which should drive portfolio outperformance in the long term. He added that results were improved when at least 3 out of the 4 factors had been performing.

Mr Hand went on to detail top five positive and top five negative stock contributions over the six month and 12 month period to 31 December 2016 and sector positions and regional allocations were also outlined.

It was explained that 2016 had not been a good year for the portfolio, however the team remained confident in the 4 factor system as the best way to achieve outperformance in the long term.

In summary, it was reported that recent economic data had generally been stronger than market expectations. Corporate earnings growth was accelerating. Despite this improved market backdrop, many market participants remained cautious. Opportunities were being found in the more cyclical areas of the market and persistence in the market's expectations for rising growth and inflation could see more money being diverted to these segments as risk appetite increased.

Mr Hand concluded by informing Members that he was leaving Investec and would be handing over the management of the portfolio to Mr Roodt and Mr Parker. He added that he had agreed to a one year transition period to ensure a smooth hand over.

Mr Parker briefly outlined President Trump's likely fiscal and economic policies and why equity markets had responded so positively and the implications for Europe.

The Advisors were then asked to comment.

All three Advisors expressed concern with regard to the timing of the departure of Mr Hand and sought clarification in respect of the management structure going forward in light of the fact that

there would be two Portfolio Managers. They further sought assurances of who was ultimately responsible/accountable, should there be a difference of views/opinions.

Mr Powers also expressed concern in respect of last year's portfolio performance, despite a positive economy.

Mr Roodt, in his response, explained that it was important for them to understand, as 'bottom up' investors, when the market had developed a trend which suited their environment.

The Chair and Members also expressed their concerns with regard to Investec's current performance, however the Chair reiterated that the Fund was a long term investor and added that he looked forward to discussions with Investec going forward.

RECOMMENDED

That the content of the Fund Manager's presentation and the comments of the Advisors be noted.

90. GMPF BUDGET 2017/18 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

Consideration was given to a report of the Assistant Executive Director of Pensions, Local Investments and Property, seeking approval of the Management Panel for the 2017/18 expenditure budget for GMPF with a medium term financial plan. (An updated version would be included in the Annual Report for 2016/17).

It was reported that the Fund, following approval on assumptions and process by the Management Panel, produced a medium term financial plan and medium term expenditure plan in its annual report and accounts for 2015/16. Details of which were set out in the report. Members were advised that it was intended to re-set the medium term financial plan following the completion of the actuarial valuation for 2017-2020.

Key observations were details as follows:

- Investment returns were the key determinant of the financial position;
- The Fund had a negative cash-flow from pensions paid, less contributions and the trend was for this to increase as the Fund matured; and
- The management costs were small relative to Fund size and annual cash flows.

The medium term expenditure plan was set out in the report, the key features were the planned increases in investment management costs premises and staffing, to support the strategic changes at the Fund approved by the Management Panel and to provide for future development.

It was reported that the out-turn for the medium term financial plan was likely to result in a significantly higher than predicted Fund value due to the strong investment performance to date in the financial year, although there was a risk of investment performance volatility in the final 3 months.

Budget changes 2017/18 from the 2016/17 budget were detailed with significant changes being investment management, staffing and property.

RECOMMENDED

- That the expenditure budget for 2017/18 be approved;**
- That the Medium Term Financial Plan be approved;**
- That it be noted that the Medium Term Financial Plan be updated from information available including profiling of employer contributions and Fund value at 31 March 2017 and included in the Annual Report for 2016/17; and**
- That it be noted that the Executive Director of Pensions intends to review all budgets in 2017/18 and undertake a zero based budget approach.**

91. 2016/17 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2016/17 audit.

RECOMMENDED

That the content of the report be noted.

92. ADMINISTRATION UPDATE

The Pensions Policy Manager submitted a report providing a summary of key data and information relating to the administration of the Fund, including:

- Statistics on membership, employers and costs;
- Communication activities;
- Complaints; and
- Risk Management.

The report further highlighted a number of areas where new regulations, legislation or guidance was expected and where this was likely to have an impact on Fund administration going forward.

RECOMMENDED

That the content of the report be noted.

93. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

PLSA Local Authority Conference Cotswold Water Park Hotel, Gloucestershire	15-17 May 2017
LGPS Annual Trustees Conference Highcliffe Marriott, Bournemouth	29-30 June 2017
PLSA Annual Conference Manchester Central	18-20 October 2017
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	6-8 December 2017

94. 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	21 July 2017 22 September 2017 17 November 2017 23 March 2018
Local Pensions Board	30 March 2017 24 July 2017 19 October 2017

	14 December 2017
	29 March 2018
Pensions Administration Working Group	7 April 2017
	14 July 2017
	13 October 2017
	19 January 2018
	6 April 2018
Investment Monitoring & ESG Working Group	7 April 2017
	14 July 2017
	13 October 2017
	19 January 2018
	6 April 2018
Alternative Investments Working Group	13 April 2017
	20 July 2017
	20 October 2017
	26 January 2018
	13 April 2018
Property Working Group	13 April 2017
	28 July 2017
	27 October 2017
	2 February 2018
	20 April 2018
Policy and Development Working Group	30 May 2017
	5 October 2017
	1 February 2018
	22 March 2018
Employer Funding Viability Working Group	21 April 2017
	28 July 2017
	27 October 2017
	2 February 2018
	20 April 2018

CHAIR

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GREATER MANCHESTER PENSION FUND MANAGEMENT PANEL

10 March 2017

Commenced: 10.00am

Terminated: 12.50pm

Present: Councillor K Quinn (Chair)

Councillors: Councillors: Brett (Rochdale), Cooney, J Fitzpatrick, Grimshaw (Bury), Halliwell (Wigan), Hamilton (Salford), J Lane, Middleton, Mitchell (Trafford), Pantall (Stockport), S Quinn, Patrick, Reid, M Smith, Stogia (Manchester), Taylor, Ward and Ms Herbert (MoJ)

Apologies for Councillors Ames and Ricci
Absence:

70. CHAIR'S OPENING REMARKS

The Chair announced, with great sadness, the recent death of former Councillor Pennington, who represented Salford City Council on the Fund for 27 years. Members were advised that he had served as a Councillor for 53 years and had served as the Mayor of Salford in 1999-2000. Following his retirement as a Councillor, he was awarded the British Empire Medal for Services to Local Government. Those in attendance joined the Chair in a few moments silence to pay their respects and remember former Councillor Pennington and the loyal service he gave to the Fund and his local community.

71. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

72. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 18 November 2016 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 18 November 2016 were signed as a correct record.

73. 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:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
7, 8, 9, 11, 12, 13, 14, 15, 16	3&10, 3&10, 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.

74. LOCAL PENSIONS BOARD

RESOLVED

That the Minutes of the proceedings of the Local Pensions Board held on 15 December 2016 be noted.

75. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 27 January 2017 were considered.

RESOLVED

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

76. PENSIONS ADMINISTRATION WORKING GROUP

The Minutes of the proceedings of the meeting of the Pensions Administration Working Group held on 27 January 2017 were considered.

RESOLVED

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

77. ALTERNATIVE INVESTMENTS WORKING GROUP

The Minutes of the proceedings of the meeting of the Alternative Investments Working Group held on 3 February 2017 were considered.

RESOLVED

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

78. EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Employer Funding Viability Working Group held on 10 February 2017 were considered.

RESOLVED

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

79. PROPERTY WORKING GROUP

The Minutes of the proceedings of the Property Working Group held on 17 February 2017 were considered.

RESOLVED

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

80. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the Policy and Development Working Group held on 22 February 2017 were considered.

RESOLVED

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

81. 31 MARCH 2016 ACTUARIAL VALUATION

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

RESOLVED

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

82. CONSOLIDATION OF LGPS INTERESTS

A report of the Assistant Executive Director of Pensions, Funding and Business Development was submitted.

RESOLVED

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

83. INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

84. INVESTMENT STRATEGY STATEMENT

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

85. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING AND RECENT COST SAVINGS ACHIEVED

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

86. SAMPLE NEW PERFORMANCE REPORTS

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

87. LGPS POOLING UPDATE

A report of the Assistant Executive Director of Pensions, Funding and Business Development, was submitted.

RESOLVED

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

88. QUARTERLY REPORTS OF THE EXECUTIVE DIRECTOR OF PENSIONS

(a) Summary Valuation of the Pension Fund Investment Portfolio as at 30 September 2016 and 31 December 2016

A report of the Assistant Executive Director of Pension Fund Investments 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 Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

(c) Fund Performance over the Short and Long Term

A report of the Assistant Executive Director of Pension Fund Investments was submitted.

RESOLVED

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

89. REPORTS OF THE MANAGERS

A report of the Assistant Executive Director of Pensions, Investments, was submitted and a presentation of Investec was delivered.

RESOLVED

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

90. GMPF BUDGET 2017/18 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

A report of the Assistant Executive Director of Pensions, Local Investments and Property, was submitted.

RESOLVED

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

91. 2016/17 EXTERNAL AUDIT PLAN

A report of Grant Thornton, External Auditor was submitted.

RESOLVED

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

92. ADMINISTRATION UPDATE

A report of the Pensions Policy Manager was submitted.

RESOLVED

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

93. FUTURE TRAINING DATES

Trustee Training opportunities were noted as follows:

PLSA Local Authority Conference Cotswold Water Park Hotel, Gloucestershire	15 – 17 May 2017
LGPS Annual Trustees Conference Highcliffe Marriott, Bournemouth	29 - 30 June 2017
PLSA Annual Conference Manchester Central	18 – 20 October 2017
LAPFF Annual Conference Highcliffe Marriott, Bournemouth	6 – 8 December 2017

94. 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	21 July 2017 22 September 2017 17 November 2017 23 March 2017
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	14 July 2017
	13 October 2017
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	6 April 2018
	13 April 2017
	20 July 2017
	20 October 2017
Property Working Group	26 January 2018
	13 April 2018
	13 April 2017
	28 July 2017
	27 October 2017
Policy and Development Working Group	2 February 2018
	20 April 2018
	30 May 2017
	5 October 2017
	1 February 2018
Employer Funding Viability Working Group	22 March 2018
	21 April 2017
	28 July 2017
	27 October 2017
	2 February 2018
	20 April 2018

CHAIR

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

30 March 2017

Commenced: 3.00pm

Terminated: 4.40pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Councillor Cooper	Employer Representative
	Richard Paver	Employer Representative
	Paul Taylor	Employer Representative
	Dave Schofield	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative
	Chris Goodwin	Employee Representative
	Mark Rayner	Employee Representative

Apologies for absence: **Jayne Hammond**

29. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

30. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 15 December 2016, having been circulated, were signed by the Chair as a correct record.

31. SUMMARY OF GMPF DECISION MAKING

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Management Panel at its meeting on 18 November 2016 and the recommendations made by the six GMPF working groups.

It was explained that Tameside MBC delegated its decision making in respect of GMPF to the Management Panel which in turn permitted the Executive Director of Pensions to implement its strategy via delegated powers. The Pension Fund Advisory Panel worked closely with the Management Panel, and advised them in all areas. Each local authority was represented on the Advisory Panel, and there were six employee representatives nominated by the North West TUC.

Four external advisors assisted the Advisory Panel, in particular regarding investment related issues. A key element was helping it to question the Fund's investment managers on their activities. GMPF also had six permanent working groups, which considered particular areas of its activities and made recommendations to the Management Panel. The Working Groups covered:

- Alternative Investments;
- Policy and Development;
- Employer Funding Viability;
- Investment Monitoring and Environmental, Social and Governance (ESG);
- Pensions Administration; and

- Property.

The Panels and Working Groups met quarterly and the recommendations of each of the working groups from the meetings that had taken place in Autumn 2016 were set out in the report.

RESOLVED

That the content of the report be noted.

32. 31 MARCH 2016 ACTUARIAL VALUATION

Consideration was given to a report of the Assistant Executive Director of Pensions, Funding and Business Development, which provided an update on progress of the Actuarial Valuation; summarised the high-level outcomes and set out the steps being taken in order to complete the valuation process.

Members were informed that previous reports to the Local Pensions Board had provided a provisional result for GMPF as a whole and provided a comparison of how the funding position of GMPF compared to other LGPS funds in England and Wales.

Over the period since the previous Pensions Board meeting, GMPF employers had been notified of their provisional contribution rates and GMPF officers and the Actuary had had detailed discussions with some employers.

Reference was made to the Funding Strategy Statement (FSS), which provided guidance to the Actuary in undertaking the actuarial valuation. An updated Funding Strategy Statement, setting out, amongst other things, the methodology for setting contribution rates, was reviewed at the meeting of the Management/Advisory Panel on 18 November 2016 and approval was given for this to be issued to employers for consultation.

It was reported that no substantive comments had been received on the draft Funding Strategy Statement and the proposed final version of the Funding Strategy Statement was adopted by the GMPF Management Panel at its meeting on 10 March 2017.

Provisional whole-fund results, as presented at previous Pensions Board meetings, were set out in the report and it was explained that a typical GMPF employer was likely to see an improvement in their funding level of around 5% from 2013, although this would differ between employers depending on liability profile and member experience.

It was explained that the majority of employers had acknowledged receipt of their new contribution rates (effective from 1 April 2017) and GMPF officers were conducting an exercise to ensure all employers were aware of their new rates. Further details on funding position and derivation of contribution rates had been provided to employers on request. If employers did not take any further action then they were assumed to be satisfied with the contribution rate that had been allocated.

The contribution rates for a small number of employers were the subject of ongoing discussion, which also involved the guarantor where applicable. GMPF officers and the Actuary continued to engage with these employers on a regular basis.

The report summarised that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers' average employer contribution rate would again be at the lower end of the range. GMPF's major employers such as the ten GM Local Authorities and the National Probation Service, were likely to see minimal changes to their rates. This was also the case for a large majority of Scheduled Bodies such as Academy Schools and Further Education Colleges.

However, careful consideration was being given to the proposed contribution rate for each employer to ensure it reflected the risk that the employer posed to the Fund, whilst remaining affordable for the employer.

Discussion ensued with regard to the valuation results and the Executive Director of Pensions agreed to circulate the Actuary's report to Board Members.

RESOLVED

That the content of the report be noted.

33. INVESTMENT STRATEGY STATEMENT

The Assistant Executive Director of Pensions, Investments, submitted a report, which was considered and approved by the GMPF Management Panel at its meeting on 10 March 2017, informing Members that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, required that the Fund publish an Investment Strategy Statement no later than 1 April 2017.

A copy of the GMPF's draft Investment Strategy Statement was attached to the report. This draft was adopted by the Panel.

The main differences between the draft Investment Strategy Statement and the current Statement of Investment Principles were outlined. It was explained that the draft Investment Strategy Statement largely mirrored the approach taken by the fund within the preceding Statement of Investment Principles with only relatively minimal amendments and may thus be considered to be an interim position, pending progress on pooling and developing the Fund's approach to certain areas

It was further explained that it was intended that officers would undertake a more detailed review of the Investment Strategy Statement in the next 6 to 9 months, the outcome of which may or may not require a revised Investment Strategy Statement being recommended for adoption by the Panel.

It was anticipated that a public consultation would be held in conjunction with the detailed review and it was also intended that the Fund would hold a Stakeholder Engagement event later in the year, at which the Investment Strategy Statement would be consulted upon. All Members of the Board would be invited to the event.

Discussion ensued in respect of voting activity delegated to the Investment Managers and Members were informed that such activity was currently reported to the Investment Monitoring and ESG Working Group and that this information would also be included in the Annual Report and Accounts for the first time this year, which would be submitted to the Management Panel for consideration at its meeting on 21 July 2017.

RESOLVED

That the content of the report be noted.

34. CONSOLIDATION OF LGPS INTERESTS

The Assistant Executive Director of Pensions, Funding and Business Development, submitted a report considered by the Policy and Development Working Group on 22 February 2017.

The Working Group considered the proposal of one of GMPF's largest private-sector employers to consolidate its two other LGPS arrangements into a single fund, with GMPF being the preferred host fund.

The benefits of consolidation to both the employer and to GMPF were detailed, as were the risks and challenges, including mitigating factors. A number of practical issues that would need to be addressed as part of agreement to proceed with the consolidation, were also outlined and discussed, for example, the importance of carefully managing the transfer of assets and data, to ensure that there was no negative impact on the membership and the service provided to other GMPF employers.

Board Members were informed that Hymans Robertson, Actuary to the Fund, had also provided a paper discussing the key funding and investment risks that GMPF would need to manage and the factors that the GMPF Management Panel would need to consider in reaching their decision.

The report concluded that, for the proposed consolidation to proceed, both the approval of the GMPF Management Panel and the Secretary of State was required. It was understood that the Secretary of State had indicated that he had no objections to the proposal subject to the consent of the receiving and ceding administering authorities.

The Working Group recommended to Panel that this be approved in principle, subject to reaching satisfactory agreement with the employer on contribution rates, investment strategy and the details of the admission agreements.

Members were further advised that GMPF officers were in regular dialogue with the employer and their advisors to ensure a smooth transition should the proposals be approved.

RESOLVED

That the content of the report be noted.

35. 2016/2017 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2016/17 audit.

RESOLVED

That the content of the report be noted.

36. RISK MANAGEMENT AND AUDIT SERVICES 2016/2017

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the 49 weeks to 10 March 2017.

Details were given of final issued during the period as follows:

- Unitisation;
- Visits to Contributing Bodies – Manchester Airport, Greater Manchester Police and Crime Commissioner, Bolton Council and Rochdale Council;

Draft reports were also issued as follows:

- Debtors;
- Application review of the Altair Administration system; and
- Visit to the Property Fund Manager.

Details were also given of audits in progress as follows:

- The National Fraud Initiative Data Matching Exercise for 2016/17;
- Visits to Contributing Bodies – National Probation Service;
- Risk Management Review;
- Employer Agreements;
- VAT;

- Review and Advice re: the new process/monitoring of Payment of Employers Contributions in Advance;
- GM Property Venture Fund – Review of First Street Development;
- Transfer of Assets to Stone Harbor; and
- Review of Fund Manager (Investec).

RESOLVED

That the content of the report be noted.

37. INTERNAL AUDIT VISITS TO CONTRIBUTING BODIES – OUTCOMES AND LEARNING

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the common themes that had emerged from Internal Audit visits carried out since the introduction of the 2013 LGPS Regulations and the action taken to address the issues.

It was reported that an allocation of days would be included in the Internal Audit Plan for 2017/18 to carry out further visits to Employers. There were still issues being found at the visits which needed to be addressed, to ensure that the correct contributions were being sent to the Pension Fund. Internal Audit would continue to work with officers of the Fund to identify improvements.

It was further reported that the Fund would continue to improve the resources available to employers for training and information purposes. The Executive Director of Pensions added that the Fund would help to support employers to ensure correct procedures in place.

RESOLVED

That the content of the report be noted.

CHAIR

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

7 April 2017

Commenced: 10.30 am

Terminated: 12.00 pm

Present: Councillors Taylor (Chair), Middleton, Ricci, Brett, Mitchell, Stogia and Mr Allsop

In Attendance:	Councillor K Quinn	Executive Leader
	Janice Hayward	PIRC Ltd
	Alan MacDougall	PIRC Ltd
	Sandra Stewart	Executive Director of Pensions
	Steven Taylor	Assistant Executive Director of Pensions (Investments)
	Tom Harrington	Senior Investments Manager
	Raymond Holdsworth	Investments Manager
	Michael Ashworth	Investments Officer
	Lorraine Peart	Investments Officer

Apologies for Absence: Councillors Grimshaw and Pantall

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. MINUTES

The minutes of the meeting of the Investment Monitoring and ESG Working Group held on 27 January 2017 were approved as a correct record.

29. INVESTEC CORPORATE GOVERNANCE REVIEW

The Working Group welcomed Therese Niklasson of Investec who attended the meeting to report on Corporate Governance activity over the last 12 months.

It was reported that Environmental Social and Governance integration was a priority for the leadership at Investec as they believed that it added more value for clients if Environmental Social and Governance issues were treated as an integral part of the investment analysis and decision making process rather than a separate consideration. An internal framework for assessing the relevance of Environmental Social and Governance integration through the different stages of the investment process had been developed, which allowed Investec to apply a consistent approach to integration analysis and allowed the team to develop their own unique approach to Environmental Social and Governance.

The Working Group were informed that the '4Factor' team continued to focus on Environmental Social and Governance considerations throughout the investment process from universe screening,

fundamental analysis and portfolio construction to engagement with companies and reporting. Work would continue on further deepening Environmental Social and Governance integration by focussing on greater access to data and re-evaluating factors from a quantitative perspective, evaluating and improving Environmental Social and Governance fundamental analysis and training on Environmental Social and Governance topics.

The Working Group was notified that an Environmental Social and Governance portfolio screener had been developed, which allowed the manager to understand the Environmental Social and Governance footprint.

An overview of engagement across Greater Manchester Pension Fund since 2015 was provided. Members enquired about how reflective the engagement was. It was confirmed that engagement was an important point and Investec followed their client's strategic input and met with them prior to annual general meetings.

With regards to active ownership the proxy voting outcomes for Greater Manchester Pension Fund in 2016 were outlined. A wide ranging discussion took place on the content of Investec's report. Members commented that it was important to continue to challenge the imbalance around pay ratios and diversity issues.

Members also stressed the importance of embedding Environmental Social and Governance issues in the decision making process and ensuring that agents considered Environmental Social and Governance matters.

RECOMMENDED:

That the report be noted.

30. INVESTEC REVIEW OF 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 Greater Manchester Pension Fund's 'Level Two' disclosure report for the year to 31 December 2016 were appended to the report.

The 'Level One' report detailed the fund manager's policies and procedures for the management and monitoring of total trading costs in order to achieve the best execution for clients. The 'Level Two' report provided an analysis of Greater Manchester Pension Fund's trading volumes and commissions, which could be compared to Investec's average client commission rates.

Stephen Lee, Investec, presented both reports. There had been a number of minor changes to the 'Level One' report none of which were material. Investec had reviewed and updated their report in March 2017 with no significant changes to note. It was confirmed that officers of the Fund had reviewed the 'Level Two' report and any questions had been satisfactorily answered by Investec.

The IMA Disclosures Commission Report for the period 1 January 2016 to 31 December 2016 was outlined in the report. Investec's work streams relating to MiFID II and Local Government Pension Scheme Code of Transparency were also detailed in the report.

RECOMMENDED:

That the report be noted.

31. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

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

It was reported that Capital International did not participate in underwriting activity and the Fund did not participate in any sub-underwriting via UBS in the quarter ended December 2016. Stocklending income during the quarter was £146,552 and Commission 'recaptured' was £24,362.

The report outlined that income generated from these activities was 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.

32. 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 '2017 UK Shareowner Voting Guidelines', a copy of which was appended to the report.

It was explained that PIRC published guidelines for accountability reasons to enable clients to know the basis of their voting recommendations and they applied common governance standards across the market. All UK companies received a draft proxy report for comment and PIRC's research was based on publicly available disclosures and market intelligence.

Mr MacDougall outlined the key principles that companies should adopt to the Working Group, which included:-

- Clear values and high ethical standards throughout the company;
- An ability to account for shareowner capital and achieve an appropriate return;
- Developing a culture of transparency and accountability;
- Focussing on strategic issues and the quality of business;
- Developing appropriate checks and balances to deal with conflicts of interests;
- Maintaining effective systems of financial control and risk management;
- Creating fair remuneration structures that reward the achievement of business objectives; and
- Recognising and managing impacts on all stakeholders.

An update was provided on PIRC's activities over the past 12 months and objectives for the next 12 months. With regards to pay, it was reported that PIRC had made a good first step to reconfigure executive remuneration, which would be taken into account in analysis on company remuneration reporting during 2017. They would request far more disclosure of how remuneration committees used remuneration consultants including fee disclosures. PIRC were collecting data on audit committee composition and competence relevant to the sector and the process for assessing relevance.

With regards to Board diversity, the Hampton-Alexander review had led PIRC to change the percentage requirement of female directors to 25% of the Board and they would encourage companies to move towards 33% female representation by 2020. PIRC would no longer support Rule 9 Waivers unless the controlling shareholder was committed to not increasing their level of holding if the company were to make a share repurchase and they were collecting data to assess

whether companies were complying with the new disclosure requirements around the Modern Slavery Act.

A discussion ensued around the advantages and disadvantages of virtual engagement.

RECOMMENDED:

That the report be noted.

33. CLASS ACTION UPDATE

The Assistant Executive Director of Pensions (Investments) submitted a report, which provided Members with an update on litigation in which Greater Manchester Pension Fund sought to actively recover losses in the value of its shareholdings in various companies as a result of actions taken by those companies.

A quarterly update explaining active Class Actions, which remain outstanding, was presented to Members and recent developments relating to each action was provided. Members commented on the importance of taking part in litigation and taking a pro-active approach. They enquired about the costs involved in participating in litigation and also enquired about any further opportunities. It was confirmed that taking part in a Class Action did not result in any external costs and the Fund was automatically involved in any US class action by default.

The Executive Director of Pensions commented that it was important for the Fund to be adequately resourced to ensure that it could maximise recoveries where cost effective to do so.

RECOMMENDED:

That the report be noted.

34. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

7 April 2017

Commenced: 9.00 am

Terminated: 9.55 am

Present: Councillors J Lane (Chair), Middleton, Patrick, S Quinn, Brett and Stogia

In Attendance: Sandra Stewart Executive Director of Pensions
Emma Mayall Pensions Policy Manager

Apologies for Absence: Councillor Grimshaw and Mr Flatley

27. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

28. **MINUTES**

The Minutes of the meeting of the Pensions Administration Working Group held on 27 January 2017 were approved as a correct record.

29. **AQUILA HEYWOOD UPDATE**

The Pensions Policy Manager submitted a report, which provided the Working Group with an update report from the Fund's main pension software supplier, Aquila Heywood, for the period January to April 2017, a copy of the report was appended.

It was resolved at the previous meeting of the Working Group held on 27 January 2017 (Minute 20 refers) that regular update reports from Aquila Heywood would be presented. This would assist the Working Group with monitoring this area of work and Aquila Heywood's performance.

The Working Group were informed that successful testing of two software releases had been carried out by teams during January and February 2017, which had subsequently been installed into live service on 6 March 2017. The Executive Director of Pensions and the Pensions Policy Manager had met with representatives of Aquila Heywood to discuss a number of areas and issues. As a result of these discussions changes had been made to the hardware used to run Altair. Performance was being monitored to see if the changes resulted in improvements.

The Working Group were further informed that work would be undertaken to improve benefit calculations, which would eliminate unnecessary user input and improve efficiency in processing casework.

Three key projects were outlined in the report:-

- Recording Transactional Data for GAD
- Java Payroll; and
- Enhanced Admin to Pay.

The Fund would work with Aquila Heywood over the upcoming quarter on these projects and an update would be brought to a future meeting of the Working Group.

RECOMMENDED:

- (i) That the report be noted; and**
- (ii) That further update reports be brought to future meetings of the Working Group.**

30. COMMUNICATION ACTIVITIES

The Pensions Policy Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter. Website Statistics, data on emails and telephone calls to the Helpline, Twitter statistics and information on roadshows and presentations over the period were appended to the report. The Fund's Twitter account was being promoted, which had seen an increase in the number of 'tweets'.

It was reported that the two main communications related tasks for the upcoming quarter were the issuing of P60s and 'Grapevine', a magazine for pensioners, and annual benefit statements for deferred members.

Members requested that further detailed analysis be carried out on the final destination of users on the GMPF website and that a communications strategy be included on the website. It was confirmed that a communications strategy was currently under review and would be brought to a future meeting of the Working Group for approval.

The Executive Director of Pensions commented that a review of the website was part of a wider review and it was of particular importance not only to update the information especially with regard to investment approaches and performance and governance but to ensure the necessary prominence was given to it currently the feel was weighted too heavily in favour of members taking their pensions.

RECOMMENDED:

- (i) That the report be noted; and**
- (ii) That a draft communication strategy be brought to a future meeting of the Pensions Administration Working Group.**

31. LOCAL GOVERNMENT PENSION SCHEME REGULATORY AND LEGISLATIVE UPDATE

The Pensions Policy Manager submitted a report summarising recent items related to regulation or legislation linked to the Local Government Pension Scheme and wider pension environment.

The report detailed:-

- The Fund's response to recent Government pension consultations.
- A progress update on the Government's exit payment review project.
- Details of the pensions related measures announced in the 2017 Spring Budget.
- An update on pensions increase.

It was reported that the Fund had responded to two Government pension consultation exercises in February 2017 on Pensions Scams and Indexation and Equalisation of Guaranteed Minimum Pensions in public service pension schemes. An update was given on the May 2016 consultation on the Local Government Pension Scheme Amendment Regulations. The Local Government Pensions Committee had held discussions with the Department for Communities and Local

Government on the proposed amendments, which included Fair Deal and 'Freedom and Choice' for Additional Voluntary Contributions.

With regards to Exit Payments, the Enterprise Act 2016 (Commencement No. 2) Regulations 2017 came into force on 1 February 2017, which enabled regulation to restrict public sector exit payments to £95,000. Several measures relating to pensions had been announced in the Spring Budget such as State Pension Age Review, Money Purchase Annual Allowance and Qualifying Recognised Overseas Pensions Schemes. The Government had announced that the pensions increase and revaluation for April 2017 would be 1% and they had confirmed the revised contribution bands that would apply from 1 April 2017.

The Working Group was notified that the Supreme Court had handed down a unanimous decision in a judicial review case in relation to the refusal of the Northern Irish Local Government Pensions Scheme to pay a cohabitant's pension. There was potential for this judgement to have implications for deaths that occurred between 1 April 2008 and 31 March 2014 where no partner's pension was paid to a cohabiting partner where other qualifying criteria would have been met. The Government were awaiting advice on the terms and the possible implications of the judgement for public service schemes.

RECOMMENDED:

That the report be noted.

32. ADMINISTRATION BUSINESS AND PROJECT PLANS

The Pensions Policy Manager submitted a report, which provided a summary of progress made on the 2016/17 business planning objectives, other current strategic and service improvements projects, items that had been identified for inclusion in the 2017/18 business plan and regular items of work currently being undertaken.

The report contained a table listing the ten business plan objectives for 2016/17 alongside closing comments on the progress made against these objectives throughout the year. It was reported that the Actuarial Valuation project had been completed, good progress had been made with clearing backlogs and the Guaranteed Minimum Pension Reconciliation project had progressed further. A number of other strategic and service improvement projects had been undertaken including year-end processing, death grant process review, data cleansing, internal governance management, payroll sign-off and GAD transactional data.

The Working Group was informed that work had commenced on items for the 2017/18 business plan as follows:-

- Guaranteed Minimum Pensions Reconciliation
- Year-end Processes
- Employer Support
- Business Continuity Plan and Disaster Recovery Provision
- Data Cleansing
- Member Communication

With regards to regular work items the report contained a performance record of the Pensions Administration for the 12 months ending February 2017, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks, which detailed the age of the tasks in relation to their target date. The number of outstanding tasks was at a low level, which reflected the effort that had been placed to help employers understand issues.

It was reported that officers had met with representatives from Bolton MBC, Oldham MBC and Salford City Council over the last quarter to discuss any issues with their performance and any

challenges they face. Positive feedback had been received following these meetings and Fund officers had undertaken a data matching exercise to resolve issues and pre-empt errors that could arise from the year-end process.

It was further reported that there were 31 academy admissions being progressed and 26 admission body applications at various stages in the process.

RECOMMENDED:

That the report be noted.

33. DEATH GRANT PROCEDURE REVIEW

The Pensions Operations Manager had submitted a report detailing the need to review and enhance the area of determining beneficiaries of Death Grant payments. This would aid the decision-making process and ensure that appropriate delegation was in place for all decision makers. It was also proposed to establish an advisory panel for the most complicated decisions.

The Pensions Policy Manager advised the Panel that under Local Government Pension Scheme rules a death grant payment was due when an active or deferred member died before reaching retirement age or died within ten years of retiring. The Fund's policy relating to death grants had been approved in February 2016, a copy of which was appended to the report, and the internal administrative procedures to support the death grant decision-making process had been revised in 2014.

It was reported that there had been an increase in the complexity of cases, in particular where the deceased member had children from more than one relationship, which had resulted in an onerous decision making process. In addition, The Pension Ombudsman had recently published guidance for pension schemes on their decision-making responsibilities. Therefore it was an appropriate time to review existing internal procedures and revise associated documentation to ensure internal processes were effective, to incorporate the principles of the Ombudsman and use resources efficiently.

The current decision making process was outlined to the Group. It was proposed to introduce a two-stage delegation process. The first stage would be to ensure that for straightforward cases the Executive Director's delegation was undertaken efficiently and effectively and there were formal records of the delegation. It was proposed for the Executive Director to deal with more complex cases advised by a Death Grant Discretions Panel.

The Executive Director of Pensions stressed the importance of a systematic approach to dealing with death grant payments and for a formal decision-making framework to ensure consistency. She commented that once the new procedures were in place, the Working Group would receive details on the number of cases considered at each stage of the process.

RECOMMENDED:

- (i) That approval be given for the Executive Director of Pensions to use their delegation in respect of determining death grants; and**
- (ii) That an update report be brought to a future meeting of the Working Group.**

34. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided background information on Guaranteed Minimum Pensions. An 18 month reconciliation project would be undertaken to reconcile information held by Her Majesty's Revenue and Customs against data held on the Fund's records.

It was explained that a new state pension system was introduced in 1978 by the Government that provided a flat rate state pension available to everyone with an additional amount of pension based on a person's national insurance contributions, known as State Earnings Related Pension Scheme. Pension Schemes were able to opt-out of the scheme however they had to guarantee to pay a benefit to a member that was equal or better than that which they would have built up had they been a member of the State Earnings Related Pension Scheme. The Government removed the ability to build up an entitlement to this guaranteed minimum pension on 6 April 1997. Therefore those who were members in-between 6 April 1978 to 5 April 1997 would have a guaranteed minimum pension.

The Working Group were informed that Her Majesty's Revenue and Customs holds details of members individual guaranteed minimum pension based on their national insurance contributions records and sent this information to pension schemes until April 2016. The introduction of the new State Single Pension in April 2016 allowed schemes to access this information using an on-line system. Her Majesty's Revenue and Customs had embarked upon a reconciliation project with all pension schemes; the deadline for completion of the project was December 2018.

It was reported that Her Majesty's Revenue and Customs decided to issue their guaranteed minimum pension data in two separate files the first of which was available from 2015 and contained information for 'leavers'. The second file, which was expected to become available in June or July 2017, would include data for those still paying into a scheme.

The reconciliation project would be undertaken by officers within the Fund and Aquila Heywood had developed a product to assist with this. A new project team had been formed and were currently working on testing the system, reviewing existing procedures and calculations linked to guaranteed minimum pensions and clarifying any points with Her Majesty's Revenue and Customs. A project plan would be finalised and update reports would be presented at future Working Group meetings.

RECOMMENDED:

- (i) **That the report be noted; and**
- (iii) **That progress reports be brought to future meetings of the Working Group.**

35. URGENT ITEMS

There were no urgent items.

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GREATER MANCHESTER PENSION FUND - ALTERNATIVE INVESTMENTS WORKING GROUP

13 April 2017

Commenced: 9.30 am

Terminated: 10.55 am

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

In Attendance:

Sandra Stewart	Executive Director of Pensions
Steven Taylor	Assistant Executive Director of Pensions (Investments)
Neil Cooper	Senior Investments Manager
Nick Livingstone	Investments Manager
Mark Powers	Adviser to the Fund

Apologies for Absence: Mr Drury

21. DECLARATIONS OF INTEREST

There were no declarations of interest.

22. MINUTES

The Minutes of the meeting of the Alternative Investments Working Group held on 3 February 2017 were approved as a correct record.

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

The Working Group welcomed 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 2016.

The Working Group was provided with an overview of the Private Equity environment. With regard to GMPF's Private Equity portfolio, it was reported that eight new funds and two follow on commitments had been made during 2016 totalling £278 million, taking the total active commitment to £1.519 billion as at 31 December 2016. The portfolio was diversified with exposure spread across multiple geographies and experienced, well established managers.

It was reported that the portfolio return since inception had remained very stable at 16.8% per annum and the prospects for long term Private Equity returns were considered to remain attractive.

RECOMMENDED:

That the report be noted.

24. PRIVATE EQUITY - REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Executive Director of Pensions (Investments) submitted a report, which summarised the activity and reviewed the overall strategy regarding investment in private equity.

It was reported that during 2016 the Private Markets team invested slightly more than the commitment target with a total of £247 million of new commitments to eight new funds, taking the number of active funds in the private equity portfolio to 93. There were two new managers added during the year and a new approach to implementation in Asia. No new fund-of-funds commitments were made and there was no backlog position to report at year end.

The target allocation remained at 5% of Main Fund value and as at 31 December 2016 the private equity portfolio was 2.9% of the total value of the Main Fund. Since 31 December 2015, the value of the portfolio had risen by almost 40% as a result of investment activity and valuation increases and the Main Fund had risen in value by 20%.

The Working Group was informed that no changes were proposed to the overall allocation, geographic and stage targets.

It was proposed that the rate of commitment be increased to £280 million per annum resulting in the 5% target being reached by approximately 2020. The Private Markets teams would continue to implement the private equity strategy via three year programmes of commitments, each with a revised average size of £35 million, resulting in a target number of 24 funds over the three year period.

The Executive Director of Pensions informed the Group that new appointments had been made within the broader Investments team and officers were exploring the possibility of a joint venture approach with Northern Pool partners.

RECOMMENDED

That:-

- (a) The medium term strategic allocation for private equity remains at 5% value of the total Main Fund assets.
- (b) The target geographical diversification of the private equity portfolio remains as:-

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 remains as:-

Geography	Stage as a percentage of Regional Total Value		
	Large Buyout	Mid-Market Buyout	Venture
EUROPE, inc UK	40% to 50%	40% to 50%	5-15%
USA		40% to 50%	
ASIA		40% to 50%	

* Total Value = Net Asset Value + Undrawn Commitments

- (d) The scale of commitment to funds be £280 million per annum, to work towards achievement of the strategy allocation over the next 3/4 years.
- (e) The Private Markets team continue to implement the private equity strategy via 3 year programmes of commitments with a target number of commitments over that period of 24 funds. Each commitment to be of the average size of £35 million, in the absence of exceptional factors.

- (f) **Commitments to European, US and Asian primary buyout funds to be made directly to partnership vehicles. Secondary investments 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 from time to time to reflect portfolio repositioning.**

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

The Working Group welcomed Mark Drugan of Capital Dynamics Ltd, who attended the meeting to present the annual review of GMPF's infrastructure portfolio for the period ending 31 December 2016.

Mr Drugan began by giving a market summary of infrastructure and explaining infrastructure deal flow by region and industry. It was reported that 2016 had been a record fund raising year with 52 funds raising an aggregate of \$59 billion.

With regard to GMPF's infrastructure portfolio two new commitments totalling £90.7 million had been made during 2016, increasing total active commitments to £590.2 million at year end. The net asset value was £365.9 million representing 1.8% of Main Fund assets.

It was reported that the portfolio value appreciated by 21.2% during 2016 and the overall infrastructure internal rate of return since inception had increased to 11.2% per annum as at 31 December 2016.

RECOMMENDED:

That the report be noted.

26. INFRASTRUCTURE - REVIEW OF STRATEGY AND IMPLEMENTATION

The Assistant Executive Director of Pensions (Investments) submitted a report summarising the activity and reviewing the overall strategy regarding investment in infrastructure.

It was reported that during 2016, two new fund commitments had been made totalling £80 million, taking the total number of active funds in the infrastructure portfolio to 23. With effect from 1 July 2016 the average rate of new commitments had increased from £120 million per annum to £150 million per annum to reflect the increase in the target Main Fund allocation from 4% to 5%. The Privates Market team had invested less than the target of £135 million during the year resulting in a £55 million backlog, but were on target to invest this backlog during 2017 in addition to the current year deployment targets.

The value of the infrastructure portfolio as at 31 December 2016 was £366 million representing 1.8% of the total value of the Main Fund. It was noted that the portfolio was immature and would take time to build towards the 5% target.

The Working Group was informed that no changes were proposed to the overall allocation, geographic targets and stage diversification targets. Following the review of strategy and implementation it was proposed to increase the rate of commitment to £210 million per annum with an average of three new funds per annum with a commitment size of £70 million per fund.

RECOMMENDED**That:-**

- (a) The medium term strategic allocation to Infrastructure funds remains at 5% value of total Main Fund assets.
- (b) The target geographical diversification of the infrastructure portfolio remains as:-

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 remains as:-

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 be £210 million per annum 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 per annum (averaging 3 new funds per annum).
- (f) Commitments to primary funds be made directly to partnership vehicles.
- (g) It is recognised that the portfolio may not fall within the target ranges at (b) and (c) from time to time to reflect portfolio repositioning.

27. PROCUREMENT OF TAX ADVICE REGARDING US PRIVATE MARKET INVESTMENT

The Assistant Executive Director of Pensions (Investments) submitted a report, which advised the Working Group of plans to procure tax advice pertaining to the Fund's US private market investments.

The Group were advised that the Fund would procure a supplier of tax advice services in relation to certain aspects of private market investments. Provision for the tax advice would be made within the 2017/18 budget.

RECOMMENDED:**That the report be noted.**

28. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

21 April 2017

Commenced: 9.30 am

Terminated: 10.15 am

Present: Councillors J Fitzpatrick (Chair), Cooney, Patrick, Mitchell, Mr Allsop and Mr Flatley

In Attendance:

Sandra Stewart	Executive Director of Pensions
Steven Taylor	Assistant Executive Director of Pensions (Investments)
Paddy Dowdall	Assistant Executive Director of Pensions (Local Investments and Property)
Euan Miller	Assistant Executive Director of Pensions (Funding and Business Development)
Tracey Boyle	Head of Pensions Accountancy

Apologies for Absence: Ms Herbert and Mr Llewellyn

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. MINUTES

The Minutes of the Employer Funding Viability Working Group meeting held on 10 February 2017 were approved as a correct record.

29. 31 MARCH 2016 ACTUARIAL VALUATION

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report updating the Group on the actuarial valuation process, which was formally completed by the statutory deadline of 31 March 2017.

The whole fund results were presented to the Group; the deficit had increased from £1.3 billion in 2013 to £1.4 billion in 2016, however, £0.6 billion of this was in respect of probation liabilities that were transferred to GMPF in 2014, therefore the deficit for non-probation employers had fallen by approximately £0.5 billion. The funding level had increased from 90.5% in 2013 to 92.5% in 2016. Using the standardised assumptions developed by the Scheme Advisory Board GMPF was 105.5% funded at the valuation date.

The Greater Manchester Pension Fund 2016 Actuarial Valuation Report was appended to the report and was also available on the GMPF website and had been made available to the LGPS Scheme Advisory Board. The report summarised the valuation result and provided a detailed commentary on the method, assumption used and the benefits that the actuary had valued. It was noted that the Rates and Adjustment Certificate, which set out the contribution rates payable by each active employer, had increased in length to reflect the increase in the number of employers in recent years. Also, the certificate was now split into a 'Primary Rate' and a 'Secondary Rate'.

A comparison against other LGPS Funds was outlined in the report. GMPF remained one of the better funded LGPS funds and was approximately the 14th best funded LGPS fund in England and Wales. Funding positions as a whole across the LGPS were slightly improved, however, the gap between the better funded and the less well funded had increased with a range in standardised funding levels of 66% to 123%.

It was reported that GMPF had given Local Authority employers the option of paying some or all of their contributions in advance for the period 1 April 2017 to 31 March 2020, which would help maintain their contribution rates at broadly their existing level. In addition, Local Authorities were able to vary the amount they were paying to their budget to meet the pension strain cost of non-ill health early retirements. The contribution rates for the ten Local Authorities were set out in the report and discussed with the Group.

The results for other large employers were outlined. It was reported that approximately 67% of employers had seen no change to their contribution rate, 21% of employers had seen an increase and 12% had seen a decrease in their rate, mainly employers in the education sector.

RECOMMENDED:

That the report be noted.

30. GMPF AGED DEBT AS AT 19 MARCH 2017

The Assistant Executive Director of Pensions (Local investments and Property) submitted a report summarising the aged debt for the Fund as at 19 March 2017. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which had not yet been repaid.

A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. The largest component of Employer Related aged debt was unpaid contributions, much of which was in respect of strain costs associated with early retirement or member transfer. It also included fees for the production of actuarial work and administration fees charged to newly admitted bodies to the fund.

The report detailed all aged debt (31 days and over) alongside comparison to the previous quarter; total aged debt was £3.867 million at 19 March 2017 compared to £2.926 million at 19 December 2016. The key trends were highlighted; property aged debt had increased from £0.271 million in December 2016 to £0.316 million at March 2017 and Employer and Overpaid Pension Aged Debt had increased from £2.655 million to £3.552 million. The bulk of Employer debt related to invoices that had been issued in respect of early retirement strain costs.

It was reported that a review of debt recovery procedures was underway with a view to implementing an escalation procedure. Potential options included adding interest to outstanding employer related debts. A report detailing the findings of the review would be brought to the next meeting of the Working Group.

For the 12 months to March 2017 5.6% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.3%. Tables which showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and were discussed with the Group.

RECOMMENDED:

- (1) That the report be noted; and**
- (2) A report be brought back to the Working Group detailing the review of escalation procedures for employer related debt.**

31. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 11 MONTHS TO FEBRUARY 2017

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the eleven months to February 2017.

Actual expenditure was £3.527 million less than the estimate of £24.831 million for the same period. The main reasons for major variations were listed and included under budget staff costs, lower than expected utility charges, delayed implementation of software upgrades and lower than budgeted manager's fees.

RECOMMENDED:

That the report be noted.

32. GMPF STATEMENT OF ACCOUNTS 2016-2017 GOVERNANCE ARRANGEMENTS

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report informing Members of the governance arrangements for approval of the GMPF accounts as part of the accounts for Tameside MBC as the administering authority. Members also considered the key assumptions for estimates used in the production of GMPF accounts.

It was reported that the timescales for approval of the accounts had been brought forward this year to prepare for the changes to the statutory deadlines for Local Authorities to produce their accounts in 2018. The plan was for the pre-audit accounts for both GMPF and the Council to be signed off by 31 May 2017 and for the process to be complete by 31 July 2017. The provisional timetable for approval of the accounts and audit reports by these bodies for 2017/18 was outlined.

The continued key assumptions used in the production of the accounts would include accruals basis, fair value for investments, market prices at bid where possible, compliance with accounting standards and best practice, liabilities in compliance with International Accounting Standard 19 and continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS.

RECOMMENDED:

- (i) That the governance arrangements for the approval of GMPF accounts be noted; and**
- (ii) That the assumptions for estimates used in the GMPF accounts be noted.**

33. BUSINESS PLAN 2017/18

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the Employer Funding aspects of the GMPF Business Plan for 2017/18.

It was reported that GMPF had a number of long-standing strategic objectives, those of particular relevance to the work of the Employer Funding Viability Working Group were set out as follows:-

- Governance of the Fund
- Delivering a low, stable employer contribution rate whilst maintaining the solvency of the Fund
- Encouraging good, secure pension provision for eligible employees
- Best Value and Reputation

The Employer Funding related business plan tasks for 2017/18 included progressing the First Group Consolidation, developing the capacity to provide bespoke investment strategies for employers, management of employer risks presented by the rapid increase in employer numbers and working with other funds and other LGPS stakeholders to tackle structural issues in the scheme.

With regards to the First Group Consolidation, the Working Group were informed that First Bus Group was one of GMPF's largest private-sector employers and subsidiaries of the Group participated in two other LGPS funds and wished to consolidate their arrangements into a single fund hosted by GMPF. First Bus wished to transfer liabilities in respect of all of its members and assets to GMPF with an effective date of 31 March 2017. In order to minimise the risk of a significant shortfall emerging, a bespoke investment strategy would be developed.

The Group were advised that work had progressed for a bespoke investment strategy for Transport for Greater Manchester. A bespoke credit portfolio had been proposed in order to meet a substantial proportion of the expected legacy liabilities and a tender exercise was underway to find a manager to undertake this mandate. GMPF would explore the development of further bespoke investment strategies for other employers.

It was reported that the number of employers actively contributing to the Fund had grown from approximately 350 at the 2013 valuation to over 500 at the 2016 valuation. It was anticipated that this growth would continue with the continuing conversion of Local Authority schools to academies and the associated outsourcing of contracts by schools. This rapid increase caused administrative and funding challenges, which could be mitigated to an extent by existing procedures that would be reviewed to ensure they were effective and fit for purpose.

The Group were notified that GMPF officers would look to work with key stakeholders such as the Scheme Advisory Board, the Local Government Association and CIPFA to develop ideas and tackle any issues, which would benefit both the administering authorities and LGPS employers.

RECOMMENDED:

- (1) That the report be noted; and**
- (2) That further update reports be brought to future meetings of the Working Group.**

34. URGENT ITEMS

There were no urgent items.

GREATER MANCHESTER PENSION FUND - PROPERTY WORKING GROUP

13 April 2017

Commenced: 11.00 am

Terminated: 12.15 pm

Present: Councillors S Quinn (Chair), J Fitzpatrick, M Smith, Ward, Halliwell, Hamilton and Mr Allsop

In Attendance:

Sandra Stewart	Executive Director of Pensions
Paddy Dowdall	Assistant Executive Director of Pensions (Local Investments and Property)
Nigel Driver	Investment Manager (Property)
Misodzi Dent	Investment Officer
Richard Thomas	Investment Officer
Tracey Boyle	Head of Pensions Accountancy
Christine Weston	Principal Auditor
Mark Powers	Advisor to the Fund

Apologies for Absence: Councillors J Lane, Grimshaw and Mr Drury

28. DECLARATIONS OF INTEREST

There were no declarations of interest.

29. MINUTES

The Minutes of the meeting of the Property Working Group held on 17 February 2017 were approved as a correct record.

30. MANAGEMENT SUMMARY

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report, which provided an overview of property investments and a commentary on issues and matters of interest arising over the last quarter in relation to the Fund's property investments.

The allocations to property investments and their current weightings as at 31 March 2017 were outlined to the Group. It was noted that the Fund were slightly below their allocation as a result of the recent success of the Fund overall. Overseas deployment had been increased and any risk would be controlled through diversification

It was reported that the Management Panel would consider an investment strategy for the whole Fund at their meeting in July, which would include some revision of predicted cash flows and performance benchmarks for specific portfolios to reflect increased use of debt. The Group were advised that there were no intentions to make any significant changes to the existing strategy.

RECOMMENDED:

That the report be noted.

31. INTERNAL AUDIT REPORT POST AUDIT REVIEW OF CONTRACT MANAGEMENT

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report, which detailed the internal audit report post audit review of contract management.

It was reported that the audit had moved from an internal arrangement to an external auditor and the review had been undertaken to set-out points of consideration. The team had worked extensively to establish systems and procedures. The majority of the issues and points of consideration had been implemented, with some areas, in relation to La Salle, to be refined.

RECOMMENDED:

That the report be noted.

32. LONG TERM PROPERTY PERFORMANCE (INCLUDING IPD REVIEW OF THE MAIN UK PROPERTY PORTFOLIO FOR 2016)

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report detailing the recent and longer term investment performance of the LaSalle managed portfolio and the UK balanced property pooled vehicle portfolio and Overseas property portfolio.

It was reported that after a period of good relative performance, returns for UK commercial property decreased in 2016 with concerns over pricing levels and future occupational demand with cautious investment activity, which were exacerbated following the UK's decision to leave the EU. The longer term property underinvestment by the Fund had been generally detrimental to overall performance and the main portfolio had lagged its benchmark.

LaSalle were in their third year of managing the main portfolio and had made steady progress in turning performance around, with performance for 2016 matching the benchmark. They had changed the Fund's directly owned property portfolio composition to match the theoretical structure of the Investment Property Databank with a slight overweight allocation to 'Other' and a slight underweight in 'offices'. This position would be advantageous in the current market for short to medium term performance.

The Fund's directly held properties had outperformed the benchmark, which was a significant improvement on 2014 and 2015, but the specialist indirect funds had reduced performance. The UK balanced portfolio had performed well in recent years but had slightly underperformed against its benchmark in 2016. With regards to the Overseas property portfolio, as a new portfolio, it was too early to judge and report on return profiles and performance of the funds, however, the team were satisfied with progress made during 2016 but the fall in sterling against other currencies could adversely impact in future drawdowns on overseas funds.

The Group were informed that the team were committed to delivering steady and measured progress towards meeting the Fund's target property allocation and would control overseas and alternative investment risk through diversification across geography, vintage, sector and other macroeconomic factors.

RECOMMENDED:

That the report be noted.

33. PROPERTY RELATED AGED DEBT AS AT 19 MARCH 2017

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt (31 days and over) for the two property portfolios (Main Property Fund and Greater Manchester Property Venture Fund) as at 19 March 2017.

An overview of the debt position was given including a summary of debt across the two areas and totals. Total debt had increased slightly from £0.271 million in December 2016 to £0.316 million as at March 2017.

It was noted that procedures for collection of debt were complied with and were working well, Greater Manchester Property Venture Fund debt remained very marginally within amber status but this was not material at present.

The highest value debts for each portfolio were detailed as per the appendices to the report. The policies for debt recovery were unchanged and there were currently no payment plans in place.

A risk profile was provided, which showed that across the two funds, raised debtor invoices totalled £39.6 million with £0.316 million (0.79%) of this outstanding at 19 March 2017.

RECOMMENDED:

That the report be noted.

34. GVA QUARTERLY REPORT

The Working Group welcomed Jonathan Stanlake and Gareth Conroy of GVA who attended the meeting to present the GVA quarterly report for Quarter 2 2017. The report summarised the financial allocation to the committed projects and the indicative allocation required for projects currently undergoing due diligence.

The presentation focussed on the performance of the Greater Manchester Property Venture Fund, the progress to date on business plans of existing properties and identification of new investment opportunities. The investments were outlined to the Working Group and split into 'committed sites' 'advanced due diligence' and 'active review'. It was reported that there had been an increase in sites under 'active review' and 'committed sites' when compared to quarter 4 2016.

Charts detailing the portfolio overview by sector showed greater diversification over the four sectors (office, suburban residential, city centre residential and other) with an overall increase in committed and pipeline sites. A year by year portfolio investment projection was shown, which detailed a steady increase in capital deployed and examples of rejected opportunities was provided.

Priorities for the forthcoming year were outlined and included converting existing deals to advanced due diligence status, continuing to balance the portfolio and increasing residential development.

New and progressing opportunities were presented and included Circle Square, Owen Street Manchester, Princess Street Manchester, First Street Manchester, Chorlton shopping centre, Irwell Riverside, Matrix Homes Tameside and Manchester, Wilmslow Road Didsbury and Island Site.

The Working Group was also provided with a RAG (Red, Amber, Green) analysis showing the progress of development activity undertaken during the last three quarters to January, February and March 2017 and the current prediction on final viability.

RECOMMENDED:

That the report be noted.

35. LASALLE QUARTERLY REPORT

The Working Group welcomed Rebecca Gates and Tom Rose, La Salle Investment Management, who attended the meeting to present the GMPF main property portfolio quarterly report.

Mr Rose and Ms Gates highlighted the following areas:-

- Portfolio Performance
- Portfolio Structure and Composition by Sector
- Activity Update and Annual Strategy Progress
- Purchases and Sales

With regards to portfolio performance, it was reported that the size of the portfolio had increased and the total property returns were 3.6%, which had increased the Fund's overweight position. The vacancy rate had increased since the previous quarter, mainly due to the acquisition of Airport City, but remained below the benchmark at 6.3% and the net initial yield was in-line with the market at 4.8%

The structure and composition of the portfolio by sector was outlined to the Working Group. It was highlighted that the weighting for retail and industrial were below the benchmark and alternatives and offices were above the benchmark. A chart detailing the performance of direct and indirects was provided in addition to market indicators, which showed a recovery of property returns following the post-referendum dip during quarter three.

An activity update for the quarter focussing on purchases and sales was provided. There had been no acquisitions or sales during the quarter, however one sale was under offer and one acquisition was currently under offer. Details of six recent sales and acquisitions were highlighted to the Group. It was confirmed that LaSalle would continue to sell underperforming assets and grow the portfolio through acquiring large, high quality, dominant properties.

RECOMMENDED:

That the report be noted.

36. URGENT ITEMS

There were no urgent items.

**GREATER MANCHESTER PENSION FUND
POLICY AND DEVELOPMENT WORKING GROUP**

18 July 2017

Commenced: 8.30am

Terminated: 10.20am

Councillor K Quinn (Chair)

Councillor M Smith

Councillor J Fitzpatrick

Councillor Cooney

Councillor S Quinn

Councillor Taylor

Councillor Pantall

Lynn Brown

Advisor to the Fund

Ronnie Bowie

Actuary and Advisor to the Fund

Mark Powers

Advisor to the Fund

Steven Pleasant

Chief Executive

Sandra Stewart

Director of Pensions

Steven Taylor

**Assistant Director of Pensions
(Investments)**

Paddy Dowdall

**Assistant Director of Pensions (Local
Investments and Property)**

Euan Miller

**Assistant Director of Pensions (Funding
and Business Development)**

Tom Harrington

Senior Investments Manager

Dan Hobson

Senior Investments Manager

Andrew Hall

Investments Manager (Local Investments)

Apologies for absence: **Councillor J Lane and Peter Moizer**

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 22 February 2017, having been circulated, were agreed as a correct record.

3. INVESTMENT STRATEGY AND TACTICAL POSITIONING 2017/18

A report was submitted by the Assistant Director of Pensions (Investments), 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 reported that the Investment Managers and Advisors believed that the current investment strategy was broadly capable of delivering the required returns over the long term (albeit there were short/medium term caveats). Economic uncertainties remained, with a medium term outlook which could potentially encompass a number of unattractive scenarios. In such circumstances, it was not apparent that any significant changes to the Fund's approach would prove beneficial.

The increasing maturity profile of Fund employers as public sector spending reductions continued were likely to reduce the tolerance of the Fund to its volatility of returns between years. Hyman Robertson were currently undertaking work with Officers on this issue.

Attention would continue to be devoted to the investment issues surrounding the particular circumstances of specific employers as issues raised during the 2016 Actuarial Valuation continued to be followed up.

Members were informed that, historically the Main Fund benchmark had contained an allocation of 10% to Property. Actual exposure to Property had long under-achieved this target exposure and currently amounted to just over 5.5% of Main Fund assets. It was not considered reasonable to expect La Salle to be able to move too rapidly towards the 10% benchmark allocation. In light of this, it was recommended that, following the approach used for some time for Alternative Assets, a 'realistic benchmark' allocation was used in respect of Property which would rise from 7% to 10% over the coming three years. Separately, 'realistic' benchmark for Private Equity, Infrastructure funds and Direct UK Infrastructure would be maintained.

One immediate implication of the increasing maturity of the fund was the change in the balance of cashflows between inflows (from employer and employee contributions) and outflows (for pension payments) whereby the latter now significantly exceeded the former with the net outflow growing year by year. The need to fund the increasing investments in Alternative, Property and Local assets and to preserve an appropriate allocation to cash, were likely to necessitate additional withdrawals of assets from the Fund's investment managers.

The assimilation of Probation Assets substantially increased the amount of assets managed by L&G, and over the course of the year the bulk of the aggregate cash requirements would come from that Manager following the July 2016 Panel decision. This would continue to reduce somewhat the post assimilation concentration of assets with L&G to around a quarter of the Fund.

It was concluded that the Fund was now facing a range of strategic and tactical investment related issues, each having their own 'research agenda' in terms of background work, policy formulation and practical implementation. How the Fund addressed these issues and implemented suitable changes would be a critical determinant of its standing in 5 or 10 years time.

Discussion ensued with regard to the above and the Advisors commented on the current overweight position in Emerging Markets. There was a broad consensus that, although some disappointing results from certain individual managers, the current position was the right one, however, a need for close monitoring of the strategy was required, going forward.

RECOMMENDED

- (i) That there be no material change to asset allocations;**
- (ii) That a 'factor based investment' portfolio be implemented via the Special Opportunities Portfolio;**
- (iii) That the Hedging liability risks highlighted in the report be noted for future consideration.**

4. GLOBAL TRIGGER UPDATE

Consideration was given to a report of the Assistant Director of Pensions (Investments) explaining that in May 2016, the Policy and Development Working Group considered detailed proposals regarding a 'trigger process' for Global Equities, to be implemented via an account with L&G. These proposals were adopted by the Panel.

It was explained that discussion and negotiation with L&G over the past year had been far more protracted than was envisaged. It had not proved straightforward to adapt the L&G approach to the needs of the GMPF process. However, agreement of final legal documentation and operational details was anticipated in the near future.

The current trigger process focused on a switch between global equities and cash. Once the trigger process was established, there may be an opportunity to enhance the approach in future years by considering additional potential switches between other asset classes.

An overview of the metric adopted by the Fund in 2016 for 'measuring' the value of the global equity market was given, including a comparison with the GMPF Fair Value estimate.

Proposed updated fair value estimate and trigger points for 2017/18, the 'size' of maximum asset switch to be targeted were also detailed.

The advisors and Members welcome the introduction of the trigger and the formalisation of the process although noted that they wanted to keep under close scrutiny the need to review the triggers. Additionally a further report was requested as to process, consequences and the governance in the event that a trigger was enacted.

RECOMMENDED

- (1) That the updated Fair Value estimate, the associated updated trigger points, and the updated 'size' of the maximum asset switch to be targeted, as contained within the report, be adopted.**
- (2) That a further report be received before the end of the year setting out the process that would be followed and outcomes that would be achieved should a trigger be hit**

5. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

A report was submitted by the Assistant Director of Pensions (Investments) explaining that, in 2016, the Fund's approach to Manager Monitoring, and the Management Information that was presented to the Panel, was identified as areas for review and enhancement.

Members were informed that the broad intention of the review were threefold. Firstly, to update the arrangements for Securities Manager attendance at meetings of the panel and its Working groups. Secondly, to develop a codified and more structured Securities Manager Monitoring Escalation Protocol. Thirdly, to enhance the Management Information presented to Panel, through the use of a 'dashboard' approach.

At the September 2016 meeting of the Management Panel, the Panel accepted the recommendations made regarding: changes to the arrangements for Securities Manager attendance at Panels and Working Groups and the Monitoring Escalation Protocol.

It was concluded that, when finalised, it was the intention of the Investments Team to share the details of the on-going manager Monitoring arrangements, and the Monitoring Escalation Protocol with the relevant Managers.

The report set out the basis upon which Securities Managers would attend future Panels and Working Groups and summarised the results from the Monitoring Escalation Protocol as at 31 March 2017.

It was further noted that the Fund's approach to Manager Monitoring and Management Information may need to change over the next 12 – 18 months in light of developments in relation to pooling and experience of any revised arrangements implemented.

The Advisors sought clarification in respect of the RAG (Red, Amber, Green) system of analysis and the process of assessing risk was explained and in particular that it was important to understand whether the risk to the Fund had increased where Fund Managers were performing extremely well. The matters that were considered and discussed with Fund Managers were far wider than performance and specific measures of risk and included key people risk and succession planning.

It was agreed that it was a welcome development in ensuring there was a systematic approach to governance and risk management.

RECOMMENDED

That the content of the report be noted.

6. HOUSING INVESTMENT UPDATE

Consideration was given to a report of the Assistant Director of Pensions (Property and Local Investment), which updated Members on progress with Matrix Homes, focusing on work done since the last meeting of the Working Group considering new developments.

It was reported that the Fund was seeking to commit to build 750 homes, over the next 12 to 18 months. This should involve capital commitments of around £50-£75 million and a projected return of at least 7.5%. There were currently 3 schemes with early visibility to deliver this:

- A joint venture with Tameside;
- A follow on joint venture with Manchester City Council; and
- A development in Merseyside with MPF.

Members were informed that the Fund was formalising arrangements for pooling with Merseyside and West Yorkshire Pension Funds. The political leadership of Merseyside Pension Fund had expressed a desire to engage in a joint venture along with lines of Matrix Homes, with GMPF.

Officers from GMPF Property and Local Investments Team, together with a representative from GVA, attended Merseyside Pension Fund offices in early April 2017 to brief colleagues from Merseyside Pension Fund and Wirral MBC on the Matrix model. It was proposed that GMPF would be able to provide further assistance in investment management alongside a capital investment. The action following the meeting was for Merseyside Pension Fund to consider the information provided and to determine the level of interest from the Merseyside Councils in implementing a Matrix Homes type model. The option of GMPF to include Merseyside Pension Fund investment into a future matrix investment in Greater Manchester was also discussed.

Discussion ensued with regard to the Matrix model and housing investment in general and Advisors sought further information in respect of how much the Fund had invested in housing on a rolling basis, and the level of return.

RECOMMENDED

- (i) That the report be noted;**
- (ii) That the progression of the three schemes by the Property and Local Investment Team, be approved; and**

- (iii) **That details of the Fund's housing investment and level of returns be circulated to Members of the Working Group and Advisors.**

7. INVESTMENT INITIATIVES

The Assistant Director of Pensions (Property and Local Investments) submitted a report providing an update on progress with specific investment initiatives, including the Impact Portfolio and the JV with LPFA: investing in infrastructure. Members were further asked to note certain specific actions which had been taken under delegated authority following consultation with the Chair.

Detailed discussions took place about the issues and challenges to the Fund in getting access to trophy infrastructure assets and how the playing field was not equal where other investors may be looking for very minimal returns and just somewhere to park cash so were willing to pay significantly over the odds. It was agreed that further consideration needed to be given to this issue whilst recognising the significant journey the Fund had been on and the significant success achieved to date.

RECOMMENDED

That the content of the report be noted, including the actions proposed on additional investment initiatives to be taken by officers in consultation with the Chair.

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Agenda Item 7

Report To:	PENSION FUND MANAGEMENT/ADVISORY PANEL
Date:	21 July 2017
Reporting Officer:	Sandra Stewart, Director of 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 – 2017/2018

INVESTMENT MONITORING & ESG

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

PENSIONS ADMINISTRATION

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

ALTERNATIVE INVESTMENTS

Cllr Cooney (Chair)	Tameside
Cllr Ward	Tameside
Cllr Ricci	Tameside
Cllr Halliwell	Wigan
Cllr Jabbar	Oldham
Cllr Barnes	Salford
Mr Drury	UNITE
Ms Baines	UNISON

PROPERTY

Cllr S Quinn (Chair)	Tameside
Cllr M Smith	Tameside
Cllr J Fitzpatrick	Tameside
Cllr J Lane	Tameside
Cllr Ward	Tameside
Cllr Barnes	Salford
Cllr Halliwell	Wigan
Cllr Grimshaw	Bury
Mr Drury	UNITE
Mr Allsop	UNISON

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

EMPLOYER FUNDING VIABILITY

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

MEMBER**WORKING GROUPS**

Cllr Andrews	Investment Monitoring and ESG & Pensions Administration
Cllr Barnes	Alternative Investments & Property
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 & Property
Cllr Halliwell	Alternative Investments and Property
Cllr Jabbar	Alternative Investments and Employer Funding Viability
Cllr J Lane	Pensions Administration & Property & Policy and Development
Cllr J 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 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
Ms Herbert	Employer Funding Viability
Ms Baines (UNISON)	Alternative Investments & Policy and Development
Mr Allsop (UNISON)	Investment Monitoring and ESG & Property & Employer Funding Viability
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:	GMPF MANAGEMENT/ADVISORY PANEL
Date:	21 July 2017
Reporting Officer:	Sandra Stewart, Director of 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 and the draft business plan which is currently being discussed at relevant working groups with a view that a final version will be considered at September meeting together with an appropriate progress proforma. .
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 Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

- 1.1 In 2016, with assets of £17 billion, GMPF was the 9th largest pension fund in the UK. GMPF was also the largest LGPS fund, followed by Strathclyde at £16 billion, West Midlands at £12 billion, West Yorkshire at £11 billion, and Merseyside at £7 billion. With a further year of strong returns, GMPF's assets have subsequently risen to over £21 billion.
- 1.2 GMPF's returns were particularly strong in 2016/17 (+23.8%). In addition to large market rises, the Fund also significantly outperformed both its benchmark (+20.7%), and Local Authority peers (+21.4%). GMPF is ranked 7th in the Local Authority universe in 2016/17. GMPF is ranked in the top 10 Local Authority funds over the medium to long term, and is second over 30 years.
- 1.3 The latest funding estimates provided by the actuary are a ratio of asset to liabilities of 97% at 31 March 2017 and 98% at 8 June 2017 using GMPF's ongoing funding basis. GMPF had a funding level of 105.5% using the standardised assumptions set by the Scheme Advisory Board at 31 March 2016. Funding levels ranged from 66% to 123% across the LGPS in England and Wales. GMPF was ranked joint 14th best funded out of the 89 LGPS funds to submit results. GMPF's relative funding position is likely to have improved over the period since the valuation date due to the Fund's asset out-performance in 2016/17.

2. POOLING – SUMMARY UPDATE ON KEY TASKS

- 2.1 Officers from the three Northern Pool funds are jointly undertaking a procurement exercise for a common custodian for the Pool, with a view to having appointed a preferred supplier by 1 April 2018. Thomas Murray, whom GMPF consider to be the pre-eminent specialist in this field, have been procured to provide consultancy services in connection with the exercise. The initial formal advert to potential bidders was issued on 7 June 2017 and the deadline for expressions of interest is 10 July 2017.
- 2.2 Officers from the three Northern Pool funds have been meeting to discuss all aspects of how Private Equity investment activities can be managed on a joint venture basis. Specialist external legal advice is in the process of being procured with a view to designing and implementing an appropriate legal framework for these activities. A broad investment strategy proposal has been outlined and officers are now turning to the operational aspects of how a pooled approach to Private Equity will work.
- 2.3 In December 2016 GLIL was expanded to include the pooling partners of LPFA and GMPF. Together with an additional £250m commitment from GMPF, total commitments to GLIL increased from £500 million to £1.3 billion. GLIL completed its 4th investment (its second in the UK rolling sock sector) in June, bringing total investments to £300 million. GLIL is also in the advanced stages of three further transactions, collectively worth more than £500 million. GLIL and its members are working on a revised structure that will facilitate the admission of additional LGPS funds. This structure will need to be FCA registered and we are evaluating a number of options to achieve that.
- 2.4 GMPF has long been committed to investments in housing which meet its twin aims of commercial returns and positive local impact. The extension of investment in housing was a key part of our pooling proposals and has been well received by government. The minister is considering an invitation to the Fund offices and sites to see how GMPF and Northern Pool are leading the way in this sector. Work continues on housing investment through the Matrix model and through mezzanine financing to private sector developers. The Policy and Development and the Property working groups are overseeing these investments.

3. LGPS INVESTMENT REGULATIONS – AN UPDATE

3.1 In June 2017, the Government suffered a defeat in the High Court after its regulations on Local Government Pension Scheme (LGPS) investments were deemed unlawful.

3.2 Statutory guidance referred to by the regulations came into force on 1 November 2016. The guidance permits ethical and social objections to a particular investment to be taken into account. However, the guidance also states that administering authorities must not:

".... [use] pension policies to pursue boycotts, divestment and sanctions ["BDS"] against foreign nations and UK defence industries...other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.";

or

"pursue policies that are contrary to UK foreign policy or UK defence policy".

The guidance was subsequently challenged in the High Court by the Palestine Solidarity Campaign (PSC) to overturn the regulations via a judicial review, where it argued the government had acted outside of its powers, and it was "lacking in certainty".

3.3 The judge, Sir Ross Cranston, only agreed with the first argument, stating "the Secretary of State has not justified the distinction drawn between these and other non-financial cases by reference to a pensions' purpose. In issuing the challenged part of the guidance he has acted for an unauthorised purpose and therefore unlawfully". Sir Ross Cranston therefore granted a judicial review, meaning the government may have to rethink its approach to the rules if it wishes them to take effect.

3.4 The Fund's response to the Government's consultation paper on the guidance, issued in November 2015, maintained that the intervention powers proposed for the Secretary of State were far too extensive.

3.5 The Fund noted that the primary duty of the Fund's Management Panel was to pay the pension promises earned by its members. In reaching decisions it must comply with its fiduciary responsibilities. Whilst the Fund had a general policy not to interfere in the day to day investment decisions of its investment managers, it is only right that the Fund may choose to actively invest in or disinvest from companies for social, ethical or environmental reasons, so long as that does not risk material financial detriment to the Fund.

3.6 The Fund believed that the principle of Central Government intervention in Local Authority pension funds fundamentally undermined local democracy and accountability. Also, in practical terms, the impact of the Government's proposal risked placing an onerous burden on the LGPS to monitor the Government's evolving foreign policy, and to reflect this within its investment decisions.

3.7 The High Court judgement supports the Fund's position and the considered way in which the Fund applies social, ethical or environmental factors to investment decisions.

4. FCA ASSET MANAGEMENT MARKET STUDY

4.1 The findings of the Financial Conduct Authority (FCA) asset management market study were published on 28 June. The final report confirmed the findings set out in the interim report published last year - noting:

- That despite a large number of firms operating in the market, there was evidence of "sustained, high profits over a number of years".

- Investors are not always clear what the objectives of funds are, and fund performance is not always reported against an appropriate benchmark.
- The FCA found concerns about the way the investment consultant market operates.

4.2 The remedies the FCA are taking forward fall in to three areas.

To help provide protection for investors who are not well placed to find better value for money, the FCA proposes to:

- Strengthen the duty on fund managers to act in the best interests of investors;
- Require fund managers to appoint a minimum of two independent directors to their boards;
- Introduce technical changes to improve fairness around the management of share classes and the way in which fund managers profit from investors buying and selling their funds.

To drive competitive pressure on asset managers, the FCA will:

- Support the disclosure of a single, all-in-fee to investors;
- Support the consistent and standardised disclosure of costs and charges to institutional investors;
- Recommend that the DWP remove barriers to pension scheme consolidation and pooling;
- Chair a working group to focus on how to make fund objectives more useful and consult on how benchmarks are used and performance reported.

To help improve the effectiveness of intermediaries, the FCA will:

- Launch a market study into investment platforms;
- Recommend that HM Treasury considers bringing investment consultants into the FCA's regulatory perimeter.

5. PROJECT MAGPIE

- 5.1 First Bus Group, one of GMPF's largest private-sector employers, has proposed to consolidate its two other LGPS arrangements (currently in the West Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund) into GMPF. This proposal was considered by the Policy and Development Working Group on 22 February, with the Working Group recommending to Panel at its March meeting that this be approved in principle, subject to certain conditions being met.
- 5.2 The consolidation will be effected by a Direction from the Secretary of State and the signing of admission agreements with the two Yorkshire operating companies. At the time of writing a final draft of the Direction is out for consultation with the three funds and First Group, with the effective date of the Direction being 1 November 2017.
- 5.3 Assuming the consolidation proceeds as planned there will be approximately 5,000 members and £600m of assets transferring to GMPF. Work is ongoing to implement the transfer of member data and assets and regular updates will be provided to the relevant working groups and the Management Panel as appropriate.

6. BUSINESS PLAN

- 6.1 The senior Managers of the Fund have been reflecting on what priority projects that we need to focus upon to achieve the best outcome for the Fund and to ensure we maximize returns and recreate long term financial sustainability to meet its liabilities in the interests of taxpayers, employers and members alike and the appropriate resources to do this.

- 6.2 Importantly, in an increasingly complex environment, it is important that we remain focus on the purpose of the Fund and the values that underpin it and ensure that we find ways to ensure clear and transparent governance to enable the Panel to have clear oversight to ensure that we are remaining focused on delivering those necessary outcomes. This remains a continuing challenge for the team as well as ensuring that we ensure that we have the appropriate resources in place to act expediently as required whilst continuing to deliver value for money.
- 6.3 Meanwhile the team need to ensure that we continue to deliver and have produced a draft business plan setting out what needs to be achieved to deliver required progress. This is set out at the Appendix and the relevant priorities are being discussed at the appropriate working groups.

7. RECOMMENDATION

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

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PENSIONS – STRATEGIC OBJECTIVES 2017-18

Strategic Objective 1	Governance of the Fund
Description: To manage the running of the Fund in line with statutory requirements, Management Panel and Council policies and established good practice.	
Expected Outcome: To have fulfilled all our obligations to stakeholders and for the governance arrangements of the Fund to stand up to scrutiny.	
Strategic Objective 2	Administer and pay benefits
Description: To administer the LGPS ensuring member pension benefits are calculated and paid accurately and efficiently.	
Expected Outcome: Benefits are calculated, paid correctly and on time fulfilling our regulatory obligations.	
Strategic Objective 3	Deliver a low, stable employer contribution rate whilst maintaining the solvency of the Fund
Description: Focus on the affordability and long term stability of the Fund to members and employers. This will be driven by investment strategy, the investment management arrangements, selection of investment managers and the funding strategy.	
Expected Outcome: Contribution rates compare favourably with other LGPS funds and do not vary greatly from one valuation to the next. The funding level target remains at 100%.	
Strategic Objective 4	To encourage good, secure pension provision for eligible employees
Description: Maintain the quality of service in all aspects of pension provision to all stakeholders. Provide clear communications to employers and employees to support their decision making. Respond constructively to Government consultations.	
Expected Outcome: To have contributed to discussions and Government consultations on the future of the LGPS encouraging an affordable, sustainable and effective scheme. Good communications with employers and employees to enable them to take informed decisions	
Strategic Objective 5	Best Value and Reputation
Description: To ensure that we provide best value for money and continue to look at ways to improve efficiency and effectiveness including joint working options and working with employers. To maintain the Fund's reputation as one of the best administered LGPS funds in the country and use that good reputation to help drive best value.	
Expected Outcome: To have used benchmarking or similar comparative data to demonstrate that we have provided a good administration and investment service at a low cost and have identified areas where we can continue to improve. The Fund should continue to be recognised as a high quality value for money operator.	
Strategic Objective 6	Environment
Description: To consider the effect of the Fund's diverse activities (in service delivery, as well as in its role as a service user and investor) on the environment.	
Expected Outcome: Where appropriate and commercially viable, to have reduced or minimised the environmental impact of delivering our service. To have encouraged service suppliers and investee companies to take account of and improve the environmental impact of their activities.	
Strategic Objective 7	Local Investment
Description: To explore opportunities for local investment in line with the Management Panel's investment strategy that achieve acceptable commercial returns or better and to pursue such opportunities where appropriate.	
Expected Outcome: A diversified portfolio of local investments within the North West with a focus on Greater Manchester is built up over time that delivers the twin aims of commercial returns and supporting the area. Such investment to be in line with the investment strategy.	

<p><u>Vision</u></p> <p>To manage the funding risks of Greater Manchester Pension Fund and help employers provide LGPS benefits to their employees at a manageable cost.</p>	<p><u>Relevant Fund Objectives</u></p> <ul style="list-style-type: none"> • Strategic Objective 1 - Governance of the Fund • Strategic Objective 3 - Deliver a low, stable employer contribution rate whilst maintaining the solvency of the Fund • Strategic Objective 4 - To encourage good, secure pension provision for eligible employees • Strategic Objective 5 - Best Value and Reputation <p><u>High level Service objectives</u></p> <ol style="list-style-type: none"> 1. Ensure all employers have appropriate funding plans in order to meet the cost of their members' benefits.
--	---

Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Pooling of investments		Finalising the detailed design of the Northern Pool and making significant progress on its implementation by the year end.
BP2	First Group consolidation		Subject to Panel approval to proceed, completion of the consolidation of First Group's 3 LGPS admission agreements into GMPF and the associated transfers of membership and assets. A suitable funding plan and long-term investment strategy in place.
BP3	Develop the capacity to provide bespoke investment strategies for employers		Completion of the work on a bespoke investment strategy for TfGM's sub-fund. Building on the TfGM arrangements, development of the ability to implement a bespoke strategy for other Fund employers and the orphan fund liabilities.
BP4	Management of employer risks presented by the rapid increase in employer numbers		Minimal impact on per member administration costs.
BP5	Work with other funds and other LGPS stakeholders to tackle structural issues in the Scheme		Demonstrable progress on key issues, for example how a managed exit process for certain employers could be developed, the appropriateness of alternatives to cash funding by employers, how to prevent the LGPS being sub-ordinated behind other creditors and how to protect funds from the risks arising when employers move away from non-for-profit status.

Key Successes / achievements in 2016/17

- Completion of the Northern Pool's submission to Government, which has been approved by DCLG.
- Progressing the bespoke investment strategy for TfGM's sub-fund
- Actuarial valuation process close to completion

Vision

To deliver superior risk adjusted returns by optimising the investment strategy, investment management arrangements, and selection of investment managers.

Relevant Fund Objectives

- Strategic Objective 1 - Governance of the Fund
- Strategic Objective 3 - Deliver a low, stable employer contribution rate whilst maintaining the solvency of the Fund
- Strategic Objective 5 - Best Value and Reputation
- Strategic Objective 6 - Environment

High-level Service objectives

1. To ensure the legality of the Team's investment activity
2. To ensure the security of the Fund's assets dealt with by the Team
3. To ensure co-ordination of the network of external relationships which underpin the investment activities
4. To maximise income for any given level of risk
5. To advise Panel and implement their decisions promptly and properly
6. To manage certain alternative investments

Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Pooling planning and implementation	1-6	Implementation of desired pooling arrangements.
BP2	Review Investment Strategy and Management Arrangements	5	Adjusted benchmarks adopted by Panel. Current arrangements confirmed or revised. Revised arrangements would likely require new manager searches/appointments.
BP3	Develop Monitoring Dashboard	3&5	Dashboard agreed and reported to Panel. Manager Monitoring regime implemented and reported to Panel.
BP4	Appoint performance analytics provider	3&5	Added-value performance analytics provider appointed.
BP5	Enhance Stewardship Strategies	5	Stewardship Strategies enhanced.
BP6	Implement in-house alternative investment programmes	6	Programme of £240m pa of new PE commitments and average £150m pa of new infrastructure commitments and target returns achieved. Construct a portfolio of SOP investments achieving returns in excess of (RPI + 5)% pa.
BP7	Bespoke employer strategies	1-6	Amended arrangements adopted by Panel and implemented if desired.
BP8	FirstGroup Consolidation	1-6	Asset Transfers successfully completed, investment strategy agreed and implemented.

Key Successes / achievements in 2016/17

- Negotiated recurrent annual cost savings of £2.6 million on a like-for-like basis
- Fully completed MoJ Asset Transfers
- Development of Global Equity Trigger Process
- Implementation of inflation hedging for a specific employer
- Appointment of, and transition to, a new Performance Measurement provider
- Development of a Manager Monitoring Regime including Monitoring Escalation Protocol
- Investec top up to 5% of Main Fund (extra £240 million)
- Implementation of in-house investment programmes, in line with the strategy, for Private equity, Infrastructure and Special Opportunities (£540 million to 12 funds)

<p><u>Vision</u></p> <p>To deliver a range of investments in real assets both nationally and overseas, and with a specific local focus that deliver the GMPF twin aims of commercial returns and local impact.</p>	<p><u>Relevant Fund Objectives</u></p> <ul style="list-style-type: none"> • Strategic Objective 5 - Best Value and Reputation • Strategic Objective 6 - Environment • Strategic Objective 7 - Local Investment <p><u>High level Service objectives</u></p> <ol style="list-style-type: none"> 1. Deploy capital in portfolios as directed by Management Panel that will deliver appropriate risk adjusted returns net of fees against benchmarks and targets set by Management Panel. 2. Monitor external investment managers as per above 3. Report to stakeholders on investments
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Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Internal Management of Property assets including overseas and UK other plus balanced	1	Deployment of capital versus pacing strategy. Investment performance versus performance targets/benchmarks. Qualitative assessment that risks are managed appropriately.
BP2	Oversight of La Salle Property portfolio	2	Receipt of regular reporting, meetings with the manager at appropriate intervals, timely follow-up of concerns
BP3	Management Of GLIL	1	Deployment of capital versus pacing strategy. Investment performance versus performance targets/benchmarks. Qualitative assessment that risks are managed appropriately.
BP4	Management of Property venture Fund including Matrix homes	1	Deployment of capital versus pacing strategy. Investment performance versus performance targets/benchmarks and additional, qualitative analysis on non-financial impact.
BP5	Management of Impact Portfolio	1	Deployment of capital versus pacing strategy. Investment performance versus performance targets/benchmarks and additional, qualitative analysis on non-financial impact.
BP6	Report to stakeholders	3	Timely reporting of activity to all stake holders with a key objective of reporting to elected members and providing them with information for their strategic decision making
BP7	GMPF to take a leadership role in the LGPS in investment initiatives	2	Progress on plans for further GLIL expansion, exploration of potential for other joint ventures and further engagement with pooling partners on collaboration.
BP8	Ensure efficiency	1	Control investment management fees on investments made, and demonstrate that fees are competitive.

Key Successes / achievements in 2016/17

- Overseas portfolio deployed successfully. Early signs on performance good and co-investments made
- La Salle portfolio performance marginally ahead of benchmark for 2016 and deployment plan on schedule.
- GLIL made 3 direct deals with strong return prospects
- Renegotiated GMPVF contract with GVA and early signs of significant step change in development activity and improved reporting to Members.
- Significant deployment of capital in Impact portfolio and good early performance
- Reviewed and improved reporting to elected members
- GLIL expanded to £1.275bn with new partners and working towards relationships with other pools.
- Established model of co-investments with investment managers in Impact portfolio to reduce fees, GLIL has negotiated fees significantly less than those for comparable fund investments.

<p><u>Vision</u> Our aim is to administer the LGPS, ensuring our statutory duties are met and that we are doing so in a cost effective way that meets our members' expectations.</p>	<p><u>Relevant Fund Objectives</u></p> <ul style="list-style-type: none"> • Strategic Objective 1 - Governance of the Fund • Strategic Objective 2 - Administer and pay benefits • Strategic Objective 4 – To encourage good, secure pension provision for eligible employees • Strategic Objective 5 – Best Value and Reputation <p><u>High-level Service objectives</u></p> <ol style="list-style-type: none"> 1. To comply with LGPS regulations and associated legislation 2. To communicate effectively with GMPF members and prospective members 3. To support GMPF employers in discharging their duties and obligations 4. To look after our data 5. To be at the forefront of technological developments, innovation and change management within the pension administration industry.
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Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Maintain business-as-usual	1	Performance indicators, workflow reporting, audit outcomes, benchmarking outcomes, monitoring logs
BP2	GMP Reconciliation	1	Number of cases completed / outstanding, whether or not HMRC deadlines have been met, audit assurance
BP3	Year-end process	1	Number of returns submitted by the deadline / errors identified, employer feedback, ability to issues ABSs and PSSs on time
BP4	Employer support	3	Performance indicators, testing of data quality, employer feedback, employer audit outcomes, monitoring against a programme of events
BP5	Business continuity and disaster recovery	1	Updated plans and provision being in place, successful testing, audit assurance, assessment of training and knowledge
BP6	Data cleansing	4	Performance indicators, error reporting, data improvement plans being in place, audit assurance on tPR compliance, benchmarking outcomes, feedback
BP7	Member communications	2	Performance indicators, member feedback, analysis of compliments and complaints, cost analysis, monitoring against a programme of events

Key Successes / achievements in 2016/17

- Data for the 2016 actuarial valuation was submitted to the actuary on time and a large number of improvements to the valuation process were made
- 100% of annual benefit statements for deferred members were issued on time and over 95% of those for employee members
- The year-end contribution return postings process was improved, ultimately resulting in a higher number of members receiving an accurate annual benefit statement by the statutory deadline
- The induction and training support process for colleagues was reviewed in conjunction with HR and was revised and significantly improved

<p><u>Vision</u> Provide efficient, effective and comprehensive financial and business support services to the Fund, its managers and external customers.</p>	<p><u>Relevant Fund Objectives</u></p> <ul style="list-style-type: none"> • Strategic Objective 1 - Governance of Fund • Strategic Objective 5 - Best Value and Reputation <p><u>High level Service objectives</u></p> <ol style="list-style-type: none"> 1. Provide high quality accounting support to Panel, Working Groups, investment managers, service units and external joint ventures. Develop service delivery and charging systems appropriate for external engagement. 2. Closure of accounts to timetable with clean external audit opinion including implementation of relevant changes to accounting and reporting as required by CIPFA guidance. 3. Timely provision of pension accounting reports to employers. 4. Progress system development opportunities to improve internal control environment, accounting and provision of financial information particularly in the context of the arrangements established as part of the pooling of assets.
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Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Year-end statement of accounts including further production automation development	2/4	Increased capacity within timetable for qualitative checks, statements submitted to administering authority and external audit by earlier deadline; clean external audit opinion with no findings
BP2	Annual report & accounts	1	Report available to external audit on/before agreed earlier deadline; approval of accounts by Panel by agreed deadline
BP3	Implementation of Valuation 2016 results	1	Contribution monitoring reports match Valuation 2016 Rates & Adjustments (R&A) Certificate re contributions, deficit payments and early retirement costs
BP4	Employer contributions including development of monitoring tools	2/3/4	Performance indicators, error reporting, audit outcomes, no/low level of interest charges levied for late/none payment, no reporting of employer default to TPR
BP5	Monitor employer performance and contribute to resolution of employer issues	3	Performance indicators, level of HEAT queries from Actuary, employer audit outcomes, no reporting of employer default to TPR
BP6	Employer pension accounting reports	3	Reports despatched to employers by agreed deadlines, no/low level of Actuary or auditor queries on data or results
BP7	Review of Fund's banking arrangements	1	New contract in place for commencement 1 April 2018, seamless transition to new provider where appropriate
BP8	Complete review of staff structure of PFA	1/2/3/4	Implementation of new structure and successful recruitment of new staff

Key Successes/achievements in 2016/17

- Data for the 2016 actuarial valuation was submitted to the actuary on time with lower number of queries than previous valuations and sign off as “clean” data achieved by target dates; estimated 3 weeks of staff time released for other work
- Accounts closed to timetable with clean external audit opinion; for the first time there were no findings reported requiring management action; estimated saving of 1 week of combined management/senior management time in terms of responding to the report
- Highest annual volume to date of pension accounting reports (260) delivered to employers by agreed deadlines
- Implementation and production of 4 Joint Venture entity financial statements, comprising 7 sets of accounts; all achieved clean audit opinion; external income earned £75k (equivalent to 23% of staff basic pay budget)

Vision

Our aim is to provide high quality and efficient legal support to service units, external investment managers, GMPF panel and working groups.

Relevant Fund Objectives

- Strategic Objective 1 – Governance of the Fund
- Strategic Objective 5 – Best Value and Reputation

High-level service objectives

1. Prioritise and complete high revenue/cost saving and strategic **commercial agreements**.
2. Deliver on strategic transactions and initiatives.
3. Defend and protect the interests of GMPM (litigation,

Tasks for 2017/18

Ref.	Key Tasks	Linked to high-level objective	Success to be measured by
BP1	Complete review of title deeds and other documents	3	Successful completion of review by December 2017
BP2	Complete review of staff structure of PFL	1/2/3	Implementation of new structure and successful recruitment of new staff
BP3	FCA Registration	2/3	Successful completion of registration
BP4	Completion of equity and property investments for service units	1/2	Successful completion of such matters within required timescales / customer feedback forms. Savings to be generated by increase in hourly charge-out rates.
BP5	Completion of important property transactions	1	Successful completion of such matters within required timescales / customer feedback forms. Increased number of transactions dealt with in-house in order to generate savings of around £60,000 in using external legal services. In addition, savings to be generated by increase in hourly charge-out rates.
BP6	Advice on strategic public procurement issues	2	Successful completion of procurement activity / customer feedback forms

Key Successes / achievements in 2016/17

- Completion of the purchase of Alpha, Airport City, Manchester.
- The successful removal of trespassers from Old Colony House, Manchester – this was a difficult process due to the high profile nature of the occupation and the political issues arising therefrom.
- The completion of a number of sales, both from the main property portfolio and the GMPVF property portfolio.
- The successful completion of a large number of equity and property investments for both Investments and Local Investments teams.

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Report To:	GMPF MANAGEMENT/ADVISORY PANEL
Date:	21 July 2017
Reporting Officer:	Sandra Stewart, Director of Governance and Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2016-2017
Report Summary	This report is submitted for information and Members are asked to note the completion of the governance arrangements previously reported to Panel.
Recommendations:	Members are asked to <ul style="list-style-type: none">(i) Note the completion of governance arrangements for approval of GMPF accounts.(ii) Note the Audit Findings Report from Grant Thornton(iii) Approve the Annual Report
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	<p>As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie.</p> <p>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 (compared to mid or offer prices).</p>
Legal Implications: (Authorised by the Solicitor to the Fund)	The administering authority must produce an annual report and accounts in line with statutory provisions.
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:

For further information please contact Paddy Dowdall, Assistant Executive Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

1. INTRODUCTION

1.1 This report covers four sections:

- Governance Arrangements for the approval of the accounts;
- Audit Findings Report
- Simplified summary of the accounts for this year.
- Annual Report

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 as it is the statutory Administering authority for the Fund.

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

Date	Group	Stage
21 April 2017	Employer Funding Working Group	Noting of continued key assumptions and updated governance arrangements (GMPF)
30 May 2017	Audit Panel	Approval of key assumptions and noting of governance arrangements (TMBC and GMPF)
21 July 2017	GMPF Management Panel	Approval of final accounts, annual report and audit report (GMPF)
31 July 2017	Overview (Audit) Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)

2.4 This year, in preparation for the legal requirement from 2017/18, the pre-audit accounts of both the Council and GMPF were signed off by the S151 officer of the Council by 31 May 2017.

2.5 The review by the external auditors commenced 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 intention is to comply with the post 2017/18 arrangements a year early so the aim is for the process to be complete by 31 July 2017.

2.7 The audit process will be completed from the Fund's perspective at the Management Panel meeting.

3. AUDIT FINDINGS REPORT

3.1 The report from Grant Thornton is attached for information as Appendix 1. The report is very positive and no material issues were raised by the auditors who are here to present their findings. Their report is attached as **Appendix 1** to this report.

4. SIMPLIFIED ACCOUNTS SUMMARY

- 4.1 The table below shows the key financial movements during the financial year to 31 March 2017 taken from the accounts:

	£m	£m	£m
Fund Value at 31 March 2015			<u>17,325</u>
Contributions and Benefits			(133)
Employee contributions	139		
Employer contributions	473		
Pension benefits Paid		(726)	
Net Transfers		(19)	
Management Costs			(30)
Investment		(23)	
Administration		(5)	
Oversight		(2)	
Investments			4109
Income	361		
Change in market value	3,748		
Total change in value of Fund			3,946
Fund Value 31 March 2016			<u>21,271</u>

5. ANNUAL REPORT

- 5.1 The annual report is attached for approval

<http://www.gmpf.org.uk/annualreport/unauditedandunapproved2017.pdf>

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report.

The Audit Findings for Greater Manchester Pension Fund

Year ended 31 March 2017

31 July 2017

Page 473

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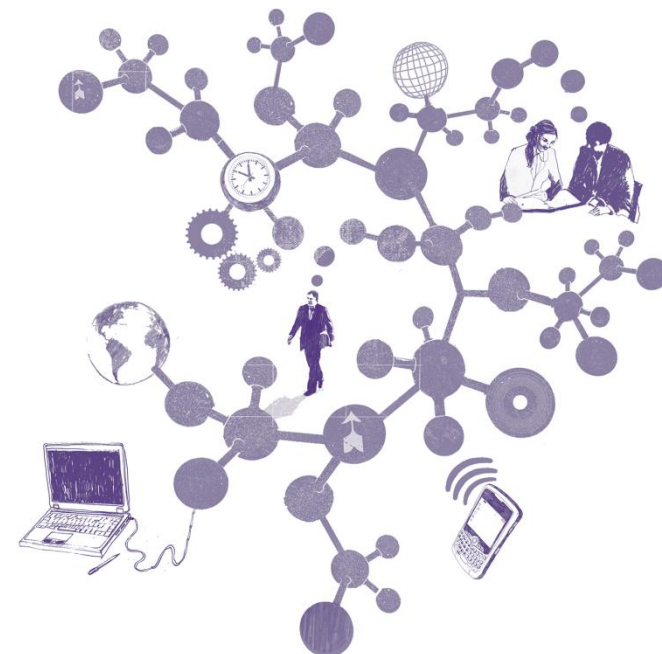
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31 July 2017

Dear Members

Audit Findings for Greater Manchester Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Greater Manchester Pension Fund, the Overview (Audit) Panel of Tameside MBC), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with Management and presented to the Greater Manchester Pension Fund Management Panel.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mike Thomas

Engagement lead

Chartered Accountants

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Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Fees, non-audit services and independence	19
4. Communication of audit matters	22

Appendices

- A Audit opinion
- B Audit opinion on Annual Report

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Greater Manchester Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 23 February 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- review of the final version of the annual report
- completion of our internal review procedures
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements on 5 June 2017 and accompanying working papers at the commencement of our work on the 12 June 2017, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Fund's reported financial position (details are recorded in section two of this report). Both the draft financial statements and the audited financial statements for the year ended 31 March 2017 recorded net assets of £21.27 billion.

There were no significant issues arising from our work. The draft financial statements provided to audit were of a high quality and supported by good working papers. The finance team responded promptly and knowledgeably to audit requests and queries.

We have recommended a very small number of adjustments to improve disclosures and the presentation of the financial statements, further details of which can be seen within section two of this report.

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Assistant Executive Director of Pensions.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 we reported in our audit plan, we determined overall materiality to be £173.42 million (being 1% of net assets from the prior year audited statements). We have considered whether this level remained appropriate during the course of the audit and recognised the increase in net assets and revised our overall materiality to £212.71 million (being 1% of net assets reported in the draft financial statements at 31 March 2017).

We 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 accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £10.64 million. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following item where we decided that a separate materiality level was appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures	£20,000

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	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: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Pension Fund's administering Authority (Tameside MBC), mean that all forms of fraud are seen as unacceptable. 	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	In accordance with our audit plan we: <ul style="list-style-type: none"> • reviewed entity-level controls – including journal environment • performed a walkthrough review of journal entry processes and controls • tested a sample of journal entries to supporting documentation • reviewed accounting estimates, judgements and decisions made by management • reviewed any unusual significant transactions. 	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Level 3 Investments (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.	In response to the risk we have: <ul style="list-style-type: none"> • updated our understanding of your process for valuing Level 3 investments. • performed walkthrough tests of the controls identified in the investments process. • tested a sample of indirect property investments valuations to valuation reports and/or other supporting documentation. • tested a sample of private equity investments valuations to Fund Manager valuations and/or obtained and reviewed the audited accounts at latest date for individual investments and agreed these to the fund manager reports at that date and reconciled those values to the values at 31st March with reference to known movements in the intervening period. • reviewed the qualifications of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached. • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. 	Our audit work has not identified any issues around the valuation of the Level 3 Investments reported at year end

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • updated our understanding of processes and key controls for investments. • undertaken walkthrough of the key controls to assess whether those controls operated in line with our understanding. • for investments held by fund managers, reviewed reconciliation between JP Morgan, fund managers, HSBC and Pension Fund records, following up any significant variance and gain appropriate explanations/evidence for these. • for other investments (eg direct property), agreed a sample to supporting documentation. 	Our audit work has not identified any significant issues in relation to the risk identified
Investment purchases and sales	Investment activity not valid. Investment valuation not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • updated our understanding of processes and key controls for investments. • undertaken walkthrough of the key controls to assess whether those controls operated in line with our understanding. • for investments held by fund managers, reviewed reconciliation between JP Morgan, fund managers, HSBC and Pension Fund records, following up any significant variance and gain appropriate explanations/evidence for these. • For direct property investments rationalised income against supporting documentation for expected rental income. 	Our audit work has not identified any significant issues in relation to the risk identified

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments <div>Page 484</div>	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • updated our understanding of the Pension Fund's procedures for investments • performed a walkthrough test to gain assurance that the in-year controls were operating in accordance with our documented understanding. • reviewed the reconciliation of information provided by the fund managers, the custodian, the Accounting partner (HSBC) and the Pension Fund's own records and seek explanations for variances.. • for a sample of direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert. 	Our audit work has not identified any significant issues in relation to the risk identified.
Contributions	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • performed controls testing over completeness, accuracy and occurrence of benefit payments. • tested a sample of pension payments, lump sums, and refunds • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member Data	Member data not correct. (Rights and Obligations)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.performed a reconciliation of member numbers.tested a sample of changes to member data for new member, leavers and new pensioners made during the year to source documentation.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition <div>Page 486</div>	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> Contributions Investment income Transfers in to the scheme <p>Contributions and Investment Income are recognised on an accruals basis, whilst transfers in are recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Pension Fund Liability – present value of future retirement benefits Valuation of investments - unquoted equities, infrastructure and special opportunities. 	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Fund.</p> <p>There have been minor changes to Note 2 on accounting policies to improve the clarity around the fair value of Investments.</p> <p>Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p>	 Green
Going concern Assessment	<p>Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	 Green
<p>● Marginal accounting policy which could potentially attract attention from regulators ● Accounting policy appropriate but scope for improved disclosure ● Accounting policy appropriate and disclosures sufficient</p>			

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with officers and members and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund, which is included in the papers for the Overview (Audit) Panel.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from your fund managers, custodian and accountancy partner for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not identified any issues we wish to report.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Purchases and Sales, Investment Valuations – Levels 2 and 3, Contributions, Benefits Payable, and Member Data as set out on pages 10 to 13 within this report.

The controls were found to be operating effectively and we have no matters to report..

Adjusted and unadjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	N/A	Note 3 Classification of financial Instruments	Reclassify Financial Liabilities from Loans and receivables to Financial Liabilities at amortised cost.
2	Disclosure	N/A	Note 25	Correction of typographical error for Value of Promised Retirement Benefits at 31 March 2016 from £24,051m to £23,051m.
	Disclosure	N/A	Note 2	Minor disclosure to accounting policies to improve clarity
	Disclosure	N/A	various	Trivial numerical and typographical amendments.

Page 490

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and provision of audit related and non-audit services.

Fees

	Proposed fee £	Final fee £
Pension fund audit	56,341	56,341
IAS 19 fee variation	5,996	TBC
Total audit fees (excluding VAT)	62,337	TBC

The Pension Fund audit fee for the year is in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

The IAS 19 fee for our responsibilities in providing written assurance (on controls over information over information provided by GMPF to the actuary) to PSAA appointed auditor of admitted bodies has yet to be approved by the PSAA.

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for audit fees totalling £10,000;
- Plot 5 First Street GP Limited and Plot 5 First Street Partnership Limited for audit fee of £11,000
- GLIL Infrastructure LLP for audit fee of £8,240;
- GLIL Corporate Holdings Limited for audit fee of £2,000

These are separate engagements 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 confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. The table below summarises all non-audit services which were identified.

Fees for other services

Service	Fees £
Audit related services:	Nil
Non-audit services - GMPF related partnerships (see next page)	12,550

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the Fund's auditor and have ensured that appropriate safeguards are put in place.

	Service provided to	Fees (£)	Threat?	Safeguard
IFRS 102 services	Matrix Homes Limited Partnership GMPF Unit Trust	3,000* 3,000*	No	Separate team
Tax compliance services	GLIL Infrastructure LLP GMPF Unit Trust	1,550 4,000	No	Separate team
Accounts prep and IXBRL tagging	GLIL Infrastructure LLP GMPF Unit Trust	500 500	No	Separate team
	TOTAL	12,550		

*Estimated one off fees for IFRS 102 conversion

The above non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

Section 4: Communication of audit matters

01.	Executive summary
02.	Audit findings
03.	Fees, non audit services and independence
04.	Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 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 Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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 Fund'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 (<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.

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 auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

Page 496

- A. Audit Opinion
- B. Audit Opinion on the Annual Report

A: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL

We have audited the pension fund financial statements of Greater Manchester Pension Fund ("the pension fund") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Tameside Metropolitan Borough Council "the Authority", as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state in them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Executive Director, Resources (Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities, the Assistant Executive Director, Resources (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Executive Director, Resources (Section 151 Officer); and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Mike Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

July 2017

B: Audit opinion on the Annual Report

We anticipate we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE GREATER MANCHESTER PENSION FUND ANNUAL REPORT

The accompanying pension fund financial statements of Greater Manchester Pension Fund for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in Tameside Metropolitan Council's ('the authority') Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated xx July 2017.

The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The Assistant Executive Director, Resources (Section 151 Officer) responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Assistant Executive Director, Resources (Section 151 Officer) is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Chair's Introduction, Top 20 Equity Holdings, Investment Report, Financial Performance Report, Actuarial Statement, Scheme Administration, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and Communications Policy.

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2017 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Mike Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
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July 2017



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Questions for Management:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2016/17?	There are no key events or issues this year that have a material effect on the financial statements. As ever, investment performance is the key determinant to the Net Asset Value of GMPF
Have you considered the appropriateness of the accounting policies adopted by the Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	There is regular consideration of the appropriateness of the accounting policies adopted by the Pension Fund. There have been no events or transactions that would justify change, or adoption of new accounting policies.
Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?	There have been no changes that would justify a change to the accounting policies. Looking forward, factors such as asset pooling, and deficit management arrangements may have a material impact.
How would you assess the quality of the Pension Fund's internal control processes?	There are very strong processes for assessment of the quality of GMPF's internal control processes (see below) The internal audit assessment is that internal control processes are working well.
How would you assess the process for reviewing the effectiveness of internal control?	There are strong processes. The administering authority allocates substantial internal audit resource to review internal control processes which are generally considered to operate well. Copies of these reports are automatically circulated to the senior management of the Administering Authority, the Chair of the appropriate Working Group and the Local Board together with GMPF officers. Internal audit reports are also summarised quarterly and reported to the Local Board and the relevant Working Group.
How do the Pension Fund's risk management processes link to financial reporting?	<p>Many of GMPF's key risks are identified in the Funding Strategy Statement together with measures to mitigate those risks, and they are considered in the Annual Accounts.</p> <p>The Employer Funding Viability Working Group has the remit to oversee and review the effectiveness of internal control and financial reporting, with further oversight from the Local Pensions Board on behalf of the administering authority.</p>
How would you assess the Pension Fund's arrangements for identifying and responding to the risk of fraud?	<p>Effective.</p> <p>The Council has a corporate fraud team in place which responds to all reported fraud. The arrangements in place have been measured against CIPFA's Code of Practice - Managing the Risk of Fraud and Corruption and are compliant.</p>

	<p>Intelligence is obtained from numerous fraud websites, from NAFN Data and Intelligence Services which is hosted by Tameside MBC and the North West Chief Audit Executives Fraud Sub Group.</p> <p>A Whistleblowing Policy is available on Council's Website and the Intranet for staff/public to raise concerns and whistleblowing referrals are received.</p>
What has been the outcome of these arrangements so far this year?	No material frauds have been identified. There will always be pension overpayments following death, but GMPF has checks to facilitate early identification of deaths.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>1) Cash, Unquoted Investments and Assets not held with the global custodian.</p> <p>2) No communication of changes in circumstance by pensioners or their relatives.</p> <p>Financial systems are reviewed on a cyclical basis to ensure that they are fit for purpose and the controls are operating effectively. No major issues have been identified in any of the systems.</p> <p>Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.</p>
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
Have any reports been made under the Bribery Act?	None
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Through regular reporting to the Employer Funding Viability Working Group, other Working Groups and the Management Panel.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Through training, regular reminders to staff, team briefings and procedural documents available on the intranet.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	<p>Potential receipts: Any group litigation re tax claims or class actions relating to Investments (as at the year end) are notified to Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure: The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF,</p>

	consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF over the last 25 years.
Is there any use of financial instruments, including derivatives?	Yes (Futures and Forward Currency contracts). These are reported in the accounts at year end.
Are you aware of any significant transaction outside the normal course of business?	No
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Pension Fund on notice of any such possible instances of non-compliance?	No
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	None
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	There are no amounts based on significant estimates. The basis of valuation is set out in the notes to the accounts.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	There is no formal process in place by GMPF's management team to consider whether the Council is a going concern. However, given that tax raising bodies are considered by GMPF and its Actuary as the most secure of employers, this is considered to provide adequate comfort that the Council satisfies the "Going Concern Basis" in preparing GMPF's accounts. Further comfort is provided by the relative strength of GMPF's funding position where it is one of the most well funded LGPS funds.
Although the public sector interpretation of IAS1 means that unless services are being transferred out of the public sector then the financial statements should be prepared on a going concern basis, management is still required to consider whether there are any material	The starting point is that GMPF is relatively well funded, albeit at the individual employer level there is a wide range of funding levels and this is regularly monitored. The prime purpose of the actuarial valuation is to determine employer contributions including

<p>uncertainties that cast doubt on the Pension Fund's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	<p>deficit recovery. Monitoring processes are in place to ensure employers pay their required rate.</p> <p>The Employer Funding Viability Working Group considers viability issues at the whole fund and individual employer level.</p> <p>The Funding Strategy Statement is a key document in helping to focus attention on funding and associated risk management which is reviewed every 3 years by the Working Group and Management Panel and is subject to consultation.</p> <p>GMPF also has an in-house actuary who works closely with GMPF's appointed actuary (Hymans Robertson).</p> <p>These arrangements are considered strong in concluding that GMPF is a going concern at the date the financial statements are approved.</p>
<p>Can you provide details of those solicitors utilised by the Pension Fund during the year? Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Trowers & Hamlins (Loan Advice – Evergreen Fund)</p> <p>DLA Piper (purchase of Purley Way, Croydon)</p> <p>Shepherd & Wedderburn (Lease – Aberdeen)</p> <p>Irwin Mitchell (Irwell Riverside loan)</p> <p>Eversheds (Advice on Irish Law – Investments)</p> <p>Addleshaw Goddard (Joint Venture – Princess Street, Manchester)</p> <p>Irwin Mitchell (Loan to Forrest)</p> <p>Trowers & Hamlins (Joint Venture – Circle Square, Manchester)</p> <p>DAC Beachcroft (Purchase of Morgan Quarter, Cardiff)</p> <p>Gowling WLG (Advice on setting up joint venture – Island Site)</p> <p>Squire Patton Boggs (LGPS Asset Pooling)</p> <p>Spector Roseman & Kodroff (Class Actions advice)</p> <p>Robbins Geller Rudman & Dowd (Class</p>

	<p>Actions advice)</p> <p>None of the above relate to open litigation or contingencies from previous years</p>
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>GMPF has 4 independent advisors supporting the Management Panel. These are listed in the Annual Report.</p> <p>Hymans Robertson is GMPF's primary investment consultant in addition to their main role of providing advice on investment strategy. The Investment Team also utilise specialist advice from a variety of sources on an ad hoc basis for making investments.</p> <p>Actuarial and funding advice is also provided by Hymans Robertson.</p>
Have any of the Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No

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Questions for those charged with governance

Fraud risk assessment

Auditor Question	Response
Has the Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?	<p>Yes,</p> <ol style="list-style-type: none"> 1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements show a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members. 2. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud. 3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code. 5. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code. 6. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. 7. We have adjusted the disclosure changes brought to our attention in the Audit Findings Report. Following these adjustments, the financial statements are free of material misstatements, including omissions 8. We believe that GMPF's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for GMPF's needs. We believe that no further disclosures relating to GMPF's ability to continue as a going concern need to be made in the financial statements. 9. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. 10. We acknowledge our

	responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to GMPF's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
What are the results of this process?	No risk of material misstatement identified.
What processes does the Pension Fund have in place to identify and respond to risks of fraud?	<p>There will always be a risk of fraud in respect of pensions in payment. Regular checks help reduce this risk. The processes of internal control within the in-house teams and external managers are designed to prevent fraud and significant internal audit time is allocated annually to review systems and processes. Internal audit also visit employers on a cyclical basis and priority is given to those bodies identified where issues have been identified.</p> <p>The capacity of external managers to make good any losses is an important factor in their recruitment. The Council has a whistleblowing policy in place. Regular reconciliations are undertaken between the custodian and fund managers' holdings.</p>
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	Specific fraud risks are discussed with management during the audit planning process where appropriate, which informs the risk assessment criteria within the audit planning software used to produce the Annual Audit Plan..
Are internal controls, including segregation of duties, in place and operating effectively?	Generally yes, with processes and procedures periodically reviewed by internal audit as well as management
If not, where are the risk areas and what mitigating actions have been taken?	Risk areas are identified as part of the business planning process, internal audit reports, in-house reviews and by learning from complaints – when identified and where appropriate, systems and processes are amended
Are there any areas where there is a potential for override of controls or inappropriate influence over	There is always the risk of collusion. The nature of the activity, the use of

the financial reporting process (for example because of undue pressure to achieve financial targets)?	external managers and monitoring thereof and standard checks e.g. between custodian and a Fund Manager gives an environment where the risk of inappropriate influence is relatively low.
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	None that I am aware of.
How does the Pension Fund exercise oversight over management's processes for identifying and responding to risks of fraud?	Through regular reporting to the Panel, Working Groups and Local Board.
What arrangements are in place to report fraud issues and risks to those charged with governance?	Internal audit report to every Working Group and the Local Board. All internal audit reports are copied to the senior officers of the Council (in addition to management).
How does the Pension Fund communicate and encourage ethical behaviour of its staff and contractors?	Through training, regular reminders to staff, team briefings and procedural documents available on the intranet
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Through training, regular reminders to staff, team briefings and procedural documents available on the intranet.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Pension Fund as a whole or within specific departments since 1 April 2016?	No

Law and regulation

Auditor Question	Response
What arrangements does the Pension Fund have in place to prevent and detect non-compliance with laws and regulations?	Arrangements include the qualified and experienced in-house resources, participation in national bodies / groups, training of GMPF staff and employers. There is also regular reporting to the Management Panel and Working Groups by management and internal and external audit of compliance with internal controls.
How does management gain assurance that all relevant laws and regulations have been complied with?	Through the business planning process, monitoring of actions, reports considered by the Panel and Working Groups, procedures and structures in place and internal audit reviews.
How are those charged with governance provided with assurance that all relevant laws and regulations have been complied with?	Through regular reports from management, internal audit and external audit on the compliance with

	<p>internal controls. Relevant reports are also submitted to the Management Panel and other Working Groups.</p> <p>Annual Governance Statement presented to the Local Board.</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	No
What arrangements does the Pension Fund have in place to identify, evaluate and account for litigation or claims?	<p>Potential receipts - Any group litigation re tax claims or class actions relating to Investments (as at the yearend) are notified to Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure - The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF</p>
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going concern considerations

Auditor Question	Response
Does the Pension Fund have procedures in place to assess the Pension Fund's ability to continue as a going concern?	The actuarial valuation is key to providing this comfort. GMPF has a funding level in the top 3 of LGPS funds when assessed on a standardised assumption basis.
Is management aware of the existence of other events or conditions that may cast doubt on the Pension Fund's ability to continue as a going concern?	None that I am aware of.
Are arrangements in place to report the going concern assessment to those charged with governance?	In considering the annual accounts consideration is given to going concern assessment at the Employer Funding Viability Working Group.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Business Plan and the financial information provided throughout the year?	Reports are periodically presented to the Management Panel and Employer Funding Viability Working Group and as part of the business plan which focuses on the importance of cash flow and increasing maturity.
Are the implications of the statutory or policy	The key issues are changes in the

changes appropriately reflected in the Business Plans, financial forecasts and reports on going concern?	membership profile and the growing number of employers. These and other changes will be reflected in our plans.
Have there been any significant issues raised with those charged with governance during the year which would cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control.)	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	Again, the actuarial valuation is critical. There are specific employer issues and the structures are being established to help address funding and stability of cost issues when the opportunity arises.
Does the Pension Fund have sufficient staff in post, with appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Pension Fund's objectives? If not, what action is being taken to obtain those skills?	This is a very challenging environment to be managing a defined benefit scheme. The Management Panel has supported the strengthening of both the senior management team and the investment and administration teams.
Have those charged with governance assessed the process management has followed in forming a view on going concern and the assumptions on which that view is based?	Yes, through the consideration of the actuarial valuation and Funding Strategy Statement

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Mr Mike Thomas
Director - Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

Councillor Kieran Quinn
Chair of Greater Manchester Pension Fund

Dukinfield Town Hall
King Street, Dukinfield,
Tameside, SK16 4LA

Tel: 0161 342 3028

Website: www.gmpf.org.uk

Our Ref: **KQ/JR**
Doc Ref:
Ask for: **Councillor Kieran Quinn**
Date: **21 July 2017**

Dear Mike,

Greater Manchester Pension Fund - Financial Statements for the year ended 31 March 2017

In response to the letter from Marianne Dixon I have attached the completed schedule having taken into account the views of other appropriate Governing Body Members.

The Executive Director of Governance Pensions and Resources is responding separately to the questions directed at Management.

If you require any further information or clarification, please contact me.

Yours sincerely,

Councillor Kieran Quinn
Chair of Greater Manchester Pension Fund

Encl.

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**Marianne Dixon
Audit Manager
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB**

**Sandra Stewart
Executive Director of Pensions**

Dukinfield Town Hall
King Street, Dukinfield,
Tameside, SK16 4LA

Tel: 0161 342 3028

Website: www.gmpf.org.uk

Our ref: PDaudit response
Doc ref: pd/lets/3108
Contact: Sandra Stewart
Date: 21 July 2017

Dear Marianne,

Greater Manchester Pension Fund Financial Statements for the year ended 31 March 2017

In response to your letter, I have attached the completed schedule having taken into account the views of other appropriate senior staff within Tameside including the Pension Fund Management Team.

The Chair is responding separately on how the Governing Body, (Pensions Management Panel) maintains oversight of the process.



If you require any further information or clarification, please contact me.

Yours sincerely,

**Sandra Stewart
Executive Director of Governance, Resources and Pensions**

Encl.

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Report To:	GMPF MANAGEMENT PANEL/ADVISORY PANEL
Date:	21 July 2017
Reporting Officer:	Sandra Stewart - Executive Director of Pensions Emma Mayall - Pensions Policy Manager
Subject :	PENSIONS ADMINISTRATION UPDATE
Report Summary:	<p>This report provides an update on recent administration activities, in particular:</p> <ul style="list-style-type: none">- Key work and projects progressed over the last quarter- Work planned for the next quarter- Comments on current workloads and performance- Relevant regulatory and legislative updates
Recommendation(s):	That the Panel notes the report.
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 implications to consider.
Risk Management:	There are no key risks to highlight.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information that warrants its consideration in the absence of the Press or members of the public.
Background Papers:	<p>Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden</p> <p> Telephone: 0161 301 7242</p> <p> e-mail: emma.mayall@gmpf.org.uk</p>

1. BACKGROUND AND INTRODUCTION

- 1.1 This report provides a brief update on the work and projects being undertaken within the administration section over the first quarter of the year and those expected over the next quarter. It also provides some information about current workloads and performance levels, together with a brief summary of relevant legislative items.

2. WORK AND PROJECTS UNDERTAKEN OVER THE FIRST QUARTER

Pensions Increase, P60s and Grapevine

- 2.1 The annual pensions increase amount to be applied to pensions in payment or deferred pensions at 10 April 2017 was 1%. During March, member records were updated to reflect the increased amounts. P60s and payslips were issued to members during April and May, together with an edition of 'Grapevine' magazine, our annual communication issued to pensioner members.
- 2.2 118,063 P60s and Grapevine magazines were issued to members.
- 2.3 This year, the GMPF twitter account was used to tweet regularly about these communications and to direct members to some frequently asked questions held on the GMPF website.

Annual Benefit Statements for Deferred Members

- 2.4 100,033 annual benefit statements for deferred members were also issued during May.

Government Actuaries Department (GAD) Transactional Data project

- 2.5 This project, which began at the start of the year, was concluded in April.
- 2.6 As part of the cost-control regime set out in the Public Service Pensions Act 2013, GAD is required to collect data from each of the funds in the LGPS in order to be able to provide a Scheme cost assessment to the Scheme Advisory Board and HM Treasury.
- 2.7 New data requirements were issued to funds confirming the pension fund transactions that needed to be captured from 1 April 2017 onwards. Software to assist with meeting those new requirements was made available for testing in January and was successfully implemented ready for April.

Year-end processing

- 2.8 The annual project of collecting and processing year-end pay and pension contribution information from all GMPF employers who have contributed during the year began in March and continues.
- 2.9 Support for employers was provided in the form of regular bulletins, webinars and face-to-face training sessions.
- 2.10 In April, a new escalation procedure was put in place to help ensure the Pensions Regulator targets for processing data and issuing annual benefit statements on time are met.

Death Grant procedures - review project

- 2.11 An operational review of the procedures in place for processing casework where a death grant is due began in April, as this area had been identified as one for potential improvement.
- 2.12 The Pensions Administration Working Group received a report at their meeting in April highlighting some of the issues and complexities of current cases. Suggestions were made

as to how processes can be made more robust and efficient. The Working Group will continue to receive updates on how this project is progressing.

First Bus Transfer

- 2.13 This project, which involves the transfer of members from West Yorkshire and South Yorkshire Pensions Funds to GMPF, has been progressing during the first quarter.
- 2.14 The two work streams that are being managed by the administration section are 'implementation' and 'communication'. The 'governance and regulatory' work stream is being managed by the Assistant Executive Director for Funding and Business Development and contains some administrative tasks, such as those relating to the creation of new employers in GMPF.
- 2.15 The implementation work stream primarily concerns the transfer of member and payroll data from the other two funds over to GMPF. It also covers the reallocation of AVC pots from those funds to GMPF. The communication work stream covers all tasks that need to be done in order to communicate information and messages to any of the key stakeholders involved in the implementation work stream.
- 2.16 An internal project team has been set up to manage and carry out the tasks relating to both of these work streams. The main items of work undertaken to date relate to planning tasks and risk management.

Guaranteed Minimum Pension (GMP) Reconciliation

- 2.17 This large-scale project involves comparing and reconciling GMP data that HMRC holds against the data that GMPF holds.
- 2.18 The Pensions Administration Working Group received a report at their meeting in April that provided some background to the project and work has continued on planning the tasks and resource that will be needed to complete the project successfully by the target date of December 2018. The Working Group will continue to receive updates on how this project is progressing.

Communications Strategy

- 2.19 A review of the whole area of communications is a business plan item for the administration section for this year. As part of this review, work has begun on developing a communications strategy in order to set out a vision of what the Fund wishes to achieve with its communications with members and other stakeholders. The Pensions Administration Working Group, Policy and Development and Local Board will be involved in shaping this strategy as it is formed and developed.

3 WORKED PLANNED FOR THE NEXT QUARTER

- 3.1 The main projects and key items of work for the next quarter are expected to be as follows:
- Completion of year-end processing;
 - Issue of annual benefit statements to contributing members;
 - Issue of pension saving statements to those exceeding or close to exceeding the annual allowance;
 - Testing and installation of a new software release to the pension system, Altair;
 - Progression of the First Bus transfer;
 - GMP reconciliation work;
 - Communications work; and
 - A review of business continuity and disaster recovery arrangements is to begin.

4 COMMENTS ON CURRENT WORKLOADS AND PERFORMANCE

- 4.1 The volumes of casework received and performance against in-house targets during April and May has remained consistent.
- 4.2 The section continues to meet the majority of target standard times with all but five KPIs being within the 90% standard or higher in May. See **Appendix 1**.
- 4.3 However, despite improvements, there are some areas where targets are not being met. This will be an area of focus for the next six months.

5 RELEVANT REGULATORY AND LEGISLATIVE UPDATES

- 5.1 Many of the items where legislation or further guidance was expected have been delayed by the general election that was held on 8 June 2017. These include the Government's exit payment review, State pension age review and the Brewster Judgement. Due to the outcome of the election and the recent Queen's speech announcements, some of the pension related changes that were anticipated before the election are now unlikely to take place.
- 5.2 Conservative Party manifesto promises involving pensions policy, such as the removing the triple lock from 2020 and future state pension increases, were absent from the Queen's address to Parliament. However, background documents released following the speech state that the proposed Financial Guidance and Claims Bill will "establish a new statutory body, accountable to Parliament, with responsibility for coordinating the provision of debt advice, money guidance, and pension guidance".
- 5.3 With regard to the triple lock, the Conservative Party reached an agreement on 26 June 2017 with the Democratic Unionist Party (DUP) which appears to see the triple lock guarantee on State pensions remain in place throughout the UK.
- 5.4 Ministerial appointments have also been announced following the results of the general election. These include David Gauke appointed as the new Secretary of State for Work and Pensions, replacing Richard Harrington, who had been in charge of the pensions brief since July 2016. David Gauke has pensions experience from his time at HMT where he was involved in developing pension freedoms and auto-enrolment. Guy Opperman has been confirmed as a Parliamentary Under-Secretary of State at the DWP and for Pensions and Financial Inclusion.
- 5.5 The 2016 LGPS Annual Report has been issued by Scheme Advisory Board. The report includes analysis of scheme trends at a national level and a summary of the 2016 fund valuations. The full report is available to view at <http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>
- 5.6 TPR have published their 2017 report on the governance and administration of public service pension schemes. The survey achieved a 90% response rate, covering 98% of public service pension scheme membership. It can be viewed at <http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2017.pdf>.

6 RECOMMENDATION

- 6.1 That the Panel note the report.

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Total	2016-17	2015-16	2014-15
1. Written queries answered or acknowledged																
Processed	634	540	600	770	559	523	360	658	663	615	525	645	7,092	7,006	6,863	5,068
Processed in time	563	505	567	720	542	495	334	636	641	587	511	618	6,719	6,585	6,463	4,727
Percentage on time	89%	94%	95%	94%	97%	95%	93%	97%	97%	95%	97%	96%	94.7%	94.0%	94.2%	93.3%
2. New starters processed																
Processed	2,586	1,685	1,178	1,508	1,982	2,164	1,047	1,824	1,407	1,274	1,083	1,257	18,995	18,990	18,619	15,098
Processed in time	2,577	1,658	1,178	1,506	1,964	2,134	1,046	1,815	1,405	1,257	1,082	1,256	18,878	18,846	17,034	12,990
Percentage on time	100%	98%	100%	100%	99%	99%	100%	100%	100%	99%	100%	100%	99.4%	99.2%	91.5%	86.0%
3. Changes in details processed																
Processed	3,011	2,067	1,814	1,911	1,341	1,782	1,108	1,551	1,484	1,666	1,410	177	19,322	21,683	25,326	23,750
Processed in time	2,993	1,939	1,808	1,905	1,337	1,775	1,102	1,547	1,481	1,658	1,408	177	19,130	21,479	24,733	23,148
Percentage on time	99%	94%	100%	100%	100%	100%	99%	100%	100%	100%	100%	100%	99.0%	99.1%	97.7%	97.5%
4. Helpline telephone calls answered in office hours																
Offered	7,969	5,508	5,293	6,057	4,983	4,271	2,660	5,173	4,853	5,692	5,027	5,800	63,286	66,692	59,074	72,508
Answered	5,838	4,489	4,508	5,146	4,386	3,884	2,446	4,819	4,475	5,165	4,385	5,031	54,572	56,421	51,666	58,769
Percentage answered	73%	81%	85%	85%	88%	91%	92%	93%	92%	91%	87%	87%	86.2%	84.6%	87.5%	81.1%
5. Pensions forecasts for deferred members																
Processed	0	11	0	0	0	0	0	0	0	0	0	100,033	100,044	91,816	90,290	87,739
Processed in time	0	0	0	0	0	0	0	0	0	0	0	100,033	100,033	91,794	90,290	79,137
Percentage on time		0%										100%	100.0%	100.0%	100.0%	90.2%
6. Pensions forecasts for active members																
Processed	0	5,737	97,516	1,076	1,214	836	261	102	264	216	0	0	107,222	107,222	106,357	105,471
Processed in time	0	5,737	97,516	0	0	0	0	0	0	0	0	0	103,253	103,253	73,668	7,373
Percentage on time		100%	100%	0%	0%	0%	0%	0%	0%	0%			96.3%	96.3%	69.3%	7.0%
7. Postings queries for employers issued																
Processed	929	1,111	1,765	396	0	0	0	0	0	10	317	2,183	6,711	4,590	2,996	
Processed in time	516	177	531	26	0	0	0	0	0	10	317	2,183	3,760	1,619	1,276	
Percentage on time	56%	16%	30%	7%						100%	100%	100%	56.0%	35.3%	42.6%	

Jun-16 Jul-16 Aug-16 Sep-16 Oct-16 Nov-16 Dec-16 Jan-17 Feb-17 Mar-17 Apr-17 May-17 Total 2016-17 2015-16 2014-15

8. Technical guidance issued to employers

Processed	1	1	2	3	0	3	1	2	3	0	2	0	18	18	7	7
Processed in time	1	1	2	3	0	3	1	2	3	0	2	0	18	18	6	7
Percentage on time	100%	100%	100%	100%		100%	100%	100%	100%		100%		100.0%	100.0%	85.7%	100.0%

9. Pension savings statements

Processed	13	1	23	23	138	40	14	7	1	3	1	5	269	274	453	148
Processed in time	13	1	23	23	138	40	14	7	1	3	1	5	269	274	378	148
Percentage on time	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.0%	100.0%	83.4%	100.0%

10. Estimates for divorce purposes

Processed	48	51	47	32	36	66	19	36	43	70	36	46	530	538	539	464
Processed in time	44	47	42	30	35	60	19	33	42	69	32	46	499	506	523	452
Percentage on time	92%	92%	89%	94%	97%	91%	100%	92%	98%	99%	89%	100%	94.2%	94.1%	97.0%	97.4%

11. Non LGPS transfers in processed

Processed	0	6	5	9	9	6	2	9	9	5	5	2	67	66	135	84
Processed in time	0	6	5	8	9	6	2	9	9	5	5	2	66	65	133	77
Percentage on time		100%	100%	89%	100%	100%	100%	100%	100%	100%	100%	100%	98.5%	98.5%	98.5%	91.7%

12. Non LGPS transfer out quotations processed

Processed	69	141	101	68	123	116	101	93	150	115	110	151	1,338	1,215	1,048	875
Processed in time	21	49	81	64	108	116	94	93	150	115	110	148	1,149	1,014	1,015	845
Percentage on time	30%	35%	80%	94%	88%	100%	93%	100%	100%	100%	100%	98%	85.9%	83.5%	96.9%	96.6%

13. Non LGPS transfer out payments processed

Processed	34	17	33	18	17	19	9	21	20	41	26	35	290	260	216	248
Processed in time	28	15	32	18	17	19	9	21	20	41	26	35	281	250	212	240
Percentage on time	82%	88%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	96.9%	96.2%	98.1%	96.8%

14. Internal and concurrent transfers processed

Processed	188	206	154	280	414	435	235	233	422	276	341	424	3,608	3,264	848	346
Processed in time	33	111	128	198	309	354	224	210	355	187	303	320	2,732	2,227	508	273
Percentage on time	18%	54%	83%	71%	75%	81%	95%	90%	84%	68%	89%	75%	75.7%	68.2%	59.9%	78.9%

Jun-16 Jul-16 Aug-16 Sep-16 Oct-16 Nov-16 Dec-16 Jan-17 Feb-17 Mar-17 Apr-17 May-17 Total 2016-17 2015-16 2014-15

15. Refund payments made

Processed	105	57	107	118	144	165	186	386	195	212	189	169	2,033	1,804	1,328	470
Processed in time	17	57	100	116	141	158	175	366	166	195	176	145	1,812	1,522	1,138	409
Percentage on time	16%	100%	93%	98%	98%	96%	94%	95%	85%	92%	93%	86%	89.1%	84.4%	85.7%	87.0%

16. Deferred benefits calculated

Processed	1,170	872	1,019	839	937	957	872	1,091	951	935	867	692	11,202	11,470	10,010	5,145
Processed in time	14	11	391	470	603	566	380	611	494	488	541	436	5,005	4,088	667	3,196
Percentage on time	1%	1%	38%	56%	64%	59%	44%	56%	52%	52%	62%	63%	44.7%	35.6%	6.7%	62.1%

17. Annuity quotations calculated

Processed	16	11	15	8	10	12	6	6	2	6	3	4	99	108	125	114
Processed in time	16	11	15	8	10	12	6	6	2	6	3	4	99	108	124	112
Percentage on time	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.0%	100.0%	99.2%	98.2%

18. APC illustrations calculated

Processed	11	22	21	40	14	18	10	21	21	28	14	16	236	230	192	209
Processed in time	10	22	21	40	14	18	10	21	21	28	14	16	235	229	186	180
Percentage on time	91%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99.6%	99.6%	96.9%	86.1%

19. AVC amendments noted on ALTAIR

Processed	183	288	172	48	96	94	78	73	36	209	56	46	1,379	1,480	1,324	2,051
Processed in time	183	288	171	48	96	94	78	72	35	89	56	45	1,255	1,357	1,080	1,841
Percentage on time	100%	100%	99%	100%	100%	100%	100%	99%	97%	43%	100%	98%	91.0%	91.7%	81.6%	89.8%

20. New retirements benefit options sent

Processed	262	276	294	296	218	326	175	251	194	258	217	239	3,006	3,086	3,189	2,540
Processed in time	192	253	252	216	217	326	173	251	193	246	115	212	2,646	2,736	2,934	1,846
Percentage on time	73%	92%	86%	73%	100%	100%	99%	100%	99%	95%	53%	89%	88.0%	88.7%	92.0%	72.7%

21. New retirements processed for payment

Processed	244	214	365	314	233	270	238	177	183	259	234	221	2,952	3,035	2,956	2,488
Processed in time	243	214	365	314	233	270	235	176	181	249	228	201	2,909	3,016	2,941	2,342
Percentage on time	100%	100%	100%	100%	100%	100%	99%	99%	99%	96%	97%	91%	98.5%	99.4%	99.5%	94.1%

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Total	2016-17	2015-16	2014-15
22. Deferred benefits processed for payment																
Processed	438	445	395	298	348	393	287	379	345	414	287	357	4,386	4,334	3,379	2,720
Processed in time	430	436	389	295	348	387	286	377	341	408	279	355	4,331	4,282	3,246	2,582
Percentage on time	98%	98%	98%	99%	100%	98%	100%	99%	99%	99%	97%	99%	98.7%	98.8%	96.1%	94.9%
23. Notifications of death processed																
Processed	378	303	202	340	272	306	221	465	417	367	297	293	3,861	3,882	3,820	3,166
Processed in time	329	279	196	285	238	193	126	348	383	329	269	271	3,246	3,184	3,442	3,032
Percentage on time	87%	92%	97%	84%	88%	63%	57%	75%	92%	90%	91%	92%	84.1%	82.0%	90.1%	95.8%
24. Dependant's pensions processed for payment																
Processed	116	132	122	113	102	133	92	112	150	147	122	122	1,463	1,441	1,358	1,184
Processed in time	116	129	120	90	101	117	91	111	150	145	120	120	1,410	1,386	1,337	1,142
Percentage on time	100%	98%	98%	80%	99%	88%	99%	99%	100%	99%	98%	98%	96.4%	96.2%	98.5%	96.5%
25. Death grants processed for payment																
Processed	69	48	46	48	47	48	49	39	48	66	64	34	606	608	592	440
Processed in time	60	40	40	41	41	38	46	39	48	63	60	33	549	543	566	399
Percentage on time	87%	83%	87%	85%	87%	79%	94%	100%	100%	95%	94%	97%	90.6%	89.3%	95.6%	90.7%
26. Retirement lump sum processed by payroll																
Processed	480	502	485	622	505	519	459	451	409	456	509	541	5,938	6,063	5,542	4,603
Processed in time	480	502	485	621	503	519	458	451	409	456	509	540	5,933	6,047	5,542	4,603
Percentage on time	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99.9%	99.7%	100.0%	100.0%
27. Payments recalled due to death																
Processed	384	238	252	311	292	294	248	472	326	349	253	315	3,734	3,725	3,790	3,153
Processed in time	384	238	252	311	292	294	248	472	326	349	253	315	3,734	3,725	3,790	3,153
Percentage on time	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%	100.0%
28. Changes to bank details made																
Processed	181	152	168	136	140	140	80	130	144	143	185	216	1,815	1,847	1,963	1,938
Processed in time	181	152	168	136	140	140	80	130	144	143	185	216	1,815	1,847	1,963	1,938
Percentage on time	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%	100.0%