

Resources and Governance Overview and Scrutiny Committee

18 November 2010

**Greater Manchester Pension Fund
Report of Executive Director of Pensions**

1. INTRODUCTION

- 1.1. These are exceptional times.
- 1.2. The impact of the banking crisis, the response of governments around the world to this crisis, the subsequent recession in the “developed economies” and managing the current scale of fiscal deficits is leading to a scale and pace of change that is exceptional for the public sector and public sector pensions.
- 1.3. The areas to be covered in this short report are:
 - an outline of the main public sector pension schemes
 - Greater Manchester Pension Fund :-
 - general background
 - the Local Government Pension Scheme (LGPS) and Manchester’s participation as an employer in Greater Manchester Pension Fund
 - GMPF – performance
 - actuarial valuations and accounting valuations
 - current scheme developments
- 1.4. This report is very much an overview and the scope to cover areas in more detail will hopefully be dealt with in discussion at the meeting.

2. PUBLIC SECTOR PENSION SCHEMES

- 2.1. In total there are 12 million employee, deferred and pensioner members of public sector schemes. The number of pensioners is approaching 4 million and the average amount of pension paid is £7,800 p.a. and half of members receive less than £5,600 and 90% receive less than £17,000 p.a.
- 2.2. The Government established an Independent Public Service Pensions Commission in June 2010. Its terms of reference was “to conduct a fundamental structural review of public sector pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the tax payer and consistent with the fiscal challenges ahead, whilst protecting accrued rights”.
- 2.3. On the next two pages is a very brief summary of the main public service pension schemes (copied from the Pension Commission report). The norm for public service pension schemes continues to be a traditional final salary scheme, where the number of years service and final pay determines pension benefits. This looks likely to change as the Government reviews the options next year.

Overview of the main public service pension schemes

Scheme	Name	Normal Pension Age	Minimum Pension Age	Members Contribution Rate	Employer Contribution Rate	Pension Basis	Accrual Rate	Lump Sum	Status
Principal Civil Service Pension Scheme	Classic (pre October 2002)	60	55 (50 prior to Apr 06)	1.5%	18.9% ¹	Final Salary	1/80	3 x annual pension	Closed
	Premium	60	55 (50 prior to Apr 06)	3.5%		Final Salary	1/60	Optional in exchange for reduced pension	Closed
	Partnership	55-75 ²		0 upwards ³	Minimum of 3%-12.5% depending on age ⁴	Annuity		Optional in exchange for reduced 'pot'	Open
	Nuvos (from July 2007)	65	55	3.5%		Career Average Earnings	1/43 ⁵	Optional in exchange for reduced pension	Open
Armed Forces	Armed Forces Pension Scheme 1975	55	38	Nil	29.4%	Final Salary	1/69-(1/91 for years 22+)	3 x annual pension	Closed
	Armed Forces Pension Scheme 2005	55	40	Nil		Final Salary	1/70	3 x annual pension	Open
Judges⁶	Judicial Pension Scheme 1981	65	Min 5 yrs service	1.8-2.4%	32.15%	Final Salary	1/40 or 1/80	2 x annual pension	Closed
	Judicial Pension Scheme 1993	65	Min 5 yrs service	1.8%		Final Salary	1/40	2.25 x annual pension	Open

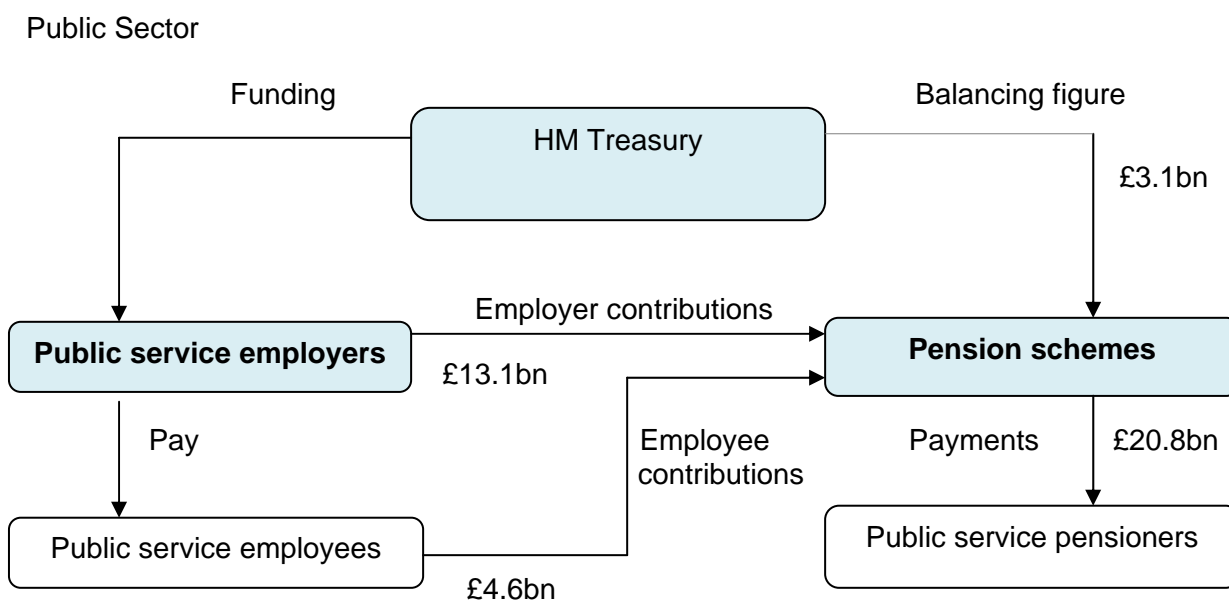
Scheme	Name	Normal Pension Age	Minimum Pension Age	Members Contribution Rate	Employer Contribution Rate	Pension Basis	Accrual Rate	Lump Sum	Status
Police (England and Wales)	Police Pension Scheme 1987	55	48.5 (after 30 yrs)	11%	24.2%	Final Salary	1/60 (2/60 after 20 yrs capped at 40/60)	Optional in exchange for reduced pension	Closed
	Police Pension Scheme 2006	55	55	9.5%		Final Salary	1/70 (max 35/70)	4 x annual pension	Open
Firefighters (England and Wales)	Firefighters' Pension Scheme 1992	55	50	11%	26.5%	Final Salary	1/60-(2/60 after 20 yrs capped at 40/60)	Optional in exchange for reduced pension	Closed
	New Firefighters' Pension Scheme 2006	60	55	8.5%	14.2%	Final Salary	1/60 capped at 45/60	Optional in exchange for reduced pension	Open
National Health Service (England and Wales)	National Health Service Pension Scheme 1995	60	50	5-8.5% dependent on pay range	14.0%	Final Salary	1/80	3 x annual pension	Closed
	National Health Service Pension Scheme 2008	65	55	5-8.5% dependent on pay range		Final Salary	1/60	Optional in exchange for reduced pension	Open
Local Government Pension Scheme (England and Wales)	Local Government Pension Scheme 1997 ⁸	65	50 with 25 yrs service	5-6%	13.2% ⁹	Final Salary	1/80	3 x annual pension	Closed
	Local Government Pension Scheme 1 April 2008	65	55	5.5-7.5%		Final Salary	1/60	Optional in exchange for reduced pension	Open
Teachers (England and Wales)	Teachers' Pension Scheme before Jan 2007	60	55	6.4%	14.1%	Final Salary	1/80	3 x annual pension	Closed
	Teachers' Pension Scheme 2007	65	55	6.4%		Final Salary	1/60	Optional in exchange for reduced pension	Open

Notes

1. This is a weighted average of employer rates that vary by level of pensionable pay. The average was reduced to 18.9% from April 2009.
2. No specific NPA as such – date at which this DC stakeholder pension is taken is limited only by tax rules.
3. Members do not have to contribute, but where they do the employer provides additional employer contributions that match the employees' contributions, up to a ceiling of 3% of pay.
4. The rate of minimum employer contribution varies by age from 3% below age 21 to 12.5% at age 46 and above.
5. The annual amounts of pension earned before a pension is awarded are uprated by prices, not earnings, using the same price index as used for pensions once awarded (formerly RPI, now CPI from April 2011).
6. Some Judicial Officers had different rates of accrual, minimum service requirements and minimum age before pensions could be drawn. The figures shown reflect the position of the majority.
7. Pensions for General Practitioners in the NHS Scheme are based on career average salaries.
8. The LGPS 97 was closed wef 31 March 2008 with reserved rights to benefits earned to that date. Members were automatically transferred to the new scheme on 1 April 2008.
9. As at March 2010, based on a notional model fund valuation using 2007 data and excludes the investment surpluses and deficits on individual local authority pension funds.

- 2.4. Over the last few years, many public sector pension schemes have been reviewed with the aim of improving their affordability and sustainability. Thus some schemes are described as closed. This means no new members can join this scheme and in some cases existing employee members must transfer to a new scheme.
- 2.5. The scale of liability attached to public sector pension funds and the cost of these schemes has been the subject of considerable attention in recent years. Valuing a pension promise earned is a complex task influenced by factors such as the assumed investment return (discount rate), inflation, pay inflation and life expectancy. Most public sector schemes are unfunded (pay as you go) i.e. the contributions paid in by employees and employers are effectively used to pay the benefits of public service pensioners. The exception is the LGPS, which is a funded scheme where the aim is to build up a pool of assets that matches the value of liabilities.
- 2.6. In Chart 1 below, the flow of money in the 4 largest unfunded schemes is illustrated. The shortfall between contributions received and pension payments made is £3.1bn in 2009/10 and in effect this is ultimately met from general taxation.

Chart 1 – Payments and Contributions in “Pay As You Go” Schemes



(Source: Pension Commission)

- 2.7. The gross cost of paying unfunded public service pensions is expected to fall from 1.9% of GDP in 2010/11 to 1.4% by 2060 (Source Pension Commission).
- 2.8. The LGPS is the largest public sector pension scheme in terms of membership with approximately 4.5m members. Employees (apart from teachers, police officers and fire fighters) of local and joint authorities and many other public bodies have automatic access to the Scheme.
- 2.9. An outline of the Scheme is summarised in Table 1. Copies of the Scheme Guide will be available at the meeting.

Table 1 – The Scheme at a glance

Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of at least 3 months, are under age 75, and are not eligible for membership of other statutory pension schemes. But employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

Benefits on retirement

For membership from April 2008 onwards, pension benefits are calculated as 1/60th of final pay for each year of membership. Benefits for earlier membership consist of a pension calculated as 1/80th of final pay for each year of membership plus a lump sum of three times the pension. Actual membership may be enhanced automatically in cases of ill health retirement. Employers may choose to increase membership or pension. Members can normally exchange some pension to provide a bigger lump sum.

Employee contributions

The rate of contribution payable by members varies according to pay level, ranging from 5.5% of pay to 7.5% of pay. The pay ranges to which each contribution rate applies are adjusted each April in line with changes in the cost of living.

Age of retirement

Normal retirement age is age 65, but:

- Pension benefits are payable at any age, if awarded due to ill health
- Members may retire with full accrued benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency
- Members who have left employment may request payment of benefits from age 55 onwards, but requests made before age 60 need employer consent. Actuarial reductions may apply where benefits come into payment before age 65
- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply.
- Payment of benefits may be delayed beyond age 65 but only up to age 75.

Benefits on death in service

A lump sum is payable, normally equivalent to three year's pay. The administering authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependent children.

Benefits on death after retirement

A death grant is payable if less than 10 years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. Pensions are also generally payable to the pensioner's widow, widower, civil partner, nominated cohabiting partner and dependent children.

Extra benefits

The scheme offers several ways for members to improve benefits:

- Payment of additional regular contributions (ARCs) to buy extra pension
- A money purchase additional voluntary contribution (AVC) scheme which operates with the Prudential offering pension and life assurance options.

Cost of living increases

Pensions payable to members who retire on health grounds and to members' spouses etc and children are increased annually by law in line with increases in inflation. Pensions payable to other members who have reached the age of 55 also benefit from this annual inflation proofing. Where a member has an entitlement to a Guaranteed Minimum Pension (which relates to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions through the State Pension.

3. BACKGROUND TO GREATER MANCHESTER PENSION FUND

3.1. Management Arrangements

3.1.1. Greater Manchester County Superannuation Fund (now Greater Manchester Pensions Fund) was created in 1974 as part of the creation of Greater Manchester Council and local government reorganisation. GMC was the Fund's administering authority. Following the abolition of GMC and after a short period with the Residuary Body as the administering authority, Tameside MBC took over the role in October 1987.

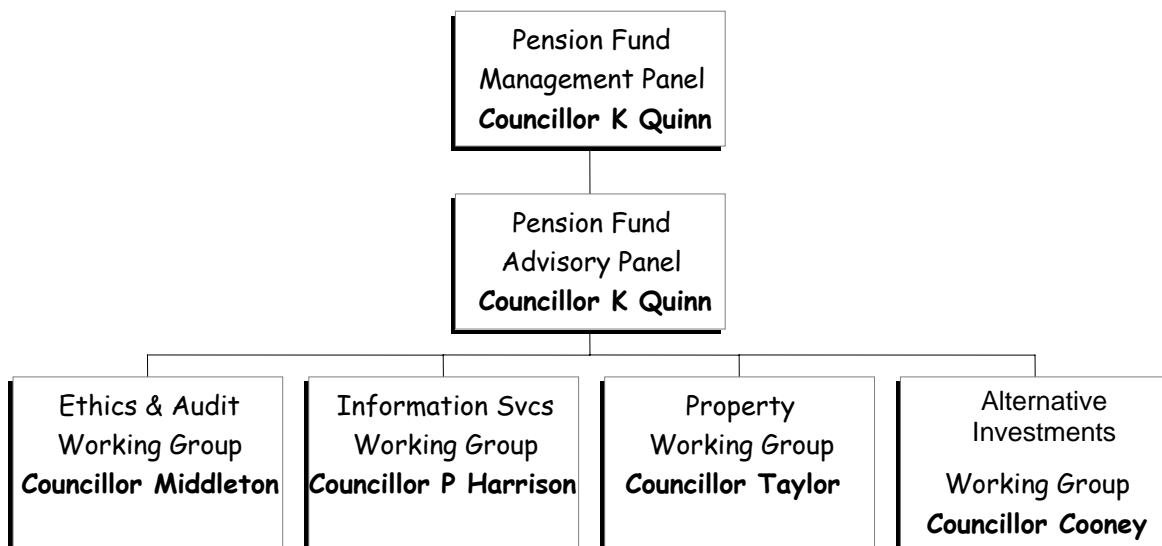
3.1.2. The decision making structure is set out in Chart 2 below. The Pension Fund Management Panel is the decision making body for:

- investment management;
- monitoring investment activity and performance;
- overseeing administrative activities; and
- guidance to officers in exercising delegated powers.

The Panel comprises a majority of Councillors from Tameside MBC and 6 Councillors from other Greater Manchester authorities nominated by AGMA. Councillor Smith serves on both the Management and Advisory Panels.

3.1.3. The Advisory Panel meets concurrently with the Management Panel and advises them on all areas. Each local authority is represented on the Advisory Panel and there are 6 employer representatives nominated by the North West TUC.

Chart 2 – GMPF Management Structure

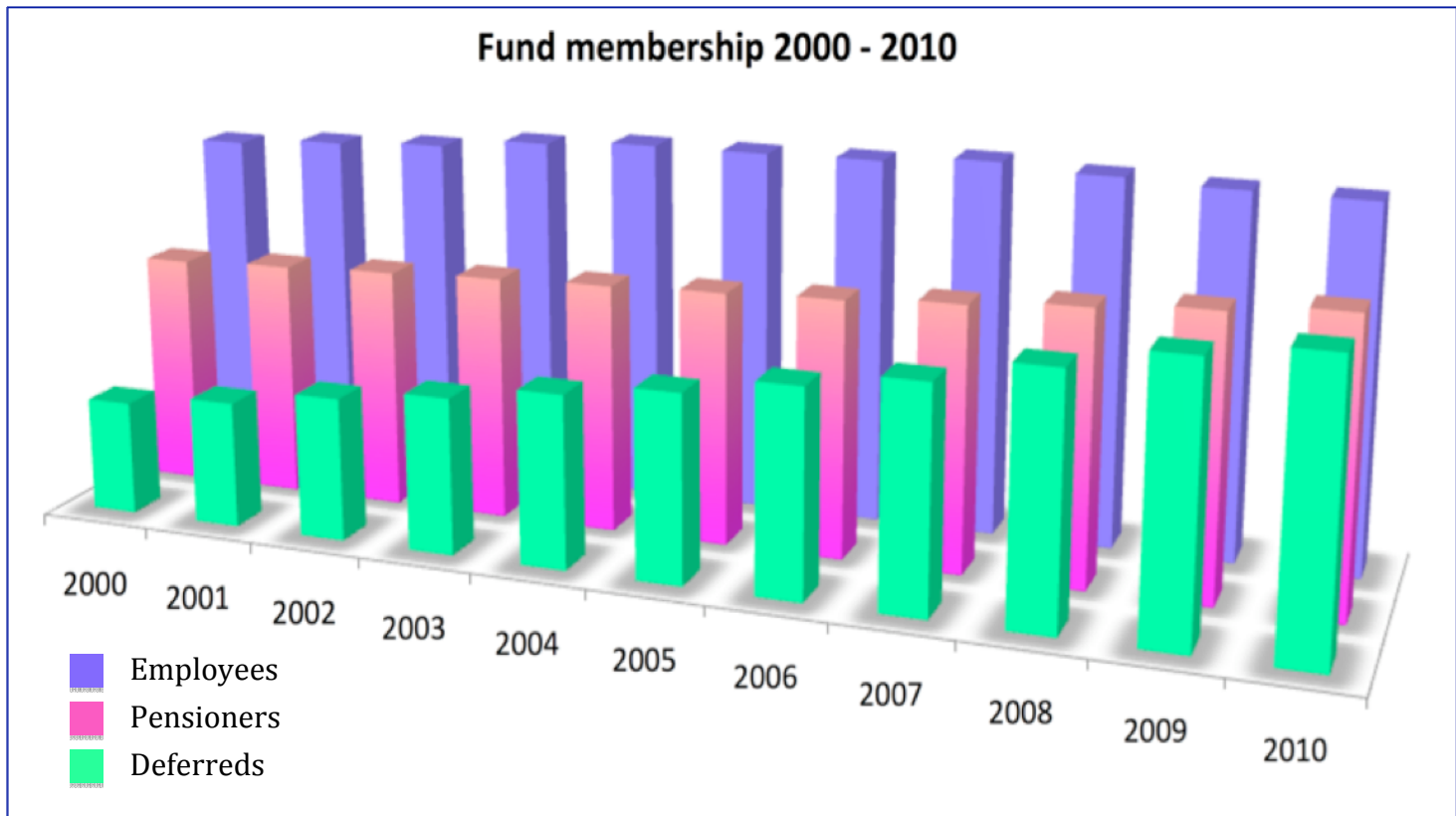


3.1.4. **The Working Groups consider** specific areas of activity and make recommendations to the Management and Advisory Panels.

3.2. Key Statistics

3.2.1. Greater Manchester Pension Fund is the largest LGPS Fund in England and Wales. Its assets are over £10bn and this equates to approximately 8% of the LGPS and with over 260,000 members, it has the largest membership. The change in membership over the last decade is illustrated in Chart 3 below.

Chart 3 – Greater Manchester Pension Fund
Analysis of Scheme Members – 2000 – 2010



- Employees up from 85,000 to 102,000
- Pensioners up from 59,000 to 81,000
- Deferreds up from 18,000 to 80,000

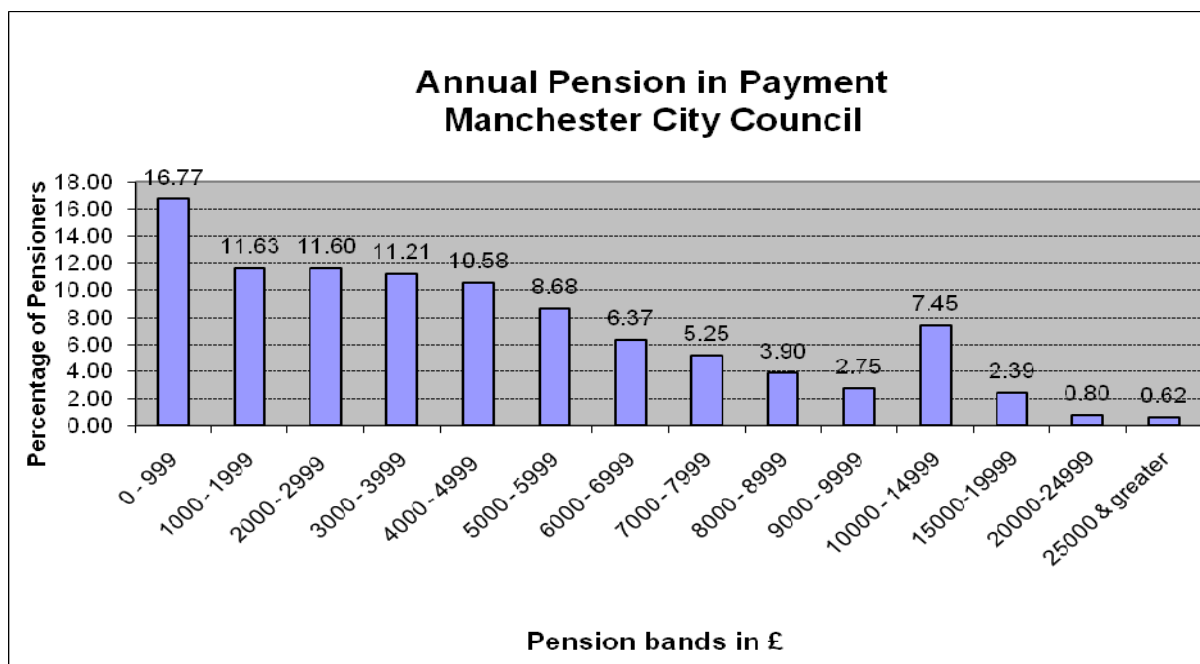
Looking forward, the next 3-5 years is likely to see further significant changes with a significant fall in employee members, and a material growth in deferred and pensioner members.

3.2.2. At 31st March 2010, there were 236 employers actively contributing to the Fund. These include the 10 local authorities, 48 schools and colleges, a further 38 scheme employers and 140 bodies that have made admission agreements. These include large employers such as Manchester Airport, Stagecoach, First Group, Registered Social Landlords, through to very small employers such as Citizen Advice. It is likely that the number of employers in the Scheme will continue to increase, reflecting changes in Government policies (e.g. academies) and changes in the way local authorities deliver services.

3.2.3. The Fund's largest employer is Manchester. At 31st March 2010, it had approximately 45,000 members (comprising 15,000 employees, 14,000 deferreds and 15,000 pensioners) and its "share" of assets was approaching £2bn.

3.2.4. The scale of LGPS pensions (and public sector pensions) as frequently reported in the press is a myth with pensioners averaging much less than expected. Across the Fund as a whole approximately two-thirds of pensions in payment are less than £5,000 p.a. An analysis of pensions in payment analysed in pay bands for the City Council's pensioners is provided in Chart 4.

Chart 4 – Analysis of Manchester CC – Pensions in Payment



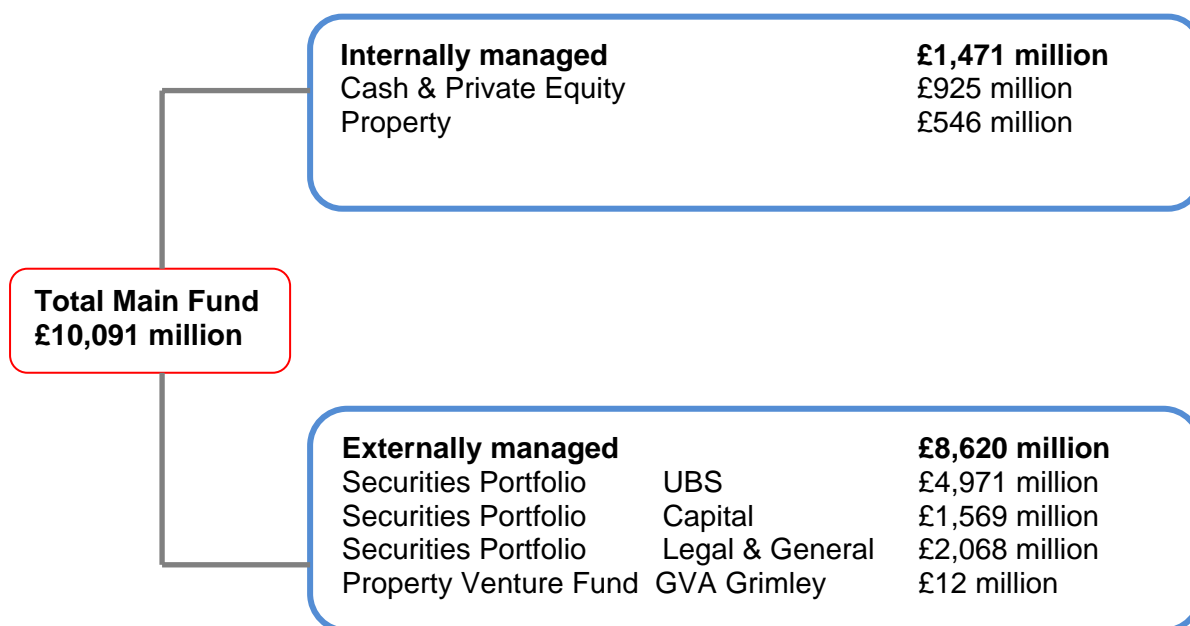
3.2.5. In 2009/10, the contributions received by GMPF totalled £409m of which £123m was received from employees and £286m from employers. The benefits payable amounted to £421m of which £323m was funded pensions, £87m lump sums and £11m death benefits. Thus in aggregate pensions in payment are currently broadly matched by contributions. In addition the Fund receives investment income (approx. £230m in 2009/10) and thus the Fund is not a forced seller of investments to meet benefit payments. For Manchester's scheme members, contributions received were £55m, in 2009/10 with benefits paid amounting to £71m. This illustrates that Manchester's liability profile is more mature than the Fund average.

3.3. GMPF Investment Management Arrangements

3.3.1. At 31st March 2010, the value of the Funds assets was £10,445m. Of this total, £10,091m was held in the "Main Fund" and invested in a broad range of assets. The balance £354m are earmarked assets (Designated Fund) invested almost wholly in UK index linked with a small amount held in cash. The Designated Fund is used for employers that have a very high proportion of pensioner liabilities. The comments that follow on management arrangements and performance relate solely to the Main Fund. Manchester does not have any exposure to the Designated Fund assets.

3.3.2. The management arrangements for the Main Fund are set out in Table 2 below.

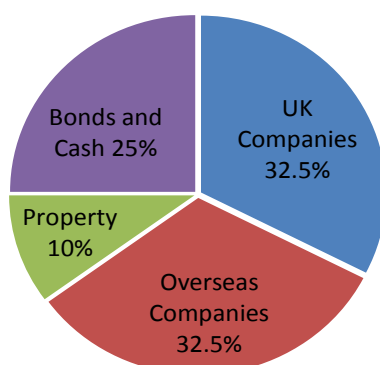
Table 2 – GMPF Investment Management Arrangements



3.4. Investment Strategy

3.4.1. Each year, the Management Panel reviews the investment strategy for the forthcoming year. The current strategy is summarised in Chart 5 below.

Chart 5 – GMPF Investment Strategy



3.4.2. Each manager has a specified benchmark reflecting their perceived skills and the relative efficiency of markets.

3.5. Investment Performance

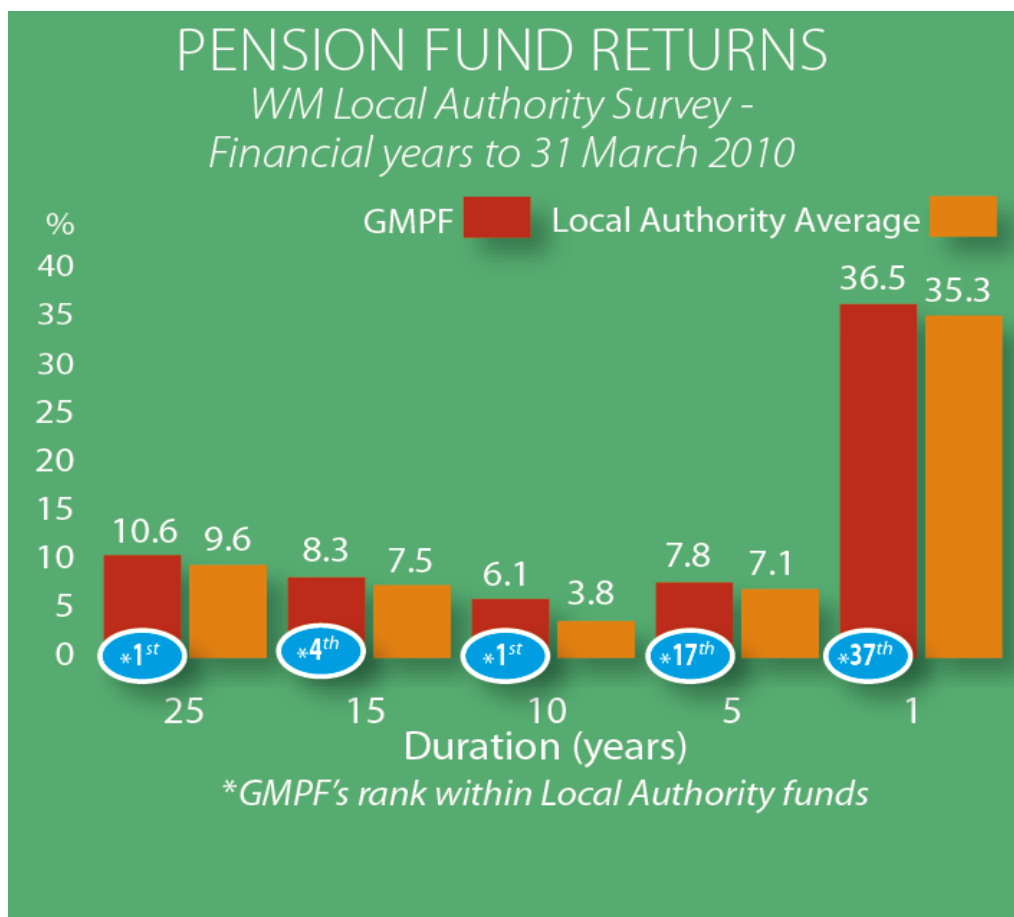
3.5.1. The last decade has been exceptionally difficult to generate adequate financial returns to enable defined benefit pension schemes to be delivered at an affordable cost to employers. In addition, returns have been very volatile, with 2009/10 being a very successful year after the two previous years of negative returns. This is illustrated in Table 3 below that details market returns for the decade ended December 2009 and the year to 31st March 2010.

Table 3 – Historical Market Returns

Asset	Annualised Returns	
	2009/10 %	10 year to Dec 09 % per annum
UK Equity	52	1.6
O/s Equity	49	1.9
UK Bonds	1	5.4
Cash	0.5	5.2
Property	16.3	6.2
Total assets	35	3
Inflation (CPI)	3.4	2.7

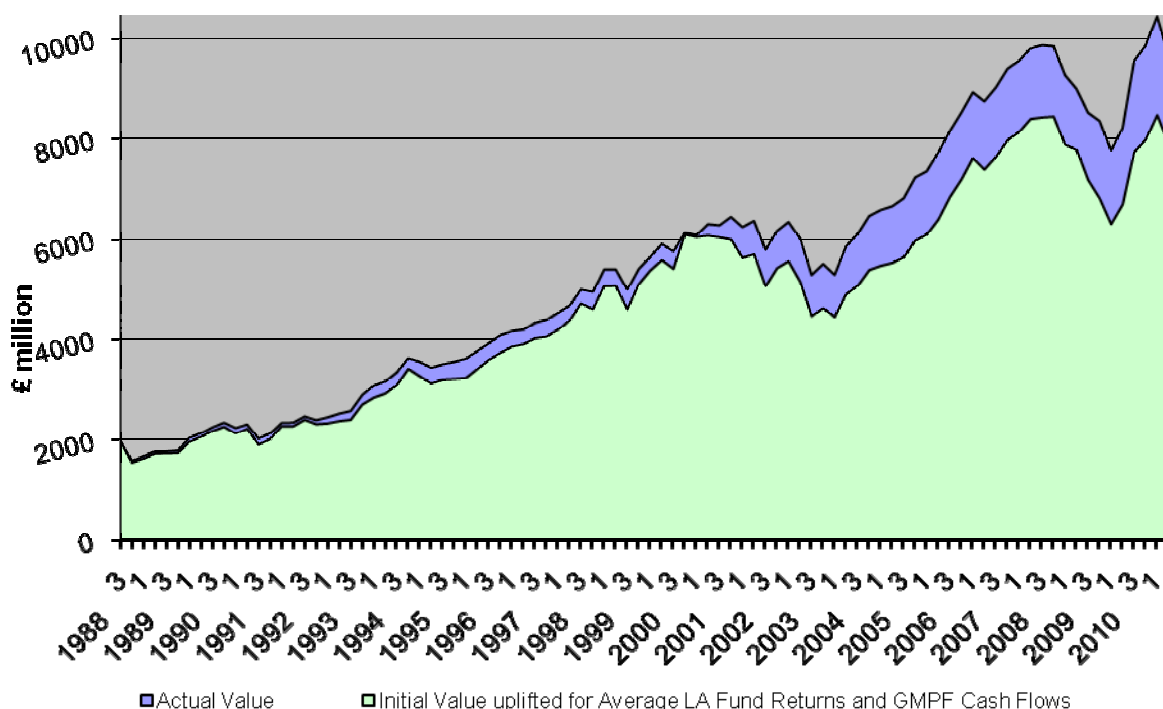
- 3.5.2. Over the last 10 years to December 2009, the average pension fund has delivered a return of only 3% whilst local authority funds as a group have had higher returns than corporate funds.
- 3.5.3. In 2009/10, the Fund generated a return of 36.5%, beating the average LGPS Fund by more than 1%.
- 3.5.4. More importantly it has a successful long term track record. This is illustrated in Chart 6 below in which the Fund's performance is compared with the local authority average. Over 10 and 25 years, the Fund is ranked as the top performing LGPS Fund by WM (an independent investment performance measurement company).

Chart 6 – Pension Fund Returns



3.5.5. Over the last 3 years, the Fund's relative investment performance has added over £450m to Fund value compared to the average local authority return applied to a Fund of GMPF's scale. The history of the Funds relative performance is shown in Chart 7, where GMPF's Fund value is compared to what it would have been if it had generated the average LGPS return. The chart also highlights the volatility of returns over the last 23 years.

Chart 7 – GMPF Values since September 1987



3.5.6. The success of the Fund has been influenced by its stability, continuity and economics of scale (including the affordability of buying in advice). However, investment out-performance is not something that can be guaranteed.

3.6. Funding levels and employer contribution rates

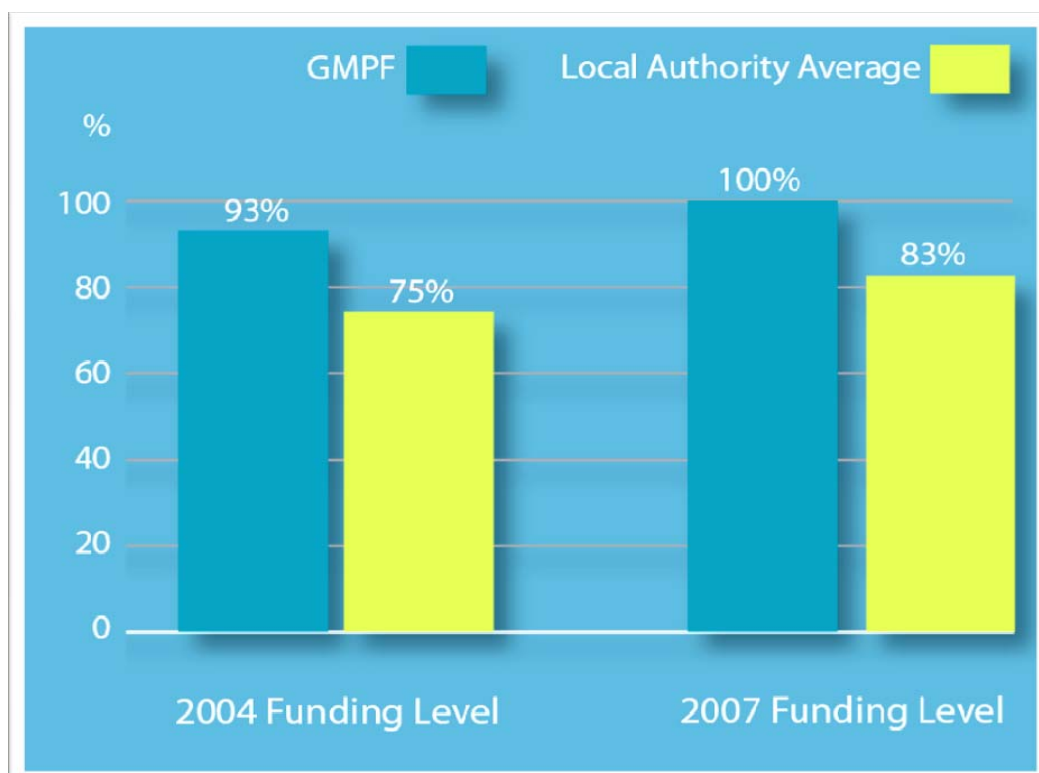
3.6.1. The long term investment success has been the main factor in helping the Fund to have a higher funding level than the average fund and lower average employer contribution rates.

3.6.2. Every 3 years, the Fund must undergo an actuarial valuation. The purpose of the actuarial valuation is:

- to determine the value of pension promises (liabilities) and compare that to the value of assets to assess the funding level and value of surplus or deficit;
- to assess the cost of buying the next year's service (the Future Service Rate); and
- to determine employer contributions for the next 3 years, which will comprise the future service, rate plus deficit recovery payments.

3.6.3. The Fund's Actuary is currently undertaking the 2010 actuarial valuation that will result in revised contribution rates for the next 3 years commencing 1st April 2011. At the 2007 valuation, GMPF was amongst the best funded LGPS scheme with a funding level of 100% and its employer contributions were at the bottom end of the range, being 4%-5% below the national average. The funding level of GMPF compared to the LA average is illustrated in Chart 8 below.

Chart 8 – Comparison of GMPF Funding Level v LA Average



- 3.6.4. The 2010 actuarial valuation has not yet been finalised, but the funding level is expected to have fallen and it is likely that the costs of future service will increase because of the need to provide for longer life expectancy. The main negative factors were investment returns less than expected and the need to provide for improvement in life expectancies. The financial assumptions on which this valuation is based reflect a public sector pay freeze and the change in basis for calculating inflation for pensions increase and revaluation of deferred benefits from RPI to CPI. Treasurers have been advised to provide for increases in employer contributions. Confirmation of revised rates is expected before Christmas when there is more clarity on the Government's possible changes to the Scheme and the valuation assumptions have been finalised.
- 3.6.5. At the 2007 valuation, Manchester was the best funded of the Greater Manchester authorities, and it is likely to continue to be the case in 2010 (subject to the impact of transfers to new employers). It also had the lowest employer contribution rate of the GM authorities at 13.6%, which also reflected some stabilisation that was applied to the Manchester rate. Another factor that has been beneficial has been the relatively low costs of early retirement experienced by the Council in recent years. Looking forward the proportion of Manchester employee related liabilities is currently at the lower end of the range. This will have an impact on deficit recovery and it is likely to lead to increased volatility of cost, because of the smaller base (to spread surpluses / recovery deficits).
- 3.6.6. The areas in which an employer can influence its pension costs include being aware of and managing the impact of:
- pay increases;
 - early retirements; and
 - transfers

Clearly, the liability structure of the employer (mix between employees deferreds and pensioners) can also have a material impact on outcomes. As an employer's liability profile matures it is important for the employer to understand the risks and rewards of investments that do not match the liability profile. Manchester has a very good understanding of the factors driving the valuation results and where it can influence such results.

3.6.7. The 2010 actuarial valuation has not yet been finalised. An update will be provided at the meeting.

3.7. Financial Reporting Standard 17 (FRS 17)

3.7.1. The actuarial valuation process outlined above determines employer contribution rates. The assumptions assume a strong employer covenant and an on-going commitment from the employer. This allows longer term strategic decisions to be taken on investment strategy and allows some account to be taken of asset out-performance v gilts. The aim is to ensure that the existing assets and future returns and contributions will be sufficient to meet future benefit payments from the Fund.

3.7.2. FRS 17 is an accounting standard, the purpose of which is to facilitate comparison of the pension obligations of employers. The calculations are carried out using a prescribed method and some of the assumptions are also prescribed. However, the assumptions used are the employers and agreed with their auditors with the Fund's actuary advising the employer of his standard assumptions.

3.7.3. Last year (2009/10) was an excellent year for Fund returns (return 36.5%). However there was a significant deterioration in the funding position as illustrated in Table 3 below. The reason for this is that the financial assumptions of March 2010 are less favourable than at March 2009 and the mortality assumptions have been strengthened to reflect improvement in life expectancy. The "real discount rate" has decreased by 2.1% because of the fall in corporate bond yields and an increase in inflation expectations. This increases the value of liabilities for the average employer by around 45%. The increase in future life expectancy has added up to 6% to liabilities.

Table 4 – Manchester LGPS FRS 17 Results

(i) Financial Assumptions used at 31/03/2009 and 31/03/2010 for determining the funding position

	31st March 2010 % pa		31st March 2009 % pa	
	Nominal	Real	Nominal	Real
Inflation/Pension Increase	3.8		3.1	
Pay Increases	5.3	1.5	4.6	1.5
Discount Rate (AA corp bond)	5.5	1.7	6.9	3.8

(ii) Funding Position

	31 st March 2010 £m	31 st March 2009 £m
Assets	1,877.4	1,392.7
Liabilities ⁽¹⁾	2,736.9	1,642.7

⁽¹⁾ Excludes unfunded liabilities (added years) re LGPS and Teachers

3.7.4. There has been exceptional volatility in FRS 17 deficits in recent years caused by significant shifts in asset values and interest rates on corporate bonds. With hindsight, the assumptions used by the actuary for the 2010 FRS 17 valuation are likely to be too cautious because of:

(i) the change in basis of calculating inflation from RPI to CPI (for determining pension increase and revaluing deferred benefits) – the Actuary's long term forecast is that CPI will be 0.5% less than RPI;

(ii) no account was taken of the pay freeze in the public sector announced in June.

4. CURRENT SCHEME DEVELOPMENTS

4.1 The next three to five years is likely to be an exceptional time for managing and administering a local government pension fund.

4.2 The new Government has set out its spending plans with ministers/departments being asked to identify savings proposals. The impact of reducing public expenditure will, of course, have an impact on many employers within the Fund. Local authorities will, for some services, look at alternative approaches to service delivery. This is likely to lead to an increase in the number of employers. Some service providers that are employers within the Fund will see significant reductions in their contracts or grant. It is likely that some organisations will no longer be able to continue.

4.3 The Government is also legislating for major reforms in services such as health and education. Academies will be separate scheme employers and therefore as the number of academies grows so will the number of Scheme employers.

4.4 The Government Commission's (Lord Hutton) will look to implement the first phase of the pension proposals e.g. increasing employee contributions in the near future. The Commission will produce its final report in time for the 2011 budget. This is likely to recommend fundamental change to the design of the Scheme.

4.5 Emergency Budget

In the emergency Budget, two measures were introduced that will increase funding levels by approximately 10% across the Fund as a whole. These were:

- Changing the basis of calculating inflation (from RPI to CPI) for determining pension increase and the revaluation of deferred benefits; and

- A public sector pay freeze for two years.

4.6 The Government is also progressing a number of other pension changes. These include:

- **State Pension Age** - The timetable set in 2007 was for the State pension age to rise to 66 by 2026, to 67 by 2036 and 68 by 2046. The Government is currently consulting on increasing the State pension age sooner and the Chancellor announced in the CSR that the retirement age would be increasing to 66 in 2020.
- **Review of MP's Pension Fund** - The Senior Salaries Review Board has issued its report following their review of the MP's pension fund.
- **Pension Tax Changes** - At the end of July, HM Treasury issued a discussion document on an alternative approach to the restriction of pension tax relief. The outcome is a reduction in the lifetime limit to £1.5m (from £1.8m) and the annual allowance to £50,000 (from £255,000). This will result in some scheme members (generally those long serving and relatively well paid that have benefited from a promotion) paying tax on the value of the increase in their pension above the annual allowance (with protections).

4.7 Likely impact on GMPF and its employers

There will be changes in the membership of the Fund. The number of employee members will reduce as employers reduce the size of their workforce and reduce the number of new appointments. Some employee members will choose to stop participating in the Fund. Total membership may continue to increase marginally with the reduction in employee members being more than offset by the growth in pensioner and deferred members. There are currently over 100,000 employee members, a 10%-20% reduction over say a 3 years period would result in a reduction of 10,000 to 20,000 active members.

The number of employers is likely to increase as schools opt for academy status and local authorities and other employers decide to change the way they deliver some services.

Some employers will stop participating in the Fund because they are no longer viable operations or their funding has ceased.

There are likely to be changes in the LGPS benefit design.

The investment strategy of the Fund continues to develop over time.

5. SUMMARY AND CONCLUSIONS

- 5.1 The next 3-5 years is likely to be an exceptionally challenging period for GMPF and the employers that participate in the Fund.
- 5.2 The Fund has an excellent long term investment track record and it benefits from economies of scale. This has led to the Fund being amongst the best funded LGPS schemes in the country with employer contribution rates at the bottom end of the range.
- 5.3 Manchester was the "best funded" of our local authorities in 2007 and is expected to maintain its position in 2010.
- 5.4 Employer contributions are expected to increase with effect from April 2011.