



# Report & Accounts **2014**





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# Chair's introduction



The Fund has had a very successful last 12 months, it:

- has achieved solid investment returns in absolute and relative terms of 7.0% with the value of the Fund increasing to £13.3 billion;
- has maintained its position amongst the best funded of LGPS funds at the 2013 actuarial valuation which means employer contribution rates are, on average, at the lower end of the range;
- was successful in being selected by the Ministry of Justice to be the one Fund to administer LGPS for probation staff. This will increase the membership of the Fund by around 40,000 and increase assets by £3 billion following the regulatory changes that took effect from 1 June 2014.

Whilst the Fund is maintaining its successful track record, the challenges of running a pension fund in the current environment continue. This is driven by two main factors,

- the impact of austerity measures on employees and employers. This has resulted in workforces shrinking and a potential weakening of the covenant strength of some of the Fund's employers; and
- the measures that the Bank of England has taken to support the economy and in particular base rates being maintained at 0.5% for a fifth year and the impact of quantitative easing (QE) that has resulted in exceptionally low long term interest rates. This has resulted in a higher value being placed on the value of pension promises earned that is only partially offset by investment returns and means deficits have increased between the 2010 and 2013 valuations.

Looking forward, there continues to be a number of significant economic challenges and the expected increase in interest rates and unwinding of QE makes it a challenging return environment in the medium term. From my perspective these structural changes of

reducing employee membership and increasing maturity of liabilities set in the context of the current economic environment, together with the need to manage the Fund's deficit continues to be the biggest challenge that we face.

The Panel and I continue to focus on factors that will help deliver our long term aim, "to provide secure pensions effectively and efficiently administered at an affordable and stable cost to employers."

## Funding Issues

GMPF remains amongst the best funded of LGPS funds with relatively low employer contributions.

The 2013 Actuarial Valuation process concluded in March 2014.

Investment returns exceeded the Actuary's assumption made in the 2010 valuation, but the impact of the fall in yields on Government bonds more than offset the investment gains through the adverse impact this has on the valuation of pension promises earned.

The funding level has reduced to 90.5% based on the Actuary's assumptions. Actuaries to LGPS funds have adopted a range of assumptions and this makes comparisons more difficult. On a like for like basis, GMPF is expected to be the 2nd or 3rd best funded nationally out of the 89 regional funds.

The Fund's average employer contribution rates continue to be at the lower end of the range.

The consequence of changes in membership is to increase potential volatility of cost and affordability to the employer. Key to long term success in managing volatility and affordability will be ensuring that the Fund is ready to take advantage of the opportunities that arise to reduce investment risk at an affordable cost to employers.

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## Investment Performance

A solid year with returns of 7.0%.

The Fund's return of 7.0% compares favourably with the local authority average of 6.4%.

GMPF has an excellent long term track record and this is detailed on page 13. It is this long term strong performance that has underpinned the funding level. The impact of investment returns on contributions is growing as illustrated by the fact that a 1% investment return equates to 8% of pay and this ratio will continue to increase in the future.

## Membership Changes

The recent announcements by the Chancellor flagging further local authority budget reductions through to 2017, makes an exceptionally testing period for employers and employees. Most fund employers will continue to reduce their workforce during this period and a reduction in excess of 30% is expected from the peak in 2008 and further pay restraint can be expected. These reductions will in part be offset by more employers needing to "auto-enrol." There will also be the boost to membership from the Probation Service consolidating in the Fund.

Last year, we welcomed 42 new employers to the Fund which means we now have 364 contributing employers. Much of this increase relates to employers created out of transfers from existing employers, such as new academy schools.

## Regulation and Legislative Change

2014 Scheme up and running and further wide ranging changes being considered.

We now have LGPS 2014 operational. This has career averaging of pay as the basis of determining members' benefits and the introduction of a 50/50 scheme whereby 50% of the benefits are accrued for half the cost by the employee. Those members with relatively stable earnings will generally gain from the change. The administration of the scheme has been difficult to implement because there were delays in finalising the transitional regulations with knock on system implications. These teething problems are being gradually overcome and services to members and employers are returning to normal levels.

In an ideal world we now need stability in the LGPS to encourage and support pension saving. The big challenge will be affordability and in particular if investment returns do not help reduce deficits across LGPS funds.

The Government has been undertaking a consultation on affordability and managing deficits through the "Call for Evidence" process. On a closely related matter it is also consulting on governance matters that includes a national Scheme Advisory Board and Local Boards. In our response to these consultations we have focussed on the key requirements for effective governance, which includes

stability of arrangements, economies of scale in terms of value for money and the ability to buy in expertise and broad governance arrangements. We also flag that the ever increasing complexity of managing an LGPS fund necessitates having as many tools in the kit bag as possible including active management of assets where appropriate and recognising the benefits of collaboration. Copies of our responses are published on the Fund's website.

The introduction of the single tier State pension and the end of "contracting out" in 2016 is potentially a very costly matter for employers. This cost is estimated at 2% of the pay bill per annum and it is important that Government brings in measures that mitigate the impact on LGPS employers.

## Local Investment

We continue to progress local investment opportunities with the twin aims of commercial returns and supporting the area.

Some examples include our flagship office development at 1 St Peter's Square in Manchester, which is nearing completion; we have started to build 240 homes in a joint venture with Manchester City Council; and we are a partner in the Airport City development. All these investments are expected to deliver good returns for the Fund and have economic and/or regenerative benefits for the North West.

## Conclusion

This is an exceptional time to be managing a pension fund. The issues I have commented on together with a continued expectation of improving life expectancy flag the complexity and challenge of offering a good, affordable pension scheme to employees and employers.

We have long recognised the need to keep members informed and work closely with employers and be able to respond to the changes that the future brings. We also need to balance the short and long term needs of employers in a prudent way from a Fund perspective.

GMPF has a long term successful track record reflected in its funding level and reputation. This year the Fund won the Large Scheme of the Year and Best Member Communications Awards from Professional Pensions Magazine. The Panel and I will continue to take decisions from a long term perspective to help maintain our success.

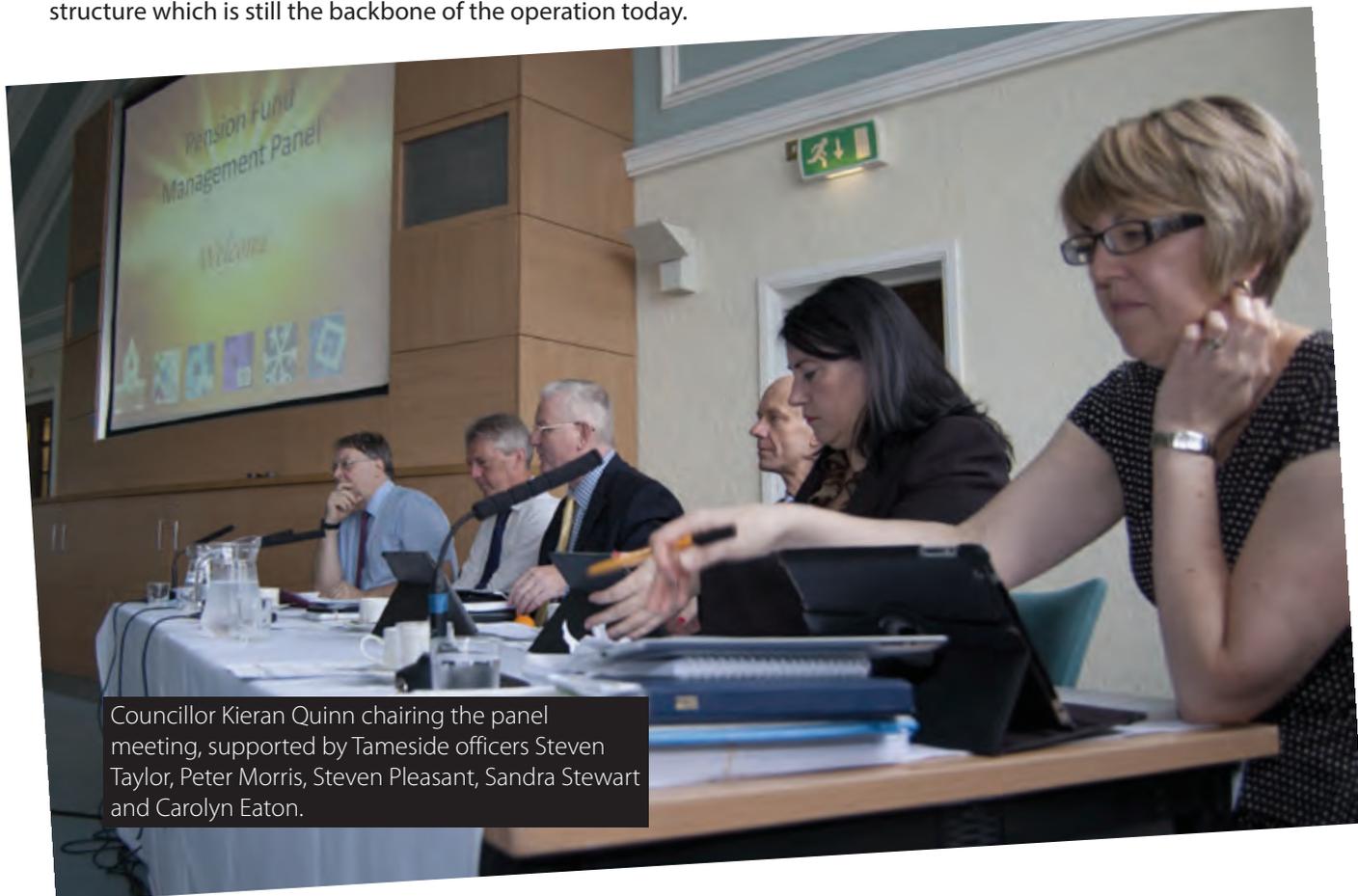
I thank the members of the Panel, the Advisors, Investment Managers and not least our staff for their work over the last 12 months.



Councillor Kieran Quinn  
Chair, Pension Fund Management Panel

# Management structure

Tameside MBC became GMPF's administering authority in 1987, and established a management structure which is still the backbone of the operation today.



Councillor Kieran Quinn chairing the panel meeting, supported by Tameside officers Steven Taylor, Peter Morris, Steven Pleasant, Sandra Stewart and Carolyn Eaton.

## Pension Fund Management Panel

The Management Panel carries out a similar role to the trustees of a pension scheme. They are the key decision makers for:

- Investment management
- Monitoring investment activity and performance
- Overseeing administrative activities
- Guidance to officers in exercising delegated powers

## Pension Fund Advisory Panel

The Pension Fund Advisory Panel works closely with the Management Panel, and advises them in all areas. Each local authority is represented on the Advisory Panel, and there are six employee representatives nominated by the North West TUC.

The members of the Panels as at 31 March 2014 are listed on page 8.

## External advisors

Three external advisors assist the Advisory Panel, in particular regarding investment related issues. A key element is helping them to question the portfolio managers on their activities. The advisors are :



**RS Bowie,**  
Senior Partner,  
Hymans Robertson



**P Moizer,**  
Professor and Dean  
of Business School,  
University of Leeds



**J Hemingway,**  
Investment Manager

## Working groups

GMPF also has six permanent working groups, which consider particular areas of its activities and make recommendations to the Management Panel. These working groups cover:

- Alternative Investments
- Business Development & Local Investment
- Employer Funding Matters
- Ethics & Audit
- Pensions Administration
- Property

To reflect GMPF's responsible and flexible approach to governance it was considered appropriate to establish a time-limited working group (the MoJ Project Board) during the year to effectively project manage and oversee the transfer of the probation service's LGPS membership and assets (circa £3 billion) to GMPF and ensure expedient and efficient decision making.

Sandra McKie from Hymans giving an update on the migration of probation service members nationwide to GMPF.



## Frequency of meetings

The Panels and working groups typically meet quarterly and GMPF's active investment managers attend all Panel meetings. Both active managers also attend the Ethics and Audit working group annually to report on corporate governance and responsible investment matters.



The Alternative Investments Working Group in action (top) while Councillors Susan Quinn and Jackie Lane take part in the Business Development and Local Investment Working Group

Statements published on GMPF's website:

**Funding Strategy Statement** The statement sets out how the Management Panel balances the conflicting aims of affordability, stability and prudence in the funding basis.

**Governance Policy and Governance Compliance Statement**

GMPF is required to maintain and publish its Governance Policy and Governance Compliance Statement detailing its governance arrangements.

**[www.gmpf.org.uk](http://www.gmpf.org.uk)** These statements are also available in hard copy on request.

## Management Panel

Councillor K Quinn - *Tameside (Chair)*  
Councillor D Buckley - *Tameside*  
Councillor GP Cooney - *Tameside*  
Councillor J Fitzpatrick - *Tameside*  
Councillor C Francis - *Tameside*  
Councillor J Lane - *Tameside*  
Councillor J Middleton - *Tameside*  
Councillor S Quinn - *Tameside*  
Councillor VP Ricci - *Tameside*  
Councillor M Smith - *Tameside*  
Councillor JC Taylor - *Tameside*  
Councillor D Ward - *Tameside*  
Councillor M Whitley - *Tameside*  
Councillor M Francis - *Bolton*  
Councillor J Grimshaw - *Bury*  
Councillor R Akbar - *Manchester*  
Councillor D Houle - *Oldham*  
Councillor P Joinson - *Rochdale*  
Councillor WB Pennington - *Salford*  
Councillor JN Pantall - *Stockport*  
Councillor A Mitchell - *Trafford*  
Councillor T Halliwell - *Wigan*  
R Sydee - *Ministry of Justice*



Members of the Management Panel and Advisory Panels are made up of representatives from the ten local authorities, and a selection of employee representatives nominated by the North West TUC.

## Advisory Panel

Councillor K Quinn - *Tameside (Chair)*  
Councillor M Francis - *Bolton*  
Councillor J Grimshaw - *Bury*  
Councillor R Akbar - *Manchester*  
Councillor D Houle - *Oldham*  
Councillor P Joinson - *Rochdale*  
Councillor WB Pennington - *Salford*  
Councillor JN Pantall - *Stockport*  
Councillor A Mitchell - *Trafford*  
Councillor T Halliwell - *Wigan*

## Employee representatives

D Schofield - *GMB*  
J Thompson - *UCATT*  
M Baines - *UNISON*  
M Rayner - *UNISON*  
F Llewellyn - *UNITE*  
A Mulryan - *UNITE*

## Officers to GMPF

The Executive Director of Pensions is the administrator of the Fund, and acts as the link for members, advisers and investment managers between meetings.

The Chief Executive and Executive Director of Governance provide legal and secretarial services to the Management and Advisory Panels. The Executive Director of Finance is responsible for the preparation of GMPF's Statement of Accounts.

S Pleasant,  
*Chief Executive, Tameside MBC*

P Morris,  
*Executive Director of Pensions, Tameside MBC*

SJ Stewart,  
*Solicitor to the Fund, Executive Director of Governance, Tameside MBC*

P Williams,  
*Executive Director of Finance, Tameside MBC*

## Consulting Actuary

The Fund's Consulting Actuary is Hymans Robertson.

# Top 20 equity holdings



## Major holdings

GMF publishes a list of all its equity and bond holdings each year, following the completion of its external audit. The list can be found on GMF's website at:

[www.gmpf.org.uk/investments/holdings.htm](http://www.gmpf.org.uk/investments/holdings.htm)

# Investment report

## Investment management

Management of GMPF's assets is determined within the context of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended. These require GMPF to have regard to both the diversification and suitability of its investments and to take proper advice in making investment decisions.

During 1994, the Management Panel decided to separate GMPF's assets into two distinct parts - a Main Fund and a Designated Fund - in order to reflect a major difference between most of GMPF's employers and that of a small number of employers in their liability profiles. The Designated Fund is used for employers who have a very high proportion of pensioner liabilities.

At 31 March 2014, the total Fund value was £13,284 million. Of this total, £12,986 million was held in the Main Fund and invested across a broad spread of assets whilst £298 million was held in the Designated Fund and invested almost wholly in UK index-linked gilts and cash.

The portfolios of the Designated Fund are passively managed in-house.

During the course of 2000/2001 an extensive review of the external management arrangements of the Main Fund was undertaken. This review culminated in the adoption of a Fund specific benchmark and the appointment of UBS Global Asset Management (UK) and Capital International as active managers and Legal & General Investment Management as passive manager. UBS and Capital manage the securities portfolios investing in equities, fixed interest and index linked bonds on a multi-asset discretionary basis, whilst Legal & General manage a multi-asset indexed securities portfolio.

In 2013, the Management Panel decided to introduce two new mandates, a global equity mandate and a debt mandate. These changes are currently being progressed.

GMPF published a Core Belief Statement on its website at [http://www.gmpf.org.uk/pdf/core\\_belief\\_statement.pdf](http://www.gmpf.org.uk/pdf/core_belief_statement.pdf) in 2009. This sets out the key underlying beliefs of the Management Panel in relation to investment issues and GMPF's overall approach to investment matters. These beliefs provide the bedrock rationale underpinning GMPF's investment activity.

The chart on the following page summarises the management arrangements for the Main Fund at the end of the year.

## Custody of financial assets and banking

GMPF uses an independent custodian - currently the JP Morgan Chase Bank - to safeguard its financial assets and the rights attaching to those assets. The Custodian is responsible for the safe-keeping of GMPF's financial assets, the settlement of transactions, income collection, overseas tax reclamation and other administrative actions in relation to the investments.

GMPF's banker is Royal Bank of Scotland.

The remaining comments and results in this Investment Report relate solely to the Main Fund.

## Investment strategy

In December 2000, the Panel adopted a Fund specific benchmark, which defines the proportion of the Main Fund to be invested in each asset class.

Each year, the Management Panel reviews the Main Fund's investment strategy and restrictions for the coming year. The benchmark in place during 2013/14 is summarised in the charts on the following page. A change implemented in 2012 has been to increase the overseas weighting to 60% of the total equity weighting and to rebalance the overseas equity split.

Each of the three managers has been given a specific benchmark reflecting their perceived skills and the relative efficiency of markets. The active managers are given ranges for each asset class allowing them to make tactical asset allocation decisions.

GMPF's target allocation to private equity is 4% of Main Fund value, which, at the year end, was implemented by new commitments to specialised funds of £100 million per year. GMPF also has a target allocation to Infrastructure funds of 3% of Main Fund value, which at the year end, was implemented by new commitments to specialised funds averaging £75 million per year. The target allocation to the 'Special Opportunities Portfolio' (SOP) is 5% of Main Fund value. Current realistic benchmark allocations for private equity, infrastructure and SOP are 2.5%, 1% and 1% respectively.

Statements published on GMPF's website:

### **Core Belief Statement**

This sets out the underlying beliefs of the Management Panel in relation to investment issues.

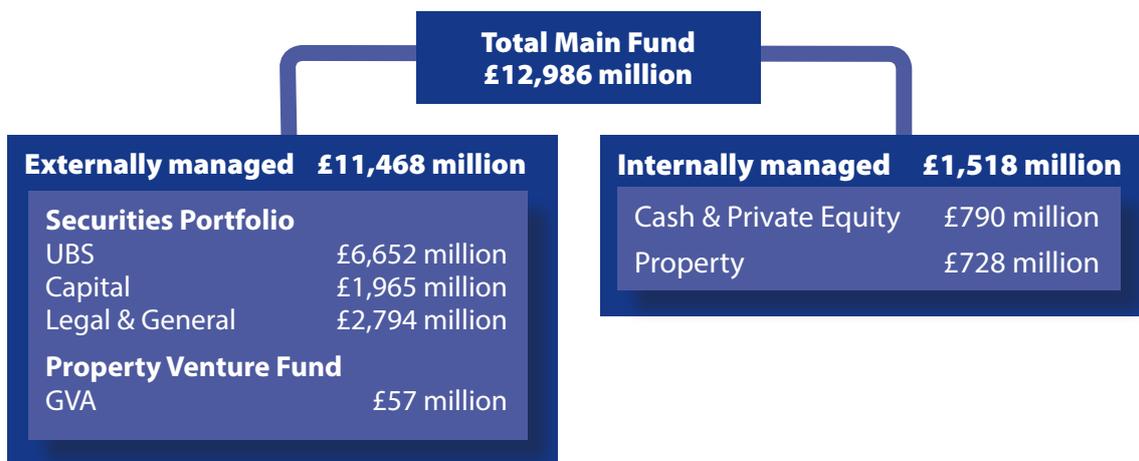
### **Statement of Investment Principles**

GMPF is required to maintain and publish a Statement of Investment Principles detailing its investment arrangements.

**[www.gmpf.org.uk](http://www.gmpf.org.uk)**

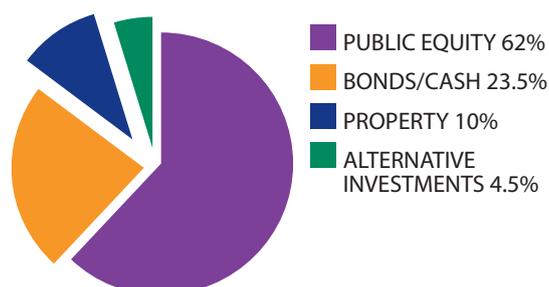
These statements are also available in hard copy on request.

## Management arrangements

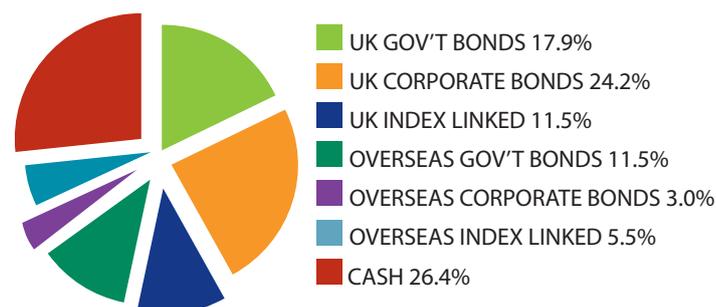


## Benchmark asset allocation

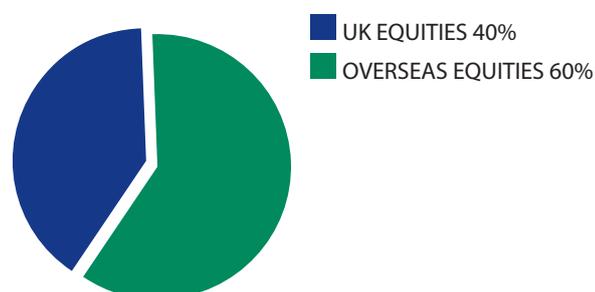
Major asset class split



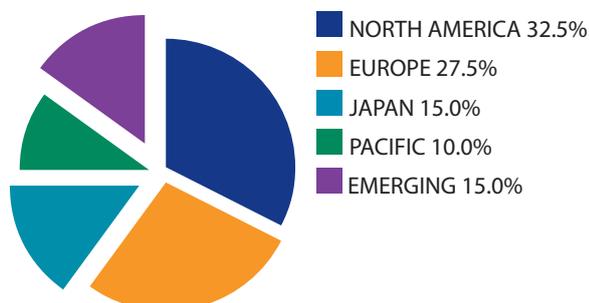
Bonds/cash split

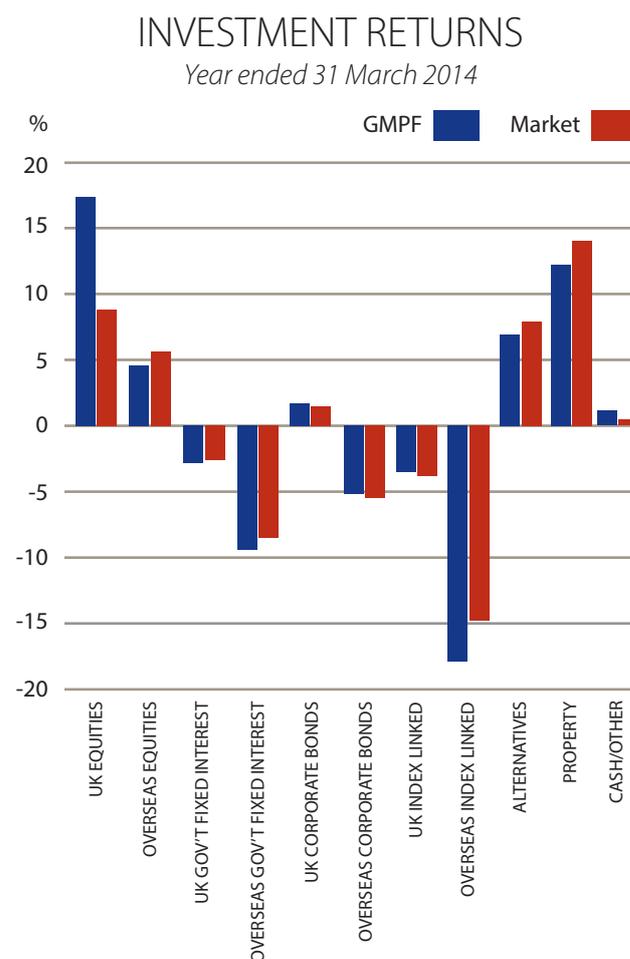
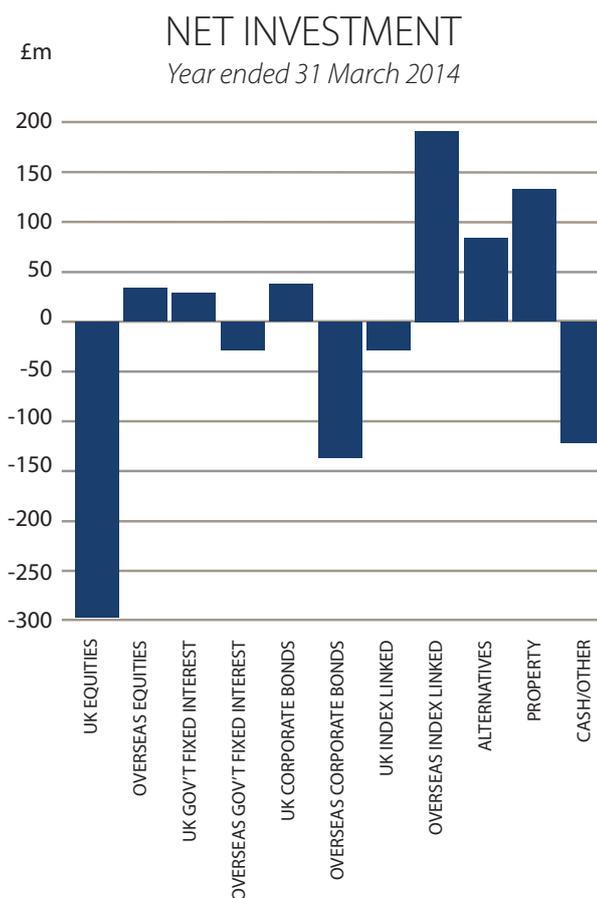


UK/overseas equity split



Overseas equity split





GMPF supports local investment through the Property Venture Fund (target allocation range up to 3% of the Main Fund) and other allocations. Such local investment is restricted to 5% of Main Fund value, with current commitments at 1%.

The graph top left shows the net effect, on an economic exposure basis, of the total investment activity of the Main Fund during the year, based on the Panel's restrictions. As can be seen, during the year there has been a substantial switch out of UK Equities, Overseas Corporate Bonds and Cash with moves particularly into Overseas Index Linked, Property and Alternatives.

## Performance

The graph top right compares the return achieved by the Main Fund with the market/benchmark index return in each of the main investment categories during the year.

The year saw very substantial positive returns in UK Equities, with significant positive returns also being achieved in Overseas Equities, Property and Alternatives. Disappointing negative returns were achieved in Overseas Index Linked and Overseas Fixed Interest, reflecting – in part – the relative strength of Sterling.

The Main Fund achieved a return of 7.0% during the year and out-performed the benchmark index in UK Equities, UK Corporate Bonds, Overseas Corporate Bonds, UK Index Linked and Cash.

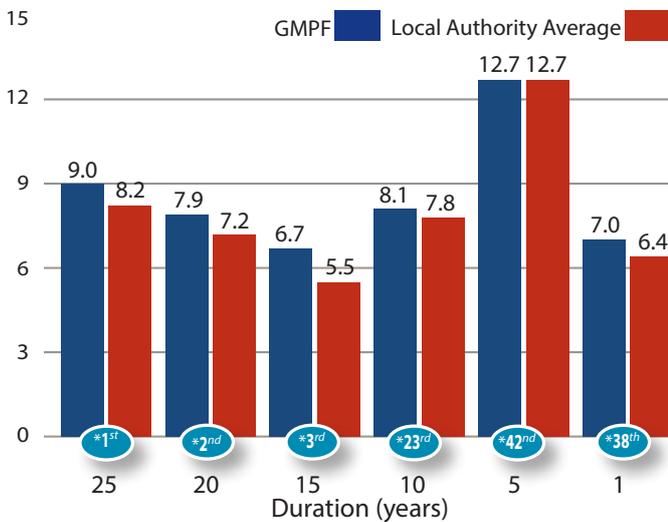
GMPF subscribes to WM's Local Authority Pension Fund Service in order to assess its performance relative to all other funds which operate under the same regulations. The graph top left on the following page looks at the Main Fund's performance as compared to the local authority average over various durations extending over 25 years. Over the long term the Main Fund has outperformed the average local authority by around 0.8% per year and, over periods of 15, 20 and 25 years, has ranked within the top 5% of such funds. Indeed, GMPF is the top performing local authority fund over the 25 year period, ranks second over the 20 year period and is third over 15 years.

## Portfolio distribution

The distribution of assets across the main investment categories within the Main Fund changes as a result of the investment strategy followed by the managers and the performance achieved within each investment category. These changes are shown, on an economic exposure basis, in the graph top right on the following page.

## PENSION FUND RETURNS

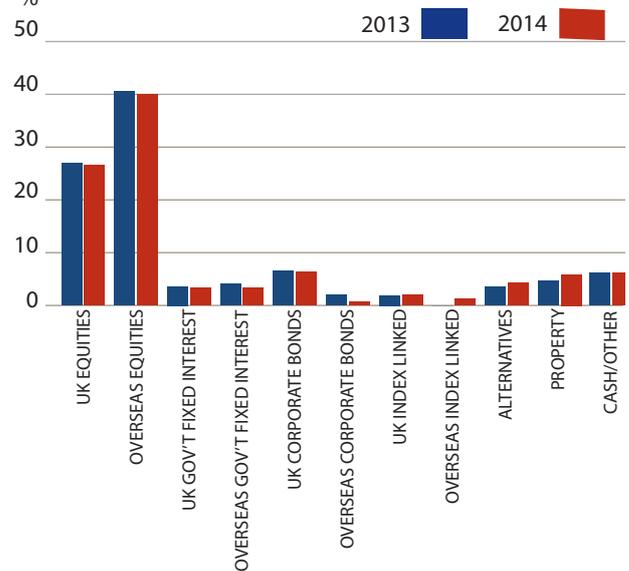
WM Local Authority Survey -  
Financial years to 31 March 2014



\*GMPF's rank within Local Authority funds

## PORTFOLIO DISTRIBUTION

Market value at 31 March



## Economic background 2014

There was a turbulent start to the financial year as markets reacted to comments from Ben Bernanke, Chairman of the Federal Reserve (Fed), that the Fed could start tapering its Quantitative Easing (QE) programme sooner than expected. While this signified the Fed's belief and optimism in the US economic recovery, the ensuing market panic caused several Fed officials to subsequently talk down Bernanke's statements.

In the UK, revised data from the Office for National Statistics showed that whilst there was no double dip recession at the turn of 2012, the 2009 recession had been much deeper than previously thought.

Events in China unsettled investors when interbank interest rates spiked to their highest levels since the financial crisis as the country's credit markets momentarily stalled. Weak manufacturing data indicated that growth was slowing with the authorities reluctant to embark on stimulus measures as they work to re-balance the economy away from investment towards consumption.

Data from Japan continued to support the initial surge from the Prime Minister's economic policies ('Abenomics') and the super-accommodative monetary stance.

Monetary policy decisions continued to take centre stage in the second quarter with expectations that the Fed would start its tapering programme in September. Ultimately the Fed did not taper but instead the US headed into a government shutdown over the fiscal budget. Having failed to reach an agreement on either a budget or a temporary solution, Congress forced a partial shutdown of the Federal government.

Otherwise political risk proved benign throughout the summer with a stand-off over the Syrian conflict, German elections, and Italian elections all being resolved with relatively little impact on markets.

In the UK, mortgage approvals hit a five-year high. This confirmed that the recovery was being driven by the housing sector, assisted by the BoE Funding for Lending Scheme and recent measures introduced by the Treasury.

The US government shutdown drama was the focus of the markets' attention in the first half of October and the issue was again dealt with by "kicking the can down the road". After initially surprising markets by not scaling back its bond buying in September, which led to a mini rally in the price of risk assets, the Fed finally began tapering its purchases of bonds in December. Consistently strong US macroeconomic data highlighted an improving labour market, a pick-up in manufacturing, solid consumer confidence and retail sales numbers.

In the UK, GDP data indicated that the economy expanded at a strong pace and activity was almost back to pre-crisis levels.

While financial stability risks in the Eurozone have diminished, overall growth has remained lacklustre. In November the European Central Bank (ECB) cut its benchmark rate to a record low of 0.25% pa in an effort to foster growth. European equity markets continued to rally throughout the final quarter of 2013 with the real economy starting to show signs of stabilisation if not recovery. The ECB also announced the Asset Quality Review (AQR) programme aimed at ensuring banks in the euro area are sufficiently capitalised. As the AQR continues throughout 2014, there should be further deleveraging which, barring any surprises coming out of the banks, should reduce risk.

Markets entered 2014 with hopes of the US economy returning to solid growth, providing support for global growth and helping the Eurozone on its way to recovery. The weather in the US, however, proved to be extremely severe with the cold and snow causing widespread disruption to economic activity. Furthermore, emerging market jitters and geopolitical conflict stemming from Ukraine contributed to US economic data and global market returns disappointing for most of the quarter.

In the Eurozone, data through the first quarter of 2014 was consistent with a moderate expansion of economic activity. The ECB kept interest rates at 0.25% pa, but took a slightly more "dovish" stance as it discussed explicitly for the first time the implementation of QE.



## UK & overseas equities: Ford Motor Company

Who can forget the iconic car chase in Bullitt featuring a Ford Mustang being driven through the streets of San Francisco by Steve McQueen? In fact the Mustang is the newest member of a very exclusive club – vehicles in continuous production by Ford for 50 years. The Mustang sits alongside Ford's global brands including the Fiesta, the iconic Ford Transit van, and the Focus – the best selling nameplate in the world.

And if you thought that self-driving cars were the stuff of science fiction, think again... engineers at Ford Europe have been working on a car that is able to park itself on demand - even if the driver is outside the vehicle!





## Private equity: Dr. Martens

GMF was one of the backers behind the Permira funds' £300 million acquisition of iconic footwear brand Dr. Martens. The deal adds to the Permira funds' portfolio of fashion businesses which already includes Hugo Boss and New Look.

Dr. Martens is a global footwear brand with a rich and diverse heritage. The company's deep-rooted links with music, sub-cultures and self expression have kept it at the forefront of youth culture for over 50 years.

With headquarters on the site of the original factory in Northamptonshire, UK, Dr. Martens is an iconic brand with unique positioning and clear brand values rooted in authenticity, individuality and non-conformism. It is sold in 63 countries worldwide, with key markets in the US, Asia and Europe.

The brand's most iconic product, the 1460 boot, was originally designed as a work boot, but was quickly adopted by the youth movement of the 1960s, and has remained popular ever since, with singers such as Gwen Stefani and Miley Cyrus introducing a new generation to the boots.



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## Private equity

The year saw improvements for US and European private equity. Strong performance was driven by new investment focussed on large buy-outs in the US and on the mid-market in Europe, whilst the pace of fundraising and exit activity also increased in both these regions. In contrast, deal activity, fundraising and exit activity slowed in Asia and the Rest of the World as these regions continued to be adversely impacted by ongoing general economic uncertainty. Overall, private equity remains poised for a period of strong activity. Valuations improved, to reflect improving trading conditions for portfolio companies and improving quoted market values, and many portfolio companies appear well positioned to take advantage of any sustained growth in the economy. The history of the private equity industry has shown that experienced managers that invest during recessionary periods have been able to generate above-average returns, as attractively priced opportunities become available

GMPF invests in private companies through pooled vehicles raised by specialised management teams. Seven new fund commitments and two additional commitments, together totalling £106 million, were made by GMPF during 2013/14. The portfolio of 91 active funds is diversified by stage of investment (from early stage investments to very large buyout investments) and geographic location across the UK, Europe, the US and Asia.

As at 31 March 2014, the target rate of annual new fund commitments was £100 million, the increase from £80 million being effective from 1 July, 2012. Of the £869 million committed to funds, some £620 million has been drawn down and invested by managers and £587 million has been returned to GMPF as distributions of sales of investments and income. The value of assets currently invested in private equity is £324 million.

During 2011, GMPF undertook a fundamental review of private equity performance measurement in conjunction with its specialist adviser (Capital Dynamics), leading to the adoption of a 'vintage year' approach. The 'since inception' performance remains stable, with an annualised return of 16.7% as at 31 March, 2014. 1980 vintage commitments have returned over 12% per year, whilst 1990 vintage commitments have returned over 25% per year. The performance of funds invested between 2000 and 2009 is almost 9% per year.

## Infrastructure

The infrastructure programme commenced in 2001 and GMPF's specialist adviser is Capital Dynamics Ltd. Two further new fund commitments totalling £60 million were made by GMPF during 2013/14 and the portfolio grew to 16 active investments, with two funds having already been fully realised.

The target rate of new fund commitments increased during the year to an average of £75 million per year, effective from 1 July, 2012 and, as the portfolio is immature, it is recognised that the 3% target allocation will take several years to achieve. Of the £242 million committed, some £105 million has been drawdown and invested by managers. In addition, £31 million has been received back through distributions of sales of investments and income.

As at 31 March 2014 the value of assets currently invested in infrastructure is £98 million. Although the infrastructure portfolio is immature, the 'since inception' performance is an annualised return of 6.3% per year as at 31 March, 2014.

## Special Opportunities Portfolio

GMPF established the 'Special Opportunities Portfolio' (SOP) in 2009/10 in order to broaden the range of assets in which it invests, to improve diversification and assist with stability, and to take advantage of opportunities as they arise or as market conditions allow.

One new investment of £35 million was made by GMPF in 2013/14, resulting in a portfolio of five investments. Of the £198 million committed/invested to date, some £134 million has been drawn down and invested by managers. In addition, £27 million has been received back through distributions of realisations and income. A number of potential opportunities remain under active consideration.

As at 31 March 2014 the value of the investments within SOP was £118 million. The short lifespan of the portfolio to date does not lend itself to the calculation of meaningful performance numbers, but overall positive returns have been generated since the first investment was made in 2009.

## Property

At 31 March 2014 GMPF's property portfolio comprised 52 directly-owned holdings and 8 indirectly-owned holdings. The portfolio was valued independently at 31 December 2013 at a total value in excess of £488 million.

There is an additional £258 million of investments in balanced property pooled vehicles. These are mainly for asset allocation purposes and have performed ahead of benchmark.

An active year saw the acquisition of a hotel in Cardiff let to Novotel, and completion of the purchase of two restaurants in Cambridge. Sales comprised office investments in Oxford, Altrincham, Uxbridge, and 2 offices in Windsor; also sales of shops in Blackpool and a retail warehouse in Norwich. With the exception of Uxbridge, properties sold were comparatively small in line with the Fund's strategy of reducing the number of its smaller holdings; also, disposing of properties, which were expected to under-perform, increasing the average size of the Fund's property holdings, and improving the quality of the portfolio's income stream. The Fund's holding in Legal and General's Industrial Property Investment Fund was also sold, late in 2013.

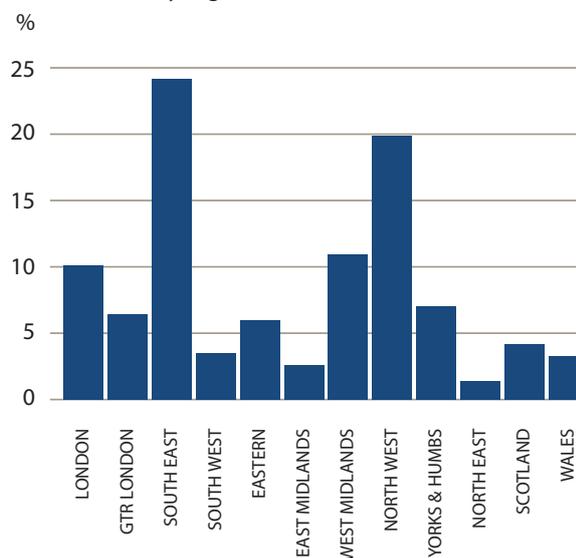
The directly-owned portfolio continues to be biased towards the retail sector, with an underweighting to the office sector and a broadly neutral weighting in industrials, although here the Fund's weighting to industrials within the South East is above its benchmark. The leisure sector now comprises over 5% of the combined portfolio (direct and indirect). Properties held in the directly-owned portfolio include shopping centres, retail warehouses, high street shops, mixed-use investments in suburban London, industrial estates, single-let industrial units, multi-let and single-let offices, restaurants and a hotel.

The portfolio of indirect holdings complements the directly-owned portfolio, by giving exposure to prime retail warehouse parks, leisure investments, Central London offices, and prime shopping centres. The Fund would find gaining exposure by direct acquisitions difficult in these sectors. Examples are Henderson's Central London Office Funds and Legal and General's Leisure Unit Trust.

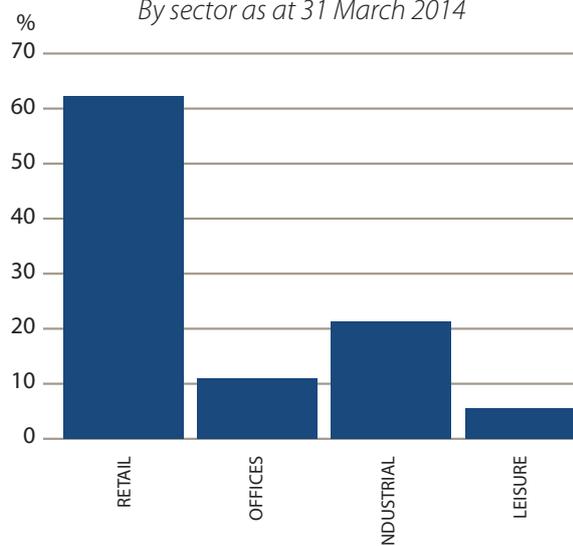
The aggregate total return for both directly-owned and indirectly-owned investments during 2013 was 12.3% compared with IPD's median fund return of 10.6%, ranking the portfolio on the 31st percentile.

## PROPERTY PORTFOLIO DISTRIBUTION

*By region as at 31 March 2014*



*By sector as at 31 March 2014*



### Property Performance for period ending 31 December 2013

Duration	GMPF	Benchmark
1 year	12.3%	10.6%
3 years	6.4%	6.8%
5 years	7.0%	8.0%
10 years	5.7%	6.2%
20 years	8.0%	8.4%

## Greater Manchester Property Venture Fund (GMPVF)

GMPVF has an allocation of up to £300 million, and creates property investments by a process of site acquisition, building design, direct property development and property letting/management, in order to generate state of the art office, residential, retail and industrial/workshop accommodation.

Since its establishment in 1990, GMPVF has developed more than 1 million square feet of commercial buildings within the Greater Manchester area.

GMPVF has the twin aims of generating commercial rate of return and supporting the area. GMPVF also seeks to make an environmental impact through regeneration. To date, all completed developments have generated a profit.

The target area for GMPVF is the North West of England with a particular focus on Greater Manchester. GVA, a firm of property consultants with national coverage, is the manager of GMPVF.

GMPVF has joined a partnership with Manchester Airport Group, Carilion and Beijing Construction and Engineering Group to develop Airport City on land within the Enterprise Zone adjacent to Manchester Airport. This £800m project will develop offices, advanced industrial, hotel and logistics accommodation, over the next 10 – 15 years.

The completion of the major new 270,000 sq feet office block, Number One St Peters Square, is due in August 2014. The development is jointly owned by GMPVF and Argent Estates Limited, with Carillion being the construction contractor.



Part of the new building was pre let to the international accounting firm KPMG. Marketing of the remaining space is progressing well reflecting the quality and location of the building and the limited supply of alternative accommodation.

GMPVF has formed a joint venture with Manchester City Council to develop 240 family homes across five sites in Manchester. The construction contractor - Wates Living Spaces has commenced on all sites, with the first homes being available from November 2014. A proportion of the houses will be for sale, with the remainder being available for rent via Places for People.

Chorlton Cross Shopping Centre, Manchester has recently been purchased, this site offers a redevelopment opportunity for a retail led town centre mixed use scheme, whilst producing an on-going rental income for GMPVF. Staff from GMPVF and GVA have met with officers and councillors from Manchester City Council to discuss the interim management strategy and the likely timescales for future redevelopment.

Other prospective development sites owned by the Fund include:

- The former Royal Mail Sorting Office, Stockport – the aim is to develop commercial accommodation;
- An office development in city centre Manchester;
- A 19 acre site known as Preston East located adjacent to Junction 31A of the M6;
- A site at Calver Park, Warrington.

The aim for the next two to three years is to continue to build a broad portfolio of investment opportunities.



Joint venture with Manchester City Council to develop homes across Manchester.

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## GMPF approach to ethical investments and corporate governance

GMPF invests in various company shares and bonds, government bonds, property and cash around the world and has an excellent long-term investment track record. This helps keep our employer contribution rates at the lower end of the range for local authorities and, in turn, enables the authorities to spend more money on front-line services whilst maintaining attractive pensions for staff.

We invest over 60% of GMPF's assets in well diversified portfolios of UK and overseas company shares. Further assets are invested in company bonds. GMPF has holdings in some of the largest companies in the world. You can see a list of GMPF's top twenty holdings on page 9 of this report and a full list of GMPF's holdings can be found on the Investments Homepage of GMPF's website: [www.gmpf.org.uk](http://www.gmpf.org.uk).

We have delegated the investment management of these portfolios of company shares and bonds to a small number of external professional fund management firms. However, we give the investment managers detailed guidelines within which to work.

The cornerstone of our policy on ethical investment is our interpretation of the legal position. In our view, applying ethical, environmental or any other non-commercial policy either to investments generally or to selecting fund managers, would be inconsistent with our legal duties and responsibilities. We also have a statutory responsibility to ensure proper diversification of investments. Thus we have a policy of not interfering in the day-to-day investment decisions of GMPF's investment managers. Moreover, we do not actively invest in or disinvest from companies solely for social, ethical or environmental reasons. This policy is described in Section 8 of GMPF's Statement of Investment Principles ([www.gmpf.org.uk](http://www.gmpf.org.uk)).

Although we will listen to special interest groups that oppose some of GMPF's investments, for example in alcohol, gambling or pharmaceuticals, we cannot let this detract from our duty.

Considerations such as these have led us to decide not to have or develop a detailed generalised ethical investment policy. We prefer to concentrate on developing a policy that involves using voting and other contacts to positively influence company behaviour. As responsible institutional investors we seek to influence companies' governance arrangements, environmental, human rights and other policies by positive use of shareholder power. An example of GMPF following this stance was our concerted involvement in a campaign to secure improvement in News Corporation's approach to corporate governance arrangements. However, none of this prevents us applying ethical or environmental criteria on a case by case basis if considered relevant and appropriate. For example, for many years we chose not to invest in South Africa. Moreover, the legal status of the Fund is such that all

property is held by Tameside MBC and consequently we would not do anything that conflicted with its statutory duties as a Local Authority.

The whole area of voting and exercising influence over the companies one holds shares in is known as 'corporate governance'. GMPF has a well-developed approach to such matters including:

- Issuing voting guidelines to our managers including, among other matters, a UK Environmental Investment Code which, where appropriate, we require the managers to apply in their voting behaviour;
- Having an Ethics and Audit Working Group whose role is to oversee corporate governance and related matters, including monitoring GMPF's external managers' voting behaviour and other relevant activity;
- Subscribing to the research and advisory service of PIRC Ltd who are an important advisor in this field;
- Monitoring developments in corporate governance and the activities of GMPF's managers in this area; and
- GMPF is also a member of the 'Local Authority Pension Fund Forum', which provides a large investor base to influence companies' corporate governance and social responsibility; and the Institutional Investor Group on Climate Change, a forum for pension funds and investment managers. Councillor Kieran Quinn, Chair of GMPF's Management and Advisory Panels is also Chair of LAPFF.

We have considered the possibility of investing in specialist ethical investment funds or vehicles, but our current view is that evidence on the returns of such funds or vehicles is not as clear as it might first appear. For example, the seemingly competitive returns of ethical funds or vehicles could simply be the result of the well-known 'small companies effect' and not the result of ethical investing at all. The small companies effect arises because small companies can give above average returns at different times within an economic cycle.

Ethical vehicles tend to invest more in small companies rather than large ones, because large companies are more likely to have dealings in areas that ethical vehicles dislike. For this reason and others, including that such investment would tend to run counter to our overall preference for using shareholder influence, GMPF does not invest in such specialist investment vehicles. However, we do review this periodically.

## Myners principles

In March 2001, Paul Myners published his Review of Institutional Investment. It was a wide ranging report on how some of the main players - trustees, actuaries, investment consultants and fund managers - carry out their roles. The Government supported the report's conclusions, and in October 2001, it issued a revised set of 10 investment principles.

In December 2004, HM Treasury published a consultation document reviewing progress made with the recommendations in the Myners Report. GMPF officers had participated in the review and GMPF considered the consultation document to be positive in terms of the Local Authority 'model' of appointing lay councillors working with GMPF officers giving expert advice.

The National Association of Pension Funds (NAPF), of which GMPF is a member, was also generally supportive of the review's findings and the revisions proposed to the current principles. NAPF undertook to carry out a further review in

2007 to assess progress. This NAPF review was published in November 2007 and a number of recommendations were made to update the Principles to ensure the continued spread of best practice.

The Government welcomed the NAPF review, launched a consultation paper in March 2008 and published a response to that consultation in October 2008 setting out a revised set of six investment principles. As required by the Regulations, the publication of CIPFA's Guidance on the Application of the revised Myners Principles in December 2009, prompted GMPF to consider its position in relation to the six revised principles in the context of its Statement of Investment Principles.

This section summarises the current GMPF position on the six revised best practice principles. Further comment is incorporated in the Statement of Investment Principles, the latest version of which was adopted by GMPF on 11 June, 2010.

**1. Effective decision making:** Key strategic investment decisions are taken by the Pension Fund Management Panel, for example asset allocation and investment management arrangements. In taking such decisions, the Panel receives advice from its Actuary, other external Advisors and in house staff. GMPF also incorporates specialist advice where appropriate, for example on private equity and corporate governance issues. Implementation decisions are delegated to the Executive Director of Pensions and external Managers. The training needs of Panel members are periodically considered by the Management Panel and suitable training arrangements are made. GMPF is developing its approach to the CIPFA skills and knowledge framework for members of the Management Panel. The Management Panel members participate in 4 formal training sessions per annum. This is supported by attendance at seminars and conferences and detailed consideration and discussion of specific issues at Working Groups.

**2. Clear objectives:** GMPF's investment objective is to help deliver low and stable employer contribution rates. This equates to a long term real rate of return of approximately 3% to 3.5% pa compared to RPI. An asset liability study undertaken during 2000 culminated in the adoption of a Fund specific benchmark, the current version of which is described on page 11. The Management Panel is developing a performance measurement framework to measure the overall performance of its Advisors.

**3. Risk and Liabilities:** The Management Panel has an active risk management programme in place. The overall approach to risk and the key risks and the measures to control them are detailed in GMPF's Statement of Investment Principles and its Funding Strategy Statement. GMPF continues to consider how to further develop its approach to assessing overall risk, mitigating unrewarded risk wherever possible, and identifying any residual risk.

**4. Performance Assessment:** The Management Panel currently undertakes informal assessment of its own decisions and the advice of the Advisors to, and officers of, GMPF and is developing its approach to formal assessment in these areas. The performance of external Managers is monitored on a quarterly basis (annually for property).

**5. Responsible Ownership:** Each external fund active manager is required to report their policy and activity in this area to GMPF's specialist "Ethics and Audit Working Group" on an annual basis. GMPF is developing its approach to measuring the effectiveness of its strategy. GMPF is a member of the Local Authority Pension Fund Forum (LAPFF) which promotes the investment interests of local authority pension funds and seeks to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest. Councillor Kieran Quinn, Chair of GMPF's Management and Advisory Panels was elected Chair of LAPFF in January, 2013. GMPF has adopted a Statement of compliance with the Financial Reporting Council's UK Stewardship Code, which replaced the Institutional Shareholders Committee's Code on the Responsibilities of Institutional Investors.

**6. Transparency and Reporting:** GMPF's Statement of Investment Principles, Funding Strategy Statement, Core Belief Statement and Governance Compliance Statement are published on GMPF's website together with a full list of holdings at the year end. The results of monitoring GMPF's investment managers are contained elsewhere in this Annual Report and Accounts which is also published on the website. All four documents are freely available in hardcopy to interested parties and their availability is publicised widely amongst scheme members. GMPF communicates at least annually with all its members. Pensioners are also invited to a biennial Forum.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL - GREATER MANCHESTER PENSION FUND

### Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Greater Manchester Pension Fund for the year ended 31 March 2014 under the Audit Commission Act 1998. 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 2013/14.

This report is made solely to the members of Tameside Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Executive Director of Finance and auditor

As explained more fully in the Statement of the Responsibilities of the Executive Director of Finance, the Executive Director of Finance 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### Mark Heap

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

4 Hardman Square, Spinningfields, Manchester M3 3EB

30 September 2014

## Fund account for the year ended

31 March 2013 £000		Note	31 March 2014 £000
<b>Contributions and benefits</b>			
(107,089)	Contributions from employees	5	(108,361)
(289,649)	Contributions from employers	5	(299,286)
(396,738)			(407,647)
(10,810)	Transfers in (individual)		(11,707)
(407,548)			(419,354)
497,698	Benefits payable	6	527,253
17,409	Payments to and on account of leavers	7	15,735
3,723	Administration expenses (net)	8	4,652
518,830			547,640
<b>111,282</b>	<b>Net withdrawals from dealings with members</b>		<b>128,286</b>
<b>Returns on investments</b>			
(269,421)	Investment income	9	(276,630)
(1,301,301)	Reduction/(increase) in market value of investments	11	(563,909)
1,943	Taxation	10	2,190
6	(Profit)/loss on foreign currency		2,164
11,178	Investment management expenses (net)	8	12,874
<b>(1,557,595)</b>	<b>Net (profit)/loss on investments</b>		<b>(823,311)</b>
(1,446,313)	Net increase in the Fund during the year		(695,025)
(11,142,716)	Net assets of the Fund at start of year		(12,589,029)
<b>(12,589,029)</b>	<b>Net assets of the Fund at end of year</b>		<b>(13,284,054)</b>

## Net Assets Statement at

31 March 2013 £000		Note	31 March 2014 £000
2,621,704	UK equities	11	2,743,255
3,241,218	Overseas equities	11	3,429,147
678,531	UK fixed interest corporate bonds	11	691,246
228,256	Overseas fixed interest corporate bonds	11	79,223
164,992	UK fixed interest government bonds	11	174,432
435,880	Overseas fixed interest government bonds	11	358,535
256,089	UK index linked government bonds	11	201,180
350	Overseas index linked government bonds	11	170,246
358,877	Investment Property	11	376,835
0	Derivative contracts	11	299
3,931,131	Pooled investment vehicles	11	4,287,243
643,529	Cash and deposits	11	704,032
84,947	Other investment assets	11	122,901
<b>12,645,504</b>	<b>Investment assets</b>		<b>13,338,574</b>
0	Derivative contract liabilities	11	0
(59,928)	Other investment liabilities	11	(64,796)
<b>(59,928)</b>	<b>Investment liabilities</b>		<b>(64,796)</b>
13,531	Current assets	11	30,179
(10,078)	Current liabilities	11	(19,903)
<b>3,453</b>	<b>Net current assets</b>		<b>10,276</b>
<b>12,589,029</b>	<b>Net assets of Fund</b>		<b>13,284,054</b>

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## 1. Notes to the Accounts

From 1 April 2010 GMPF was required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy. This requires that GMPF accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code. The financial statements summarise the transactions of GMPF and deal with net assets at the disposal of the Management Panel. They do not take account of obligations to pay pensions and benefits which fall due after the end of the GMPF financial year. Under IFRS, GMPF is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (Note 25). The full actuarial position of GMPF, which does take account of pension and benefit obligations falling due after the year end, is outlined in Note 22. These financial statements should be read in conjunction with that information.

## 2. Accounting Policies

**Basis of preparation:** The accounts have been prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred including contributions receivable and pension benefits payable. Transfer values are recognised on a received or paid basis.

**Financial assets & liabilities:** On initial recognition, GMPF is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through the fund account, or loans and receivables. Financial assets may be designated as at fair value through the fund account only if such designation (a) eliminates or significantly reduces a measurement or recognition of inconsistency, or (b) applies to a group of financial assets, financial liabilities or both that GMPF manages and evaluates on a fair value basis, or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

**Additional Voluntary Contributions (AVCs):** GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These AVC sums are not included in GMPF's financial statements because GMPF has no involvement in the management of these assets. Members participating in this arrangement each receive an annual statement confirming the amount held in their account and the movements in the year. Further details are provided in Note 24.

**Additional Voluntary Contributions Income:** Where a member is able and chooses to use their AVC fund to buy scheme benefits, this is treated on a cash basis and is categorised within Transfers In.

**Investment Income:** Interest, rent and dividends on fixed interest and equity investments and on short-term deposits has been accounted for on an accruals basis.

**Accrued Investment Income:** Accrued investment income has been categorised within investments in accordance with the Pensions Statement of Recommended Practice (SORP) (Revised May 2007).

**Foreign Income:** Foreign income is translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable at 31 March 2014.

**Foreign Investments:** Foreign investments are translated at the exchange rate applicable at 31 March 2014. Any gains or losses arising on translation of investments into sterling are accounted for as a change in market value of investment.

**Rental income:** Rental income from operating leases on investment properties owned by the fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents are only recognised when contractually due.

**Benefits:** Benefits includes all benefit claims payable by GMPF during the financial year.

**Investment values:** All financial assets are valued at their fair value as at 31 March 2014 determined as follows:

At 31 March 2013	Valuation basis/technique	Main assumptions
<b>Equities and bonds</b>	Pricing from market data providers based on observable price quotations.	Use of pricing source. There are minor variations in the price dependent upon the pricing feed used.
<b>Direct Investment Property</b>	Independent valuations for freehold and leasehold investment properties at fair value has been valued by Drivers Jonas Deloitte, Chartered Surveyors, as at 31 December 2013 subsequently adjusted for transactions undertaken between 1 January 2014 and 31 March 2014. The Greater Manchester Property Venture Fund portfolio has been valued as at 31 March 2014 by GVA. In both cases valuations have been in accordance with RICS Red Book.	Investment properties have been valued on the basis of open market value (the estimated amounts for which a property should exchange between a willing buyer and seller) and market rent (the expected benefits from holding the asset) in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual. The values are estimates and may not reflect the actual values.
<b>Indirect property (Part of Pooled Investment Vehicles)</b>	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.
<b>Derivatives</b>	Derivative contracts are valued at fair value. Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid market quoted price. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.	
<b>Private equity and infrastructure</b>	Valuation in accordance with International Private Equity and Venture Capital Valuation guidelines or equivalent.	Earnings multiples, public market comparables and estimated future cash flows.

At 31 March 2013	Valuation basis/technique	Main assumptions
<b>Special opportunities portfolio</b>	The funds are valued either in accordance with accounting standards codification 820 or with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transactions in similar instruments, discounted cash flow techniques, third party independent appraisals or pricing models.	In reaching the determination of fair value, the investment managers consider many factors including changes in interest rates and credit spreads, the operating cash flows and financial performance of the investments relative to budgets, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and assumptions are reviewed on an on-going basis.
<b>Cash and other net assets</b>	Value of deposit or value of transaction	Cash and account balances are short-term, highly liquid and subject to minimal changes in value.

**Financial instruments at fair value through the fund account:** Financial assets and liabilities are stated at fair value as per the Net Assets Statement which is prepared in accordance with the Pensions SORP (Revised May 2007), requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are designated as at fair value through the fund account are recognised in the fund account as they arise. The carrying values are therefore the same as fair values.

**Loans & receivables:** Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

**Cash and cash equivalents:** Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

**Acquisition costs of investments:** Acquisition costs of investments are included in the purchase price.

**Investment Management Expenses:** Investment management expenses are shown within the fund account on page 23. These costs are met from within the employer contribution rate. Certain of GMPF's external securities managers have contracts which include performance fees in addition to the annual management fees. The performance fees in 2013/14 are based upon one off, non-rolling, 4-yearly calculations. It is GMPF policy to accrue for any performance fees which are considered to be potentially payable.

**Net (Profit)/Loss on Foreign Currency:** Net (profit)/loss on foreign currency comprises the change in value of short-term deposits due to exchange rate movements during the year.

**Actuarial present value of promised retirement benefits:** actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, GMPF has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (see note 25).

**Derivatives:** GMPF uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. GMPF does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in fair value.

Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin.

Forward foreign exchange contracts, are over the counter contracts and are valued by determining the gain or loss that arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date.

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**Transfers:** Transfer values represent amounts received and paid during the period for individual members who have either joined or left GMPF during the financial year and are calculated in accordance with Local Governance Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. This reflects when liabilities are transferred and received. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

**Taxation:** GMPF is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

**Administration expenses:** Administrative expenses are accounted for on an accruals basis. The costs of administration are met by employers through their employer contribution rate. All staff costs of the administering authority's pension service are charged direct to GMPF.

## 2a. Critical judgements in applying accounting policies

Applying the policies, GMPF has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- GMPF will continue in operational existence for the foreseeable future as a going concern;
- No investments are impaired (further detail on the investment strategy and approach to managing risk can be found in Note 4).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. GMPF accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed below:

### Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities, infrastructure and special opportunities held via investment in specialist pooled investment vehicles at 31 March 2014 was £539,884,000 (£433,729,000 at 31 March 2013).

### Pension Fund Liability

The pension fund liability on an actuarial basis is calculated every three years by an appointed actuary. For the purpose of reporting the actuarial present value of promised retirement benefits, this liability value is updated annually in intervening years by the Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with Actuary and are summarised in note 25. This estimate is subject to significant variances based on change to the underlying assumptions.

## 3. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	At 31 March 2014		
	Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets:</b>			
Equities	6,172,402	0	0
Fixed interest	1,303,436	0	0
Index linked	371,426	0	0
Derivatives	299	0	0
Pooled investment vehicles	4,287,243	0	0
Cash	0	704,032	0
Other investment assets	122,901	0	0
Current assets	0	30,179	0
	<b>12,257,707</b>	<b>734,211</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	0	0	0
Other investment liabilities	(64,796)	0	0
Current liabilities	0	0	(19,903)
	<b>(64,796)</b>	<b>0</b>	<b>(19,903)</b>
<b>Total</b>	<b>12,192,911</b>	<b>734,211</b>	<b>(19,903)</b>

	At 31 March 2013		
	Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets:</b>			
Equities	5,862,922	0	0
Fixed interest	1,507,659	0	0
Index linked	256,439	0	0
Derivatives	0	0	0
Pooled investment vehicles	3,931,131	0	0
Cash	0	643,529	0
Other investment assets	84,947	0	0
Current assets	0	13,531	0
	<b>11,643,098</b>	<b>657,060</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	0	0	0
Other investment liabilities	(59,928)	0	0
Current liabilities	0	0	(10,078)
	<b>(59,928)</b>	<b>0</b>	<b>(10,078)</b>
<b>Total</b>	<b>11,583,170</b>	<b>657,060</b>	<b>(10,078)</b>

## Net Gains and Losses on Financial Instruments

All gains and losses were on financial instruments and these were at fair value through the Fund account. The net gain for the year ending 31 March 2014 was £543,760,000 (31 March 2013 £1,325,000,000).

### 3a. Valuation of Financial Instruments carried at Fair Value

The table below provides an analysis of the financial assets and liabilities of GMPF that are carried at fair value in the GMPF net asset statement grouped into levels 1 to 3 based on the degree to which fair value is observable. Further details of the values shown can be found in Note 11.

	At 31 March 2014			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	6,172,402	0	0	6,172,402
Fixed interest	0	1,303,436	0	1,303,436
Index linked	0	371,426	0	371,426
Derivatives	0	299	0	299
Pooled investment vehicles	0	3,339,166	948,077	4,287,243

	At 31 March 2013			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	5,862,922	0	0	5,862,922
Fixed interest	0	1,507,659	0	1,507,659
Index linked	0	256,439	0	256,439
Derivatives	0	0	0	0
Pooled investment vehicles	0	3,260,720	671,038	3,931,758

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine the fair values.

**Level 1:** Inputs to Level 1 are quoted prices on the asset being valued in an active market where there is sufficient transaction activity to allow pricing information to be provided on an ongoing basis. Financial instruments classified as Level 1 predominantly comprise actively traded shares.

**Level 2:** Level 2 prices are those other than Level 1 that are observable e.g. composite prices for fixed income instruments and fund net asset value prices. This is considered to be the most common level for all asset classes other than equities.

**Level 3:** Level 3 prices are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data. Such instruments would include the GMPF private equity and infrastructure investments which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples, public market comparables and estimated future cash flows.

The valuation techniques used by GMPF are detailed in Note 2.

A reconciliation of fair value measurements in Level 3 is set out on the next page.

31 March 2013 £000		31 March 2014 £000
373,871	Opening balance	671,038
77,467	Acquisitions	301,021
(51,559)	Disposal proceeds	(75,508)
232,697	Transfer into level 3	0
	Total gains/(losses) included in the fund account:	
8,090	- on assets sold	4,472
30,472	- on assets held at year end	47,054
<b>671,038</b>	<b>Closing balance</b>	<b>948,077</b>

GMPF has cash, other investment assets and liabilities which will mature in the next 12 months. No valuation technique is required in relation to these investments and therefore assignment to a level is not applicable.

#### 4. Financial risk management

The Management Panel of GMPF recognises that risk is inherent in any investment activity. GMPF has an active risk management programme in place and the measures which it uses to control key risks are set out in its Funding Strategy Statement (FSS).

The FSS is prepared in collaboration with GMPF's Actuary, Hymans Robertson LLP, and after consultation with GMPF's employers and investment advisors.

The FSS is reviewed in detail every 3 years in line with triennial valuations being carried out. A full review was completed by 31 March 2014.

GMPF's approach to risk measurement and its management is set out in its Statement of Investment Principles (SIP). The overall approach is to reduce risk to a minimum where it is possible to do so without compromising returns (e.g. in operational matters), and to limit risk to prudently acceptable levels otherwise (e.g. in investment matters).

The means by which GMPF minimises operational risk and constrains investment risk is set out in further detail in its SIP (available at [www.gmpf.org.uk](http://www.gmpf.org.uk)).

Some risks lend themselves to being measured (e.g. using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, GMPF employs the relevant approach to measurement. GMPF reviews new approaches to measurement as these continue to be developed.

GMPF's exposures to risks and its objectives, policies and processes for managing and measuring the risks has not changed throughout the course of the year.

## Market risk

Market risk is the level of volatility in returns on investments caused by changes in market expectations, interest rates, credit spreads, foreign exchange rates and other factors.

This is calculated as the standard deviation of predicted outcomes. GMPF is exposed to market risk through its portfolio being invested in a variety of asset classes.

GMPF seeks to limit its exposure to market risk by diversifying its portfolio as explained within its SIP and by restricting the freedom of its fund managers to deviate from benchmark allocations. The asset allocation has been made with regard to the balance between expected returns and expected volatility of asset classes and using advice from GMPF's investment advisor, Hymans Robertson LLP.

The table below shows the expected market risk exposure or predicted volatilities of GMPF's investments:

Asset type	Potential market movements (+/-)	
	31 March 2013 p.a.	31 March 2014 p.a.
UK equities	16.0%	16.6%
Overseas equities	19.0%	19.4%
Fixed interest - gilts	7.9%	6.9%
Index linked gilts	5.9%	5.0%
Corporate bonds	10.4%	9.6%
Overseas bonds	10.4%	13.2%
Property	14.5%	14.7%
Private equity	27.8%	28.4%
Infrastructure	14.4%	15.9%
Cash and other liquid funds	0.8%	0.6%
GMPF	11.7%	11.7%

The volatilities for each asset class and correlations used to create the total GMPF volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using Hymans Robertson Asset Model, the economic scenario generator maintained by Hymans Robertson LLP.

The overall GMPF volatility has been calculated based on GMPF's target split as at 31 March 2013 and 2014. The calibration of the model is based on a combination of historical data, economic theory and expert opinion.

This represents a departure from methodology used in previous years for illustrating risk exposure. Accordingly, the factors previously published for 2013 have been adjusted in order to provide a meaningful comparator.

Had the market price of GMPF's investments increased/decreased over a period of a year in line with the data within the table above, the change in the market value of the net assets available to pay benefits would have been as shown in the tables that follow.

Asset type	31 March 2014	% change	Value on increase	Value on decrease
	£000	p.a.	£000	£000
UK equities	3,451,263	16.6%	4,024,173	2,878,353
Overseas equities	5,191,954	19.4%	6,199,193	4,184,715
Fixed interest - gilts	445,495	6.9%	476,234	414,756
Index-linked gilts	404,049	5.0%	424,251	383,847
Corporate bonds	923,928	9.6%	1,012,625	835,231
Overseas bonds	596,914	13.2%	675,707	518,121
Investment property	785,221	14.7%	900,648	669,794
Private equity	442,070	28.4%	567,618	316,522
Infrastructure	97,619	15.9%	113,140	82,098
Cash and other liquid funds	1,000,061	0.6%	1,006,061	994,061
GMPF	13,338,574	11.7%	14,899,187	11,777,961

Asset type	31 March 2013	% change	Value on increase	Value on decrease
	£000	p.a.	£000	£000
UK equities	3,308,147	16.0%	3,837,451	2,778,843
Overseas equities	4,972,497	19.0%	5,917,271	4,027,723
Fixed interest - gilts	438,091	7.9%	472,700	403,482
Index-linked gilts	450,643	5.9%	477,231	424,055
Corporate bonds	1,052,731	10.4%	1,162,215	943,247
Overseas bonds	501,380	10.4%	553,524	449,236
Investment property	597,804	14.5%	684,486	511,122
Private equity	359,449	27.8%	459,376	259,522
Infrastructure	74,280	14.4%	84,976	63,584
Cash and other liquid funds	769,671	0.8%	775,828	763,514
GMPF	12,524,693	11.7%	13,990,082	11,059,304

### Interest rate risk

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of interest rates will contribute to the volatility of returns in all asset classes. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio. One area directly affected by interest rate changes is the level of income expected from floating rate cash instruments. As at 31 March 2014, GMPF had £172,828,000 invested in this asset class via a pooled investment vehicle. Therefore a 1% change in interest rates will increase or reduce GMPF's return by £1,728,000 on an annualised basis.

## Currency risk

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of foreign exchange rates will contribute to the overall volatility of overseas assets. GMPF's approach is to consider these risks in a holistic nature. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio including overseas assets which are separately identified.

## Credit risk

GMPF Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause GMPF to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of GMPF's financial assets and liabilities. The volatility of credit risk is encapsulated within the overall volatility of assets detailed in the table showing market risk.

In essence, GMPF's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative positions in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet Tameside MBC's (TMBC), as administering authority's, credit criteria. TMBC has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, TMBC invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had a "AAA" rating from a leading ratings agency.

TMBC believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits. GMPF's cash holding under its Treasury Management arrangements at 31 March 2014 was £655,711,000 (31 March 2013 £611,666,000). This was held with the following institutions.

Summary	Rating	Balance at 31 March 2013 £000	Balance at 31 March 2014 £000
<b>Money market Funds</b>			
Blackrock	AAA	50,000	31,900
Insight	AAA	50,000	50,000
J P Morgan	AAA	0	50,000
HSBC	AAA	0	50,000
SSGA	AAA	50,000	50,000
Goldmans	AAA	20,050	0
IGNIS	AAA	50,000	50,000
D B Advisors	AAA	0	50,000
Prime Rate	AAA	50,000	50,000
Morgan Stanley	AAA	0	50,000
Legal & General	AAA	50,000	50,000

<b>Summary</b>	<b>Rating</b>	<b>Balance at 31 March 2013 £000</b>	<b>Balance at 31 March 2014 £000</b>
<b>Banks</b>			
HSBC	AA	25,000	0
RBS	A	54,616	46,811
Bank of Scotland	A	50,000	50,000
<b>Local authorities &amp; public bodies</b>			
Salford	N/A	15,900	0
Gosport Council	N/A	5,000	0
Warrington Council	N/A	0	5,000
West Dumbartonshire Council	N/A	0	5,000
North Tyneside Council	N/A	0	5,000
Merseyside Police Authority	N/A	0	7,000
Lancashire CC	N/A	25,000	0
North Lanark	N/A	13,000	0
Blackpool Council	N/A	10,000	0
Falkirk Council	N/A	10,000	0
Aylesbury Vale Council	N/A	5,000	0
North Ayresshire Council	N/A	5,000	0
Birmingham City Council	N/A	0	25,000
Glasgow	N/A	0	25,000
Wakefield	N/A	5,000	5,000
Haringey Council	N/A	10,000	0
Leeds City Council	N/A	18,000	0
PCC For West Yorkshire	N/A	10,100	0
Rochdale MBC	N/A	10,000	0
Southampton Council	N/A	10,000	0
Mid Suffolk Council	N/A	5,000	0
South Ayresshire Council	N/A	5,000	0
		<b>611,666</b>	<b>655,711</b>

## Liquidity risk

Liquidity risk represents the risk that GMPF will not be able to meet its financial obligations as they fall due. TMBC therefore take steps to ensure that GMPF has adequate cash resources to meet its commitments. This will particularly be the case for cash from the liability matching mandates from the main investment strategy to meet the pensioner payroll cost; and also cash to meet investment commitments.

TMBC has immediate access to the GMPF cash holdings, with the exception of investments placed with other local authorities – where periods are fixed when the deposit is placed.

GMPF had in excess of £655 million cash balances at 31 March 2014.

All financial liabilities at 31 March 2014 are due within one year.

The majority of GMPF assets are liquid, their value could be realised within one week. The following table shows GMPF investments in liquidity terms.

31 March 2013 £000	Liquidity terms	31 March 2014 £000
11,374,160	Assets realisable within 7 days	11,904,164
45,100	Assets realisable in 8-30 days	72,500
68,900	Assets realisable in 31-90 days	0
1,036,533	Assets taking more than 90 days to realise	1,361,910
<b>12,524,693</b>	<b>Total</b>	<b>13,338,574</b>

Management prepares periodic cash flow forecasts to understand and manage the timing of GMPF's cash flows. The appropriate strategic level of cash balances to be held is a central consideration when preparing GMPF's annual investment strategy.

The effects of reductions in public expenditure are expected to result in a significant maturing of GMPF's liabilities, with fewer employee members and more pensioner and deferred members. However, when income from investments is taken into account, GMPF is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

## 5. Contributions

### By Category

31 March 2013 £000	31 March 2014 £000
(289,649)	(299,286)
(107,089)	(108,361)
<b>(396,738)</b>	<b>(407,647)</b>

### By Employer

31 March 2013 £000	31 March 2014 £000
(325,844)	(335,607)
(4,947)	(5,895)
(56,271)	(56,947)
(9,676)	(9,198)
<b>(396,738)</b>	<b>(407,647)</b>

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis by employer is contained in note 20 of these statements.

At the 2010 Actuarial Valuation, GMPF was assessed as 96.4% funded. Contribution increases are phased over the 3 year period ending 31 March 2014. The phasing results in minimal deficit contributions in aggregate, albeit some employers will make contributions in excess of their future service rate.

The contribution rates specified in the Actuarial Valuation are minimum contribution rates. Some employers have made voluntary payments in excess of these minimum rates. In addition, a small number of employers were required to make explicit deficit payments – details of these can be found in the 2010 Actuarial Valuation report located at [www.gmpf.org.uk](http://www.gmpf.org.uk). The 2013 Actuarial Valuation has been completed – details can be found in Note 22.

## 6. Benefits Payable

### By Category

31 March 2013 £000		31 March 2014 £000	
405,610	Pensions	425,907	
81,755	Commutation & lump sum retirement benefits	89,452	
10,333	Lump sum death benefits	11,894	
<b>497,698</b>		<b>527,253</b>	

### By Employer

31 March 2013 £000		31 March 2014 £000	
401,945	Part 1 Schedule 2 Scheme Employer	420,691	
15,671	Designating Bodies	16,976	
73,441	Community Admission Bodies	81,883	
6,641	Transferee Admission Bodies	7,703	
<b>497,698</b>		<b>527,253</b>	

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis by employer is contained in note 20 of these statements.

## 7. Payments to and on account of leavers

31 March 2013 £000		31 March 2014 £000	
0	Group transfers to other schemes	0	
17,342	Individual transfers to other schemes	15,710	
(8)	Payments for members joining state scheme	(12)	
(19)	Income for members from state scheme	(23)	
94	Refunds to members leaving service	60	
<b>17,409</b>		<b>15,735</b>	

## 8. Administration and investment management expenses

The costs of administration and investment management are met by the employers through their employer contribution rate.

### Investment Expenses

31 March 2013 £000		31 March 2014 £000	
1,314	Employee costs	1,301	
532	Support services including IT	623	
8,763	Management fees	10,377	
369	Custody fees	353	
55	Performance monitoring service	62	
145	Actuarial fees - investment consultancy	158	
<b>11,178</b>		<b>12,874</b>	

### Administrative Expenses

31 March 2013 £000		31 March 2014 £000	
2,744	Employee costs	2,934	
613	Support services including IT	1,166	
186	Printing and publications	258	
38	Pension fund management panel	35	
22	External audit fees*	25	
57	Internal audit fees	58	
63	Actuarial fees	176	
<b>3,723</b>		<b>4,652</b>	

\* Total fee paid to external auditors in 2013/14 is £56,341 (2012/13 £56,341) in addition to which a further £5,996 (2012/13 £5,996) is paid in relation to work carried out on behalf of GMPF's main scheme employers. This additional amount is recovered by GMPF from the relevant employers.

## 9. Investment income

31 March 2013		31 March 2014
£000		£000
(58,068)	Fixed interest (corporate and government bonds)	(51,969)
(169,264)	Equities	(177,638)
(6,152)	Index linked	(4,753)
(11,346)	Pooled investment vehicles	(23,621)
(23,033)	Property (gross)	(18,285)
2,601	Property non-recoverable expenditure	3,182
(3,643)	Interest on cash deposits	(2,598)
(516)	Stocklending	(803)
0	Underwriting	(145)
<b>(269,421)</b>		<b>(276,630)</b>

In accordance with IAS 12 Income Taxes, investment income includes withholding taxes and irrecoverable withholding tax is analysed separately as a tax charge. Income received by Legal and General pooled funds is automatically reinvested within the relevant sector fund and thus excluded from the above analysis. Similarly UBS pooled funds for Emerging Market Equities and UK Small Companies, Capital International pooled funds for Emerging Market Equities and High Yield Bonds, Aviva Investors Property Fund, Standard Life Pooled Property Pension Fund and Standard Life Investments UK Property Development Fund in which GMPF invest have income automatically reinvested with that fund.

## 10. Taxation

GMPF is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. GMPF is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which GMPF is unable to reclaim in 2013/14 amounts to £2,190,000 (2012/13 £1,943,000) and is shown as a tax charge.

As Tameside MBC is the administering authority for GMPF, VAT input tax was recoverable on all GMPF activities including expenditure on investment and property expenses.

## 11. Investments at fair value

The following tables analyse the carrying amounts of the financial assets and liabilities by category.

Value at 1 April 2013 £000		Purchases £m	Sales £m	Change in fair value £m	Value at 31 March 2014 £000
	<b>Designated as at fair value through the fund account</b>				
5,862,922	Equities	2,232,060	(2,472,500)	549,920	6,172,402
1,507,659	Fixed interest	1,318,061	(1,437,343)	(84,941)	1,303,436
256,439	Index linked	343,735	(196,462)	(32,286)	371,426
358,877	Property	29,964	(32,155)	20,149	376,835
0	Derivatives	0	(829)	1,128	299
3,931,131	Pooled investment vehicles	447,416	(201,243)	109,939	4,287,243
<b>11,917,028</b>		<b>4,371,236</b>	<b>(4,340,532)</b>	<b>563,909</b>	<b>12,511,641</b>
	<b>Loans and receivables</b>				
643,529	Cash				704,032
28,472	Other investments and net assets				68,381
<b>12,589,029</b>	<b>Total</b>				<b>13,284,054</b>

Value at 1 April 2012 £000		Purchases £m	Sales £m	Change in fair value £m	Value at 31 March 2013 £000
	<b>Designated as at fair value through the fund account</b>				
4,758,860	Equities	1,919,931	(1,628,410)	812,541	5,862,922
1,206,603	Fixed interest	1,586,241	(1,371,578)	86,393	1,507,659
490,299	Index linked	80,141	(331,317)	17,316	256,439
336,264	Property	61,187	(7,973)	(30,601)	358,877
574	Derivatives	4,725	(7,927)	2,628	0
3,458,916	Pooled investment vehicles	522,194	(463,003)	413,024	3,931,131
<b>10,251,516</b>		<b>4,174,419</b>	<b>(3,810,208)</b>	<b>1,301,301</b>	<b>11,917,028</b>
	<b>Loans and receivables</b>				
889,383	Cash				643,529
1,817	Other investments and net assets				28,472
<b>11,142,716</b>	<b>Total</b>				<b>12,589,029</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investment during the year.

Transaction costs are included in the cost of purchases and sale proceeds. They include costs directly charged to the scheme such as fees, commissions, stamp duty and other fees. The value of transaction costs incurred during the year amounted to £5,089,000 (2012/13 £3,854,000). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

## Equities

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
2,621,704	UK quoted	2,743,255
3,241,218	Overseas quoted	3,429,147
<b>5,862,922</b>		<b>6,172,402</b>

## Fixed interest

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
164,992	UK public sector quoted	174,432
435,880	Overseas public sector quoted	358,535
678,531	UK corporate quoted	691,246
228,256	Overseas corporate quoted	79,223
<b>1,507,659</b>		<b>1,303,436</b>

## Index linked

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
256,089	UK public sector quoted	201,180
350	Overseas public sector quoted	170,246
<b>256,439</b>		<b>371,426</b>

## Investment Property

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
328,400	UK - Main property portfolio	336,950
30,477	UK - Greater Manchester Property Venture Fund *	39,885
<b>358,877</b>		<b>376,835</b>

\* An amount of £17,290,000 relating to Greater Manchester Property Venture Fund has not been included in this total but is recorded under property unit trusts within Pooled Investment Vehicles analysis section of Note 11

All investment property is located in England, Wales or Scotland and, in order to reduce risk is diversified over several sectors which include high street retail, offices, industrial/retail warehousing and leisure. Gross and net rental income are shown in Note 9 of these accounts.

With the sole exception of one investment property, where a rent sharing arrangement is in place with the freeholder, no directly held investment property has restrictions on its realisation, remittance of income or disposal proceeds.

Committed expenditure in relation to investment property can be found at Note 17.

In accordance with the Investment Property Strategy set by the Management Panel, at 31 March 2014, the investment property manager had taken decisions to sell two investment properties and these were being actively marketed at this date. Their market values totalled £4,250,000.

The following tables summarise the movement in the fair value of investment properties over the year:

<b>Movement in the fair value of investment properties over the year</b>	<b>£000</b>
Balance at 1 April 2013	358,877
Purchases	28,535
Expenditure during year	1,429
Disposals	(32,155)
Net gains/ losses from fair value adjustments	20,149
<b>Balance at 31 March 2014 *</b>	<b>376,835</b>

\* Of which £4,250,000 relates to properties being marketed at 31 March 2014.

<b>Movement in the fair value of investment properties over the year</b>	<b>£000</b>
Balance at 1 April 2012	336,264
Purchases	52,941
Expenditure during year	5,184
Disposals	(10,575)
Net gains/ losses from fair value adjustments	(24,937)
<b>Balance at 31 March 2013</b>	<b>358,877</b>

### **Future Operating Lease Rentals Receivable**

<b>31 March 2013</b>		<b>31 March 2014</b>
<b>£000</b>		<b>£000</b>
21,039	Not later than 1 year	21,618
65,919	Later than 1 year, but not later than 5 years	68,153
159,378	Later than 5 years	167,229
<b>246,336</b>	<b>Total</b>	<b>257,000</b>

The future minimum lease payments due to GMPF under non-cancellable operating leases are stated above.

Where a lease contains a "tenant's break" clause, it is only up to this point that the aggregation is made.

## Derivatives

31 March 2013 £000		31 March 2014 £000	
<b>Investment assets:</b>			
0	FTSE 100 Index future	299	
<b>0</b>	<b>Net (liability)/asset</b>	<b>299</b>	

Derivative receipts and payments represent the realised gains and losses on futures contracts and forward currency contracts. GMPF's objective in entering into derivative positions is to decrease risk in the portfolio.

31 March 2014 Contract	Settlement Date	Economic Exposure £000	Market Value £000
FTSE 100 Index Futures	Within 3 months	39,523	299

The above table analyses the derivative contract held at March 2014. The asset is exchange traded.

## Pooled investment vehicles

31 March 2013 £000				31 March 2014 £000	
100,690	Managed funds	-property		103,029	
587,807		-overseas equity		528,527	
14,856		-overseas corporate bonds		16,405	
102,109		-UK private equity & infrastructure		107,218	
266,725		-overseas private equity & infrastructure		313,142	
44,771		-UK special opportunities portfolio		97,464	
18,267		-overseas special opportunities portfolio		20,436	
107,305		Unit trusts	-property		272,806
1,761	-overseas private equity			1,342	
97	-UK private equity			88	
29,314	Insurance policies	-property		32,551	
686,443		-UK quoted equity		708,008	
273,099		-UK fixed interest		271,064	
194,204		-UK index linked securities		202,868	
131,088		-UK corporate bonds		137,055	
163,624		-UK cash instruments		172,828	
1,143,471		-overseas quoted equity		1,234,279	
65,500		-overseas fixed interest		68,133	
<b>3,931,131</b>				<b>4,287,243</b>	

## Cash

31 March 2013 £000		31 March 2014 £000
610,738	Sterling	657,210
32,791	Foreign currency	46,822
<b>643,529</b>		<b>704,032</b>

## Other investments balances and net assets

31 March 2013 £000		31 March 2014 £000
37,387	Amounts due from broker	63,845
25,687	Outstanding dividends and recoverable withholding tax	28,628
21,533	Gross accrued interest on bonds	19,383
0	Gross accrued interest on loans	291
0	Investment loans	8,730
340	Other accrued interest and tax reclaims	2,024
<b>84,947</b>	<b>Other investment assets</b>	<b>122,901</b>
(59,663)	Amounts due to broker	(64,123)
0	Variation margin	(299)
(265)	Irrecoverable withholding tax	(374)
<b>(59,928)</b>	<b>Other investment liabilities</b>	<b>(64,796)</b>
8,916	Employer Contributions - main scheme	25,037
203	Employer Contributions - additional pensions	242
356	Property	519
4,056	Other	4,381
<b>13,531</b>	<b>Current assets</b>	<b>30,179</b>
(2,677)	Property	(8,629)
0	Employer contributions - main scheme	(33)
(1,784)	Employer contributions - additional pensions	(1,247)
(4,229)	Admin & Investment management expenses	(8,268)
(1,388)	Other	(1,726)
<b>(10,078)</b>	<b>Current liabilities</b>	<b>(19,903)</b>
<b>3,453</b>	<b>Net Current Assets</b>	<b>10,276</b>
<b>28,472</b>	<b>Other investment balances and net assets</b>	<b>68,381</b>

## 12. Local investments

GMPF invests within the North West of England with a focus on the Greater Manchester conurbation in property development and redevelopment opportunities. This programme of investments is delivered through Greater Manchester Property Venture Fund.

31 March 2013 £000		31 March 2014 £000
41,977	Greater Manchester Property Venture Fund	57,175

## 13. Designated Funds

A small number of employers within GMPF have a materially different liability profile. Some earmarked investments are allocated to these employers. The investments of the Designated Fund incorporated in the Net Asset statement are as follows:

31 March 2013 £000		31 March 2014 £000
221,246	Index linked	140,473
108,410	Cash	156,173
1,411	Other investment balances	1,243
<b>331,067</b>	<b>Net</b>	<b>297,889</b>

## 14. Summary of manager's portfolio values at 31 March

2013			2014	
£m	%		£m	%
<b>Externally managed</b>				
6,271	49.8%	UBS Global Asset Management	6,652	50.1%
2,657	21.1%	Legal & General	2,794	21.0%
1,903	15.1%	Capital International	1,965	14.8%
30	0.2%	GVA (advisory mandate)	57	0.4%
<b>10,861</b>	<b>86.2%</b>		<b>11,468</b>	<b>86.3%</b>
<b>Internally managed</b>				
434	3.5%	Private equity	540	4.1%
331	2.6%	Designated funds	298	2.2%
566	4.5%	Property	728	5.5%
397	3.2%	Cash, other investments and net assets	250	1.9%
<b>1,728</b>	<b>13.8%</b>		<b>1,816</b>	<b>13.7%</b>
<b>12,589</b>	<b>100.0%</b>	<b>Total</b>	<b>13,284</b>	<b>100.0%</b>

## 15. Concentration of investment

As at 31 March 2014, GMPF held 21.0% of its net assets in an insurance contract with Legal & General Assurance (Pensions Management) Limited. It is a linked long term contract under Class III of Schedule 1 of the Insurance Companies Act 1982 and not a “with profits” contract.

The entire value of the policy can be realised after one month’s notice and future premiums are payable at GMPF’s discretion. The policy document has been issued (policy number MF32950) and the value is incorporated in the Net Asset statement within pooled investment vehicles across the following underlying asset classes:

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
686,443	UK equities	708,008
1,143,471	Overseas equities	1,234,279
273,099	UK fixed interest	271,064
131,088	UK corporate bonds	137,055
65,500	Overseas fixed interest	68,133
194,204	UK Index linked	202,869
163,624	UK cash instruments	172,828
<b>2,657,429</b>		<b>2,794,236</b>

Details of any single investment exceeding 5% of any class or type of security are detailed in the following tables:

<b>Investment</b>	<b>Type and nature of investment</b>	<b>Value as at 31 March 2014</b> <b>£000</b>	<b>Asset class value at 31 March 2014</b> <b>£000</b>	<b>% of asset class</b> <b>%</b>
UK Government	Treasury Bonds 2.5% - Index Linked July 2016	20,716	201,180	10.30%
UK Government	Treasury Bonds 2.5% - Index Linked April 2020	127,837	201,180	63.54%
US Government	Treasury Bonds 0.125% - Index Linked April 2017	18,599	170,246	10.92%
US Government	Treasury Bonds 0.125% - Index Linked January 2023	30,669	170,246	18.01%
US Government	Treasury Bonds 0.50% - Index Linked April 2015	41,471	170,246	24.36%
US Government	Treasury Bonds 1.75% - Index Linked January 2028	30,146	170,246	17.71%
US Government	Treasury Bonds 1.875 - Index Linked July 2019	19,744	170,246	11.60%
Capital International Emerging Markets Fund	Pooled investment vehicles - shares in open-ended investment company	258,472	4,287,243	6.03%
UBS Global Emerging Markets Fund	Pooled investment vehicles - shares in open-ended investment company	270,055	4,287,243	6.30%
LIFFE FTSE 100 Future June 2014	Derivative Contract	299	299	100.00%

<b>Investment</b>	<b>Type and nature of investment</b>	<b>Value as at 31 March 2013 £000</b>	<b>Asset class value at 31 March 2013 £000</b>	<b>% of asset class %</b>
Capital International Emerging Markets Fund	Pooled investment vehicles - shares in open-ended investment company	285,000	3,931,131	7.25%
US Government	Treasury Bonds 0.25% - Fixed October 2015	85,214	435,880	19.55%
US Government	Treasury Bonds 1.75% - Fixed May 2022	208,158	435,880	47.76%
UBS Global Emerging Markets Fund	Pooled investment vehicles - shares in open-ended investment company	302,414	3,931,131	7.69%
UK Government	Treasury Bonds 2.5% - Index Linked July 2016	22,066	256,089	8.62%
UK Government	Treasury Bonds 2.5% - Index Linked August 2013	70,305	256,089	27.45%
UK Government	Treasury Bonds 2.5% - Index Linked April 2020	136,025	256,089	53.12%

## 16. Notifiable interests

As at 31 March 2014 GMPF had holdings of 3% or over in the ordinary share capital of the following quoted companies:

<b>UK Equity 31 March 2013 %</b>		<b>UK Equity 31 March 2014 %</b>
7.4	Dixons Retail PLC	4.1
7.2	HMV Group PLC	7.2
7.3	Molins PLC	N/A
3.4	Premier Farnell PLC	4.0
3.0	Scapa Group PLC	N/A
9.3	STV Group PLC	7.9
3.4	Chemring Group PLC	4.9
6.5	Darty PLC	4.2
3.1	SIG PLC	N/A
N/A	Mothercare PLC	3.4
N/A	Synthomer PLC	3.9

## 17. Commitments

31 March 2013 £000	Asset type	Nature of commitment	31 March 2014 £000
20	Investment Property	Commitments regarding refurbishment works	474
318,274	Indirect private equity and infrastructure managed funds	Commitments to funds	385,733
93,815	Special opportunities portfolio managed fund	Commitments to funds	64,370
7,610	Property managed funds	Commitments to funds	7,610
16,350	Property unit trusts	Commitments to funds	0
26,600	Property unit trusts	Commitments to lend	17,936
0	Administration Property	Commitments to fund	7,001
<b>462,669</b>			<b>483,124</b>

The above expenditure was contractually committed as at the 31 March and a series of stage payments are to be made at future dates.

## 18. Related party transactions

In the course of fulfilling its role as administering authority to GMPF, Tameside MBC incurred costs for services (e.g. salaries and support costs) of £6,286,000 on behalf of GMPF and reclaimed HMRC VAT (net) of £1,443,000. Total payments due to Tameside MBC, therefore, amounted to £4,843,000 (2012/13 £5,401,000). GMPF reimbursed Tameside MBC £4,413,000 for these charges and there is a creditor of £430,000 owing to Tameside MBC at the year end (2012/13 £303,000 within Creditors). This creditor has been settled since the year end.

The Executive Director of Pensions has his entire full-time remuneration and employer's pension contributions of £131,648 (2012/13 £130,535) charged to GMPF. This amount is also detailed in Tameside MBC's accounts.

The management structure of GMPF was revised in the last quarter of 2013/14 and now includes four Assistant Executive Directors. Their full-time remuneration and employer's pension contributions (grossed-up to a full year's effect) are:

Job Title	£
Assistant Executive Director - Investments	89,056
Assistant Executive Director - Administration	89,056
Assistant Executive Director - Funding & Business Development	89,056
Assistant Executive Director - Local Investment & Property	89,056

There is no direct charge to GMPF for the services provided by other key management personnel, who comprise of the Chief Executive, Executive Director of Finance and Executive Director of Governance of Tameside MBC, but a contribution towards their cost is included in the recharge as detailed above. They receive no additional salary or remuneration for undertaking this role. Details of the total remuneration of these officers, together with the Chair of the Management Panel, can be found by accessing the following links:

<http://www.tameside.gov.uk/constitution/part6#appendixa> and  
<http://www.tameside.gov.uk/statementofaccounts/1314> (Note 46)

Paragraph 3.9.4.3 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24.

The disclosures required by Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the administering authority - Tameside MBC.

No senior officers responsible for the administration of GMPF have entered into any contract (other than their contract of employment) with Tameside MBC (administering authority).

A number of members of the Management Panel and officers responsible for the administration of GMPF have directorships in companies, which have been incorporated for the sole purpose of the investment administration and management of GMPF's assets. These are:

<b>Name</b>	<b>Position in GMPF</b>	<b>Company in which directorship is held</b>
<b>Cllr M Whitley</b>	Management Panel Member	Elisabeth House Nominee 1 Limited Elisabeth House Nominee 2 Limited Elisabeth House (General Partner) Limited
<b>Cllr J Taylor</b>	Management Panel Member	Elisabeth House (General Partner) Limited
<b>Peter Morris</b>	Executive Director - Pensions	GMPF UT (Second Unit Holder) Limited Elisabeth House Nominee 1 Limited Elisabeth House Nominee 2 Limited Elisabeth House (General Partner) Limited
<b>Patrick Dowdall</b>	Assistant Executive Director - Local Investment & Property	Matrix Homes (General Partner) Limited
<b>Andrew Hall</b>	Investment Manager	GMPF UT (Second Unit Holder) Limited Matrix Homes (General Partner) Limited

The above receive no remuneration for any of these directorships.

Under legislation introduced in 2003/04, Councillors were entitled to join the pension scheme. Councillor J Pantall, member of the GMPF Management Panel, and Employee representative F Llewellyn both received pension benefits from GMPF during the financial year. In addition, the following Councillors, members of the GMPF Management and Advisory Panels, and Employee representatives made pension contributions to GMPF during the financial year:

Name	Position
<b>Cllr K Quinn</b>	Councillor member
<b>Cllr S Quinn</b>	Councillor member
<b>Cllr G Cooney</b>	Councillor member
<b>Cllr J Fitzpatrick</b>	Councillor member
<b>Cllr J Lane</b>	Councillor member
<b>Cllr M Smith</b>	Councillor member
<b>Cllr JC Taylor</b>	Councillor member
<b>Cllr A Mitchell</b>	Councillor member
<b>Cllr D Ward</b>	Councillor member
<b>Cllr D Buckley</b>	Councillor member
<b>Cllr T Halliwell</b>	Councillor member
<b>D Schofield</b>	Employee representative
<b>A Mulryan</b>	Employee representative
<b>J Thompson</b>	Employee representative
<b>M Baines</b>	Employee representative
<b>M Rayner</b>	Employee representative

Each member of the GMPF Management and Advisory Panels and Working Groups formally considers declarations of interest at each meeting. In addition, an annual return of all declarations of interest is obtained from the members by their respective Councils. Those relevant to GMPF Management Panel membership are listed below:

Name	Position & Organisation	Organisation relationship with GMPF
<b>Cllr K Quinn</b>	Director of New Charter Building Company Ltd Non-executive Director of Manchester Airport Group	Contributing employer Contributing employer
<b>Cllr S Quinn</b>	Vice Chair North West Local Authorities Employers Organisation	Contributing employer
<b>Cllr D Ward</b>	Member of General Assembly of University of Manchester	Contributing employer
<b>Cllr JC Taylor</b>	Chairman of Tameside Sports Trust	Contributing employer
<b>Cllr M Smith</b>	Employee of Manchester Working Ltd Vice-Chair of Greater Manchester Fire & Rescue Authority	Contributing employer Contributing employer
<b>Cllr G Cooney</b>	Employee of Manchester City Council	Contributing employer
<b>Cllr A Mitchell</b>	Committee Member of Groundwork Organisations	Contributing employer
<b>Cllr W Pennington</b>	Member of General Assembly of University of Manchester	Contributing employer
<b>Cllr T Halliwell</b>	Employee of Wigan & Leigh College	Contributing employer

The administering authority, Tameside MBC, falls under the influence of The United Kingdom Department of Communities and Local Government. GMPF may have significant holdings of UK Government Bonds depending on investment decisions.

## 19. Employer related investment

Greater Manchester Property Venture Fund includes a standing investment of office accommodation leased to Wigan MBC. It is valued at £1,170,000 as at 31 March 2014 (2012/13 £1,740,000) and is included in the Investment property category within the net asset statement.

## 20. Contributions received and benefits paid during the year ending 31 March

<b>Contributions Received 2013 £m</b>	<b>Benefits Paid 2013 £m</b>		<b>Contributions Received 2014 £m</b>	<b>Benefits Paid 2014 £m</b>
(31)	33	Bolton Borough Council	(29)	34
(17)	21	Bury Borough Council	(18)	22
(49)	83	Manchester City Council	(52)	96
(20)	29	Oldham Borough Council	(20)	29
(23)	31	Rochdale Borough Council	(22)	30
(25)	32	Salford City Council	(26)	34
(20)	27	Stockport Borough Council	(21)	27
(18)	29	Tameside Borough Council (administering authority)	(19)	28
(17)	21	Trafford Borough Council	(17)	22
(27)	34	Wigan Borough Council	(27)	36
(84)	78	Other scheme employers *	(91)	79
(66)	80	Admitted bodies *	(66)	90
<b>(397)</b>	<b>498</b>		<b>(408)</b>	<b>527</b>

\* A full list of all scheme and admitted bodies can be found on pages 64 to 76.

## 21. Funding Strategy Statement and Statement of Investment Principles

GMPF has published a Statement of Investment Principles and a Funding Strategy Statement. Both documents can be found on its website - [www.gmpf.org.uk](http://www.gmpf.org.uk)

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## 22. Actuarial Review of the Fund

GMPF's last Actuarial valuation was undertaken as at 31 March 2013. A copy of the valuation report can be found on the GMPF website –

<http://www.gmpf.org.uk/2014/documents/policies/actuarialvaluation/2013.pdf>.

The funding policy is set out in the Funding Strategy Statement (FSS) dated 7 March 2014. The key funding principles are as follows:

- to ensure the long-term solvency of GMPF as a whole and the solvency of each of the notional sub-funds allocated to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure that employers are aware of the risks and the potential returns of the investment strategy;
- to help employers recognise and manage pension liabilities as they accrue, with consideration as to the effect on the operation of their business where the Administering Authority considers this to be appropriate;
- to try to maintain stability of employer contributions;
- to use reasonable measures to reduce the risk to other employers, and ultimately to the Council Tax payer, from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of GMPF to employers as far as is reasonable over the longer term.

The Valuation revealed that GMPF's assets, which at 31 March 2013 were valued at £12,590 million, were sufficient to meet 90.5% of the present value of promised retirement benefits earned. The resulting deficit was £1,317 million.

The key financial assumptions adopted for the 2013 valuation were:

Financial assumptions	31 March 2013	
	Nominal % p.a.	Real % p.a.
Discount rate	4.80%	2.30%
Pay increases*	3.55%	1.05%
Price inflation/Pension increases	2.50%	-

\*plus an allowance for promotional pay increases.

The liabilities were assessed using an accrued benefits method that takes into account pensionable membership up to the valuation date. It also makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## 23. Stocklending

GMPF's custodian, J P Morgan, is authorised to release stock to third parties under a stocklending agreement. Under the agreement, GMPF do not permit J P Morgan to lend UK or US equities.

At the year end the value of stock on loan was £233.2 million (31 March 2013: £147.7 million) in exchange for which the custodian held collateral at fair value of £245.4 million (31 March 2013: £154.9 million), which consisted exclusively of UK, US and certain other government bonds.

## 24. AVC Investments

GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These amounts are not included in the GMPF accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).

The scheme provider is Prudential where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. The funds are invested in a range of investment products including with profits, fixed interest, equity, cash, deposit, property, and socially responsible funds, as follows:

Contributions paid	£5,985,415
Units purchased	930,486
Units sold	719,174
<b>Fair value as at 31 March 2014</b>	<b>£62,409,071</b>
Fair value as at 31 March 2013	£62,836,787

## 25. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2013/14 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans refers to as the actuarial present value of promised retirement benefits.

This value has been calculated by GMPF's Actuary, Hymans Robertson LLP, using the assumptions below.

### Assumptions used

The assumptions used are those adopted for the administering authority's IAS19 Employee Benefits report at each year end as required by the CIPFA Code of Practice on Local Authority Accounting 2013/14.

### Financial assumptions

31 March 2013 % p.a.	Year ended:	31 March 2014 % p.a.
2.80%	Inflation/pension increase rate	2.80%
4.60%	Salary increase rate*	3.85%
4.50%	Discount rate	4.30%

\* salary increases are assumed to be 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter.

### Mortality

Life expectancy is based on GMPF's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	24.0 years
Future pensioners**	24.0 years	26.6 years

\*\* future pensioners are assumed to be currently aged 45

## Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

### Balance sheet

Year ended 31 March 2013 £m		Year ended 31 March 2014 £m
16,350	Present value of promised retirement benefits	16,873

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. No allowance has been made for unfunded benefits.

### Sensitivity analysis

The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below.

31 March 2013		Change in assumptions at year ended 31 March	31 March 2014	
Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)		Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
7%	1145	0.5% increase in the Pension Increase Rate	7%	1,181
3%	491	0.5% increase in the Salary Increase Rate	2%	337
3%	491	1 year increase in member life expectancy	3%	506
10%	1,635	0.5% decrease in Real Discount Rate	9%	1,519

***It should be noted that the above figures are appropriate only for preparation of the accounts of GMPF. They should not be used for any other purpose.***

## 26. Post Balance Sheet Event

On 1 June 2014, GMPF became the sole administering authority for probation staff and former probation staff that have or are eligible for LGPS membership. The changes come as the Ministry of Justice implements structural reform to the probation service, replacing 35 probation trusts with 21 private sector Community Rehabilitation Companies (CRC) and a National Offender Management Service (NOMS). Approximately 36,000 members and £3 billion of assets will be bulk-transferred to GMPF from 34 other LGPS funds. The transition process is planned to conclude in Spring 2015.

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# Actuarial statement

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2013/14.

## Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure that employers are aware of the risks and potential returns of the investment strategy;
- to help employers recognise and manage pension liabilities as they accrue, with consideration as to the effect on the operation of their business where the Administering Authority considers this to be appropriate;
- to try to maintain stability of employer contributions;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £12,590 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £1,317 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 27 March 2014.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

Financial Assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount Rate	4.80%	2.30%
Pay Increases*	3.55%	1.05%
Price Inflation / Pension Increases	2.50%	-

\*Plus an allowance for promotional pay increases.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI\_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners*	24.0 years	26.6 years

\*Currently aged 45.

Copies of the 2013 valuation report and Funding Strategy Statement can be found on the GMPF website: [www.gmpf.org.uk](http://www.gmpf.org.uk).

## Experience over the period since April 2013

Experience has been better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been better than expected meaning that funding levels are likely to have improved since the 2013 valuation.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.



Steven Law

Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP

9 May 2014

**HYMANS**  **ROBERTSON**

20 Waterloo Street  
Glasgow  
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# Scheme administration



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## Background to GMPF and LGPS

GMPF is the largest fund in the statutory Local Government Pension Scheme for England and Wales. Tameside MBC is the administering authority for GMPF.

Employees of all local and joint authorities in the Greater Manchester area and of many other public bodies have automatic access to the LGPS (unless they are eligible to be a member of another public service pension scheme, such as the teachers, police officers, fire-fighters, Civil Service or NHS pension schemes). Employees of a wide range of other bodies that provide a public service can also join the LGPS if they are covered by a relevant resolution or by an admission agreement. There are also some councilors who are members of the Fund, but they must now stop contributing at the end of their current terms of office. A list of employers who contribute to the GMPF can be found on pages 64 to 76.



GMPF's Claire Farrelly and Tracey Boyle.

The LGPS is a defined benefit scheme. Prior to 1 April 2014 membership is known as being final salary, whereby someone's membership of the LGPS together with their pay on or near retirement is used to work out their pension benefits. For membership from 1 April 2014 pension benefits are based on pension build-up, which is also called career averaging. This provides, in the Scheme's standard section, for a pension of a 49th of pay per year. Members now have the option of joining the 50/50 section of the LGPS, which provides for a build-up of 50% of the standard 49th, for 50% of the standard contributions.

Statutory regulations define the benefits to be paid and not GMPF's investment performance or market conditions. The main benefits offered by the LGPS as it stood at 31 March 2014 are outlined on page 77.

Standard employee contributions vary according to levels of pay, ranging from 5.5% to 7.5% of pay before 1 April 2014 and 5.5% to 12.5% thereafter. Employers meet the balance of the cost of the LGPS through variable employer contributions. The employer contribution rates are set by GMPF's actuary every three years following a valuation of the fund. Employer contribution rates can rise or fall depending on the solvency of GMPF and the estimated cost of providing benefits for future membership. The last valuation took place as at 31 March 2013 and the contribution rates to be applied for the three years from 1 April 2014 were then determined. The employer contribution rates for the years 2012-13 and 2013-14 are shown on pages 64 to 76.

Members of the LGPS are contracted out of the State Second Pension (S2P) because it provides at least broadly equivalent benefits. Members and their employers pay lower National Insurance contributions as a result. The LGPS is also registered with Her Majesty's Revenue and Customs, giving rise to various tax benefits, including tax relief on employee contributions.

## Membership and Employers

The membership continues to grow. The total number of employee, pensioner and deferred members at 31 March 2014 was 286,419 compared to 276,122 at 31 March 2013. In recent years we have seen the number of pensioner and deferred members grow and employee members reduce. This year we have seen more of the former but the number of employee members has also risen due to the effects of auto-enrolment.

There has also continued to be an increase in the number of employers contributing to GMPF in 2013-14. The overall number of actively contributing employers now stands at 364, compared to 342 as at 31 March 2013, with the main source of new employers continuing to be academies. There have also been a number of new admission bodies. In most cases, these admission agreements have been made to allow existing LGPS members who are outsourced by a local authority or other Scheme employer to a private contractor to continue as members of the LGPS. In other cases, agreements have been made to reflect an existing body's change of legal status.

The total number of employers at 31 March 2014 is made up of 10 local authorities, 3 higher education corporations, 21 further education corporations, 10 foundation or voluntary schools, 116 academies, a further 22 scheme employers and 183 admission bodies.

## Changes to Scheme rules

The LGPS (Miscellaneous Amendments) Regulations 2014 came into force on 10 February 2014 and made some detailed changes to the LGPS regarding auto-enrolment. Special circumstances where revised actuarial valuations and certificates must be obtained were also introduced. In particular, where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer or admission body will exit the LGPS, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion, the employer's contributions should be changed, with a view to providing that assets will match liabilities when the employer leaves or, where the employer is unable to meet that liability by the exit date, over such period of time thereafter as the administering authority considers reasonable.

## Death Grants

One of the most contentious areas of work relates to the payment of death grants, due to potential beneficiaries lodging claim and counterclaim. The guidelines for payment are however rigorously applied - sometimes at great length - with the aim of making reasonable awards. There are encouragingly few appeals.

## Scheme Additional Voluntary Contributions (AVCs)

AVCs continued to be a popular method of providing extra retirement benefits. However 31 March was the last day when someone could elect to pay AVCs and be able to draw the eventual AVC pot as a tax-free lump sum. For members that elected to pay AVCs from 1 April onwards (subject to any changes flowing from the 2014 Budget), only 25% of the eventual pot may be taken as a tax-free lump sum, with the balance having to be used to buy an annuity or extra LGPS pension.

This change in the rules was widely publicised, leading to over 2,000 elections to pay AVCs being made in February and March. This was the equivalent of two normal years' worth of elections being made in two months, which created a large peak of work for both the Pensions Office and the Prudential.

## LGPS 2014

The original timetable aimed to have the regulations for the new scheme made by 31 March 2013 to allow a full year for computer programs to be re-written, literature prepared, administrators trained, members informed and so on. The actuality was that the first tranche of regulations – the LGPS Regulations 2013 – was not made until 12 September 2013. The second tranche – the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 - was not made until 5 March 2014, with guidance from the Government's Actuary Department following. The latter legislation and guidance were late and there were some adverse consequences, not least that the Pensions Office's computerised administration system was not up to date on 1 April, leading to many manual calculations. A great deal of work has and is being undertaken however, to bring literature, practices, website and so on into line with the new LGPS.



GMPF's "new look" website launched to coincide with the introduction of new scheme.

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## Other Regulatory & Legislative Issues

We have continued to raise our concerns about the ending of contracting-out in 2016, and the extra National Insurance this will require from both employers and employees. These are serious concerns as the ending of contracting out, unless there is a compensating change elsewhere or extra funding, will cost employers approximately 2% of pensionable pay on average. In aggregate, the LGA estimates it will cost LGPS employers around £800 - £1,000 million a year.

## Employer Training & Performance

A great deal of training was provided to employers. This included courses being run at the Pensions Office, at Hyde (with speakers attending from the Local Government Association) and visits from the Pensions Office to employers' premises.

Some employers had staffing changes that affected their capacity to deal with their pension related work and responsibilities. This was in many cases due to people leaving and taking many years of experience with them. These employers then tended to struggle with supplying the information required for effective and efficient administration, not least the prompt notification of all starters and leavers. The Pensions Office is working with these employers to try and improve performance and the service delivered to members.

## EPICi and DART

GMPF now has over 500 employer records, and the complexity of arrangement is growing, necessitating improvements to our administration arrangements. South Yorkshire Pensions Authority (SYPA) had however developed a very helpful system: its Employer Pensions Information Centre - internal. This was bought and installed last year and has proved to be a boon.

SYPA had also developed a data analysis tool, known as DART. This system allows the swift extraction of statistical reports thereby improving administrative efficiency.

## Altair

From 2001 the Pensions Office's main computerized administration system had been AXIS. This was replaced during the year with Altair. This was a major project in its own right, not being made any easier due to the simultaneous preparations for the LGPS 2014 and our become the One Fund for the Ministry of Justice. There have been some inevitable teething problems, with the lateness of the LGPS 2014 regulations being a great hindrance. But by and large the migration from the old system to the new went fairly smoothly.

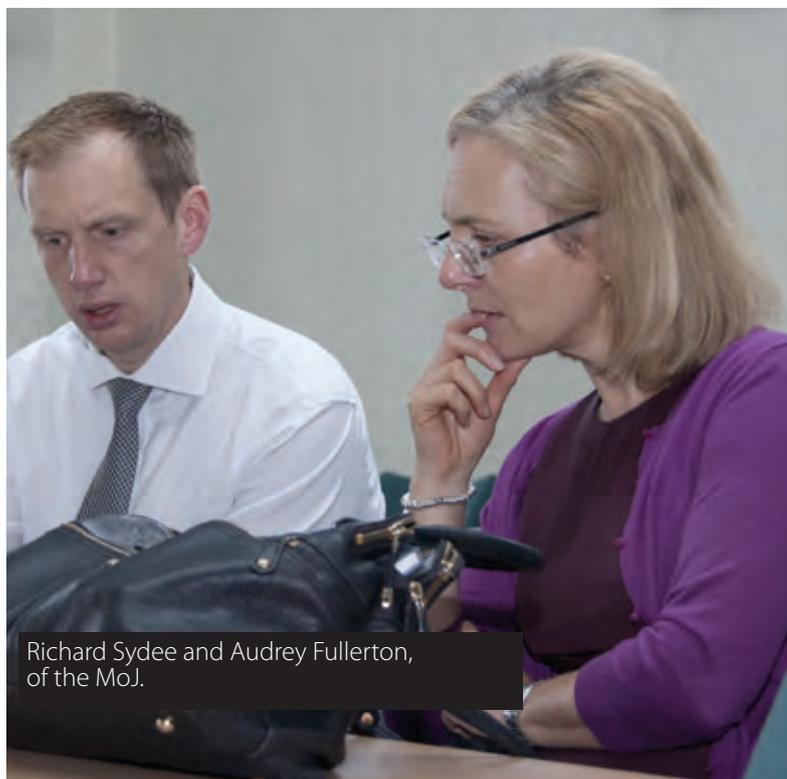
## Value for Money

Benchmarking continues via our membership of the CIPFA club for administering authorities. Our administration costs are competitive, with the annual administration cost per member being £16.20. This compares favourably with the average of £20.62. We also continue to meet with our colleagues from the other five metropolitan funds in order to share ideas and best practice.

We use a mortality tracing firm to help identify deaths of UK pensioners that have not been notified to the Pensions Office.

## Ministry of Justice

As has been reported in the Chair's introduction, we were appointed as the One Fund for the Ministry of Justice. This led to an enormous amount of work during the year, to pave the way for the largest transfers of LGPS members since local government re-organisation in 1974. Much remains to be done during 2014/15, with the operative date for the transfers being 1 June 2014.



Richard Sydee and Audrey Fullerton, of the MoJ.

## Performance Standards

The Pensions Office uses a number of key performance standards in order to measure its work. These standards were reviewed at the beginning of 2011 and a new set of standards were adopted. The table below lists these standards, together with the performance over the year, and includes the total number of cases that were measured.

The requirement is for the Pensions Office to adhere to the standards at a level of 90% or better. As can be seen, this has been achieved for all standards.

Task	Total number of cases	Standard	Within Standard
Written queries answered or acknowledged	4334	5 days	97.32%
New starters processed	14226	10 days	91.59%
Changes in details processed	26359	10 days	90.53%
Helpline telephone calls answered in office hours	44714	100%	96.79%
Pensions forecasts for deferred members	75022	Issued before 31st May	100.00%
Pensions forecasts for active members	85289	Issued before 31st August	100.00%
Estimates for divorce purposes	400	10 days	98.50%
Non LGPS transfer into the fund processed	44	15 days	96.86%
Non LGPS transfer out quotations processed	541	10 days	96.86%
Non LGPS transfer out payments processed	183	10 days	98.91%
Internal and concurrent transfers processed	674	10 days	95.10%
Refund payments made	188	10 days	97.34%
Deferred benefits calculated	8219	10 days	90.08%
Annuity quotations calculated	111	5 days	99.10%
ARC illustrations calculated	237	10 days	97.89%
AVC amendments noted on AXIS	598	10 days	99.67%
New retirements benefit options sent	2613	10 days	98.09%
New retirements processed for payment	2621	5 days	97.63%
Deferred benefits processed for payment	2688	5 days	96.84%
Notifications of death processed	3020	5 days	98.77%
Dependant's pensions processed for payment	1116	5 days	99.37%
Death grants processed for payment	482	5 days	98.96%
Retirement lump sum processed by payroll	4532	5 days	100.00%
Payments recalled due to death	2709	By noon on eve of pay day	100.00%
Changes to bank details made	2613	By payroll cut off date	100.00%

## Membership levels

Membership changes over the last three years were as follows:

	March 2011	March 2012	March 2013	March 2014
Employees	97,014	89,783	88,988	92,912
Deferreds (all types)	85,628	90,907	95,529	99,028
Pensioners (all types)	84,673	89,279	91,605	94,479
<b>Total</b>	<b>267,315</b>	<b>269,969</b>	<b>276,122</b>	<b>286,419</b>

As can be seen, membership has been growing across the board. It will grow again during 2014/15, not least because of the Ministry of Justice related transfers.

## Communications

The Pensions Helpline continues to be a popular way for members to communicate with us about their pensions. 44714 calls were received by the Helpline team during the year, with some of the most popular calls being from members informing us of address and bank changes, requesting booklets and forms, and asking questions about tax and their own pension benefits.

Annual benefit statements were issued to employee and deferred members, and a Pension Power newsletter, that majored on the 2014 LGPS, was published for employee members in February.

Changes have also been made regarding Disclosure, allowing newsletters to be published electronically for those for whom we have email addresses and have not exercised their right to opt-out of e-communications. More and more email addresses are being collected, so as to maximise the benefits from e-comms.

A Pensioners Forum was held in October at Lancashire CCC's The Point. Over 300 pensioners attended to hear presentations about the Fund and themselves, and to attend the stalls in the Information Centre.

Finally, and by no means least, GMPF won two trophies in the Professional Pensions Awards, being Highly Commended in both the Administration and Communications categories.



GMPF pensioners enjoying lunch during the 2013 Pensioners' Forum

# Employer contribution rates



<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Manchester City Council Pool</b>	<b>2012-13 %</b>	<b>2013-14 %</b>
Manchester City Council	15.6	16.6
St Kentigern's R.C. Primary School	15.6	16.6
National Car Parks Manchester Limited	15.6	16.6
Manchester Sports and Leisure Trust	15.6	16.6
Group 4 Total Security Limited	15.6	16.6
Eastlands Homes Partnership Limited (Transferred Staff)	15.6	16.6
Wythenshawe Forum Trust Limited	15.6	16.6
Amey Highways Limited	15.6	16.6
Peak Valley Housing Association Limited	15.6	16.6
Manchester Working Limited	15.6	16.6
Adactus Housing Association Limited	15.6	16.6
Capita IT Services (BSF) Limited (Ex-Manchester)	15.6	16.6
Hochtief Facility Management UK Limited (Wright Robinson)	15.6	16.6
EnterpriseManchester Partnership Limited	15.6	16.6
Mosscare Housing Limited	15.6	16.6
Jacobs Engineering UK Limited	15.6	16.6
Community Integrated Care	15.6	16.6
Inspirit Care Limited (Ex-Manchester)	15.6	16.6
Manchester Enterprise Academy	15.6	16.6
Manchester Health Academy	15.6	16.6
Manchester Creative And Media Academy	15.6	16.6
East Manchester Academy	15.6	16.6
Manchester Communication Academy	15.6	16.6
The Co-operative Academy of Manchester	15.6	16.6
Manchester Mental Health and Social Care Trust	15.6	16.6
One Education Limited	15.6	16.6
The King David High School	15.6	16.6
Cheetham Church of England Community Academy	15.6	16.6
Trinity Church of England High School	15.6	16.6
Greater Manchester Arts Centre Limited	15.6	16.6
Elite Cleaning & Environmental Services Limited	15.6	16.6
St Barnabas C of E Primary Academy Trust	15.6	16.6
Wise Owl Trust (Briscoe Lane Academy)	15.6	16.6
E-ACT (Blackley Academy)	15.6	16.6
Wise Owl Trust (Seymour Road Academy)	15.6	16.6
Chorlton High School (From 01.01.13)	15.6	16.6
Wythenshawe Catholic Academy Trust (St Anthony's) (From 01.04.13)		16.6
Children of Success Schools Trust (Haveley Hey) (From 01.04.13)		16.6
Children of Success Schools Trust (The Willows) (From 01.04.13)		16.6
Webster Primary School (From 01.04.13)		16.6

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Manchester City Council Pool</b> <i>(continued)</i>	<b>2012-13</b> %	<b>2013-14</b> %
Wythenshawe Catholic Academy Trust (St Paul's) (From 01.04.13)		16.6
Oasis Community Learning (Harpur Mount) (From 01.01.13)	15.6	16.6
Commission For The New Economy Limited (2) (01.04.13)		16.6
Manchester Central Convention Complex Limited (From 29.04.13)		16.6
Wythenshawe Catholic Academy Trust (St John Fisher) (From 01.04.13)		16.6
The King David Primary School (From 01.06.13)		16.6
Oasis Community Learning (Academy Aspinall) (From 01.09.13)		16.6
Kingsway Community Trust (Green End Primary School) (From 01.09.13)		16.6
Kingsway Community Trust (Ladybarn Primary School) (From 01.09.13)		16.6
Beaver Road Academy Trust (From 01.11.13)		16.6
Contour Homes Limited (From 06.01.14)		16.6
Mears Limited (From 06.01.14)		16.6
Dataspire Solutions Limited (Ex MCC - Our Lady's Catholic High) (From 01.09.12)	15.6	16.6
<b>Academies Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Middleton Academy Limited (St Anne's Academy)	15.0	15.5
Great Academies Education Trust	15.0	15.5
Oasis Community Learning (MediacityUK Academy)	15.0	15.5
Essa Academy	15.0	15.5
Droylsden Academy	15.0	15.5
Bolton St. Catherine's Academy	15.0	15.5
Northern Education Trust (Kearsley Academy)	15.0	15.5
St Bede Church of England Primary Academy	15.0	15.5
Audenshaw School Academy Trust	15.0	15.5
Urmston Grammar	15.0	15.5
Park Road Academy Primary School	15.0	15.5
Lever Edge Primary Academy	15.0	15.5
Wellacre Technology Academy Trust	15.0	15.5
Wellington School	15.0	15.5
Altrincham Grammar School for Boys	15.0	15.5
Sale Grammar School	15.0	15.5
Fairfield High School for Girls	15.0	15.5
Yesoiday HaTorah School	15.0	15.5
Kier Facilities Services Limited (Oasis)	15.0	15.5
Sodexo Limited (Oasis MediaCity)	15.0	15.5
<b>Ashton Pioneer Homes Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Ashton Pioneer Homes Limited	16.8 + £6k	16.8 + £7k

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>AQA Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
AQA Education	19.3	20.1
<b>Better Choices Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Better Choices Limited (Transferred Staff)	15.7	15.7
Better Choices Limited (New Staff)	15.7	15.7
Employment & Regeneration Partnership Limited	15.7	15.7
Better Choices Limited (Rochdale)	15.7	15.7
Commission For The New Economy Limited	15.7	15.7
<b>Bolton MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bolton MBC	17.2	17.9
Canon Slade C of E School	17.2	17.9
Dawn Construction Limited	17.2	17.9
Bolton Community Leisure Limited	17.2	17.9
Monument Café Limited (Bolton)	17.2	17.9
Capita Managed IT Solutions Limited (Ex Northgate - Bolton)	17.2	17.9
Hall Cleaning Services Limited	17.2	17.9
JW Cleaning Services Limited (Bolton2)	17.2	17.9
Concerted Academies Trust (Smithills School) (From 01.01.14)		17.9
Agilisys Limited (Ex Bolton) (From 01.07.13)		17.9
<b>Borough Care Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Borough Care Limited	16.3	16.3
<b>Bury College Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bury College	16.9	16.9
<b>Bury MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bury MBC	17.1	17.8
Groundwork Bury & Bolton (To 31.12.13)	17.1	17.8
Six Town Housing Limited	17.1	17.8
<b>Connexions Cumbria</b>	<b>2012-13</b> %	<b>2013-14</b> %
Inspira Cumbria Limited	14.0	14.0
<b>CQC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Care Quality Commission	21.8 + £66k	21.8 + £71k

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Greater Manchester Fire Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Greater Manchester Fire and Rescue Authority	19.5	19.5
<b>Transport for Greater Manchester Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Transport for Greater Manchester	15.5	16.5
Greater Manchester Public Transport Information	15.5	16.5
<b>Greater Manchester Waste Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Greater Manchester Waste Disposal Authority	19.8 + £535k	19.8 + £535k
<b>Manchester Airport Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Manchester Airport plc	19.5 + £1,016k	19.5 + £1,065k
Manchester Airport Aviation Services Limited	19.5	19.5
<b>Other Local Authorities Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Saddleworth Parish Council	18.3	18.3
Manchester Port Health Authority	18.3	18.3
Horwich Town Council	18.3	18.3
The Valuation Tribunal Service	18.3	18.3
Shaw & Crompton Parish Council	18.3	18.3
Shevington Parish Council	18.3	18.3
<b>Oldham MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Oldham MBC	16.8	17.0
The Villages Housing Association Limited	16.8	17.0
Housing 21	16.8	17.0
Kier Facilities Services Limited (Oldham)	16.8	17.0
The Unity Partnership Limited	16.8	17.0
Taylor Shaw Limited (Blue Coat School)	16.8	17.0
Taylor Shaw Limited (St Augustine's)	16.8	17.0
Allied Publicity Services (Manchester) Limited	16.8	17.0
Bullough Cleaning Services Limited	16.8	17.0
Oasis Community Learning (Oldham Academy)	16.8	17.0
E-ACT (The Oldham Academy North)	16.8	17.0
Oldham College Community Academies Trust (Waterhead Academy)	16.8	17.0
NSL Limited	16.8	17.0
Church of England Children's Society	16.8	17.0
E.ON UK PLC (Ex-Oldham)	16.8	17.0
Capita Managed IT Solutions Limited (Ex Northgate - Oldham)	16.8	17.0

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Oldham MBC Pool</b> <i>(continued)</i>	<b>2012-13</b> %	<b>2013-14</b> %
The Hathershaw College	16.8	17.0
Crompton House Church of England School	16.8	17.0
Sodexo Limited (Oasis Oldham)	16.8	17.0
The Blue Coat School	16.8	17.0
Oasis Community Learning (Limeside Academy)	16.8	17.0
Wates Construction Limited	16.8	17.0
Great Places Housing Association	16.8	17.0
Taylor Shaw Limited (Kier)	16.8	17.0
SMC Premier Cleaning Limited	16.8	17.0
Sodexo Limited (Limeside Academy)	16.8	17.0
Action For Children	16.8	17.0
New Bridge School	16.8	17.0
Church of England Children's Society (Ex-Oldham MBC)	16.8	17.0
Oldham Care and Support Limited (From 01.10.13)		17.0
Oldham College Community Academies Trust (Stoneleigh Academy) (From 01.09.12)	16.8	17.0
Focus Academy Trust (UK) Limited (Roundthorn Primary Academy) (From 01.09.13)		17.0
Focus Academy Trust (UK) Limited (Coppice Primary Academy) (From 01.09.13)		17.0
St Chad's Church of England Primary School (From 01.02.14)		17.0
The Harmony Trust Limited (Greenhill Academy) (From 01.02.14)		17.0
Bright Tribe Trust (Werneth Primary) (From 01.02.14)		17.0

<b>Rochdale MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Rochdale MBC	16.6	17.1
Crossgates School	16.6	17.1
Smithy Bridge Foundation Primary School	16.6	17.1
Wardle High School (To 31.08.13)	16.6	17.1
St James' C of E Primary School	16.6	17.1
Hollingworth Business and Enterprise College (To 31.08.13)	16.6	17.1
Healey Primary School	16.6	17.1
Peopleprint Community Media Workshop	16.6	17.1
Rochdale Boroughwide Cultural Trust	16.6	17.1
Alternative Futures Group Limited	16.6	17.1
Balfour Beatty Workplace Limited	16.6	17.1
Safeguard Solutions Limited	16.6	17.1
Capita IT Services (BSF) Limited (Ex-Rochdale)	16.6	17.1
E.ON UK PLC (Ex-Rochdale/Carillion)	16.6	17.1
Grosvenor Facilities Management Limited	16.6	17.1
Carewest (Northern) Limited	16.6	17.1

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
	<b>2012-13</b>	<b>2013-14</b>
<b>Rochdale MBC Pool</b> <i>(continued)</i>	<b>%</b>	<b>%</b>
Carillion Services Limited (Ex Hollingworth)	16.6	17.1
Meta Management Services Limited (From 14.05.12 to 31.03.13)	16.6	
SMC Premier Cleaning Limited (Ex-Rochdale MBC) (From 01.09.12)	16.6	17.1
Wardle Academy (From 01.09.13)		17.1
Hollingworth Academy Trust (From 01.09.13)		17.1

<b>Salford City Council Pool</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>%</b>	<b>%</b>
Salford City Council	16.9	17.8
St Ambrose Barlow RC High School	16.9	17.8
The Salfordian Trust Company Limited	16.9	17.8
Salford Community Leisure Limited	16.9	17.8
The Working Class Movement Library	16.9	17.8
Mitie PFI Limited	16.9	17.8
Compass Contract Services (UK) Limited	16.9	17.8
Salix Homes Limited	16.9	17.8
Hochtief Facility Management UK Limited (Salford)	16.9	17.8
City West Housing Trust Limited	16.9	17.8
Inspirit Care Limited (Ex-Salford)	16.9	17.8
RM Education plc	16.9	17.8
Hochtief Facility Management UK Limited (Salford2)	16.9	17.8
The Landing at MediaCityUK Limited (From 29.11.12)	16.9	17.8
Chevin Housing Association Limited (From 18.09.13)		17.8
City West Works Limited (From 01.03.14)		17.8
Salford Disability Forum (From 15.08.12)	16.9	17.8

<b>Salford City College Pool</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>%</b>	<b>%</b>
Salford City College	16.6	16.6

<b>Small Further Education Colleges Pool</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>%</b>	<b>%</b>
Holy Cross College	14.9	14.9
Loreto 6th Form College	14.9	14.9
Xaverian 6th Form College	14.9	14.9
Oldham 6th Form College	14.9	14.9
Aquinas College	14.9	14.9
Ashton Under Lyne 6th Form College	14.9	14.9
Winstanley College	14.9	14.9
St John Rigby College	14.9	14.9
Bolton Sixth Form College	14.9	14.9
Rochdale Sixth Form College	14.9	14.9

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Small Admitted Bodies Pool</b>	<b>2012-13 %</b>	<b>2013-14 %</b>
National Museum of Labour History	15.4	16.3
Wigan Metropolitan Development Company (Inv) Limited	15.4	16.3
Groundwork Oldham & Rochdale	15.4	16.3
APSE	15.4	16.3
Greater Manchester Immigration Aid Unit	15.4	16.3
Birtenshaw	15.4	16.3
North Western Local Authorities' Employers' Organisation	15.4	16.3
Rochdale Citizens Advice Bureau	15.4	16.3
Chethams School Of Music	15.4	16.3
Oldham Citizens Advice Bureau	15.4	16.3
Manchester Citizens Advice Bureau	15.4	16.3
CLES	15.4	16.3
UNIAC	15.4	16.3
Manchester Centre For The Deaf	15.4	16.3
Rochdale Development Agency	15.4	16.3
Salford Foundation Limited	15.4	16.3
Sparth Community Centre	15.4	16.3
Cloverhall Tenants Association Co-Op Limited	15.4	16.3
Stockport Citizens Advice Bureau	15.4	16.3
Tameside Citizens Advice Bureau	15.4	16.3
Marketing Manchester	15.4	16.3
Council For Voluntary Service Rochdale	15.4	16.3
Mechanics Centre Limited	15.4	16.3
Midas Limited	15.4	16.3
Greater Manchester Sports Partnership	15.4	16.3
South Manchester Law Centre	15.4	16.3
Rochdale Law Centre	15.4	16.3
Metro Rochdale Employees Credit Union Limited	15.4	16.3
Shopmobility Manchester	15.4	16.3
Dance Initiative Greater Manchester	15.4	16.3
Cash Box Credit Union Limited	15.4	16.3
Open College Network North West Region	15.4	16.3
Groundwork MSSTT (Ex-Manchester)	15.4	16.3
Groundwork MSSTT (Ex-Tameside)	15.4	16.3
Caritas Diocese Of Salford	15.4	16.3
<b>Stockport College Pool</b>	<b>2012-13 %</b>	<b>2013-14 %</b>
Stockport College Of Further & Higher Education	16.2	16.2

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Stagecoach Manchester Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Stagecoach Manchester	21.7 + £87k	23.6 + £91k
Stagecoach Services Limited	21.7	23.6
<b>Stockport MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Stockport MBC	16.0	16.7
Life Leisure	16.0	16.7
Pure Innovations Limited	16.0	16.7
Stockport Homes Limited	16.0	16.7
NPS Stockport Limited	16.0	16.7
Solutions SK Limited	16.0	16.7
Individual Solutions SK Limited	16.0	16.7
Marple Hall School	16.0	16.7
<b>Salford University Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Salford University	16.1	16.8
<b>Tameside MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Tameside MBC	17.3	18.3
Capita IT Services (BSF) Limited (Ex-Tameside) (To 30.11.12)	17.3	
Carillion Services Limited (Ex-Tameside)	17.3	18.3
Carillion LGS Limited	17.3	18.3
<b>Tameside College Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Tameside College	13.6	13.6
<b>The Manchester College Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
The Manchester College	14.4	14.4
<b>Trafford MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Trafford MBC	16.9	17.9
Sale High School	16.9	17.9
Blessed Thomas Holford Catholic College	16.9	17.9
Trafford Community Leisure Trust	16.9	17.9
May Gurney Fleet and Passenger Services Limited	16.9	17.9
<b>Trafford College</b>	<b>2012-13</b> %	<b>2013-14</b> %
Trafford College	17.8	18.4

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>University of Manchester Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
The University of Manchester	18.3	18.3
<b>United Learning Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
United Learning Trust (Manchester Academy)	12.9	12.9
United Learning Trust (Salford Academy)	12.9	12.9
United Learning Trust (Stockport Academy)	12.9	12.9
United Learning Trust (William Hulme's Grammar School)	12.9	12.9
Compass Contract Services (UK) Limited - ULT	12.9	12.9
United Learning Trust (Abbey Hey Primary) (From 01.12.13)		12.9
<b>Wigan MBC Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Wigan MBC	17.6	18.6
Wigan & Leigh Housing Company Limited	17.6	18.6
Wigan Leisure & Culture Trust	17.6	18.6
NPS North West Limited	17.6	18.6
Western Skills Centre Limited	17.6	18.6
Shaw Community Services Limited (1)	17.6	18.6
Always There Homecare Limited	17.6	18.6
Proco NW Limited (From 01.04.2007)	17.6	18.6
Leigh Sports Village Limited	17.6	18.6
Fred Longworth High School	17.6	18.6
Shaw Community Services Limited (2)	17.6	18.6
Abraham Guest Academy Trust	17.6	18.6
Tyldesley Primary School	17.6	18.6
The Rowan Learning Trust (Hawkley Hall High School) (From 01.05.12)	17.6	18.6
Wigan and Leigh Carers Centre (From 01.07.12)	17.6	18.6
Byrchall High School Academy Trust (From 01.09.12)	17.6	18.6
Community First Academy Trust (Platt Bridge) (From 01.02.13)	17.6	18.6
Agilisys Limited (Ex Wigan) (From 01.02.13)	17.6	18.6
Acorn Trust (From 01.09.13)		18.6
Standish St Wilfrid's Church of England Primary Academy (From 01.07.13)		18.6
Monument Café (Ex Wigan)	17.6	18.6
<b>Individual Employers</b>	<b>2012-13</b> %	<b>2013-14</b> %
The University of Bolton	17.9	18.6
Manchester Metropolitan University	17.1	17.9
Meridian Healthcare Limited	19.6 + £67k	19.6 + £70k
Greater Manchester Probation Trust	16.2	16.9

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Individual Employers</b> <i>(continued)</i>	<b>2012-13</b> %	<b>2013-14</b> %
Liverpool Hope University	16.0	16.0
Royal Northern College Of Music	16.3	16.3
Borough Care Services Limited	21.7 + £118k	21.7 + £124k
First Manchester Limited	22.5 + £757k	22.5 + £957k
Bolton College	18.4	18.4
Oldham College	13.2	13.2
Hopwood Hall College	16.3	16.3
Cheadle & Marple 6th Form College	15.8	15.8
Wigan & Leigh College	16.9	16.9
Tameside Sports Trust	15.1	15.1
New Charter Housing Trust Group	22.4	22.1
Positive Steps Oldham	13.6	14.4
The Velodrome Trust	15.3	15.3
The Ace Centre-North	12.8	12.8
Oldham Community Leisure Limited	12.0	12.0
Bowlee Park Housing Association	15.1	15.1
Manchester & District Housing Association	12.8	12.8
Trafford Housing Trust Limited	18.0	18.0
Northwards Housing Limited	14.0	14.0
Viridor Waste (Greater Manchester) Limited	20.6	20.6
The Swinton High School Academy Trust	16.9	17.8
Flixton Girls' School Academy Trust	16.9	17.9
Mellor Primary School	16.0	16.7
Broadoak Primary School	16.9	17.8
Cheadle Hulme Education Trust	16.0	16.7
Denton West End Primary School (From 01.06.12)	17.3	18.3
Hazel Grove High School	16.0	16.7
Eagley Infant School	17.2	17.9
Eagley Junior School	17.2	17.9
Harwood Meadows Primary School	17.2	17.9
Oakwood Academy (From 01.05.12)	16.9	17.8
Broughton Jewish Cassel Fox (From 01.08.12)	16.9	17.8
The Dunham Trust (Elmridge Primary School) Formerly Elmridge Academy Trust (From 01.09.12)	16.9	17.9
Altrincham College of Arts (From 01.09.12)	16.9	17.9
St Paul's (Astley Bridge) C of E Primary School (From 01.10.12)	17.2	17.9
SS Simon and Jude C of E Academy Trust (From 01.11.12)	17.2	17.9
Chapel Street Community Schools Trust (Atherton Community School) (From 01.09.12)	17.6	18.6
Wigan UTC (From 01.01.13)	17.6	18.6
Northern Education Trust (The Ferns) (From 01.09.12)	17.2	17.9

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>Individual Employers</b> <i>(continued)</i>	<b>2012-13</b> %	<b>2013-14</b> %
St Anselms Catholic Multi Academy Trust (From 01.06.13)		18.3
The Enquire Learning Trust (Hawthorns School) (From 01.09.13)		18.3
Stockport Technical School (From 01.02.13)	14.0	14.0
The Dunham Trust (Acre Hall Primary School) Formerly Elmridge Academy Trust (From 01.07.13)		17.9
The Olive Tree Primary School Bolton Limited (From 01.09.13)		15.0
The Manchester Collegiate Education Trust (From 01.09.13)		15.0
New Islington Free School (From 01.09.13)		15.0
Park Road Sale Primary School (From 01.09.13)		18.3
Bury College Education Trust (Radcliffe Primary School) (From 01.01.14)		13.0
Beis Yaakov Jewish High School Academy (From 01.09.12)	26.0	26.0
Chester Diocesan Academies Trust (St Matthew's C of E Primary) (01.01.14)		15.8
Collective Spirit Oldham (From 22.08.13)		16.9

<b>City South Manchester Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
City South Manchester Housing Trust Limited (Transferred Staff)	17.3	17.3
City South Manchester Housing Trust Limited (New Staff)	17.3	17.3

<b>Bolton at Home Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bolton at Home Limited (Transferred Staff)	15.8	15.8
Bolton at Home Limited (New Staff)	15.8	15.8

<b>Bamford Academy</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bamford Academy	16.6	17.1

<b>Bright Futures Educational Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Bright Futures Educational Trust (Altrincham Grammar School)	16.9	17.9
Bright Futures Educational Trust (Cedar Mount Academy) (From 01.08.12)	15.6	16.6
Bright Futures Educational Trust (Gorton Mount Primary Academy) (From 01.09.12)	15.6	16.6
Bright Futures Educational Trust (Melland High School) (From 01.08.12)	15.6	16.6
Bright Futures Educational Trust (Stanley Grove Primary Academy) (From 01.09.12)	15.6	16.6
Bright Futures Educational Trust (Connell 6th Form College) (From 01.09.13)		16.6
Dataspire Solutions Limited (Ex Cedar Mount) (From 01.09.12)	15.6	16.6

<b>Eastlands Homes Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Eastlands Homes Partnership Limited (New Staff)	17.3	17.3
Eastlands Homes Partnership Limited (2009 Transferred Staff)	17.3	17.3

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>First Choice Homes Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
FCHO Limited (I & P) - (Transferred Staff)	15.6	15.6
FCHO Limited (I & P) - (New Staff)	15.6	15.6
<b>Loreto Grammar School Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Loreto Grammar School (Academy) (From 01.08.12)	16.9	17.9
<b>Museum of Science and Industry Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
National Museum of Science and Industry	17.1 + £85k	18.1 + £85k
<b>Parkway Green Housing Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Parkway Green Housing Trust (Transferred Employees)	18.3	18.3
Parkway Green Housing Trust (New Employees)	18.3	18.3
<b>Police Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Police and Crime Commissioner for Greater Manchester	14.1	14.1
Police and Crime Commissioner for Greater Manchester (Ex-Salford)	14.1	14.1
<b>Rochdale Boroughwide Housing Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Rochdale Boroughwide Housing Limited (I&P)(Transferred Staff)	18.0	18.0
Rochdale Boroughwide Housing Limited (I&P)(New Staff)	18.0	18.0
<b>Reddish Vale Academy Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Reddish Vale Academy Trust	16.0	16.7
<b>Salford Academy Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Salford Academy Trust (Albion High School) (From 01.09.12)	16.9	17.8
Salford Academy Trust (Dukesgate Primary School) (From 01.09.12)	16.9	17.8
Salford Academy Trust (Marlborough Road Primary School) (From 01.09.12)	16.9	17.8
<b>Southway Housing Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Southway Housing Trust (Manchester) Limited (Transferred Staff)	18.0	18.6
Southway Housing Trust (Manchester) Limited (New Staff)	18.0	18.6
<b>St Ambrose Academy Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
St Ambrose College Academy Trust (From 01.05.12)	16.9	17.9

<b>Scheme employers:</b>	<b>Contribution Rate</b>	
<b>The Dean Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
The Dean Trust (Ashton On Mersey School) (From 01.05.12)	16.9	17.9
The Dean Trust (Broadoak School) (From 01.05.12)	16.9	17.9
The Dean Trust (Forest Gate Academy) (From 01.09.12)	16.9	17.9
<b>West Hill School Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
West Hill School	17.3	18.3
<b>Willow Park Housing Trust Pool</b>	<b>2012-13</b> %	<b>2013-14</b> %
Willow Park Housing Trust	18.7	19.4
Willow Park Housing Trust (2nd Agreement)	18.7	19.4

# The LGPS at a glance

The information below describes the LGPS as it was during 2013/14.

For information as it is now, please see our website [www.gmpf.org.uk](http://www.gmpf.org.uk)

## Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of employment for three months or more, are under age 75 and who are not eligible for membership of other statutory pension schemes. Employees of designating bodies or admitted bodies can only join if their employer nominates them for membership of the LGPS. Employees who have a contract of employment for less than 3 months, are under age 75 and who are not eligible for membership of other statutory pension schemes, can opt to join but are not automatically contractually enrolled into the LGPS.

## Benefits on death after 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 LGPS 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.

## Further information

More information about the LGPS can be found on our website:

[www.gmpf.org.uk](http://www.gmpf.org.uk)



# Policy Statements



# Funding Strategy Statement

April 2014



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# Funding Strategy Statement

Adopted 7 March 2014

For further information contact : [Steven.Taylor@gmpf.org.uk](mailto:Steven.Taylor@gmpf.org.uk)

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# Funding Strategy Statement

## 1 Introduction

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This is the Funding Strategy Statement (FSS) of the Greater Manchester Pension Fund ("the Fund" or "GMPF"), which is administered by Tameside MBC ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund Actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment Advisors and is effective from 1 April 2014.

### 1.1 Regulatory Framework

Members' accrued benefits are guaranteed by statute and defined by the LGPS Regulations. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Local Government Pension Scheme (Administration) Regulations 2008 (regulations 35 and 36);
- the Rates and Adjustments Certificate, which can be found appended to the Fund's triennial Actuarial Valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service;
- the Funds policy on admissions; and
- the Statement of Investment Principles.

Operating within this framework, the Fund Actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

The key requirements relating to the FSS are that:

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to:
  - ◆ FSS guidance produced by CIPFA in 2004 and 2012.
  - ◆ Its statement of investment principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
  - ◆ The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

The Fund's actuary must have regard to the FSS as part of the fund valuation process.

### 1.2 Reviewing the FSS

The FSS is reviewed in detail at least every three years in line with triennial valuations being carried out, with the next full review due to be completed by 31 March 2017.

The FSS is a summary of GMPF's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Steven J Taylor in the first instance at:

**steven.taylor@gmpf.org.uk**

**telephone: 0161 342 2880.**

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## 2 Purpose

### 2.1 Purpose of FSS

The then Office of the Deputy Prime Minister (ODPM) [now the Department for Communities and Local Government (CLG)] stated that the purpose of the FSS is:

- to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.

These objectives are desirable individually, but may be mutually conflicting.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the approach to funding the scheme's liabilities across the range of employers participating in the Fund.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

### 2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in the Annex.

### 2.3 Aims of the Funding Policy

The objectives of GMPF's funding policy include the following:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure that employers are aware of the risks and potential returns of the investment strategy;
- to help employers recognise and manage pension liabilities as they accrue, with consideration as to the effect on the operation of their business where the Administering Authority considers this to be appropriate;
- to try to maintain stability of employer contributions;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

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## 3 Solvency Issues & Target Funding Levels

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### 3.1 Derivation of employer contributions

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being accrued, referred to as the “*future service rate*”; plus
- b) an adjustment for the funding position (or “*solvency*”) of accrued benefits relative to the Fund’s solvency target, “*past service adjustment*”. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund Actuary is required by the regulations to report the *Common Rate of Employer’s Contribution*<sup>1</sup>, for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of up to 20 years.

The Fund Actuary is also required to adjust the *Common Contribution Rate* for circumstances which are deemed “*peculiar*” to an individual employer<sup>2</sup>. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer, and together with individual past service adjustments according to employer-specific spreading and phasing periods, these constitute the “*adjusted contribution rate*”.

Contribution rates for scheduled bodies without council tax raising powers are to be set at the higher of: (i) the future service element of the Common Contribution Rate; and (ii) the employer’s adjusted contribution rate, unless otherwise agreed by the Administering Authority.

For some employers it may be agreed by all relevant parties to pool contributions, see Section 3.7.8.

A breakdown of each employer’s contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14 can be found in the 31/3/10 Actuarial Valuation report (finalised in 2011). It includes a comparison of each employer’s rate with the *Common Contribution Rate*. It also identifies which employers’ contributions have been pooled with others.

The treatment of any costs of non ill-health and ill-health early retirements differs between employers who are either part of a pool involving a Local Authority employer,

or a major employer grouping or not part of any pool, on the one hand, and employers who are part of a pure Non-Local Authority pool, on the other. The former have “*early retirement allowances*” for non ill-health and for ill-health early retirements built into their employer contribution rate and initially the aggregate of these two allowances are used to fund any such costs. Costs in excess of the aggregate of the “*allowances*” are met by separate lump-sum employer contributions.

The latter have no “*allowance*” for non ill-health early retirements but do have an “*allowance*” for ill-health early retirements built into their contribution rates. For these employers the costs of non ill-health early retirements are met by separate lump-sum employer contributions whilst the costs of ill-health early retirements in excess of the allowance are dealt with via an appropriate adjustment to their contribution rate at the next valuation. (cf Sub-Section 3.9.1)

As an alternative to the approach set out above, the Administering Authority will be permitting employers to take out their own insurance against the cost of ill-health early retirements. Where employers take out such insurance to the satisfaction of the Administering Authority, their contribution rate will be reduced by the lower of: (i) the insurance premium paid; and (ii) the allowance for ill-health early retirements that would otherwise have been included in their contribution rate.

Employers’ contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

### 3.2 Solvency and Target Funding Levels

The Fund Actuary is required to report on the “*solvency*” of the whole fund at least every three years.

“*Solvency*” for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund Actuary’s ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis has traditionally been used for each triennial valuation for all employers in the Fund. For those scheme employers where the administering authority believes they have a strong strength of covenant the ongoing funding basis will continue to apply.

<sup>1</sup> See Regulation 77(4)

<sup>2</sup> See Regulation 77(6)

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Where an admission agreement for an Admission Body that is not a Transferee Admission Body and has no guarantor is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the fund reserves the right to set contribution rates by reference to liabilities valued on a gilts basis (i.e. using a discount rate that has no allowance for potential investment outperformance relative to gilts). The target in setting contributions for any employer in these circumstances is to achieve full funding on a gilts basis by the time the agreement terminates or the last active member leaves in order to protect other employers in the fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required when a cessation valuation is carried out.

The Fund also reserves the right to adopt the above approach in respect of those Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease.

The Fund Actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

The Fund operates an identical target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The time horizon of the funding target for Community and Transferee Admission Bodies will vary depending on the expected duration of their participation in the Fund. Please refer to Section 3.8 for the treatment of departing employers.

### 3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future outcomes within GMPF as advised by the Fund Actuary, based on past experience of LGPS funds and of GMPF. It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in mortality, is uncertain. Employers should be aware that their contributions are likely to increase in future if longevity exceeds the funding assumptions.

The approach taken is considered reasonable in light of the long term nature of the Fund and the statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different member profiles of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of gilts. There is, however, no guarantee that equities will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the

actual returns and assumed returns can deviate sharply.

In light of the statutory requirement for the Fund Actuary to consider the stability of employer contributions, it is normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2013 valuation, the Main Fund assumption is that GMPF's investments will deliver an average real additional return of 1.8% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. Based upon the asset allocation of the Main Fund as at 31 March 2010, this is equivalent to taking credit for excess returns on equities of 2.4% p.a. over and above the gross redemption yield on index linked gilts on the valuation date and for excess returns of 0.4% p.a. on the non-equity assets (excluding gilts).

The same financial assumptions are adopted for the majority of employers. The anticipated future return on investments may vary between employers who follow different investment strategies. However, only variations which lead to reductions in the anticipated returns as compared with the position of the majority of employers are allowed.

### 3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is traditionally calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies and some resolution bodies that may have the power not to admit automatically all eligible new staff to GMPF, depending on the terms of their Admission Agreements and employment contracts. It should be noted that employers within a pool will pay the contribution rate applicable to the pool as a whole.

Where it is considered appropriate the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a gilts basis (most usually for admission bodies that are not a Transferee Admission Bodies and that have no guarantor in place).

### 3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

### 3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the Attained Age funding method is adopted. This will limit the degree of future contribution rises by paying higher rates at the outset. However, the Administering Authority may choose to adopt the Projected Unit Method where the circumstances relating to an employer appear to warrant such treatment and where the employer has been advised of the impact of the use of this basis.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include expenses of administration to the extent that they are borne by the Fund.

## 3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding level.

The combined effect of these adjustments for individual employers applied by the Fund Actuary relate to:

- past contributions relative to the cost of accruals of benefits;

- different liability profiles of employers (eg mix of members by age, gender, manual/non manual, part-time/full-time);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the savings in early retirement provisions;
- the effect of more or fewer leavers than assumed;

Over the period between each triennial valuation.

Actual investment returns achieved by following each investment strategy between each valuation are applied proportionately across all relevant employers as appropriate. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers, unless the circumstances dictate otherwise.

The Fund Actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation [where Hymans Robertson calculates asset shares – see Section 3.6 below], including, but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

## 3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund Actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in GMPF, but does make a number of simplifying

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assumptions. The split is calculated using an actuarial technique known as “analysis of surplus”. The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of GMPF. The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations of this approach.

Currently, this approach allocates assets to an acceptable level of accuracy across employers. However, due to the increasing number of employers in the Fund and their diversity, the Fund is working with the actuary to develop an accounting system that will track assets for each employer to an auditable standard and will be more transparent than the current approach.

## 3.7 Stability of Employer Contributions

### 3.7.1 Solvency Issues and Target Funding Levels

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of prudential strategies that the Administering Authority may deploy in order to maintain employer contribution rates at as nearly a constant rate as possible. These include:

- use of extended deficit recovery periods; [3.7.2 & 3.7.3]
- phasing in of contribution increases / decreases; [3.7.4 – 3.7.6]
- the pooling of contributions amongst employers with similar characteristics; [3.7.7]
- managing employer contribution rates based on longer term modelling of liabilities (“Managed Rate Approach”); [3.7.8]
- capping of employer contribution rate increases / decreases within a pre-determined range (“Stabilisation”); [3.7.9]

In addition to these strategies for improving the stability of employer contributions, the Administering Authority may, at its absolute discretion, permit greater “flexibility” around the employer’s contributions provided that the employer has provided additional “security” to the satisfaction of the Administering Authority. Such greater “flexibility” may include a reduced rate of contribution, and extended deficit recovery period, or permission to join a pool with another body (e.g. a relevant and agreeable Local Authority). Additional “security” may include, but is not limited to, provision of a suitable financial bond, a legally-binding guarantee from an

appropriate third party, or security over an employer owned asset of sufficient value.

The degree of greater “flexibility” extended to a particular employer is likely to take into account factors such as:

- the extent of the employer’s deficit;
- the amount and quality of the security offered;
- the employer’s financial security and business plan;
- whether the admission agreement is likely to be open or closed to new entrants.

After including investment income, the Fund currently has a positive net cash inflow. Therefore, the Fund can take a medium to long term view on determining employer contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long term view. This allows short term investment markets volatility to be managed so as not to cause volatility in employer contribution rates.

The LGPS regulations require that the longer term funding objectives are to achieve and maintain assets to meet the projected accrued liabilities. The role of the Fund Actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The approach to the actuarial valuation and key assumptions used at each triennial valuation forms part of the consultation undertaken with the FSS.

### 3.7.2 Deficit Recovery Periods

The Administering Authority recommends to the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 valuation). The Administering Authority would normally expect the same deficit recovery period to be used at successive triennial valuations, but would reserve the right to propose alternative recovery periods, for example to improve the stability of contributions.

Where an employer’s workforce/payroll is expected to decline, the Administering Authority may choose to specify that any deficit contributions are payable as periodic lump sum cash amounts rather than as a percentage of payroll.

Type of employer	Maximum length of deficit recovery period
Statutory bodies with tax raising powers and other Govt 'supported' employers	A period not exceeding 20 years
Community Admission Bodies with funding guarantees, subject to the approval of the guarantor and the agreement of the Administering Authority	A period not exceeding 20 years
Transferee (Best Value) Admission Bodies	The period from the start of the revised contributions to the end of the employer's contract or as otherwise agreed with the parent Local Authority letting the contract
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after the last active member retires	A period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers, or such other period agreed by the employer and approved by the Administering Authority
All other types of employer	a period equivalent to the expected future working lifetime of the remaining scheme members

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table above.

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates. For employers that are in deficit at this valuation, there will be no reduction in contribution rates. This will lead to shorter deficit recovery periods for some employers.

### 3.7.3 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over 15 years or such other period agreed with the employer and approved by the Administering Authority.

However, to help meet the stability requirement, employers may prefer not to take such reductions.

### 3.7.4 Phasing in of Contribution Rises

Phasing in periods will be influenced by the perceived credit worthiness of the employer and this will normally be a maximum of 3 years, and statutory bodies with tax raising powers a maximum of 4 years. Increases of less than 2% will be phased in over a maximum of 3 years.

### 3.7.5 Phasing in of Contribution Reductions

Any contribution reductions will be phased in over 6 years for all employers except Transferee Admission Bodies who may adopt a shorter period.

### 3.7.6 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2010 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns due to the fact that their assets will build up at a slower rate by opting to defer repayment. Thus, deferring paying contributions is expected to lead to higher contributions in the long-term (depending on the actual financial and demographic performance of the Fund relative to valuation assumptions).

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

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### 3.7.7 Pooled Contributions

#### 3.7.7.1 Smaller Employers

The Administering Authority allows smaller employers [of similar types] to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. The normal maximum number of active members to participate in a pool is set at 50.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not permitted to participate in a pool except with the approval of the relevant Local Authority and/or Administering Authority. Transferee Admission Bodies may only participate in pooling with the relevant parent Local Authority.

Employers who do not wish to continue with current/historic pooling arrangements have been requested to discuss the issue with the Administering Authority.

As at the 2010 valuation separate pools were operated for FE Colleges, Town and Parish Councils and for smaller Admission Bodies.

#### 3.7.7.2 Other Contribution Pools

In some cases, schools are pooled with their funding Council, subject to their joint agreement.

Some Admission Bodies with guarantors are pooled with their Council.

Those employers that have been pooled are identified in the Rates and Adjustment Certificate which is detailed in the 31/3/13 Actuarial Valuation report (finalised in 2014).

#### 3.7.8 Managed Rate Approach

There can be occasions when, despite the deployment of the foregoing approaches such as pooling, phasing and the extension of deficit recovery periods, the theoretical employer contribution rate is not affordable or achievable. This can occur in times of tight fiscal control or where budgets have been set in advance of new employer contribution rates being available.

To help manage contributions, the Administering Authority has commissioned the Fund Actuary to carry out modelling for a number of employers that are considered to have a sufficient strength of covenant so as not to pose an excessive default risk to the Fund over the deficit recovery period. For such employers the modelling takes into account the deficit recovery period allowed for the employer, the employer status and funding level and any other factors deemed relevant by the Administering

Authority and Fund Actuary. The modelling explores and recommends a suitable contribution strategy for an employer such that there is an acceptable likelihood of the employer having sufficient assets to meet all future benefit payments by the end of the relevant deficit recovery period allowed by the Administering Authority for that type of employer.

#### 3.7.9 Stabilisation

In addition, for certain employers where it is considered to be cost effective relative to the benefits to the employer, the Administering Authority can commission the Fund Actuary to carry out more extensive modelling to explore the long term effect on the Fund of capping future contribution increases and decreases. The results of such modelling will indicate whether or not it is justifiable to limit employer contribution rate changes within a fixed range in each future year (for example, +1% / -1% per year change in employers' contribution rates). Stabilisation is considered if the following conditions are met:

- the Administering Authority is satisfied that the status of the employer merits adoption of a stabilised approach; and
- there are no material events occurring after the modelling work is carried out which render the stabilisation unjustifiable.

In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that this stabilisation approach demonstrates that stabilising contributions as described above can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have/are "stabilised" and are therefore paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

### 3.8 Admission Bodies ceasing

Admission Agreements for Transferee contractors are assumed to expire at the end of the contract unless otherwise agreed by the relevant local authority and Administering Authority.

Admission Agreements for other employers are assumed to terminate for any of the following reasons unless otherwise agreed by the relevant local authority and Administering Authority:

- Last active member ceasing participation in the LGPS;
- The insolvency, winding up or liquidation of the admission body;
- Any breach by the Admission Body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;

- A failure by the admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the admission body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the admission agreement by giving the appropriate period of notice as set out in the Admission Agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority may instruct the Fund Actuary to carry out a special valuation to determine whether there is any deficit depending on the circumstances and terms of the admission agreement.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

- For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with the assumptions used to calculate the initial transfer of assets to accompany the active member liabilities transferred. Where a lower risk investment strategy has been adopted, the assumptions used in the calculation of the cessation liabilities will be consistent with that investment strategy.
- For admission bodies that are not Transferee Admission Bodies where its participation is voluntarily ended either by themselves or the Fund, or which triggers a cessation event, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. Where there is a guarantor, the cessation valuation will normally be calculated using an ongoing valuation basis appropriate to the investment strategy. Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis and could give rise to significant payments being required.
- For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond or indemnity or guarantor, then:

- In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the awarding authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period;
- In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date.

As an alternative to (b) above where the ceasing Admission Body is continuing in business the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing Admission Body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis.

This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

## 3.9 Early Retirement Costs

### 3.9.1 Non Ill Health early retirements

The overall position in relation to non ill-health early retirements is as set out in Section 3.1.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".

The additional costs of premature retirement are calculated by reference to these ages.

Any additional lump-sum contributions which are required to be made under Section 3.1 arising from non ill-health early retirements become due immediately upon the award of an early retirement. The Administering Authority may agree that an employer be permitted to spread the payment over a period not exceeding 3 years (or the period until the member's normal retirement date if this is shorter). The Administering Authority reserve the right to require payment of these costs over a shorter period, and possibly immediately, depending on the circumstances of the employer.

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### 3.9.2 Ill health early retirement and death in service costs

The Fund monitors each employer's, or pool of employers, ill health early retirement experience on an ongoing basis. This information is used to determine any necessary lump-sum employer contributions pursuant to the practice outlined in section 3.1.

### 3.10 Employers with no remaining actives

In general an employer ceasing in the Fund due to the departure of the last active member, will pay a cessation debt on an appropriate basis and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

### 3.11 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will seek the most cost effective method of transfer to keep professional and administration costs as low as possible;
- The maximum amount the Fund will pay on a bulk transfer is an amount equal to the asset share held by the transferring employee's employer and is capped at the value of the transferring employee's liabilities;
- When a transfer takes place such that the transferring employer will no longer have any active membership then the transfer amount may be limited by the need for the Fund to meet the liabilities of any ex-employees of the employer;

- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

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## 4 Links to Investment Strategy

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Funding and investment strategy are inextricably linked. Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

### 4.1 Investment Strategy

The investment strategies currently being pursued are described in GMPF's Statement of Investment Principles.

The investment strategies are set for the long-term, but the principal strategy (for the "Main Fund") is reviewed annually, to ensure that it remains appropriate to the relevant liability profile and takes account of major movements in market valuations. The Administering Authority has adopted a Main Fund benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2013, the proportion to be held in equities and property was broadly 75% of the total Main Fund assets.

The investment strategy of lowest risk would be that which provides cashflows which replicate the expected benefit cashflows (ie the liabilities). Equity investment would not be consistent with this. This strategy informs policy for part of the Fund where liabilities are mature and employers have agreed such an approach.

The Main Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities relevant to the Main Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers covered by the Main Fund. The Administering Authority offers employers the opportunity to pursue a more cautious investment strategy than the Main Fund norm.

### 4.2 Consistency with Funding Basis

For employers covered by the Main Fund, the funding basis adopts an asset outperformance assumption of 1.8% pa over and above the redemption yield on index linked gilts. The Main Fund's current bespoke investment strategy is broadly 75% held in real assets and 25% in monetary assets. For employers pursuing a more cautious investment strategy than the Main Fund norm, a lower asset outperformance assumption may be adopted as appropriate. Both the Fund Actuary and the investment adviser to the Fund consider that the funding basis fulfils the requirement to take a "prudent longer-term" approach to funding.

The Administering Authority is aware that in the short term – such as the three yearly assessments at formal valuations – the proportion of the assets invested in equities brings the possibility of considerable volatility and there is a material chance that in the short-term, and

even the medium-term, asset returns will fall short of the outperformance target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

### 4.3 Balance between risk and reward

Prior to implementing its current investment strategies, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

In the light of the admission of Transferee contractors on different terms to other employers and the 2010 valuation results which showed the sensitivity of individual employers' contributions to changes in investment returns, the Administering Authority is reviewing whether its "dual strategy" approach should be refined. Enabling other investment strategies will require investment in new systems and higher ongoing costs which would have to be borne by the employers. The potential benefits of multiple investment strategies need to be assessed against the costs. The Fund is currently considering the option of more bespoke investment strategies.

### 4.4 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance on a quarterly and annual basis. There is also detailed monitoring of new liabilities arising from early and ill-health retirements, the costs of which are met by employers. In addition, the Fund Actuary routinely assesses the funding position quarterly, taking account of actual experience compared to the financial assumptions underlying the valuation. Formally, the Administering Authority reports back to employers at the GMPF Annual General Meeting.

## 5 Key Risks & Controls

### 5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings :

- financial;
- demographic;
- regulatory; and
- governance.

### 5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<p>Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Use of interim valuations.</p>
Inappropriate long-term investment strategy	<p>Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.</p> <p>Examine scope for extending employer-specific investment strategies.</p> <p>Annual review of investment strategy incorporates consideration of alternative approaches.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	<p>Some investment in bonds helps to mitigate this risk and there is scope for employers to increase bond exposure.</p>
Active investment manager under-performance relative to benchmark	<p>Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</p> <p>Regular reporting to employers describes Main Fund performance.</p> <p>If appropriate, the Fund Actuary will be asked to evaluate the implications.</p>
Pay and price inflation significantly more than anticipated	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds, particularly index-linked, also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/ scheduled bodies	<p>Seek feedback from employers on scope to absorb short-term contribution rises.</p> <p>Mitigate impact through deficit spreading and phasing in of contribution rises.</p> <p>Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific investment strategies to give greater certainty of cost.</p>
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rate among all employers.</p>

### 5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer.	<p><i>Set mortality assumptions with some allowance for future increases in life expectancy.</i></p> <p><i>Fund Actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding.</i></p> <p><i>Administering Authority encourage any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.</i></p>
Deteriorating patterns of ill health and other early retirements	<p><i>The Fund has adopted a compulsory self-insurance mechanism to meet the strains that arise from ill-health early retirement costs.</i></p>

### 5.4 Regulatory Risk

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	<p><i>The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.</i></p>
Changes to national pension requirements and/or HM Revenue and Customs rules e.g. changes arising from Public Sector Reform	<p><i>The Administering Authority considers all consultation papers issued by CLG and comments where appropriate.</i></p> <p><i>It will consult employers where it considers that it is appropriate.</i></p> <p><i>The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</i></p> <p><i>Copies of all submissions are available for employers to see at <a href="http://www.gmpf.org.uk">www.gmpf.org.uk</a> with effect from January 2005.</i></p>

### 5.5 Governance Risk

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	<p><i>The Administering Authority monitors membership movements on an annual basis, via a report from the administrator to the Pension Fund Management Panel.</i></p>
Administering Authority not advised of an employer closing to new entrants.	<p><i>The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations.</i></p> <p><i>Deficit contributions may be expressed as monetary amounts (see Actuarial Valuation report).</i></p>

## 5.5 Governance Risk continued

Risk	Summary of Control Mechanisms
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.</p>	<p><i>In addition to the Administering Authority monitoring membership movements on an annual basis, it requires employers with Transferee Admission Agreements to inform it of forthcoming changes.</i></p> <p><i>It also operates a diary system to alert it to the forthcoming termination of Transferee Admission Agreements.</i></p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p><i>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</i></p> <p><i>The risk is mitigated by :</i></p> <ul style="list-style-type: none"> <li><i>• Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.</i></li> <li><i>• Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</i></li> <li><i>• Vetting prospective employers before admission.</i></li> <li><i>• Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.</i></li> <li><i>• Offering lower risk investment strategies – with higher employer contributions - for Transferee Admission Bodies to reduce the risk of volatile contributions and a significant debt crystallising on termination.</i></li> </ul>

END OF MAIN BODY OF FSS

ADOPTED BY THE PENSION FUND MANAGEMENT PANEL : 7 March, 2014

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# Annex - Responsibilities of Key Parties

## The Administering Authority should:

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS/SIP as necessary and appropriate.

## The individual employer should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

## The Fund Actuary should:

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

## Other parties:

- investment advisers (either internal or external) may be asked to assist in ensuring that the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers will typically all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors will comply with their auditing standards and sign off annual reports and financial statements as appropriate;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) will assist in ensuring the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures.

END OF ANNEX

# Governance Policy

2008



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# Governance Policy

## Greater Manchester Pension Fund (GMPF) – Governance Policy Statement

### Constitution

The Administering Authority operates within the Council's Governance arrangements.

The statutory officer roles required are an integral part of the Fund's governance arrangements, these are:

- Head of Paid Service (Chief Executive);
- Monitoring Officer (Executive Director – Governance [Borough and Fund Solicitor]); and
- Chief Finance Officer (Executive Director – Finance [(Borough Treasurer)])

Further details of the Council's Governance arrangements can be found on the Council's website at <http://www.tameside.gov.uk/constitution>

### Delegation

Tameside MBC delegates its function in relation to maintaining the GMPF to the following:

- Pension Fund Management Panel
- Pension Fund Advisory Panel
- Pension Fund Working Groups
- The Executive Director of Pensions.

### Frequency of meetings

The Pension Fund Management Panel, the Pension Fund Advisory Panel and the Pension Fund Working Groups meet at least quarterly.

## Pension Fund Management Panel

### Terms of Reference

Carries out a similar role to that of the trustees of a pension scheme. It is the key decision maker for:

- Investment Management
- Monitoring investment activity and performance
- Overseeing administrative activities
- Guidance to officers in exercising delegated powers.

The detailed terms of reference are reviewed annually by Tameside MBC and the current detailed delegations are contained in the Tameside MBC Constitution referred to below under the heading *Access To Information*.

### Structure

Consists of local councillors the majority of which are drawn from Tameside MBC and the remainder drawn from other local authorities within Greater Manchester on the nomination of the remaining 9 local authorities within Greater Manchester acting through the Association of Greater Manchester Authorities. Currently all local authorities are represented on the Management Panel. All members have voting rights.

## Pension Fund Advisory Panel

### Terms of Reference

To work closely with the Pension Fund Management Panel and to advise on all matters.

The detailed terms of reference are reviewed annually by Tameside MBC and the current detailed delegations are contained in the Tameside MBC Constitution referred to below under the heading *Access To Information*.

### Structure

Consists of 10 local councillors one drawn from each of the 10 Greater Manchester local authorities and a minimum of 2 employee representatives nominated by the North West TUC. Current and long standing practice is to have 6 employee representatives.

All the elected members and employee representatives have voting rights.

## Pension Fund Working Groups

### Terms of reference

The Fund utilises Working Groups to consider in detail specific aspects of the Fund's activities and the monitoring of performance.

There are currently six Working Groups which consider particular areas of GMPF activities and make recommendations to the Pension Fund Management and Advisory Panels. The GMPF activities covered by the working groups are:

- Business Development
- Ethics and Audit
- Pensions Administration
- Alternative Investments
- Employer Funding and Viability
- Property

### Structure

Membership of the Working Groups is drawn from the members of the Management and Advisory Panels. Each Working Group is chaired by a Tameside MBC councillor.

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## Director of Pensions

### Terms of Reference

- Responsible for implementing the decisions of the Pension Fund Management Panel and for the day-to-day management of the affairs of the GMPF.
- The Executive Director of Pensions is the administrator of the Fund and acts as the link for members, advisers and investment managers between meetings.
- The delegated powers of the Director of Pensions are reviewed annually and the current powers are contained in the Tameside MBC Constitution referred to below under the heading *Access To Information*.

In addition GMPF also has the following governance arrangements in place.

### External advisers

Three external advisers assist the Pension Fund Advisory Panel in particular regarding investment related issues.

### Internal control

Tameside MBC provide internal audit arrangements to GMPF both as a tool of management and with direct reporting to the Ethics and Audit Working Group.

### External review

Tameside MBC including the GMPF is subject to external audit. The external auditors are appointed by the Audit Commission. This helps ensure that public funds are properly safeguarded and accounted for and are used economically, efficiently and effectively in accordance with the statutory and regulatory requirements. An audit opinion is given separately on the Fund's Annual Report and Accounts.

## Annual Report and Accounts, AGM And Annual Pensioner Forum

Annually a Report and Accounts is produced for approval by the Pension Fund Management Panel at its meeting in September each year. The report currently includes the following sections:

- Chair's Introduction
- Management Structure
- Investment Report
- Statement of Accounts
- Scheme Administration
- Actuarial Statement and Employer Contributions
- Scheme at a glance

The Policy Statement comprising:

- Funding Strategy
- Statement of Investment Principles
- Governance Policy
- Governance Compliance
- Core Belief
- Communications Policy

The Annual Report and Accounts is published on the Fund's website.

An Annual General Meeting, to which all employers are invited, is held within 7 months of the year end, usually early September.

Every two years GMPF hosts a Pensioners Forum. The Annual Report and Accounts are a key element of the Pensioner Forum.

### Risk Management

Risk awareness is embedded into the performance management process. Risk Management will continue to feature in the training planned for all GMPF managers. The Ethics and Audit Working Group considers risk management issues.

### Communication with employers

Regular meetings are held with GMPF local authority employers and meetings with non-Scheme employers take place twice yearly, at which administrative matters are discussed and updates provided on funding and investment matters. Ad-hoc meetings with employers are held to report on key issues. Training events are also provided for employers and support is also provided by the Pensions Office.

### Access to information

- Via the GMPF website at [www.gmpf.org.uk](http://www.gmpf.org.uk) the GMPF Annual Report and Accounts can be accessed:
- Via the Tameside MBC website at [www.tameside.gov.uk](http://www.tameside.gov.uk) Tameside MBC Constitution may be accessed which contains the Terms of Reference and Scheme of Delegation relating to the GMPF.
- All of the above mentioned documents are also available in hard copy form upon request.



# Governance Compliance Statement

2008

# GMPF Governance Compliance Statement

	Not compliant	Fully compliant
(a) The management of the administration of benefits and strategic management of fund assets clearly rests within the main committee established by the appointing council.		✓
(b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✗	
(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.		✓
(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.		✓

## Principal A(b) – Structure

### Reason for non-compliance:

In addition to the 10 local authorities within the Greater Manchester area the GMPF also has in excess of 300 non-local authority employers whose activities are diverse. It is considered impractical for each or groups of the non-local authority organisations to be separately represented on the GMPF.

To compensate for the lack of direct participation, the Fund holds an AGM to which all employers are invited and they have the opportunity to ask questions. For non local authority employers, meetings are held half yearly. This provides an opportunity for administrative, investment and funding issues to be raised.

Meetings can also be held with individual or groups of employers as required.

At the Advisory Panel, there are 6 representatives of Scheme Members appointed by the North West TUC. These representatives also participate in the Fund's Working Groups.

## Principle B - Representation

	Not compliant	Fully compliant
(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>(i) employing authorities (including non-scheme employers, eg, admitted bodies);</li> <li>(ii) scheme members (including deferred and pensioner scheme members);</li> <li>(iii) where appropriate, independent professional observers; and</li> <li>(iv) expert advisors (on an ad-hoc basis).</li> </ul>	  	  
(b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.		

### Principal B – Representation

#### Reason for non-compliance:

Principle B(a)(i) – see explanation provided previously at Principle A(b).

Principle B(a)(iii) – GMPF considers that the roles envisaged by DCLG for an independent professional observer are already adequately catered for within the Fund's current governance arrangements through the participation in the Advisory Panel of 3 expert external advisors from diverse professional backgrounds.

## Principle C - Selection and role of lay members

	Not compliant	Fully compliant
(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.		
(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.		
C(a) Induction training is provided to new members. All members participate in mandatory training sessions and support is also provided for voluntary additional training. The induction of new members includes a copy of the Annual Report, that sets out the Management Arrangements and a summary of the responsibilities of the Management and Advisory Panels.		

## Principle D - Voting

	Not compliant	Fully compliant
<p>(a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p> <p>All members of the Management and Advisory Panels have voting rights.</p>		✓

## Principle E - Training/facility/time/expenses

	Not compliant	Fully compliant
<p>(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>		✓
<p>(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p>		✓
<p>(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.</p>	✗	

### Principle E (c) - Annual training plans

#### Reason for noncompliance:

- (a) All members attend two mandatory training sessions per annum.
- (b) All new members receive induction training and attend three day LGE introductory training.
- (c) Support is provided to all members re their training needs.
- (d) The Working Group's provide the opportunity for in-depth consideration of all Fund issues.
- (e) A training log is maintained for all members and training must be undertaken by all Panel members.

## Principle F - Meetings (frequency/quorum)

	Not compliant	Fully compliant
(a) That an administering authority's main committee or committees meet at least quarterly.		✓
(b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.		✓
(c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		✓

## Principle G - Access

	Not compliant	Fully compliant
(a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.		✓

## Principle H - Scope

	Not compliant	Fully compliant
(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.		✓

## Principle I - Publicity

	Not compliant	Fully compliant
(a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		✓

A stack of spiral-bound notebooks is shown, with the top notebook open. The entire image has a strong blue color cast. The text is overlaid on the upper left portion of the image.

# Core Belief Statement

Adopted: 6 March 2009

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# Core Belief Statement

This is the Core Belief Statement (“the Statement”) of the Greater Manchester Pension Fund (“the Fund” or “GMPF”), which is administered by Tameside MBC (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund Actuary, Hymans Robertson LLP, and after consultation with the Fund’s investment Advisors and Managers.

The objective of the Statement is to set out the Fund’s key investment beliefs. These beliefs will form the foundation of discussions, and assist decisions, regarding the structure of the Fund, strategic asset allocation and the selection of investment managers.

## 1. Investment governance

- 1.1 The Fund has the necessary skills, expertise and resources to internally manage some assets, such as property, private equity and cash.
- 1.2 Investment consultants, independent advisors and officers are a source of expertise and research to inform Management Panel decisions.
- 1.3 The Fund is developing its governance structure in order to implement tactical views more readily, but acknowledges that market timing is very difficult.
- 1.4 There can be a first mover advantage in many areas, but it is difficult to exploit and requires the Fund to be willing to take on ‘unconventional risks’.

## 2. Long term approach

- 2.1 The strength of the employers’ covenant allows a longer term deficit recovery period and for the Fund to take a long term view of investment strategy.
- 2.2 The most important aspect of risk is not the volatility of returns but the risk of absolute loss and of not meeting the objective of facilitating low, stable contribution rates for employers.
- 2.3 Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term markets.
- 2.4 Participation in economic growth is a major source of long term equity return.

- 2.5 Over the long term, equities are expected to outperform other liquid assets, particularly government bonds.
- 2.6 Well governed companies that manage their business in a responsible manner will produce higher returns over the long term.

## 3. Appropriate investments

- 3.1 Allocations to asset classes other than equities and government bonds (eg corporate bonds, private equity and property) offer the Fund other forms of risk premia (eg additional solvency risk/illiquidity risk).
- 3.2 Diversification across asset classes and asset types will tend to reduce the volatility of the overall Fund return.
- 3.3 In general, allocations to bonds are made to achieve additional diversification. However, for a number of those scheme employers with mature liabilities, the Fund does pursue a bond driven liability based strategy.

## 4. Management strategies

- 4.1 Passive management provides low cost exposure to equities and bonds and is especially attractive in efficient markets.
- 4.2 Active managers can add value over the long-term, particularly in relatively inefficient markets and the Fund believes that by following a rigorous approach it is possible to identify managers who are likely to add value.
- 4.3 The Fund believes that the case for value investing is compelling, but that it may result in prolonged periods of over and underperformance in comparison to a style neutral approach.
- 4.4 Active managers are expensive and fees should be aligned to the interests of the Fund rather than performance of the market.
- 4.5 Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
- 4.6 Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce overall outperformance.

*Version 1.0, adopted by the Pension Fund Management Panel for Tameside MBC as administering authority for Greater Manchester Pension Fund : March 6, 2009.  
SJT/PFIG, March 2009.*

A close-up photograph of several spiral-bound notebooks stacked on a dark wooden surface. The metal spiral binding is prominent, creating a series of overlapping loops. The pages are a light cream color, and the overall lighting is warm and golden, creating a sense of depth and texture. The text is overlaid on the upper left portion of the image.

# Statement of Investment Principles

Adopted: 11 June 2010

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# Statement of Investment Principles

## 1. Background

- 1.1 This Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (“the Regulations”). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.
- 1.2 The terms of appointments of any external fund managers are required to include a provision that the fund manager must take account of, and shall not contravene, this Statement in undertaking its management role.
- 1.3 The Local Government Pension Scheme (“the Scheme”) was established by statute to provide death and retirement benefits for all eligible employees. The Scheme is a contributory, defined benefit occupational pension scheme.
- 1.4 Tameside MBC (“the Council”) became the administering authority of the Greater Manchester Pension Fund (“the Pension Fund” or “the Fund”) in 1987 after the abolition of the Greater Manchester County Council in 1986. The Fund covers all ten district councils of Greater Manchester and numerous other smaller employers.
- 1.5 The Statement outlines the broad investment principles governing the investment policy of the Pension Fund. In preparing the Statement, the Council has consulted those persons it considered appropriate.

## 2. Organisation and management arrangements of the Fund

- 2.1 The investment powers of the Council under the Scheme are given in the Regulations. Amongst other matters, the Regulations require the Council to have regard to both the suitability and diversification of its investments and to take proper advice in making decisions regarding the investment matters of the Fund.
- 2.2 The Council has delegated all its functions as administering authority of the Pension Fund to the Pension Fund Management Panel (“the Management Panel” or “the Panel”) which routinely meets on a quarterly basis and whose

Terms of Reference are detailed in the Council’s “Constitution”. Amongst other matters, the Panel decides on the investment policy most suitable to meet the liabilities under the Scheme and has ultimate responsibility for the investment strategy.

- 2.3 The Management Panel has in turn appointed a Pension Fund Advisory Panel and external professional Advisors, and has dedicated internal Officers of the Fund to advise it on the exercise of its delegated powers. There are also a small number of Working Groups which report quarterly to the Panel on specialist matters.
- 2.4 The Director of Pensions exercises certain delegated powers as specified in the Constitution and provides the link between the Panel, the external professional Advisors and the Fund’s investment managers. Each year a Fund “Business Plan” is submitted by the Director of Pensions to the Management Panel for consideration.
- 2.5 A primary objective of the Council is to maintain a low and stable employer contribution rate. This is to be achieved by attempting to maximise the long-term investment return whilst not exceeding an acceptable degree of risk.
- 2.6 The assets of the Fund are separated into two distinct parts – a Main Fund and a Designated Fund. This separation has been made in order to reflect a major difference in liability profiles between most of the employers of the Fund and that of a small number of other employers of the Fund.
- 2.7 Having taken appropriate advice, the Management Panel has decided that a bespoke benchmark, which is biased towards equity is a suitable investment benchmark for the management of the Main Fund. Detail on the Main Fund’s bespoke benchmark is included in the Fund’s Annual Report and Accounts. This benchmark will be reviewed annually and when appropriate in response to significant changes in the investment environment. The Designated Fund has a bespoke benchmark which is heavily orientated towards UK index linked stock.

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- 2.8 The Management Panel has delegated the management of the majority of the Main Fund's securities portfolio to regulated, external, professional fund managers whose activities are defined and constrained by detailed Fund Manager Agreements. The remainder of the Main Fund (including property, venture capital/private equity and elements of UK cash) and the Designated Fund are managed internally by Officers of the Fund. The 'Treasury Management' of all UK cash is undertaken by Officers of Tameside MBC.
- 2.9 The Main Fund is largely actively managed but has a significant element, which is passively managed on a pooled basis. The appointed external fund managers have been given individual differing active multi-asset (ex property) discretionary benchmarks reflecting their perceived skills and the relative efficiency of markets. These individual benchmarks are detailed in the Fund Manager Agreements and have been chosen so as to be consistent with the overall bespoke benchmark determined for the Main Fund.
- 2.10 Each of the Main Fund's external active fund managers has been set the target of achieving a rolling three year average performance which exceeds the average performance of their individual benchmark by 1% per annum. The Fund anticipates that in two years out of three the external active fund managers' annual performance will be within 4½% of the annual performance of their individual benchmark.
- 2.11 The fees of both of the external active fund managers consist of two elements: a fixed base fee together with a performance element which is capped at a prudent level of outperformance. The fees of the Main Fund's external passive fund manager consists of an ad-valorem base fee with no performance element.
- 2.12 The Designated Fund is passively managed on a segregated basis.
- 2.13 The investment returns of the Main Fund, its underlying component portfolios and the Designated Fund are calculated quarterly by an external, third party professional performance measurement company appointed directly by the Council.
- 2.14 The Management Panel monitors the performance of the appointed external fund managers at each of its quarterly meetings. The performance of the specialist portfolios managed internally by Officers of the Fund is monitored annually by the Panel.
- ### 3 The types of investments to be held
- 3.1 The Regulations require the Council to have regard to the suitability of investments and define the types of investments which the Fund is permitted to hold. The Fund operates with the lower limits on investments as defined by Regulation 14(2), except for "contributions to partnerships" where it has resolved to work to a limit of 10% under regulation 14(3). This decision was taken in order to facilitate the Fund implementing its strategic allocation to private equity, infrastructure, property and other investments where pooled vehicles offer the preferred access. This decision complies with the Regulations and will remain in place until revoked.
- 3.2 In addition to the Regulations, the Council has decided to further restrict the types of investment which the appointed external fund managers may hold and to restrict the type and extent of investment activity which they are permitted to undertake. These further detailed restrictions are extensive and are documented in a Schedule to each of the Fund Manager Agreements.
- 3.3 Fund assets currently include a UK and overseas spread of equity, fixed interest bonds (including those issued by Governments, companies and other entities), index linked bonds, venture capital/private equity and property. The Main Fund's external active fund managers are permitted limited use of certain derivatives. The Fund supplements its investment income by participating in a Commission Recapture program.
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## 4 The Balance between different Types of Investments

- 4.1 The Regulations require the Council to have regard to the diversification of its investments.
- 4.2 The overall bespoke benchmark of the Main Fund comprises a mix of different assets (broadly 75% real assets and 25% monetary assets) which is sufficient to provide adequate diversification for the Main Fund. The Fund's Annual Report and Accounts contains more detail on the overall Main Fund benchmark.
- 4.3 The strategic balance of investments takes account of the risk/return characteristics of each asset class and in particular the potential for enhanced long term returns from equity and the higher level of short term volatility associated with that asset class. The overall bespoke benchmark provides a reasonable long-term balance appropriate to the liabilities relevant to the Main Fund and its funding position.
- 4.4 For the Main Fund, tactical asset allocation is delegated to the appointed external fund managers who must operate within asset class and country restrictions which are documented in a Schedule to the Fund Manager Agreements.
- 4.5 The bespoke benchmark of the Designated Fund has also been specifically chosen in the context of the relevant liabilities and funding position.

## 5 Risk: measurement and management

- 5.1 The Management Panel recognises that risk is inherent in any investment activity. The overall approach is to seek to reduce risk to a minimum where it is possible to do so without compromising returns (eg in operational matters), and to limit risk to prudently acceptable levels otherwise (eg in investment matters).
- 5.2 Operational risk is minimised by :
- Having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian appointed directly by the Council with control and liability issues thoroughly addressed in a Custody Agreement;
  - Having the deeds of direct property investments held securely by the Fund's Legal Section;

- Documenting control and liability issues relating to the relationships with the appointed external fund managers in the Fund Manager Agreements;
- Having an external, third party, accounting provider independently maintain complete accounting records relating to the investment activity of the appointed external fund managers and to the entitlements (eg income) arising from the Fund's securities portfolios;
- Officers of the Council's Internal Audit and of the Fund's Investments Group receiving reports on and reviewing the internal operating procedures of the appointed external custodian, fund managers and accounting provider; and
- Subjecting internal investment management activity to close Internal Audit scrutiny.

### 5.3 Investment risk is constrained by :

- Diversifying across investment managers;
- Diversifying across types of investment;
- Restricting external appointed fund manager investment activity as documented in a Schedule to the Fund Manager Agreements;
- Selecting appropriate investment benchmarks in order to control the risk that the assets will not be sufficient to meet the liabilities whilst also having a strong likelihood of achieving a good return;
- Taking appropriate internal and external professional advice on the investment activity of both the externally managed securities portfolios and of the internally managed portfolios;
- Quarterly, formal, Management Panel monitoring of asset allocation against the investment benchmarks and asset class restrictions; and
- Quarterly, formal, Management Panel monitoring of investment manager and overall Fund activity and performance

### 5.4 Some risks lend themselves to being measured (eg using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, the Fund employs the relevant approach to measurement. The Fund reviews new approaches to measurement as these continue to be developed.

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## 6 The expected return on investments

- 6.1 There is a broad expectation that in the longer term the return on equity will be greater than on other assets.
- 6.2 The overall Main Fund return is expected to be broadly in line with the overall bespoke benchmark. Over the last twenty years this benchmark has averaged a return which is comfortably ahead of both price and earnings inflation over the same period. However over any shorter period, such as one or five years, actual Main Fund returns may vary significantly from the benchmark and indeed benchmark returns may vary significantly from their long-term averages.
- 6.3 Over the long term appropriate to the liabilities of the Scheme it is expected that the investment returns of both the Main Fund and the Designated Fund will be at least in line with the assumptions underlying the actuarial valuations.

## 7 The Realisation of Investments

- 7.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. Current employer and employee contributions are expected to broadly match or exceed pension payments. In addition the Fund also receives significant investment income. Thus it is not expected that there will be any material need to realise investments in the foreseeable future other than to seek higher returns.
- 7.2 The vast majority of the Pension Fund's assets are readily marketable. However some investments, such as property and more so venture capital/private equity, are less easy to realise in a timely manner. Such relative illiquidity is not considered to have any significant adverse consequences for the Fund.
- 7.3 The Council would inform the appointed external fund managers of any projected need to withdraw funds in order to enable the fund managers to plan an orderly realisation of assets if this proves necessary.

## 8 Socially Responsible Investment

- 8.1 The Council holds a policy of not interfering in the day to day investment decisions of its investment managers and does not actively invest in nor disinvest from companies solely or largely for social or ethical or environmental reasons.
- 8.2 As a responsible investor, the Council wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. On environmental issues, the Council wishes to promote and encourage compliance with its own "UK Environmental Investment Code". The Fund's appointed external fund managers are encouraged to operate a policy of constructive shareholder engagement with companies.
- 8.3 The Council endeavours to be a socially responsible investor wherever possible but does so within the duties placed upon it under statute and under general trust law principles to manage the Scheme in the best financial interests of the Scheme members and beneficiaries.
- 8.4 From time to time the Fund will pursue certain specific issues direct with investee companies, either individually or, more usually, collectively with other institutional investors via its membership of the 'Local Authority Pension Fund Forum' or the 'Institutional Investors Group on Climate Change', or by means of other ad-hoc groupings.

## 9 The Exercise of Investment Rights

- 9.1 The exercise of rights which are not voting rights (eg dividend entitlements, rights issues etc) are delegated by the Council to the investment managers of the Pension Fund as part of their normal investment responsibilities.
- 9.2 The Council wishes to exercise the voting rights attaching to its investments to promote and support good corporate governance principles.
- 9.3 The Council requires the appointed external active fund managers to vote on behalf of the Fund at every opportunity in the UK and when reasonably practicable and commercially prudent overseas.

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- 9.4 In casting the Fund's votes in the UK, the appointed external active fund managers are mandated to implement the Fund's bespoke "UK Voting Guidelines". Any overseas votes exercised must be cast in line with the spirit of the Guidelines.
  - 9.5 The appointed external passive fund manager votes in respect of the Fund at every opportunity in the UK, routinely in respect of the largest 100 US companies and in exceptional circumstances elsewhere overseas.
  - 9.6 In casting votes in respect of the Fund in the UK, the appointed external passive fund manager normally implements its own 'Voting Policy'. However the fund manager will vote in respect of the Fund according to the Fund's instructions on a case by case basis should the Fund so require.

## 10 Stocklending

- 10.1 The Fund itself has participated in a prudently structured Stocklending program via its Custodian since March 2003.
- 10.2 The Fund does not lend UK and US Equities and does not take Cash as collateral. The maximum volumes of stock "on loan" are set at a lower level than the Regulations permit. All loans must be pre-collateralised and be subject to recall upon demand.
- 10.3 Certain pooled vehicles within which the Fund invests may undertake an amount of Stocklending on behalf of the pooled vehicle investors. Where this occurs, the extent of the activity is disclosed by the pooled vehicle. The Fund considers this aspect of the pooled vehicle when making investment decisions.

## 11 Compliance with the guidance given by the Secretary of State (Six CIPFA/Myners Principles)

- 11.1 The Appendix hereto states the extent to which the Fund complies with the guidance given by the Secretary of State and the six principles of investment practice set out in the CIPFA document : "Investment Decision Making and Disclosure in the Local Government Pensions Scheme : A Guide to the Application of the Myners Principles" (2009).
- 11.2 The Appendix also gives reasons for not complying where the Fund does not do so.

# Appendix to Statement of Investment Principles

The Secretary of State guidance (Six CIPFA/Myners Principles for Investment Decision Making and Disclosure in the LGPS)

Principle	Compliance
<b>Effective decision making</b>	<p><b>The Fund considers that it is compliant with this principle.</b></p> <p>See Section 2) [in particular 2.1 - 2.4]. The Management Panel has decided against a focused 'investment subcommittee' approach to investment decision-making in favour of maintaining the Fund's long-standing inclusive approach. The training needs of Panel members are periodically considered by the Panel and suitable training arrangements are made. The Fund is developing its approach to the CIPFA skills and knowledge framework for members of the Management Panel and to the adoption of training plans.</p>
<b>Clear objectives</b>	<p><b>The Fund considers that it is compliant with this principle.</b></p> <p>See Sections 2) [in particular 2.5 - 2.12], 3), 4) and 5). The Management Panel is developing a performance measurement framework to measure the overall performance of its advisors.</p>
<b>Risk and liabilities</b>	<p><b>The Fund considers that it is compliant with this principle.</b></p> <p>See Sections 2) [in particular 2.7], 3), 4) and 5). The Management Panel has an active risk management programme in place. The key risks and the measures to control them are detailed in the Fund's Funding Strategy Statement. The Fund is considering how to further develop its approach to assessing overall risk, mitigating unrewarded risk wherever possible, and identifying any residual risk.</p>
<b>Performance assessment</b>	<p><b>The Fund considers that it is not fully compliant with this principle.</b></p> <p>See Sections 2) [in particular 2.10, 2.13, and 2.14] and 5.4. The Management Panel currently undertakes informal assessment of its own decisions and the advice of the advisors to, and officers of, the Fund and is developing its approach to formal assessment in these areas.</p>
<b>Responsible ownership</b>	<p><b>The Fund considers that it is not fully compliant with this principle.</b></p> <p>See Sections 8) and 9). Each appointed external active fund manager reports on its policy and activity in this area to the Fund's specialist "Ethics and Audit Working Group" on an annual basis. The Fund is developing its approach to measuring the effectiveness of its strategy. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which promotes the investment interests of local authority pension funds and seeks to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest. The Fund is considering its position on the Institutional Shareholders Committee's Code on the Responsibilities of Institutional Investors.</p>
<b>Transparency and reporting</b>	<p><b>The Fund considers that it is fully compliant with this principle.</b></p> <p>See Sections 2), 4) and, in particular, 6). The Fund's Statement of Investment Principles and Governance Compliance Statement are published on the Fund's website together with a full list of the Fund's holdings at year end. The results of monitoring the Fund's investments managers are contained in the Fund's Annual Report and Accounts which is also published on the website. All three documents are freely available in hardcopy to interested parties and their availability is publicised widely amongst scheme members.</p>

END OF APPENDIX (11/06/10)

# Communications Policy

2012



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# Communications Policy

## Introduction

This statement is published to state the Greater Manchester Pension Fund's strategy of engagement with its stakeholders and to satisfy legislation<sup>(1)</sup> to prepare, maintain and publish a written statement setting out our policy concerning the following aspects of our communications activities:

- 1: Communications with contributing members
- 2: Communications with deferred members
- 3: Communications with pensioner members
- 4: GMPF Online
- 5: Communications with members' representatives
- 6: Communications with prospective members
- 7: Communications with employing authorities
- 8: Consultation strategy

The Statement of Communications Policy will be revised and republished following any material change in policy.

## 1 Communications with contributing members

### 1.1: Benefit illustrations

Once a year we send all members a benefit illustration direct to their home address. This summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member's benefits. It also includes an estimate of the current value of survivors' pension benefits.

### 1.2: Pension Power newsletter

Usually twice a year we produce a newsletter, the main purpose of which is to satisfy disclosure requirements<sup>(2)</sup> by informing contributing members about changes in the regulations of the LGPS. Because of its nature, this publication is not produced at fixed times, but rather in response to changes in the regulations, with reference to the time restrictions imposed by the Disclosure Regulations. It is mailed to home addresses.

### 1.3: Website

Information about the Scheme is held on the website. We also publish newsflashes and bulletins on the website to provide topical updates about the Scheme.

### 1.4: Roadshows & seminars

We run information sessions in members' places of work. These are run on demand in conjunction with employers, for a minimum of 20 employees. We run more specialist sessions for members affected by issues such as a public services transferring to a private organisation. We also participate in pre-retirement courses, which are organised by a number of our employers.

### 1.5: Literature

The main point of reference for members to find out about the key aspects of the LGPS is our Members Guide. This is supported by a range of literature, which goes into more detail on topics such as making a nomination or topping up benefits. A different Guide is produced for councillor members to whom different rules apply, regarding the calculation of benefits.

### 1.6: Pensions helpline

We provide two helplines: 0161 301 7100 for pensioners and 0161 301 7000 for other members.

## 2 Communications with deferred members

A member who has left their employer and who has left their benefits on hold is classed as a deferred member. The two main ways of communicating with this class of member are as follows:

### 2.1: Benefit illustrations

Once a year we send deferred members a benefit illustration direct to their home address. This summarises the basic information we hold about them and gives the up to date value of their benefits.

### 2.2: Newsletters

As the need arises we send a separate newsletter to all deferred members. This satisfies disclosure requirements by informing them about those changes in the regulations of the LGPS that affect them. Because of its nature, this publication is not produced at fixed times, but rather in response to changes in the regulations, with reference to the time restrictions imposed by the Disclosure Regulations. This newsletter is also mailed to home addresses.

### 2.2: Pensions helpline

Deferred members can also telephone the helpline.

(1) Local Government Pension Scheme (Amendment) (No. 2) Regulations 2005

(2) Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (as amended) & 2008.

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## 3 Communications with pensioner members

Pensioner members include retired members and dependants, eg widows. The main ways we communicate with this class of member are as follows:

### 3.1: Pensions Payslip

All pensioners receive a combined payslip and P60 when the April pension payment is made. Mailed with this is the Pensions Grapevine newsletter (see 3.2). All pensioner members will receive a May payslip and will also receive a payslip at any other time where the amount of net pension changes by more than £5.

### 3.2: Pensions Grapevine newsletter

This newsletter is mailed direct to home addresses. It is produced once a year and is sent with the April payslips. It includes information regarding the amount of pensions increase, tax codes, a summary of the Fund's finances and other information of relevance to pensioners.

### 3.3: Pensioners' Forum

This event is held every other year and gives pensioners an opportunity to visit information stands staffed by specialists in various fields such as tax, State benefits and will making. Presentations are made by staff from GMPF and visiting speakers, covering the Fund's finances, pensioner matters and other items.

### 3.4: Pensioners' helpline

Pensioners can telephone 0161 301 7100.

## 4 GMPF Online

All members may register for GMPF Online. This allows them, via a PIN, to see data relating to themselves, eg. pension payments.

## 5 Communications with members' representatives

Materials available to members are available on request to their representatives. Also, as new literature is produced, samples are sent to the six employee representatives that are members of the Pension Fund Advisory Panel.

## 6 Communications with prospective members

### 6.1: Basic information

It is a requirement under the Disclosure Regulations that all prospective members are given basic information about the Scheme. In

view of this we ask all GMPF employers to give a copy of the Members' Guide (see 1.5) to every prospective member, ideally with their letter of appointment.

### 6.2: Promoting the Scheme

We also have a simple booklet, which gives very brief details of the Scheme and its benefits. This is available on demand, for distribution by employers, and is especially relevant to those employers who do not have a policy of automatic entry for new staff (ie some admission bodies). We can also use the booklet to target non-members, reminding them of the benefits of joining.

## 7 Communications with Employing Authorities

### 7.1: Annual General Meeting

We hold our AGM within 7 months of year end (generally in September) and an invitation is extended to every employer. The AGM includes a presentation summarising the Annual Report & Accounts.

### 7.2: Regular meetings

We regularly host meetings to keep our employing authorities up to date with developments in the Scheme, and to give them a forum to discuss common issues, good practice etc. For these meetings we divide our employers into two groups: local authorities and non-local authorities. The former meet quarterly and the latter biannually.

### 7.3: Seminars

As the need arises we host more specialist seminars on subjects such as auto-enrolment, and open these to representatives from all employers.

### 7.4: Employers' Website

We have a separate website for employers where they can access information of a more technical nature.

### 7.5: Employers' Guide

We have also produced our own guide to the Local Government Pension Scheme that provides employers with detailed technical guidance on many aspects of the Scheme Regulations.

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## 8 Consultation & engagement strategy

### 8.1: The strategy

The different types of member are consulted regularly. A selection of each member group receives a questionnaire, in order to express satisfaction levels with our service, to make suggestions for improvement and any other comments.

### 8.2: Member groups

- Representative groups are selected and up to 2000 questionnaires issued. The groups are:
  - New Members
  - Long-term active members
  - New pensioners
  - Long-term pensioner members
  - Deferred Members
  - Non-members & Leavers

### 8.3: Results

The results are reported to the Pensions Administration Working Group and published on the GMPF and Tameside websites. Recommendations for service improvement are considered and added to the Business Plan if appropriate.



# Pension Administration Strategy

1 February 2013

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# Pension Administration Strategy

## 1: The Regulations

## 2: Review of the Charter

## 3: Employer Duties & Responsibilities

## 4: Pensions Office Duties & Responsibilities

## 5: Unsatisfactory performance

The commencement date for this revised strategy is 1 February 2013.

***This strategy recognises that for administration costs to be minimised, and the mutual service to the member to be maximised, employers and the administering authority must co-operate closely.***

### 1 The Regulations

1.1 This Strategy is made under regulation 65 of the LGPS (Administration) Regulations 2007. Related legislation includes:

- The LGPS (Benefits, Membership & Contributions) Regulations 2007;
- The LGPS (Transitional Provisions) Regulations 2007 Regulations;
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000;
- The Occupational Pension Schemes (Disclosure of Information) Regulations 1996;

including any amendments to any of these Regulations.

This Strategy is complemented by the *Pensions Office' Guide to the Local Government Pension Scheme*.

## 2 Review

2.1 This Strategy will be reviewed at least triennially and will be revised following any material change in policies that relate to the Strategy.

## 3 Employer Duties & Responsibilities

3.1 Each employer shall nominate a person who will act as the Pensions Office's primary contact. There may be separate contact persons for Pension Fund Accountancy.

3.2 Authorised officers whose names and specimen signatures are held by the Pensions Office (the Office) must sign all documents and/or instructions received from an employer. In signing a document an authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct. Consequently if an authorised officer is certifying information that someone else has compiled, eg leaving information including a final pay, (s)he should satisfy him/herself that the information is correct.

3.3 It is the employer's responsibility to ensure that details of the nominated representative and authorised signatures are correct, and to notify the Office of changes to either immediately.

3.4 The employer shall provide the Office with year-end information to 31 March each year in an approved format no later than 30 April or the next working day in valuation year, and by 15 May or the next working day in the other two years. Such information should be accompanied by a final statement, duly signed by an authorised officer, balancing the amounts paid over during the year with the totals on the year end return certifying that the amounts paid reflect the contributions deducted from employees during the year. The information should distinguish those amounts representing deductions for voluntary contributions, with those for ARCs being differentiated, and the employees paying those voluntary contributions.

- 3.5 During the year the employer should forward notifications to the Office, with 90% compliance or better (excluding retirements), as follows:

<b>New starters</b>	within two months of the employee joining, or such shorter period as required by any auto-enrolment obligations under the Pensions Act 2008 (generally this tends to be before or within one month of the employee's automatic enrolment date).
<b>Change in contributor's details</b> <b>FORM PF5</b>	within 2 months of the event. Changes that are notified electronically, either on-line or via a computerised file, should also be made within two months of the event.
<b>Early leavers</b> <b>FORM PF48</b>	within 2 months of the employee leaving.
<b>Retirements</b>	With retirements it is recognised that some members retire with little or no notice and so the 90% performance standard will not apply. Nonetheless where possible it is the mutual desire of employer and Office to pay the retirement grant (cleared funds), into the member's bank account on the first day of retirement. Consequently, retirement notifications (Form PF71e) should be received by the Office at least a month before the last day of service where possible.
<b>Incapacity</b>	Regarding incapacity retirements, some employers give notice whilst others make payments in lieu instead. With the latter it is understood that PF71e forms will be sent necessarily after the member has left. When a PF71e is not forwarded prior to retirement, it should be forwarded as soon as possible thereafter.
<b>Disclosure Regulations</b>	Great care must also be taken to avoid breaking the Disclosure Regulations. Consequently when a retirement takes place before age 65 the latest a PF71e is to be received in the Office is no later than one month after the date of retirement. Where a retirement takes place on or after age 65, the Office must receive the PF71e no later than 10 working days after the date of retirement.
<b>Death in membership</b> <b>FORM PF74</b>	within 3 working days of all the information being gathered, e.g. birth and marriage certificates.

3.6

Regarding the Data Protection Act 1998, the employer will protect from improper disclosure any information about a member contained (where applicable) on AXIS, and also membership certificates and any other item sent from the Office. It will also only use information supplied or made available by the Office for the operation of the Local Government Pension Scheme.

- 3.7 Regarding the Occupational Pension Schemes (Disclosure of Information) Regulations 1996, the employer will issue to all new employees eligible to join the Fund, at the time of appointment, a copy of the employees' guide to the pension scheme (*Your Pension - a simple guide*). This may be in the form of:
- a PDF, or
  - the employer can also direct all new employees to the members' website ([www.gmpf.org.uk](http://www.gmpf.org.uk)), where the guide is available to view and/or download.

Text for inclusion in appointment letters is referred to in section 2.17 of the *Pensions Office Guide to the LGPS*.

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- 3.8 The employer will ensure that both employee and employer contributions are deducted at the correct rate, including any contributions that are due on leave of absence with reduced or no pay and any additional contributions the GMPF request the employer to collect. Contributions (but not Prudential additional voluntary contributions) should be paid to the GMPF on a monthly basis by cheque or preferably BACS payment to Sort Code: 16-00-02, Account No: 21103726. For all such payments form PF8 (Remittance Advice) must be completed and forwarded to Pensions Accountancy either with the cheque or in advance of the BACS payment. The PF8 needs to be certified by an authorised officer, detailing the period for which the contributions were due and showing the breakdown between employees and employers contributions for the period in question. All contributions (but not Prudential additional voluntary contributions) should be credited to the GMPF without delay by the first working day of the month following that in which they were deducted. Under the Pensions Act 1995 the Pensions Regulator may be notified if contributions are not received before the 19th of the month following that in which they were deducted. If contributions are overdue by more than one month the employer will be required to pay interest.
- 3.9 The employer will pay any Prudential additional voluntary contributions to the Prudential within one week of them being deducted. Under the Pensions Act 1995 the Pensions Regulator may be notified if contributions are not received before the 19th of the month following that in which they were deducted
- 3.10 In the event of the Office being fined by the Pensions Regulator, this fine will be passed on to the relevant employer where that employer's action or inaction (eg. the failure to notify a retirement within the time limits described above), caused the fine.
- 3.11 From time to time Tameside MBC auditors may request member data or may ask to attend at employer offices to carry out audits regarding, for example, the calculation of final pays. Employers are requested to co-operate with these activities.

## 4 Pensions Office Duties & Responsibilities

- 4.1 The Office will act for the employer regarding:
- the issue of membership certificates, with the employer continuing to be responsible for employer decisions, and the Office for administering authority ones;
  - the determination of benefits following the death of a deferred beneficiary or pensioner;
  - the payment of annual or spouses' compensation, and any adjustments due arising from, for example, re-employment.
- 4.2 To issue forms, newsletters, booklets and such other materials as are necessary for the administration of the Scheme.
- 4.3 To support employers by way of:
- the *Pensions Office Guide to the Local Government Pension Scheme*;
  - technical notes;
  - the GMPF employers' website;
  - Pensions Officer Meetings, with employers being invited to submit agenda items;
  - day to day contact.
- 4.4 There is also an open invitation for employer Pensions Officers and other representatives to visit the Office, subject to notice, to discuss any aspect of co-operation.
- 4.5 To produce annual pension forecasts for despatch to contributors by 31 August each year (assuming receipt of accurate year-end information from the employer by 30 April or 15 May, as appropriate).

4.6 Annual benefit statements to be issued to deferred members by 31 May.

4.7 To operate in 90% (or better) accordance with standards set by the Pension Fund Management Panel that in summary are as below, with day meaning working day:

<b>Task</b>	<b>Standard</b>
Letters/emails answered or acknowledged	<b>5 days</b>
New starters processed	<b>10 days</b>
Changes in details processed	<b>10 days</b>
Calls to helpline answered in office hours	<b>100%</b>
Pensions forecasts issued for deferred members	<b>By 31 May</b>
Pensions forecasts issued for active members	<b>By 31 August *</b>
Estimates for divorce purposes processed	<b>10 days</b>
Non-LGPS inward transfers processed	<b>15 days</b>
Non-LGPS transfer out quotations processed	<b>10 days</b>
Non-LGPS transfer out payments processed	<b>10 days</b>
Internal and concurrent transfers processed	<b>10 days</b>
Refund payments	<b>10 days</b>
Deferred benefits calculated	<b>10 days</b>
Annuity quotations calculated	<b>5 days</b>
ARC illustrations calculated	<b>10 days</b>
AVC amendments noted on AXIS	<b>10 days</b>
New retirement letters sent detailing options	<b>10 days **</b>
New retirement benefits processed for payment following receipt of election	<b>5 days ***</b>
Deferred benefits processed for payment following receipt of election	<b>5 days ***</b>
Notification of a death processed	<b>5 days</b>
Processing of dependants' pensions for payment following receipt of all documents	<b>5 days</b>
Processing of death grants for payment following receipt of all documents/due date	<b>5 days</b>
Retirement lump sums processed for payment by Payroll	<b>5 days</b>
Stopping of pension (inc BACS recall) upon notification of death	<b>Processed if received before noon on the eve of payday</b>
Changes to bank details notified	<b>Processed if received before closedown day</b>

\* where year end returns have been received on time

\*\* |or within 20 days of the retirement date if the retirement notification is received sufficiently in advance

\*\*\* or within 10 days of the retirement if the election is received sufficiently in advance

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## 5 Unsatisfactory Performance

5.1 Where an employer materially fails to operate in accordance with the standards described in this Strategy, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer.

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# Useful contacts

General members' enquiries

Greater Manchester Pension Fund, Concord Suite,  
Manchester Road, Droylsden, Tameside, M43 6SF

 [www.gmpf.org.uk](http://www.gmpf.org.uk)  [mail@gmpf.org.uk](mailto:mail@gmpf.org.uk)  0161 301 7000

Executive Director of Pensions

Peter Morris

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Property,  
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**Assistant Executive Director  
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