A History of Greater Manchester Pension Fund

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Foreword

Ged Dale,
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Greater Manchester Pension Fund

The Greater Manchester Pension Fund is the successor to various local government pension funds that covered what was to become the County of Greater Manchester. By far the largest of these was the Manchester Pension Fund, although it was still called the Manchester Superannuation Fund when, in 1949, Geoffrey Heywood became its actuary. He was to continue in this capacity for several decades, providing advice and certifying valuations up to and including the one for 1984. In the pages that follow he recounts pivotal events in the history of local government pensions in Manchester, whilst modestly understating his own contribution. Latterly he concentrated on his role as adviser, and saw the Fund grow to have over 190,000 members.

Finally, after over half a century's association with the Fund, and having seen in the new millennium, Geoffrey Heywood retired in September 2000.

Author's Note

Geoffrey Heywood MBE, BA, FIA, FFA

The earlier history of the Manchester Fund is not perhaps as extensive as I would have liked it to be, owing to the difficulty in obtaining information going back over the last 100 years and in particular the loss by enemy action of the records of Duncan C Fraser & Co in 1941. Nevertheless, it is quite clear that the Greater Manchester Fund has been a pioneer in many aspects of local government superannuation and it is now the largest local government fund.

Early Days

The Greater Manchester Pension Fund, which can trace its origins back to 1891, is one of the earliest schemes among local authorities providing retirement benefits for employees. In addition to this long history, it has introduced a number of features over the years that have been 'firsts' in local government service, and which are referred to later.

Superannuation and pension schemes developed largely in the last century, although there are references to certain arrangements for much earlier periods.

Samuel Pepys, who can probably be credited with the first ever pension scheme

One very early case of pension provision in the public service arose because of the problem that faced Samuel Pepys in 1660, when he took over the job of Clerk of the Acts of the Navy Board and had to deal with his predecessor. Having successfully fought him off, because he showed some signs of trying to take on the job again, Pepys gave him as a pension 30% out of his own salary.

Another example of a very early scheme is that of the Scottish Ministers Widows Fund which was set up in 1743, when it was approved by the General Assembly of the Church of Scotland, and established by an Act of Parliament in 1744. It is interesting that this is perhaps the earliest known case of the use of actuarial methods, in that Colin MacLaurin, who was then Professor of Mathematics at the University of Edinburgh, carried out the calculations. The Fund, although subject to many variations since, is still in existence.

In the public sector prior consideration must be given to the Civil Servants Scheme, which in many ways provided the basis for other public sector schemes. The Civil Servants Scheme was introduced under the Superannuation Act 1834, which provided pensions on retirement at the age of 65, or earlier incapacity. The benefits were based on the average salary of the last three years of service, the pension being the full average salary after 50 years' service.

The Scheme was non-contributory and unfunded, but it became less generous with the passage of time and in 1859 the pension fraction became 1/60th of average salary for each year of service subject to a maximum proportion of 2/3rds.

A very important feature was introduced in the Superannuation Act 1909, when the pension fraction was reduced to 1/80th and a lump sum benefit on retirement was introduced on the basis of 1/30th for each year of service with a maximum of 45/30ths. A lump sum death benefit of one year's salary was also introduced on death in service, but not widows' annuities. It was not until 1949 that these were included. Local government superannuation has emerged on the basis of the Civil Servants Scheme.

Manchester Town Hall, circa 1890.

Following the Civil Servants Scheme a number of metropolitan boroughs introduced pension arrangements at the beginning of the last century, but here Manchester was in the forefront in that the City of Manchester Thrift Fund was introduced in 1891. The Scheme provided that any employee of the Corporation earning a salary or wage at a rate of not less than 30 shillings a week should contribute and pay to the Thrift Fund an amount of 3¾% of such salary or wage. The amounts contributed were invested in trust securities as then defined, which in the event were fixed interest, and the Corporation guaranteed an overall rate of interest of 4%. The prescribed age was 65 and on survival to that date the total amount standing to the member's credit was available to be paid out. Any member leaving the service or dying before age 65 received the total contributions and interest at the time of leaving the service or dying. It was probably anticipated at the time the Thrift Fund was established, that it would facilitate the superannuation of persons in the service at or soon after age 65.

Development of the Scheme was delayed until the end of the First World War.

In fact, because the amounts accumulated by individuals in the Thrift Fund were so small retirement rarely took place at age 65, but service continued until breakdown in health had occurred. The Fund was therefore more in the nature of a savings bank than a superannuation scheme. This was recognised by the City in 1913, when the Corporation considered bringing in a superannuation scheme and decided to call in an actuary to advise on this proposal. Mr Duncan C Fraser, MA, FIA, who was the actuary of the Royal Insurance Company, was invited to act and his report was presented to the Corporation in August 1913. There was, however, some opposition to the proposals and then, because of the outbreak of the First World War in 1914, the whole matter was postponed.

The Scheme was revived after the War and Mr Fraser undertook a further actuarial report in 1919, following which the basic structure of the present Scheme was introduced on 1 April 1921. The Scheme provided benefits on retirement at the age of 65 or earlier retirement in the case of permanent breakdown in health. The age of 65 was not introduced immediately, but was fixed at 69 for 1922 and reduced by one year at each interval of 12 months until 31 March 1926, when the compulsory retirement age of 65 was achieved. The superannuation payable on retirement was calculated as 1/60th of the average salary received in the last five years of service subject to a maximum of 40 years.

A very important and also generous feature was that all employees who had previously contributed to the Thrift Fund were given the option to transfer their contributions to the new Fund and count all past service for pension purposes.

The basic rate of contribution payable by employees was 5% of salary, with a similar amount payable by the Corporation. The contribution rate was fixed at a lower rate of 3¾% for employees earning lower salary levels. Provision was also made for the return of contributions, together with interest at a rate of 3½%, in the event of death before retirement or in the event of leaving the service before retirement.

As a result of the counting of back service for those members of the Thrift Fund who elected to transfer and because the total contribution rate of 10% of salary was only sufficient to meet future benefits, a considerable liability of £793,478 fell on the Corporation. It was proposed that this be met by equal annual payments of £34,990 for a period of 60 years. The Scheme was then implemented by the Manchester Corporation (Superannuation) Act 1920.

The Scheme was funded from the start (as opposed to pay as you go), and provided for an actuarial valuation every five years. The first was on 31 March 1926 when the fund had reached a figure of £1,676,201, and disclosed a surplus of £58,957. This was carried forward unappropriated. The investments of the fund were limited to trustee securities as then defined, which in the event restricted the investments to fixed interest securities. A summary at the date of subsequent valuations is given in Appendix A.

National Provision

Council Meeting, Manchester Town Hall, circa 1938.

This Scheme was virtually a second 'first' in that, apart from one or two authorities that had set up schemes by private legislation, there was no general provision nationally. The Local Government and Other Officers Superannuation Act 1922, however, first introduced this, which was permissive, although many local authorities adopted the provisions for officers only.

Superannuation was further extended by the Local Government Superannuation Act 1937, which was compulsory on all local authorities and provided superannuation for officers, but only on a discretionary basis for servants (to use the terms of the day!).

Local government superannuation funds following the Manchester pattern were also funded from the outset, whereas the Civil Service Scheme was unfunded and was financed on a pay as you go basis. In 1948 there were certain moves to unfund local government pensions and a Parliamentary Bill was produced by Bedford County Council to provide for this.

There was never a lot of support and such as there was fell away and the Bill failed, thereby providing for local government funds to remain funded - I am sure all will agree that this was most desirable for the security of benefits and sound finance.

Benefits for widows and children - another first for Manchester.

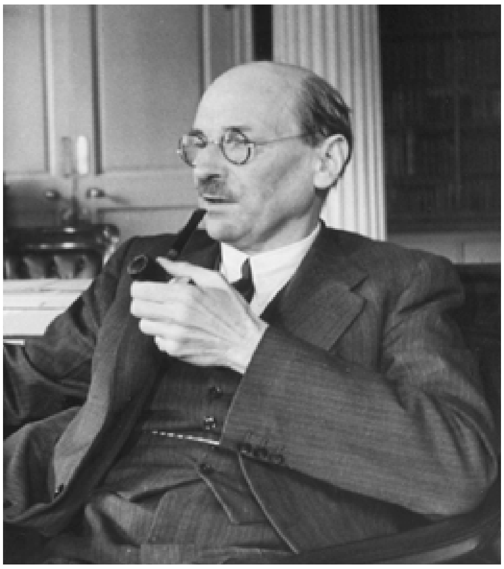
The third 'first' for Manchester was when it realised that a shortcoming in the Superannuation Fund was the absence of benefits for widows and children on death before retirement. At the time the only dependents' benefits available were widows' benefits after retirement, which could only be obtained by the member retiring in good health and surrendering part of his pension. Accordingly the Corporation drew up a Scheme in 1939 to provide widows' and children's benefits and a Trust Deed was executed on 3 April 1939 authorising a scheme to be introduced as from 1 April 1939.

The Scheme operated as an entirely separate fund from the Manchester Superannuation Fund and provided benefits to widows and children, and included deaths that occurred due to enemy action in the Second World War. Extension of the benefits to include widows' and lump sum retirement benefits were not introduced generally until the Local Government Superannuation Act of 1953 when these benefits became available to all local authority funds.

On the appointed day members had the option of retaining their existing benefits, or alternatively moving over to the new benefits. Corresponding benefits were introduced in the Manchester Scheme by its own local legislation.

Meanwhile the Manchester Municipal Officers, Widows and Orphans Pension Fund continued and members were able to receive dependants' benefits on death from both the Manchester Superannuation Fund and the Widows and Orphans Fund. The Fund continued even after the introduction of the Metropolitan Counties in 1974, but it was not extended to employees of other authorities, being limited to those of the City of Manchester. It was wound up in the 1990s though, the contributions being repaid to such members as could be identified and annuities purchased from an insurance company for beneficiaries.

The Post War Years



Clement Attlee, elected Prime Minister in 1945.

Following the election of the Attlee Government in 1945, the National Health Service, the Electricity Industry and the Gas Industry were nationalised. All their employees who had been members of the Manchester Corporation Superannuation Fund were transferred to the appropriate bodies and considerable sums were accordingly handed over to meet the liabilities.

At the same time the extension of the State Pension Scheme was such that all local government funds were "modified" to allow for a reduction in contributions of both employees and employers and a reduction in benefits to allow for the incidence of the extended State Benefits.

The fourth ‘first’ for Manchester was undoubtedly the extension of the investment powers, which were limited to trustee securities, so as to enable the Fund to invest in ordinary shares. The City Treasurer, Sir Harry Page, and myself as the actuary, were very anxious for this change to be introduced and, after discussions with the Treasury and the Ministry, powers were finally granted in the Manchester Corporation Act 1956.

The proportion of the investments, which could be so invested, was limited to 25% of the total value of the assets of the fund. It was also a requirement that an Investment Advisory Panel be set up, which in the first instance consisted of Mr R F Pennington, the Investment Manager of the Refuge Assurance Co, Mr Scott Williamson, the Head of the Trustee Investment Department of the District Bank, and myself as the actuary.

At the first meeting of the Investment Panel some £6 million of undated 3½% War Loan was switched into equities and as the equity market was then in a bull phase, considerable capital profit was made in a short period. Other local authorities took similar powers in subsequent years and legislation was finally applied to all authorities by the Trustee Investments Act 1961.

The investments were for some years managed in house by the City Treasurer and his staff, acting on the advice of the Investment Advisory Panel who actually selected the individual equities. As the Fund grew and the equity proportion became greater, it was realised that day to day management was essential, rather than periodically to review and select investments every two or three months. Investment managers were then appointed and this system of having most of the Fund's assets managed externally continues today, whilst the Management Committee focuses on strategy and investment performance.

Greater Manchester

In 1974 the six Metropolitan Counties were set up and the Greater Manchester County Council came into existence. This then took over and merged The City of Manchester Pension Fund (which by then had changed its name from The Manchester Superannuation Fund), with the Funds of Bolton, Bury, Oldham, Rochdale, Salford, Stockport and Wigan, parts of the Lancashire and Cheshire County Funds and a number of smaller authorities, to form the Greater Manchester County Superannuation Fund.

This was administered by the Greater Manchester Council until 1986, when the Government abolished the Metropolitan County Councils and distributed their functions to the various Metropolitan Boroughs.

The Greater Manchester Fund was administered by the Residuary Body for eighteen months and then passed over to Tameside Metropolitan Borough with effect from 1 October 1987. Shortly afterwards the name was simplified to Greater Manchester Pension Fund.

Tameside MBC

One of the first things Tameside did was to establish a management structure which is still the backbone of the operation today. This included the creation of a Pension Fund Management Panel, which carries out a similer role to the trustees of a pension scheme.

The Management Panel is advised in all areas by an Advisory Panel, made up of councillors from the 10 local authorities, together with six employee representatives.

Councillor Roy Oldham

At its inception in this format, the Fund was chaired by Councillor Roy Oldham, the Leader of Tameside MBC, who went on to set the record for the longest time as a Leader of a British local authority. He continued as the Chair of the Fund until 2010.

There have been major developments in the LGPS, and milestones for the Fund, whilst Tameside has been the administering authority. One was that membership of the Scheme stopped being compulsory in 1988, and in the same year provision to pay additional voluntary contributions was introduced.

In 1989 a £25 million property venture fund was created, specifically targeted at Greater Manchester. This was the start of a long and successful programme of making property investments locally that improve the fabric of the County, create or maintain jobs but which still provide a healthy investment return.

Writing in the Fund's 1990 Annual report, Councillor Oldham noted that LGPS funds were now only required... *"to fund a level of 75% of liabilities. This change has been criticised by many parties in that it will undoubtedly result in long-term additional costs."* Thankfully, due to prudent assumptions and excellent investment returns the Fund was able to take a return to funding at 100% of liabilities in its stride, but a number of other funds have never recovered.

In 1995 a minimum hours requirement for part-time employees was removed from the Scheme, leading to an increase in the number of contributors of 14,500 in one year.

1998 saw the first Pensioners Forum, then held at Manchester Town Hall and now put on every other year at Lancashire CCC's new pavilion: The Point.

In the 2002 Annual Report, after major ups and downs in stocks and shares, Councillor Oldham noted that in the last two financial years *"the Fund has delivered positive returns of 6%, whilst the average Fund has lost 7.7% resulting in the GMPF being the best performing local authority fund over this period. In these difficult times, it is important to remember that the Fund's liabilities are long term and as such we should be long term investors."*

That quote encapsulates two guiding principles, ie. that the Fund strives for above average returns whilst always taking a long-term view.

2007 marked the 20th anniversary of Tameside MBC becoming the administering authority and in that year the Fund broke through the £10 billion mark, albeit fleetingly, for the first time.

The 2010 Annual Report was the first following the death of Councillor Oldham. The Fund's new chair, Councillor Quinn, noted that his predecessor had left a fund *"that is amongst the best funded local authority funds in the country"*. He also reported that, regarding investments, the Fund was the best performing local authority fund over the last 10, 20 and 25 years.

Since then the Fund has continued to grow, and also to benefit from a great stability in the Management Panel, Advisory Panel, fund managers, advisers, actuary and officers. Since 1987 the range of the Scheme has also widened considerably. In 1987 benefits were paid to retirement pensioners, widows and eligible children. Now the Scheme also covers widowers, registered cohabiting partners and same sex civil partners.

Councillor Kieran Quinn

Appendix A

Date	Contributors & Deferreds	Pensioners	Fund Value (£)
31.3.1919	9,668	~	721,000
31.3.1926	17,160	454	1,676,000
31.3.1931	24,008	884	3,578,000
31.3.1936	24,215	1,862	5,866,000
31.3.1941	24,720	2,850	8,014,000
31.3.1946	24,825	3,780	10,141,000
31.3.1951 (1)	18,897	3,486	9,506,000
31.3.1956	18,509	3,815	12,357,000
31.3.1961	18,844	4,153	17,094,000
31.3.1966	22,549	4,747	23,858,000
31.3.1971	27,740	5,939	35,867,000
31.3.1974 (2)	60,933	15,507	107,209,000
31.3.1979	71,602	21,548	322,639,000
31.3.1984	76,503	32,010	864,800,000
31.3.1989	89,657	42,222	1,917,000,000
31.3.1992	92,182	49,376	2,829,600,000
31.3.1995	92,373	56,973	3,500,000,000
31.3.1998	111,764	62,972	5,413,300,000
31.3.2001	128,449	66,654	6,260,600,000
31.3.2004	138,379	69,593	6,592,900,000
31.3.2007	167,220	74,476	9,563,445,000
31.3.2010	182,055	80,876	10,445,000,000
31.3.2013	184,517	91,605	12,589,000,000

NOTES

1) The reduction in the numbers and the fund were due to transfer out of members of the National Health Service, the Electricity Industry and the Gas Industry.

2) The increase in the numbers and the fund value were due to the formation of the Metropolitan County Councils and the admission of other authorities.

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