

GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

Friday, 29 July 2016

Commenced: 9.30 am

Terminated: 10.40 am

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

Apologies for Absence: Councillors Reid, Patrick and Ms Herbert

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Employer Funding Viability Working Group held on 22 April 2016 were approved as a correct record.

3. VALUATION WORKSTREAM HIGHLIGHT

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the 31 March 2016 Actuarial Valuation work streams highlight report and risk log.

It was reported that the triennial valuation of the Fund at 31 March 2016 required formal completion of the process no later than 31 March 2017. As agreed at the previous meeting of the Working Group, a project management and reporting framework would be used by the valuation team to ensure the project was delivered on time and to budget.

An update was given on each of the six work streams and the report contained highlight reports from each work stream that provided a brief summary of progress against key milestones and set out any issues that needed further consideration together with any actions required. The report also detailed a risk log documenting the key risks to the success of the project and mitigations to manage these risks.

RECOMMENDED:

That the report be noted.

4. ACCOUNTING FOR PENSION COSTS - IAS 19

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the outcome of this year's Local Authority pensions accounting reports, which demonstrated a small increase in funding levels assessed in accordance with the accounting standard IAS 19.

It was reported that the Fund submitted data to the Actuary who produced a formal report for each employer that prepared disclosures under IAS19, which was the accounting standard that defined how pension costs and funding levels were incorporated into organisation's accounts. All Local Authority employers had experienced a positive impact on their reported funding level between 2015 and 2016.

There had been negative returns in equity markets for the 12 months to 31 March 2016, with the Main Fund actual returns confirmed at -0.8%, which was less than the Actuary's long term assumed real rate of 2.3% at the start of the accounting period. It was reported that the main reason for the reduction in deficits was an increase in the discount rate, which was set with reference to the yield on AA rated corporate bonds, and a subsequent decrease in liabilities. The real discount rate had increased from 0.8% per annum at 31 March 2015 to 1.3% per annum as at 31 March 2016, the impact of which had outweighed the lower than expected asset returns.

RECOMMENDED:

That the report be noted.

5. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE FINANCIAL YEAR 2015/16 AND KEY FINANCIALS OUT-TURN

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 12 months to 31 March 2016 and the out-turn for key financials.

Actual expenditure for the financial year to 31 March 2016 was £19.330 million, which was £4.708 million less than the estimate of £24.037 million for the period. The main reasons for major variations were listed and included fees payable to investment managers and professional fees incurred being lower than expected and additional recovery of management and legal fees.

It was explained that CIPFA guidance required LGPS Fund annual reports to include medium term financial planning, which had been included for the first time last year. The financial out-turn against the prediction for 2015/16 was outlined, as detailed at table 3.3 of the report. The key reason for the variances was that investment performance for the year was a return of -0.8% compared to the long term predicted annual rate of 4.8%. The financial forecast for 2016-18, using the same assumptions as the original prediction in 2015, had been reset using the actual position as at 2016.

RECOMMENDED:

That the report be noted.

6. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 2 MONTHS TO MAY 2016

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 2 months to May 2016.

Actual expenditure was £196,000 less than the estimate of £4,605 million for the same period. The main reasons for major variations were listed and included staff costs and managers and professional fees.

RECOMMENDED:

That the report be noted.

7. GMPF STATEMENT OF ACCOUNTS 2015/2016 GOVERNANCE ARRANGEMENTS

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

Members were notified that the GMPF Management Panel approved the accounts and formal letters were required by the external auditor. The key decision making bodies for the Council were the Audit Panel and Overview (Audit) Panel, which received accounting policy reports and the external auditor's report. The provisional timetable for approval of the accounts and audit reports by these bodies for 2016/17 and a simplified accounts summary was outlined.

The Working Group gave consideration to the accounts, as required by International Standards on Auditing, and reviewed the reasonableness of significant assumptions for estimates to be used in the accounts and approved the bases applied. The notes to the accounts were explained and discussed and attention focused on the basis of the key assumptions underpinning the estimates used.

A simplified summary of accounts was provided and explanation given of the key financial movements during the financial year to 31 March 2016, taken from the pre-audit financial accounts

RECOMMENDED:

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

8. 2015/16 EXTERNAL AUDIT PLAN

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report detailing the external audit plan for GMPF for the year ending 31 March 2016. The Grant Thornton Audit Plan for the year ending 31 March 2016 was appended to the report.

Panel Members gave consideration to the Audit Plan, which outlined the challenges and opportunities that the Fund was facing in terms of pooling of investments, changes to the investment regulations, governance arrangements, an increase in local government outsourcing and academies and earlier closedown of accounts. It was reported that the key developments in the year for the Fund were financial pressures, a move towards a career average scheme and accounting for Fund management costs.

The audit approach and presumed significant risks identified were outlined including fraudulent transactions, management over-ride of controls and level 3 investments. Other risks included inaccurate investment income, invalid activity for investment purchases and sales, inaccurate valuation of level 2 investment values, incorrect contributions received, incorrect benefit payments and inaccurate member data.

The external audit process had been completed within the statutory timescales and no material weaknesses had been identified. The Fund had been commended on a successful year from an audit perspective.

RECOMMENDED:

That the report be noted.

9. GMPF AGED DEBT AS AT 19 JUNE 2016

The Assistant Executive Director of Pensions (Local investments and Property) submitted a report summarising the aged debt for the Fund as at 19 June 2016. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which have not yet been repaid.

The report detailed all aged debt (31 days and over) alongside comparison to the previous quarter and explanations were provided for the main changes. A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed.

The key trends were that total property aged debt had increased slightly from March to June 2016 but total employer and overpaid pensions aged debt had decreased. Total debt had decreased significantly from March to June 2016 mainly due to payment having been received from several large employer early retirement invoices.

Tables which showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report.

RECOMMENDED:

That the report be noted.

10. URGENT ITEMS

There were no urgent items.

CHAIR