Public Document Pack

Tameside Metropolitan Borough

ASHTON-UNDER-LYNE · AUDENSHAW · DENTON · DROYLSDEN · DUKINFIELD · HYDE · LONGDENDALE · MOSSLEY · STALYBRIDGE

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

Day:	**Thursday**
Date:	**15 December 2016**
Time:	**3.00 pm**
Place:	**Guardsman Tony Downes House, Manchester Road, Droylsden, M43 6SF**

Item No.	AGENDA	Page No
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST** To receive any declarations of interest from Members of the Board.	
3.	**MINUTES** The Minutes of the meeting of the Local Pensions Board held on 13 October 2016 to be approved as a correct record.	1 - 8
4.	**ACTUARIAL VALUATION** Report of the Executive Director of Pensions, Funding and Business Development, attached.	9 - 46
5.	**PUBILC SECTOR EXIT PAYMENT REFORMS** Report of the Assistant Executive Director – Funding and Business Development, attached.	47 - 48
6.	**THE PENSIONS REGULATOR'S PUBLIC SERVICE GOVERNANCE SURVEY 2016** Report of the Assistant Executive Director of Pensions – Funding and Business Development attached.	49 - 52
7.	**RISK MANAGEMENT AND AUDIT SERVICES - SUMMARY REPORT FOR THE 34 WEEKS TO 25 NOVEMBER 2016** Report of the Head of Risk Management and Audit Services attached.	53 - 58
8.	**LOCAL GOVERNMENT PENSION FUNDS 2016/17 - ACCOUNTING UPDATE BY CIPFA** Report and presentaiton of the Assistant Executive Director of Pensions – Local Investments and Property attached.	59 - 88
9.	**URGENT ITEMS** To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	

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

This page is intentionally left blank

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

13 October 2016

Commenced: 3.00pm **Terminated: 4.55pm**

Present:	**Councillor Fairfoull (Chair)**	**Employer Representative**
	Councillor Cooper	**Employer Representative**
	Richard Paver	**Employer Representative**
	Jayne Hammond	**Employer Representative**
	Paul Taylor	**Employer Representative**
	Mark Rayner	**Employee Representative**
	Catherine Lloyd	**Employee Representative**
	Pat Catterall	**Employee Representative**
Apologies for absence:	**Chris Goodwin and Dave Schofield**	

10. DECLARATIONS OF INTEREST

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

11. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 1 August 2016, having been circulated, were signed by the Chair as a correct record.

12. UPDATE FROM GMPF MANAGEMENT PANEL

The Assistant Executive Director, Investments, submitted a report providing an update for Board members on a key agenda item from the meeting of GMPF Management/Advisory Panel held on 23 September 2016 (Minute 38 refers).

The report provided details of the Fund's current approach to Manager Monitoring and the Management Information presented to Panel, and the need for these arrangements to be reviewed.

It was explained that the broad intentions of the review were threefold; firstly, to update the arrangements for Securities Manager attendance at meetings of the Panel and its Working Groups. Secondly, to develop a codified and more structured Securities Manager Monitoring Escalation Protocol. Thirdly, to enhance the Management Information presented to Panel.

It was further explained that Officers had been working in co-operation with the Fund's Investment Consultant, Hymans Robertson, to develop interim illustrative ideas in terms of both Securities Manager attendance at Panel and Working Group and a suggested Monitoring Escalation Protocol.

The current arrangements for Securities Manager attendance at Panel and Working Groups were set out in an appendix to the report. Under the suggested arrangements, one of each of the four active Securities Managers would present at each quarterly meeting of the Panel. This would represent a reduction for UBS and Capital from four presentations per annum currently, to one presentation per annum under the suggested baseline arrangements. Investec and Stoneharbor did not currently present to the Panel.

In addition to an annual presentation to the Panel, it was suggested that each of the four active Securities Managers also make an annual presentation to either the Policy and Development Working Group (Capital and UBS), or the Investment Monitoring and ESG Working Group (Investec and Stoneharbor).

In addition to the proposed monitoring to be undertaken by the Panel and Working Groups, it was also suggested that officers strengthen the routine formal monitoring of each active Securities Manager on a quarterly basis.

It was further explained that the suggested baseline monitoring arrangements, (as set out in **Appendix A** to the report), described the Fund's approach under those circumstances where Active Securities Manager performance was within an acceptable range. Where Securities Manager performance was out of this acceptable range, the Fund's current approach to Securities Manager monitoring could be enhanced by the adoption of a more codified and structured Monitoring Escalation Protocol. A suggested draft Monitoring Escalation Protocol was detailed in **Appendix B** to the report.

The Board were informed that the Fund had long acknowledged that Active Managers could legitimately experience relatively long periods of underperformance as the nature of investment cycles varied over time. The suggested Monitoring Escalation Protocol reflected a balance between identifying when an Active Manager's performance was becoming a cause for concern, and the Fund's approach of taking a longer term perspective to investing. The intention was to provide a framework of regular review in order to ensure the Fund had an audit trail for the decisions it made.

It was also reported that the Fund had very recently appointed Portfolio Evaluation Limited as a new provider of performance measurement services. This followed the announcement earlier this year, by the Fund's longstanding performance measurement provider WM (now part of State Street) of its decision to exit the market in respect of third party clients such as the Fund. It was envisioned that Portfolio Evaluation would provide an enhanced service to that of WM, potentially offering the opportunity to develop significant elements of the 'dashboard' approach (as detailed in the report) to enhancing the Management Information presented to Panel. It was explained that migrating from WM to Portfolio Evaluation was not a trivial exercise, obtaining and checking the large volumes of long term data received from WM, ensuring it fulfilled the requirements of Portfolio Evaluation, checking that the data was then taken on board correctly, and subsequently developing a 'dashboard' were tasks that Officers would be working on over the coming months with a view to bringing proposals to the March meeting of the Panel.

The report concluded that the suggested enhancements to the Fund's arrangements, as outlined above and detailed in the report, represented a work in progress. When finalised, it was the intention to share the details of the ongoing Manager monitoring arrangements and the Monitoring Escalation Protocol, with the relevant Managers. It was also noted that the Fund's approach to Manager Monitoring and Management Information may need to change over the next 12 – 18 months in light of developments in relation to pooling and experience of any revised arrangements implemented.

It was explained that under the proposed arrangements whilst the managers would probably still have the same quarterly attendances the intention would be that they may only come formally to Panel twice a year whilst more in depth analysis would take place at Working Groups that would allow for more time to be allocated.

Additionally, assurances were provided that mechanisms would remain in place to deal with any major issues, which may occur at any time. The Assistant Executive Director explained that Fund

Managers could be ‘called in’ at any time and, if necessary, an Urgent Matters Meeting of the Panel/Policy and Development Working Group could be arranged. He further explained that the proposals had been put forward to improve on existing processes and procedures.

The Chair thanked officers for a very informative presentation and requested that a report be submitted to a future meeting of the Board to monitor progress of the proposals.

RESOLVED
That the content of the report be noted and the changes to be progressed from the next meeting.

13. ACTUARIAL VALUATION

The Assistant Executive Director of Pensions – Funding and Business Development, submitted a report providing an update on the 2016 actuarial valuation and the issues that would arise therefrom, as reported to the last meeting of the Management Panel (Meeting of 23 September 2016, Minute 36 refers).

It was reported that there had been a significant change in the membership of GMPF over the inter-valuation period. Over 40,000 members transferred to GMPF as a result of the changes to the Probation Service. The number of employee members had also been supported by the implementation of auto-enrolment, which was likely to have offset much of the impact of employers reducing their workforce due to the continuing austerity in public sector spending. In 2015/16 alone, GMPF processed over 15,000 new joiners and the total membership of GMPF now stood at over 350,000.

A summary of the GMPF membership at the current and previous valuation dates was provided in the report.

It was explained that provisional valuation assumptions were recommended by the April meeting of the Employer Funding Viability Working Group. The financial assumptions used in the 2013 valuation and the assumptions proposed for the 2016 valuation were also summarised in the report.

It was further explained that the Funding Strategy Statement provided guidance to the Actuary in undertaking the actuarial valuation. CIPFA had updated their guidance on preparing the Funding Strategy Statement and this was released in early September. Officers would be reviewing what updates were required and a revised Funding Strategy Statement would be tabled for review at the meeting of the Employer Funding Viability Working Group in October. The Employer Funding Viability Working Group would review the responses to the Funding Strategy Statement consultation and bring a final version to Panel for approval in early 2017. The Funding Strategy Statement needed to be considered in tandem with the results of the actuarial valuation.

In respect of the outlook for Employer Contributions, the Panel were informed that the Actuary and the Panel needed to consider the risks and protect the Fund, but would also need to balance this with the affordability challenge for employers. Contribution rates should reflect the creditworthiness of the employer and the ‘security’ provided to the Fund, e.g. the provision of a guarantee or a bond or the taking of security such as a charge on property. Early dialogue with employers in this area was essential and some external support and advice was likely to be required in dealing with employers, (e.g. legal, accountancy and actuarial). The measures that employers could take to help improve the funding position included; pay restraint, controlling early retirements, understanding the impact of transfers and making additional employer contributions.

It was concluded that, whilst very few valuations had reached a conclusion, the expectation was that GMPF would maintain its position as one of the better funded local authority schemes and its employers’ average employer contribution rate would again be at the lower end of the range.

The expectation of further material reductions in public expenditure would affect many of the Fund's employers. Further reductions in the public sector workforce were expected over the next 3 to 5 years, and the impact of auto-enrolment on increasing employee members would decline as most employers pass their auto-enrolment staging dates. Some employers would cease to be viable and some employers would be abolished. This was a very challenging environment for employers and raised complex matters for the Fund where issues of prudence, stewardship, affordability and stability would need to be considered.

The Actuary was aiming to have more clarity on individual employer results ready for detailed discussion at the Employer Funding Viability Working Group in October and a summary of the results would be brought to the November Panel meeting.

Board members were informed that Barry McKay and Steven Law of Hymans Robertson, Actuary to the Fund, had also delivered a presentation to the Panel, which gave details of the timeline of the valuation and progress to date. A copy of the presentation was appended to the report.

RESOLVED
(i) That the Actuary's current estimated funding position of the fund as a whole be noted; and
(ii) That the projected timescales and actions required to finalise the valuation process be noted.

14. SECTION 13 VALUATION

Consideration was given to a report of the Assistant Executive Director – Funding and Business Development, which provided a summary of the Section 13 valuation which would be undertaken by the Government Actuary's Department (GAD) as part of the 2016 actuarial valuation process for LGPS funds in England and Wales.

The report also provided a summary of the 'dry-run' that GAD had undertaken using the 2013 LGPS valuations.

RESOLVED
That the content of the report be noted.

15. MEMBER COMMUNICATIONS

A report was submitted by the Assistant Executive Director of Pensions, Funding and Business Development, and a presentation delivered by the Pensions Policy Manager, providing the Board with an overview of the regular communications issued to GMPF members, including:

- Annual Benefits Statement;
- Pension Power newsletter;
- Email alerts;
- Additional Voluntary Contributions mailings;
- Deferred Bulletins/updates;
- P60;
- Pensions Grapevine Annual newsletter; and
- Information available on the GMPF website.

Members raised concerns in respect of scrutinising the effectiveness of communications and highlighted the importance of gathering feedback in order to improve the quality of information and monitor the level of understanding.

RESOLVED

(i) That the content of the report be noted;

(ii) That it be noted that the Executive Director, Governance, Resources and Pensions would be arranging for a review/audit of communications taking into account best practice and what other funds do, both within and outside LGPS to ensure that the Fund remains award winning and a leader in this field.

16. COMPLIANCE WITH THE PENSIONS REGULATOR CODE OF PRACTICE 14 – GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICE PENSION SCHEMES

The Assistant Executive Director, Funding and Business Development, submitted a report informing Members of the recommendations of the Pensions Regulator that all public service pension funds should assess their compliance against its Code of Practice number 14.

It was explained that Code of Practice number 14 covered the governance and administration of Public Service Pension Schemes. The Code was divided into the following four sections:

- Governing your Scheme;
- Managing Risks;
- Administration; and
- Resolving Issues.

Each section detailed the legal requirements, which must be complied with, and also Pension Regulator's guidance, which was practical guidance and the standards expected by the Regulator.

It was further explained that LGPS administering authorities had been strongly encouraged by the Pensions Regulator to undertake a review of their compliance with the Code of Practice and undertaking such a review was also likely to be a Key Performance Indicator used by the Scheme Advisory Board.

An analysis of GMPF's compliance with each of the sections of the Code was appended to the report. In general, GMPF was fully compliant with all of its legal requirements and operated in accordance with the Regulator's guidance. There were a small number of actions or enhancements which could be made to existing processes to ensure the guidance continued to be met in full and these were detailed in the Appendix and it was explained that work was already in progress on many of these actions.

RESOLVED

That the content of the report and the actions highlighted in Appendix 1 to the report, be noted.

17. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2015-2016

Consideration was given to a report of the Assistant Executive Director, Local Investment and Property, (which had also been submitted to the Management Panel on 23 September 2016, Minute 42 refers), providing details of:

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

It was further noted that the Auditors had given a clean bill of health, the accounts were unqualified and this was a testament to the work undertaken by the Panel.

RESOLVED

(i) That the completion of governance arrangements for approval of GMPF accounts be noted;
(ii) That the Audit Findings report from Grant Thornton be noted; and
(iii) That the Annual Report be noted.

18. RISK MANAGEMENT AND AUDIT SERVICES 2016/17

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the period July – September 2016.

Details were given of final and draft reports issued during the period. Details were also given of audits in progress as follows:

- Unitisation;
- Visit to the Property Fund Manager ;
- Visits to Contributing Bodies;
- Risk Management Review; and
- Post Audit Review.

Information was provided of other work carried out in the period, including:

- Advice – Verification of Valuation Data and Service Charge; and
- Irregularities – none in this quarter.

In respect of the Internal Audit Plan 2016/17, details of the days spent against the plan to date, were appended to the report.

In respect of an issue raised at the last meeting of the Local Pensions Board (Meeting of 1 August 2016, Minute 9 refers) regarding Visits to Contributing Bodies and instances of the incorrect calculation and application of Assumed Pensionable Pay (APP), identified at employers visited, it was confirmed that work was ongoing to address this issue with colleagues at a Greater Manchester wide level and also involved the Pensions Policy Manager and the Communications Team.

RESOLVED
That the content of the report be noted.

19. ANNUAL GOVERNANCE STATEMENT 2015/16

The Head of Risk Management and Audit Services submitted a report which presented the Annual Governance Statement for 2015/16 to the Board, for information.

RESOLVED
That the Annual Governance Statement for 2015/16 be noted.

20. IMPLICATIONS OF CHANGES IN SERVICE DELIVERY

A report was submitted by the Assistant Executive Director, Funding and Business Development, which explained that the numbers of participating employers in GMPF was continuing to increase rapidly. Further cutbacks in local authority budgets were likely to result in further outsourcing and an increase in applications for admitted body status. This rapid increase in the number of employers presented both administrative and funding challenges. The report set out some of these challenges and the mechanisms available to tackle them.

RESOLVED
That the content of the report be noted.

CHAIR

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 4

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 5

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Agenda Item 7

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Report To:	**Greater Manchester Pension Fund Local Board**
Date:	15 December 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall Assistant Executive Director (Local Investments and Property)
Subject:	**LOCAL GOVERNMENT PENSION FUNDS 2016/17 ACCOUNTING UPDATE BY CIPFA**
Report Summary	CIPFA (Chartered Institute of Public Finance and Accountancy) are responsible for providing guidance to administering authorities on compliance with Accounting Requirements, including providing sample accounts and organising regular workshops. Officers of the Fund regularly attend these events to keep up to date with best practice. Peter Worth who is the author of the attached presentation has given permission for us to use this document to give an update to Local Board Members on developments for 2016/2017 Accounts.
Recommendations:	Members are asked to note : (i) The attached presentation (ii) That officers of GMPF will comply fully with CIPFA guidance where it is in the best interests of the Fund
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	None arising directly from this report.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The administering authority must produce an annual report and accounts in line with statutory provisions.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. Compliance with the accounting Code provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	A presentation is attached For further information please contact Paddy Dowdall, Assistant Executive Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk.

cipfa.org.uk

Local Government Pension Funds: 2016/17 Accounting update

Peter Worth
Director
Worth Technical Accounting Solutions

This session will cover:

- Changes to example pension fund accounts for 2016/17
- Current developments

CIPFA performance in public services

2016/17 example accounts

Main changes are:

- Management costs
- Fair Value
- Key personnel disclosures

Management costs guidance

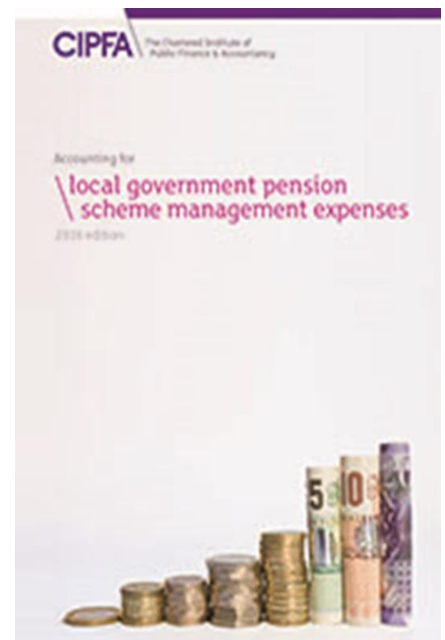
2014 guidance was re-published in June 2016 following extensive consultation with practitioners and stakeholders

Incorporated into example accounts for 2016/17

Builds on the general principles established in 2014 with:

- more detailed accounting guidance
- worked examples for practitioners

Guidance only – recommended, but not mandated by Code



Management expenses

Suggested disclosure note 1

Note 11: Management expenses

2015/16 £000		2016/17 £000
1,548	Administrative costs	1,460
11,615	Investment management expenses	10,925
845	Oversight and governance costs	885
14,008		**13,270**

CIPFA performance in public services

cipfa.org.uk

Investment costs

Suggested disclosure note 2

Note 11 a: Investment management expenses

2015/16 £000		2016/17 £000
835	Transaction costs	987
5,975	Management fees	4,520
2,215	Performance related fees	2,415
190	Custody fees	215
9,215		**8,137**

No further analysis of administrative, oversight and governance or transaction costs is required if these are not significant

Investment costs - recognition

Cost is defined as " an amount that has to be paid to buy or obtain something"...and a **liability** as " being legally responsible for something"…

- Code does not permit netting off costs against income
- Guidance reinforces this by disclosing investment costs and investment income separately
- Liaise with Fund Managers to identify fees/costs deducted at source (especially for pooled investments and venture funds)
- **But** be careful not to end up accounting for costs that were never your responsibility to pay in the first place!

Back to basics – consider:

- Am I legally responsibility for these costs?
- What is the corresponding entry in the fund manager's accounts?
- Do I have control over whether or not these costs are incurred?

IFRS 13 Fair value measurement

“Fair value” underpins IFRS and the Code **BUT** has been poorly defined in the past **OR** taken to mean different things at different times in different reporting standards

IFRS 13 aims to provide a consistent definition with additional disclosures to explain the valuation techniques applied

...the **“highest and best price”**...that can be obtained in the **“most advantageous market”...**

Adopted as a Code requirement for principal authorities from 2015/16, and for LGPS from 2016/17

LGPS and Fair Value

All pension fund investments are revalued every year with the change in value taken to the Fund Account

↓

Current assets and liabilities are outside the scope of IFRS 13

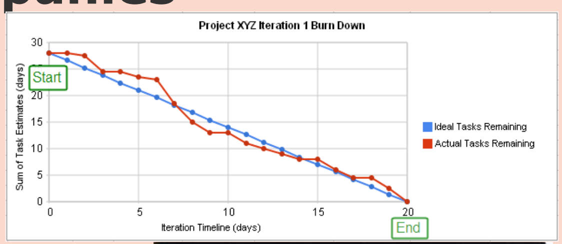
↓

There should be no difference between "carrying" and "fair" value for **most** LGPS assets and liabilities

↓

But some specific valuation issues might arise if the LGPS has directly held property, artefacts or shares

“Highest and best” value - 3 specific areas

Directly held land and property 	Consider whether a higher price could be obtained by amalgamating adjacent sites, removing covenants or changing current use
Shares in unquoted companies 	Usually valued on a going concern basis **BUT** if company has saleable assets (stock, buildings, equipment or intellectual property) a breakup valuation may achieve a higher price
Art and Antiques 	Basis of valuation should be specialist auction sale NOT house clearance or out of date insurance value

IFRS 13 - Extra disclosures

Extended from 2015/16:

- ✓ Valuation method for each asset class
- ✓ Analysis by level 1-3 hierarchy now includes financial assets which are not financial instruments (eg directly held property or shares)
- ✓ Transfers between levels of fair value hierarchy

New for Level 3 investments only:

- ✓ Quantitative data on significant inputs
- ✓ Sensitivity analysis for investment valuations
- ✓ Reconciliation of opening to closing balances
- ✓ Analysis between realised and unrealised gains/losses in the Fund Account

Fair Value disclosures (1)

Asset type	Level	Valuation Basis	Observable and unobserveable inputs	Key sensitivities
Quoted Bonds	1	Market bid price based on current yields	N/A	N/A
Pooled investments – overseas unit trusts	2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	N/A
Directly held property	3	Valued at fair value at year-end using the investment method by John Smith FRICS in accordance with RICS guidelines	Existing lease terms & rentals Independent market research Tenant covenant strength Estimated vacancy levels Estimated rental growth Discount rate	Significant changes to rental growth, vacancy levels or discount rate could affect valuations

- **Much of this detail was previously in accounting policies**
- **Refer to PRAG guidance published May 2016 for suggested classification of investments into Level 1 to 3 hierarchies**

Fair Value disclosures (2)

Level 3 assets	Valuation range +/-	Value at 31 March 2017 £000	Valuation increase £000	Valuation decrease £000
Freehold property	5%	3,565	3,775	3,415
Unquoted equity	10%	49,898	54,888	44,908
Hedge funds	15%	420,480	483,552	357,408

- **Similar to sensitivity disclosures in financial instrument risks**
- **Liaise with Fund Managers to clarify basis of valuation, sensitivity range and any changes made in year**

CIPFA performance in public services

Fair Value disclosures (3)

cipfa.org.uk

Level 3 investments	Unquoted overseas equities £000	Overseas unit trusts £000	Private equity £000	Property £000
Market Value 1 April 2016	**0**	**491,527**	**269,770**	**0**
Transfers into level 3	3,465	0	73,432	364,001
Transfers out of level 3	0	(481,527)	0	0
Purchases and payments	1,973	0	226,335	18,548
Sales	(5,314)	0	(185,628)	(42,397)
Unrealised gains (losses)	2,263	0	28,658	87
Realised gains (losses)	1,208	0	7,963	0
Market Value 31 March 2017	**3,595**	**0**	**420,480**	**340,239**

- **Based on information provided by custodian**
- **Links to disclosure note on change in market value of investments**

Other changes

- 2016/17 Code has aligned investment asset classification and descriptions with Pension SoRP – "Bonds" have replaced "fixed interest securities"
- Code requires separate disclosure of members allowances, audit fees and taxation where significant AND where LGPS costs can be separately identified
- Key management personnel disclosure now required by para 3.9.4.2 of Code

CIPFA performance in public services

cipfa.org.uk

Key management personnel compensation

Who?

“chief officers, elected members….having authority and responsibility for planning, directing and controlling the activities….” [Code 3.9.2.2]

- **Different people for pension fund and Council - but may overlap**
- **May also include pensions panel members if remunerated**

Compensation includes:

a) Short-term employee benefits eg pay, NI, annual leave
b) Post-employment benefits eg pension
c) Other long-term post-employment benefits
d) Termination benefits
e) Performance related pay and bonuses

Disclose in total and for each category – no names required

Key management compensation –in practice

2015/16 £000		2016/17 £000
51	Short term benefits	43
43	Post employment benefits	51
2	Other long term benefits	3
20	Termination benefits	30
116	**Total**	**127**

Action:
- **Identify Key Personnel early**
- **Identify possible benefits**
- **Engage actuary to value post – employment benefits**

Current developments

- Faster closedown

- IFRS 9 Financial Instruments

Faster Closedown

Why bother?

- provides more timely and relevant information to stakeholders
- statutory requirement (in England)
- audit starts and finishes earlier
- helps to drives other service improvements
- frees up resources to focus on other tasks
- staff get a summer holiday!

CIPFA performance in public services

cipfa.org.uk

Faster Closedown

Legislative changes

2015 Accounts and Audit Regulations :

- 2017/18 accounts prepared by 31 May 2018
- Audit completed by 31 July

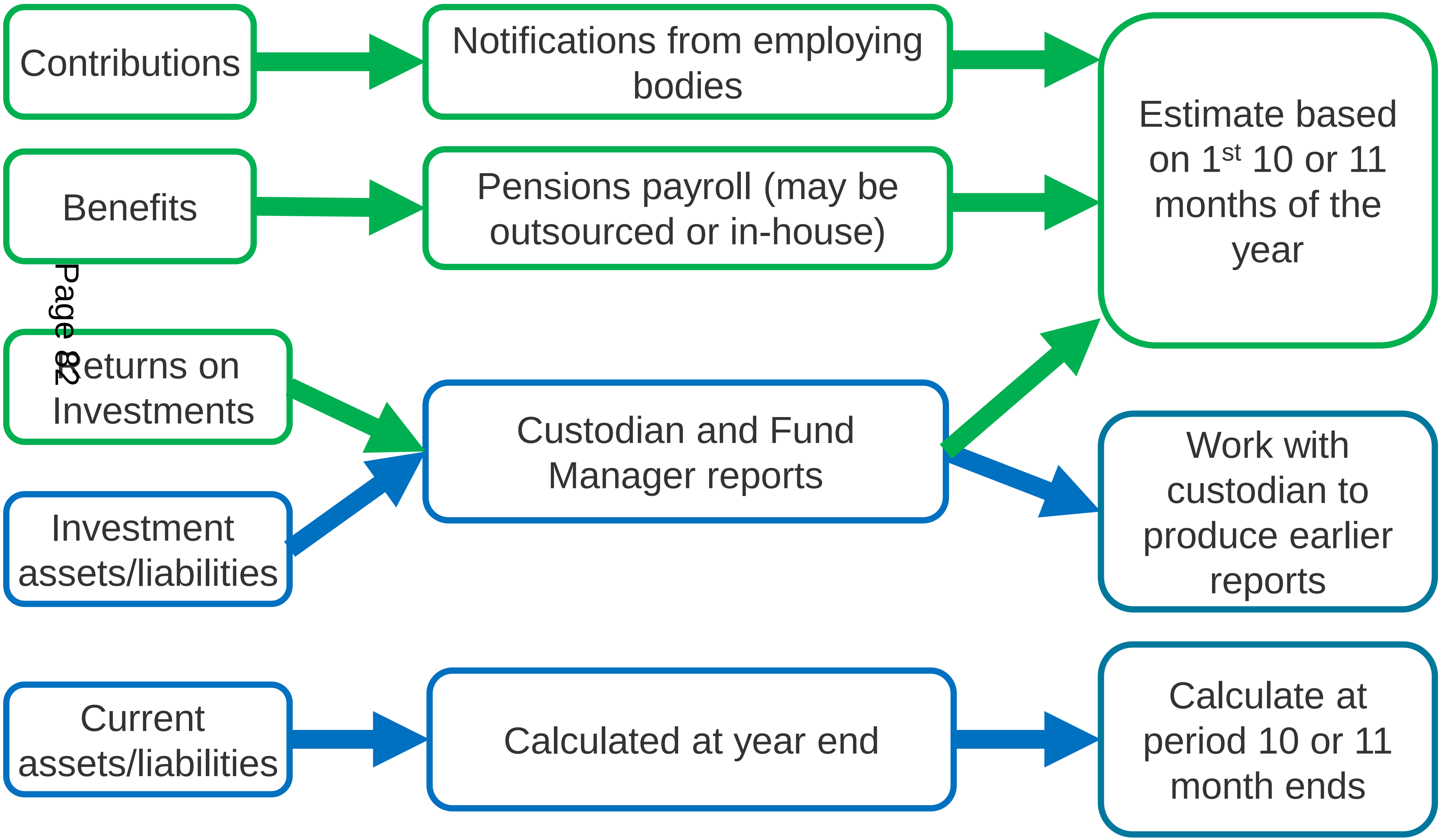
2017/18 proposed changes:

- LGPS accounts to be taken out of Council's Statement
- Annual report will become sole reporting document
- Questions?
  - Publication of annual report brought forward to 31 May?
  - Implementation date?

What this means in practice

- ✓ Better organisation - begin with end date and plan backwards
- ✓ Practice in-year with quarterly "mini-closedowns"
- ✓ Share the workload
- ✓ Prioritise closedown so deadlines are achieved
- ✓ Streamline the process
  - Ensure ledger codes are fit for purpose
  - Close on estimates
- ✓ Manage the audit process
  - clear working papers
  - in-built and demonstrable QA
- ✓ Quicker production of annual report

Estimation techniques



Annual report publication

- ✓ Start early
- ✓ De-couple strategic documents and financial years
- ✓ Use CIPFA guidance to identify what you want, from whom and when
- ✓ Ensure documents needed are kept up to date
- ✓ Allow time for Member/s151 input and approval

Draft to audit 1 May 2015
Published 18 May 2015

Draft to audit 9 April 2016
Published 14 July 2016

IFRS 9 Financial Instruments

Approved by IASB July 2014:

- New classification categories for financial instruments
- Simplified hedge fund accounting
- **Current methods of accounting for realised/unrealised gains and losses to be replaced with an annual charge for expected credit loss impairments**
- Some additional disclosure requirements

Current expectation is that IFRS 9 will be adopted as a Code requirement for 2018/19

IFRS 9 – expected credit losses

Accounting will move from an “incurred loss” to an “expected loss” basis, reflected as an annual charge in the accounts

This earlier recognition of **possible** (as opposed to **actual**) impairments will be recognised based on:

- Current credit risk
- Any significant increase in credit risk expected over the next 12 months
- Any objective evidence of impairment

Estimation process will be based on annual reviews of investments and will require:

- **Exercise of judgement by senior management**
- **Advice from experts (fund managers)**
- **Record keeping to track losses as they are recognised in the accounts**

CIPFA performance in public services

cipfa.org.uk

Any questions?

cipfa.org.uk

Local Government Pension Funds: Accounting update

Peter Worth
Director
Worth Technical Accounting Solutions
Email to: peter@worth-tas.co.uk

This page is intentionally left blank