

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

Day: Thursday
Date: 7 April 2022
Time: 3.00 pm
Place: Zoom

Item No.	AGENDA	Page No						
1.	APOLOGIES FOR ABSENCE To receive any apologies for absence.							
2.	DECLARATIONS OF INTEREST To receive any declarations of interest.							
3.	MINUTES To receive the minutes of the Local Pensions Board meeting on the 13 January 2022.	1 - 8						
4.	LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 - EXEMPT ITEMS The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.							
	<table border="1"> <thead> <tr> <th>Item</th><th>Paragraphs</th><th>Justification</th></tr> </thead> <tbody> <tr> <td>6,7,8,9,10,11, 12</td><td>3&10, 3&10, 3&10, 3&10, 3&10</td><td>Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.</td></tr> </tbody> </table>	Item	Paragraphs	Justification	6,7,8,9,10,11, 12	3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would, or would be likely to prejudice the commercial interests of the Fund and/or its agents which could in turn affect the interests of the beneficiaries and/or tax payers.	
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5.	FINAL ACCOUNTS AND BUDGET/MEDIUM TERM FINANCIAL PLANNING To consider a report of the Director of Pensions / Assistant Director for Local Investments and Property.	9 - 24						
6.	ADMINISTRATION UPDATE To consider a report of the Director of Pensions / Assistant Director for Administration.	25 - 34						

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Louis Garrick, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
7.	PENSIONS DASHBOARD UPDATE To consider a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration.	35 - 40
8.	THE PENSIONS REGULATOR (TPR) To consider a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration.	41 - 78
9.	SUMMARY OF GMPF DECISION MAKING To consider a report of the Director of Pensions / Assistant Director for Funding and Business Development.	79 - 84
10.	POOLING UPDATE To consider a report of the Director of Pensions / Assistant Director for Funding and Business Development.	85 - 96
11.	BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT To consider a report of the Director of Pensions.	97 - 106
12.	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES 18 DECEMBER 2021 TO 18 MARCH 2022 To consider a report of the Head of Risk Management and Audit Services.	107 - 116
13.	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 Louis Garrick, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

13 January 2022

Commenced: 15:00

Terminated: 16:16

Present:	Councillor Fairfoull	Employer Representative
	Jack Naylor	Employer Representative
	Paul Taylor	Employer Representative
	Michael Cullen	Employer Representative
	Mark Rayner	Employee Representative
	Catherine Lloyd	Employee Representative
	David Schofield	Employee Representative
	Pat Catterall	Employee Representative

Apologies for Absence **Chris Goodwin and Jayne Hammond**

25 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

26 **MINUTES**

The minutes of the Local Pensions Board meeting on the 29 July 2021 were approved as a correct record.

27 **ADMINISTRATION UPDATE**

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Local board with an update on key activities taking place in the Administration section during the last quarter, including comments on administration performance and on complaints and disputes. The report also detailed the areas of focus for the next quarter.

It was reported that the following four GMPF key strategy business planning projects were relevant to the Administration section:

1. My Pension online improvements
2. Working differently
3. IT infrastructure, Disaster Recovery arrangements and cyber security
4. Ensuring good governance

It was reported that Business continuity plans and the approach being taken to manage the impact of the Coronavirus outbreak on service delivery remains largely unchanged. Overall, administration workflow and performance remain consistent. The administration performance dashboard for quarter 2, July to September 2021, was attached the report at Appendix 1. Although the effects of the pandemic continued to have an impact on workloads, many areas were now experiencing much less volatility and teams were regularly maintaining casework turnaround times. Targets were still being maintained in some areas using overtime and by redistributing resource to the teams processing priority tasks, but this was expected to come to an end shortly.

It was stated that all incoming post was now being dealt with by our print provider, who was also printing and posting more individual letters on our behalf, reducing the need for colleagues to attend Guardsman Tony Downes House, and providing further resilience.

In regards to Member services, issuing annual pension savings statements to members had been

the main task during the last quarter. Statements must be sent to those members who exceeded or are close to exceeding the annual allowance tax limits. Over 500 statements were issued by the statutory deadline. As in previous years, GMPF offered members and employers the opportunity to attend a webinar and one-to-one guidance session..

Members were reminded that a project to review pension overpayments and the recovery process of these was underway. Various aspects of work on this project had been undertaken this quarter. Statistics had been collated regarding the level of outstanding debt and debt recovery periods to assess the effectiveness of the current debt recovery procedures. On completion of the analysis, the intention was to submit a report to the Administration Working Group with several proposals to make further improvements to the processes.

It was stated that in 2021, 2277 checks were made to ensure that members who lived overseas were still alive and receiving their pension correctly, to ensure no fraudulent activity was taking place. These checks led to the Fund becoming aware of 34 deaths. Around 650 members opted to complete the checks using either the app or video call option. Further work relating to address tracing has also continued, with reminder letters being sent to over 4,000 members. A project plan for actions to try to trace the remaining members would be drawn up in the new year and an update on progress will be provided at the next meeting.

The Local Pensions Board were advised that new pension transfer regulations were issued and came into force on 30 November 2021. A review of the relevant communications issued to members and the content on the GMPF website was carried out and updates were made by 30 November 2021.

In regards to employer performance, it was reported that the team had also been reviewing the area of employer performance and had devised a draft employer 'Year in Review' document. The intention was to provide employers with a report each April highlighting how well the Fund thought they were meeting or exceeding their employer responsibilities based on several key indicators. Draft reports based on data for 2020/21 had been issued to the ten local authorities for initial feedback and work was underway to produce these reports for 2021/22 for the ten local authorities and potentially several other employers. The aim was to build on the content of the report and widen the distribution to all employers in future years.

It was stated that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued and an update on progress was provided.

Work on the area of cyber security also continued including work to procure cyber support services alongside work linked to several actions identified from the recent cyber security audit.

The Board were advised that work in the Communications and Engagements section had focused on implementing the new contact centre system, which went live in July 2021. Since then, training and system configuration work had been carried out to deploy new functionality and the new options available. This work had led to some changes to the initial configuration being made to enable better statistics to be produced. The next development would be integrating emails within the system and testing on this had already begun.

The report set out the four key areas of focus for the upcoming months:

- Working differently – Engagement sessions were due to take place and new plans would need to be made to move forward from the current business continuity arrangements.
- McCloud – A significant amount of engagement would be taking place with the software supplier, LGA and MHCLG to ensure the correct steps are taken at the right time.
- IT and Microsoft 365 projects – The SharePoint migration work would continue, alongside work to embed and develop the new telephony functionality.
- Cyber security – Work to ensure our procedures align with industry best practice would also continue.

RESOLVED

That the information provided in the report be noted.

28 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2020/21. It also highlighted the current plans to ensure that more elements of GMPF's service levels can be measured in future.

The Local Pensions Board were reminded that for many years, GMPF used CIPFA benchmarking services to benchmark its administration costs against other LGPS pension funds. However, since 2010, the number of funds participating in the CIPFA process had continued to drop year on year with only around 20 funds participating in 2019/20. Therefore, little value was being gained from taking part. Subsequently, in 2019 many of the larger LGPS funds signed up to use CEM benchmarking instead, including GMPF.

There were two main benefits to using CEM compared to the CIPFA service. The first was that the CEM process enabled GMPF to benchmark itself against other non-LGPS UK pension funds that were of a similar size. The second was that CEM benchmarks service alongside cost enabling a 'value for money' assessment to be made.

It was stated that there were caveats to consider when assessing the outcomes. It was very difficult to be sure like-for-like data was collected across all areas and there would inevitably be differences in interpretation of the questions when funds completed the benchmarking questionnaires. As all staffing structures were different, it could be difficult to know if the same stages in processes were being measured. Separating out governance and project costs was challenging, and because the questions aimed to cover all CEM clients, some just do not apply to or 'fit' with the LGPS or the way it was run. Additionally, it was not particularly easy to see the direction of improvement from the summary analysis, because everyone was improving each year and because many improvements took time to be realised in the data, relative position amongst the group tends to stay the same or be similar over the short term.

The Assistant Director for Pensions Administration stated that GMPF's peer group comprised of 14 pension scheme whose membership ranged between 90,000 and 607,000 members. Nine LGPS pension funds supplied data and were part of this peer group.

The key outcomes from the 2020/21 benchmarking were highlighted to the Working Group. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The total cost per member was slightly higher than last year (by 9p) and the service score was 1 point lower. The increase in administration costs was mainly due to an increase in average pay.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced with challenges.

The Board were advised of future items that might impact on next year's outcomes. It was likely that outcomes for 2021/22 would be very similar to 2020/21. Regarding service levels, a new contact centre had already been implemented and this would facilitate a better service score for several aspects of customer service going forward. However, due to the pandemic, GMPF's offices were still closed for face to face visits, and so the service score for this aspect was unlikely to remain unchanged. Many of the other aspects of service delivery remain unchanged.

RESOLVED

That information provided in the report be noted.

29 THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director Pensions Administration. The report provided the Local Pensions Board with a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches, including details of any late payment of contributions. The report also provided an update on TPR's proposed Single code of Practice.

The Assistant Director for Funding and Business Development reported that in regards to the TPR's Single Code of Practice the TPR did not have a firm final publication date for the new code. However, it did not expect to lay the new code in Parliament before spring 2022 and it was, therefore, unlikely to become effective before summer 2022. Given the expected delay in implementation, GMPF would seek to assess itself against the draft code of practice and would report back to the Board on progress at future meetings.

The Board were advised that attached at Appendix 3 were details of expected contribution payments (with matching remittance information) which had not been received by GMPF by the 19th of the month following the month to which they related (for example 19 November for October contributions) for August, September and October 2021. Further, attached to the report at Appendix 4 was further analysis on the contribution payments received in respect of the August to October 2021 period, specifically detailing the number of employers making payments (and the amount of contribution payments received) in accordance with GMPF's deadline of the first day of the following month.

RESOLVED

That the report be noted.

30 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups over the period from October 2021 to November 2021, which were approved at the Management Panel meeting on the 10 December 2021. The report also summarised the decisions made by the Management Panel at the same meeting.

RESOLVED

That the report be noted.

31 POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

The Board was reminded that in 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. The draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. It was explained that Government was yet to publish a response to the consultation and the 2015 guidance therefore remained in force.

The report set out the progress of the main ongoing work streams for the Northern LGPS.

It was reported that DLUHC issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future. The Northern LGPS subsequently submitted its annual progress report on 22 September 2021. Appendix 1a and 1b attached to the report detailed the transition costs and projected savings of the Northern LGPS. Northern LGPS' cost savings for 2020/21 were slightly higher than the future projections made last year and the estimated figures provided at the previous Board meeting.

RESOLVED

That the report be noted.

32 BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which provided details of the current business plan and highlighted the current key risks being monitored.

The Director of Pensions detailed the six key projects set out in the 2021/22 business plan. It was highlighted that Key Project 3 – IT infrastructure, DR arrangements and cyber security had a status of “minor lag”. It was reported that the migration of files to Microsoft SharePoint continued to progress well and was on track for completion next year. Some minor issues with reporting were encountered with the new contact centre system but these had now been remedied and work was underway to discover and analyse the management information that was now available. Testing was also underway to redirect written enquiries from the website through the system.

Work on cyber security also continues. The first stage of a market testing exercise to potentially procure specialist cyber security support has been undertaken. However, this had highlighted some further work that needs to be done before procurement can begin, therefore leading to a minor lag status.

The overarching risk register was reviewed and updated at least once each quarter and the latest version was included attached to the report at Appendix 1. It was explained that Specific risks that had been monitored closely by officers this quarter and to note relate to the following:

- Risk 9 – Assessing the impact of the McCloud changes. MHCLG had confirmed that its consultation response on the anticipated changes due to the McCloud judgement was now unlikely to be issued before February 2022. The LGA had also highlighted that they believe the scope of those affected may be widened to match that agreed by the unfunded public sector pension schemes. The lack of certainty continued to cause issues for funds and their software suppliers and further reduced the timeframes that all parties originally set out to work to.
- Risk 19 – Cyber security work. The risks relating to cyber security were greater than ever and work continued ensuring existing controls were still working and on putting new controls in place wherever possible.

RESOLVED

That the progress on the key business plan tasks be noted.

33 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised some of the main issues to consider going into the 2022 valuation, including the recent procurement exercise to appoint a fund actuary and benefit consultant. Further, the report considered the Government Actuary's recently unveiled Section 13 report in respect of the previous 2019 actuarial valuation of the LGPS in England and

Wales.

Members of the Board were advised that the actuarial valuation process would determine the funding position of GMPF at 31 March 2022 and contribution rates for each participating employer from 1 April 2023. All LGPS funds in England and Wales were undertaking actuarial valuations at this time.

It was explained that GMPF's previous contract for actuarial services and benefit consultancy services was due to end on 31 December 2021. As a result, a re-tender of these services was undertaken in autumn of 2021 via the National LGPS Frameworks. Hymans Robertson would be reappointed with effect from 1 January 2022 to conduct actuarial and benefit consultancy services for the Administering Authority until 31 December 2030 (although there is the ability for Tameside MBC to exit the contract at relatively short notice at any point).

Confirmation of the Fund's Actuary allowed GMPF to start considering the key strategic issues, which could arise at the 31 March 2022 actuarial valuation. The aims of this report were to provide the Board with a summary of the key issues, which were likely to impact the actuarial valuation.

It was stated that Hymans Robertson presented their initial thoughts on the 2022 valuation at the December Management Panel meeting. The presentation slides were attached as Appendix 1. It was explained that whilst market conditions could change considerably prior to the valuation date and actuarial assumptions were yet to be formally considered by the Management Panel, at a whole fund level, the early indication was that GMPF would emerge from the 2022 valuation with a similar funding level compared to 31 March 2019. GMPF's investment returns were likely to have exceeded the assumption made at the 2019 valuation, but a fall in real interest rates and an increase in future expected inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. One significant area of uncertainty was the long-term impact of the Covid-19 pandemic on future life expectancy.

As part of the 2022 valuation GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The updating of the FSS would give consideration to prominent issues such as how GMPF administers Multi Academy Trusts' ('MATs') liabilities and arrangements for funding ill-health retirement strain costs. The consultation on the FSS was expected to take place following the July 2022 Management Panel meeting with preliminary results being notified to employers from September 2022 onwards. The valuation process was required to be completed via the production of the valuation report and a 'rates and adjustment certificate', which set out all employers' contribution rates by 31 March 2023.

The Board were advised that the introduction of 'Employer Flexibilities' into the LGPS during 2020 and 2021 could lead more employers to request further detail on their valuation results and more employers could seek to explore what options could be available to them in order to cease accruing further benefits. This had the potential to increase GMPF resourcing requirements compared to previous valuations.

It was stated that following completion of the 2019 actuarial valuation, five of the GM Local Authorities made advance payment of three years' employer contributions and two others had made annual advance payments. The timing of these payments appeared to have been relatively favourable and these authorities should benefit from a slightly improved funding position at the 2022 actuarial valuation as a result.

RESOLVED

That the report be noted.

34 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES 10 SEPTEMBER 2021 TO 17 DECEMBER 2021

Consideration was given to a report of the Head of Risk Management and Audit Services. The report summarised the work of the Risk Management and Audit Service for the period 10

September 2021 to 17 December 2021.

The progress report showing the actual days spent against the planned days for 2021/22 was discussed. The audit service had spent 235 days against the 300 planned days up to 17 December 2021.

It was stated that four final reports were issued during the period, two of which were by the Salford Computer Audit Team. The reports were reviews of Stone Harbor, Greater Manchester Property Venture Fund, Cyber Security and MyPension.

The Board were advised of two Post Audit Reviews on Information Governance and GDPR and Transfers from the Local Pension Scheme (LGPS to Defined Contribution Schemes).

RESOLVED

That the report be noted.

35 URGENT ITEMS

There were no urgent items.

CHAIR

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Agenda Item 5

Report To:	LOCAL PENSIONS BOARD
Date:	7 April 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	GMPF FINAL ACCOUNTS AND BUDGET/MEDIUM TERM FINANCIAL PLANNING
Report Summary	This report is submitted for information and Members are asked to note the progress of the governance arrangements for the budget setting and financial reporting. This is provided by attaching a copy of the reports that went to GMPF Management Panel on 18 March 2022
Recommendations:	Members are asked to note the report.
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out how the management Panel has overseen this and where responsibilities lie.
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. The audit process 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:	For further information please contact Paddy Dowdall, Assistant Director – Local Investments and Property, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk .

Report To:	GMPF MANAGEMENT/ADVISORY PANEL
Date:	18 March 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	GMPF STATEMENT OF ACCOUNTS 2021-22 GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS
Report Summary	This report covers the. GMPF Accounting Policies and Critical Judgements for 2021-22
Recommendations:	Members are asked to approve the accounting policies and critical judgements attached as Appendix 1 to this report.
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material.
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. The audit process 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:	Further information can be obtained by contacting Paddy Dowdall Assistant Director (Local Investments and Property) Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7140 Email: Paddy.dowdall@gmpf.org.uk

APPENDIX 1

GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

1. CHANGES FROM 2021/22

- 1.1 The only change is that this year will see a change in disclosure of certain costs for certain types of pooled private market investments. These having previously been accounted for within the changes in value of investments will now be identified separately where possible. These are the costs identified by the custodian through their administration and accounting of GMPF private market investments and whilst meeting accounting requirements will not be exactly the same as those calculated by CEM that are disclosed within the Annual Report. The estimate is that these will be in the region of £90m per annum from 2022/23. These changes in disclosure make no difference to the projected outcomes for the Fund NAV statement in accounts or the medium-term plan.

2. STATUTORY BACKGROUND

- 1.2 GMPF is required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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 the notes to the accounts. These financial statements should be read in conjunction with that information.
- 2.2 GMPF is a pension fund which administers the statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees other than teachers, fire fighters and police officers for whom separate arrangements exist. In addition, other qualifying bodies, which provide similar services to that of local authorities, have been admitted to GMPF.
- 2.3 GMPF operates a career average scheme whereby as each year goes by members build up a set portion of pay as a pension. It is funded by contributions from employees, which are set out in regulations, and variable contributions from employers, which take account of the relationship of assets held to liabilities accrued (see Actuarial Review of GMPF – Note 22). The benefits of the Scheme are prescribed nationally by Regulations made under the Public Service Pension Schemes Act 2013.

3. ACCOUNTING POLICIES

Basis of preparation:

- 3.1 The accounts are 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. The exceptions are that individual and bulk transfers (due to uncertainty over final settlement and timing of payments) and advance payment of employer contributions are recognised on a received or paid basis. There are no accounting standards issued but not adopted in the preparation of the financial statements.

Financial assets and liabilities:

- 3.2 On initial recognition, GMPF is required to classify financial assets and liabilities into amortised cost, fair value through profit and loss or fair value through other comprehensive income. Financial assets are classified dependent on the reason for holding the assets. Amortised cost assets are those held to generate cash flows and the amounts received are solely principal and interest. Fair value assets through profit and loss or other comprehensive income, are assets which fail the amortised cost categorisation tests, where they are held for trading purposes and/or the amounts received relate to more than solely principal and interest (e.g. equity instruments). Financial liabilities are classified as amortised cost except in certain circumstances where they are classified as at fair value.

Contribution income:

- 3.3 Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.
- 3.4 Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Additional voluntary contributions (AVC):

- 3.5 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:

- 3.6 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:

- 3.7 Interest, property 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:

- 3.8 Accrued investment income has been categorised within investments in accordance with the appropriate Pensions Statement of Recommended Practice (SORP).

Foreign income:

- 3.9 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 2022.

Foreign investments:

- 3.10 Foreign investments are translated at the exchange rate applicable at 31 March 2022. Any gains or losses arising on translation of investments into sterling are accounted for as a change in market value of investment.

Rental income:

- 3.11 Rental income from operating leases on investment properties owned by GMPF 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.

3.12 **Benefits:**

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

3.13 **Investment values:**

All investment assets are valued at their fair value as at 31 March 2022 are determined as follows:

At 31 March 2022	Valuation basis / technique	Main assumptions
Equities and bonds	Pricing from market data providers based on observable bid price quotations.	Use of pricing source. If there are minor variations in the price dependent upon the pricing feed used, the Custodian's valuation will take precedence.
Direct investment property	Independent valuations for freehold and leasehold investment properties at fair value have been valued by Savills plc, Chartered Surveyors, as at 31 December 2021, subsequently adjusted for transactions undertaken between 1 January 2022 and 31 March 2022. Valuations have been prepared in accordance with Royal Institute of Chartered Surveyors (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 RICS Appraisal and Valuation Manual. The values are estimates and may not reflect the actual values.
Indirect property (part of Pooled Investment Vehicles)	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 RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.
Cash and other net assets	Value of deposit or value of transaction.	Cash and account balances are short-term, highly liquid and subject to minimal changes in value. All cash is recorded at book value unless there is knowledge of any impairment.

At 31 March 2022	Valuation basis / technique	Main assumptions
Derivatives	<p>Derivative contracts are valued at fair value.</p> <p>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.</p> <p>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.</p>	<p>All derivatives are based on a visible price (i.e. not private transactions) and all counter parties are deemed solvent and able to meet their liabilities. The relevant prices and exchange rates used are provided by the Custodian and consistent with those used elsewhere in accounts.</p>
Private equity, infrastructure and special opportunities portfolios	<p>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, applying earnings multiples of comparable public companies to projected future cash flows, third party independent appraisals or pricing models. The valuation of these assets can take up to six months to come through. GMPF practice when closing accounts is to use the latest available valuation and adjust for cashflows.</p>	<p>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.</p>

Financial instruments at fair value through the profit and loss:

- 3.14 Financial assets and liabilities are stated at fair value as per the Net Assets Statement, which is prepared in accordance with the Pensions SORP, requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are classified as at fair value through the profit and loss are recognised in the Fund account as they arise. The carrying values are therefore the same as fair values.

Financial instruments at amortised cost:

- 3.15 Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as at amortised cost.

Cash and cash equivalents:

- 3.16 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.

Transaction costs of investments:

- 3.17 Acquisitions costs of investments other than listed equities are included in purchase prices and netted from sale receipts.

Management Expenses:

- 3.18 Investment management expenses paid directly by GMPF are included within Management Expenses within the Fund account. These costs together with other management 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 are based upon one off, non-rolling, three yearly calculations. It is GMPF policy to accrue for any performance fees which are considered to be potentially payable.
- 3.19 In addition, certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs deducted directly by the investment managers. These costs are charged directly to the Fund Account where information is available to the Custodian by the investment manager. Where costs are deducted by these managers and not disclosed to custodian they are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes. The annual report contains a comprehensive review of investment costs.
- 3.20 Administration Expenses are included within Management Expenses within the Fund Account. These costs 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.

Net (profit)/loss on foreign currency:

- 3.21 Net (profit)/loss on foreign currency comprise the change in value of short-term deposits due to exchange rate movements during the year.

Actuarial present value of promised retirement benefits:

- 3.22 The 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.

Derivatives:

- 3.23 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 would arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date. All derivatives are based on a visible price (i.e. not private transactions) and all counter parties are deemed solvent and able to meet their liabilities. The relevant prices and exchange rates used are provided by the Custodian and consistent with those used elsewhere in accounts.

Transfers:

- 3.24 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 Government Pension Scheme Regulations.
- 3.25 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, due to uncertainty over final settlement and timing of payments, are recognised on a received or paid basis.

Taxation:

- 3.26 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.

Critical judgements in applying accounting policies

- 3.27 In applying the policies, GMPF has 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 notes to the accounts).
- 3.28 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 equity, infrastructure and special opportunities investments

- 3.29 Unquoted equities are valued by the investment managers in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS).
- 3.30 The valuation of these assets can take up to six months to come through. GMPF practice when closing accounts is to use the latest available valuation and adjust for cashflows.

Pension Fund liability

- 3.31 The present value of GMPF's liabilities 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 the Actuary and are summarised in the notes to the accounts. This estimate is subject to significant variances based on change to the underlying assumptions.

Classification of financial instruments

- 3.23 Different asset classes of financial instruments are valued in accordance with accounting standards as either fair value or amortised cost.

Report To:	GMPF MANAGEMENT PANEL
Date:	18 March 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall, Assistant Director of Pensions, (Local Investments and Property)
Subject:	GMPF BUDGET 2022/2023 AND MEDIUM-TERM FINANCIAL PLANNING
Report Summary:	This report asks the Management Panel to approve an expenditure budget for GMPF for 2022/23 and a medium-term financial plan 2022-2025. (An updated version will be included in the Annual report for 2021/22).
Recommendations:	<ol style="list-style-type: none"> 1) That the Management Panel approves the expenditure budget for 2022/23. 2) That the Management Panel approve the Medium-Term Financial Plan.
Financial Implications: (Authorised by the Section 151 Officer)	The financial implications are set out in the report. There is a projected increase in expenditure which supports strategic change at the Fund to optimise net risk adjusted returns on investments and to provide efficient administration in order to ultimately minimise the contributions paid by employers.
Legal Implications: (Authorised by the Solicitor to the Fund)	There is a duty on the Fund to achieve best value and consequently the Panel need to ensure through such monitoring that value for money is being achieved.
Risk Management:	Failure to properly manage and monitor the Fund's budgets may lead to a reduction in service standards for scheme members or employers, or a loss of confidence in the management of the fund.
ACCESS TO INFORMATION:	<p>Non-Confidential</p> <p>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</p>
Background Papers:	Any enquiries should be directed to Tracey Boyle, 0161 301 7116 (email: tracey.boyle@tameside.gov.uk)

1. INTRODUCTION

- 1.1 This report asks the Management Panel to approve an expenditure budget for GMPF for 2022/23 alongside a medium-term financial plan for 2022 to 2025.
- 1.2 The medium-term financial plan is essentially dependent upon the assumptions in the Funding Strategy Statement, and the out-turn is largely subject to financial markets and their impact on investment performance.
- 1.3 The medium-term financial plan 2022 to 2025 will be finalised for the annual report following, approval of budget and Fund Valuation at 31 March 2022.
- 1.4 CIPFA Guidance on preparing the Annual Report for Local Government Pension Scheme Funds requires GMPF to publish a medium-term financial plan approved by those charged with governance of the Fund. The Management Panel is approving the draft version of this subject to final confirmation in values as at 31 March 2022; and the assumptions and methodology that underpin it.

2. BUDGET FOR 2022/23 AND CHANGES FROM 2021/22

- 2.1 The Fund remains committed to its core objectives. The last 2 years have seen substantial changes to the way in which the Fund delivers its core objectives in response to the pandemic and the changing requirements of the regulatory landscape. There remains a great deal of uncertainty in the short to medium term in the outlook for inflation. The table below sets out the key assumptions and methodology for budget setting.

Pay Award 2022/23	2.25%
Inflation	Notional 2.5% applied to non-staff costs
Staffing	As in post and recruitment in hand at Feb 2022
Goods and Services	As contracted plus internal estimates for variable usage items
Business development	Centrally allocated provision of £650,000 to implement business plan aspirations

- 2.2 The level of budget sought for 2022/23 seeks an increase from that in 2021/22/ The table below sets out some key movements. This budget covers the expenditure by the Fund on governance, administration and investment costs for oversight and internal management. External Investment Management fees are overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM. The budget is attached as appendix 1 to this report.

Reconciliation of movements in Budget from 2021/22 to 2022/23

		% change from 2021/22	% contribution
<u>Year 2021/22</u>		from 2021/22	of movement
Staffing	£7,132,348		
Other Costs	£6,033,755		
Total	£13,166,103		
<u>Year 2022/3</u>			
Staffing	£7,847,671		
Other Costs	£6,508,866		
Total	£14,356,537		
<u>Variances to 2023</u>			
Staffing	£715,323	10.03%	60.09%
Other Costs	£475,111	7.87%	39.91%
Total	£1,190,434	9.04%	100.00%
<u>Significant elements</u>			
External factor for staff cost increased NI and pay awards	£380,867	5.34%	31.99%
Other staffing increases	£334,456	4.69%	28.10%
<u>Business Plan Implementation 2021/22 items c/f</u>	£415,000		
Web design (£50k) and maintenance (£20k)	£70,000		5.88%
Payroll consultancy project	£80,000		6.72%
Adare / Postage above current levels of spend	£100,000		8.40%
Cyber security increase per Emma	£100,000		8.40%
New phone system	£65,000		5.46%
<u>Business Plan 2022/23</u>			
Actuarial Valuation	£150,000		12.60%
Increase in development budget	£150,000		12.60%
Notional 2.5% inflation on non-staff costs	£150,844		12.67%
Balance item	-£390,733		-32.82%
<i>(savings against inflationary increase on other costs plus non-recurring items from 2021/22)</i>			

- 2.3 To put the budget for GMPF into context, the table below set out some external comparisons for investments and administration against peer groups of comparable funds.

Investment Costs GMPF year end Dec 2021 from CEM		
	£m	% AUM
GMPF Actual	92	0.39
Benchmark (CEM specific)	113	0.48
Difference	-21	0.09

Administration Costs GMPF year end Dec 2021 from CEM	
	£ per member
GMPF Actual	17.01
Benchmark (CEM peer group)	23.65
Difference	-6.64

3. INVESTMENT MANAGEMENT FEES

- 3.1 Members of management panel will be aware of the significant changes made to the disclosure of investment management costs. There is detailed consideration given to these through reporting mechanisms outside of budget setting, particularly through the reporting by CEM. These are not therefore considered in detail as part of this report. For information the table below shows these costs (excluding private markets) for 2022/23 with a comparison to projected out-turn for 2021/22.

Manager	Budget 2022-2023 £m	Projected 2021-2022 £m	Change £m
UBS (incl designated fund)	10.9	10.1	0.8
L&G	2.4	2.4	0
91 (formerly Investec)	1.83	1.83	0
Sci Beta	1.2	1.15	0.05
Stone Harbour (credit manager)	3.85	3.05	0.8
Main Property Portfolio Investment Management La Salle then Schroders and APAM	1.79	1.8	-0.01
Overall Total	21.97	20.33	+1.64

- 3.2 From a financial reporting perspective this year will see a change in disclosure of certain costs for certain types of pooled private market investments. These having previously been accounted for within the changes in value of investments will now be identified separately. These are the costs identified by the custodian through their administration and accounting of GMPF private market investments and whilst meeting accounting requirements will not be exactly the same as those calculated by CEM. The estimate is that these will be in the region of £90m per annum from 2022/23. These changes in disclosure make no difference to the projected outcomes for the Fund NAV statement in accounts or the medium-term plan.

4. MEDIUM TERM FINANCIAL PLAN 2019-2022

- 4.1 The assumptions for medium term financial planning going forward are detailed in the table below.

Fund Investment Return	5.6% per annum over the long term
Inflation	CPI Bank of England
Pay Inflation	2.25%
Employer Payroll	From actuarial valuation
Pensioner Profile	From actuarial valuation
Management Budget	2022/23 projected forward
Investment Management Costs	CEM plus Internal estimate projection

- 4.2 The draft 3-year medium term plan is detailed below.

	2022/23	2023/24	2024/25
	£m	£m	£m
Fund Size at Start of Year	28,700	29,921	31,280
Fund Size at end of Year	29,921	31,280	32,687
Pensions Paid	961	1,005	1,051
Contributions received	700	820	846
Net Transfers	0	0	0
Net Cashflow	-261	-185	-205
Management Costs	125	132	139
Investment Income	435	459	485
Increase in Value of Investments	1,172	1,216	1,267
Net Return from Investments	1,607	1,676	1,752
<u>Net Change in Fund</u>	<u>1,221</u>	<u>1,359</u>	<u>1,407</u>

- 4.3 Key observations to be considered are:

- The Fund has an increasingly mature liability profile.
- Investment income is still higher than outflows to pensioners net of contributions.
- Investment returns are key driver of outcomes.
- The changes to investment cost disclosure have no impact on overall result and are in effect a movement to costs that was previously deducted from appreciation of investments within the accounting of pooled investment vehicles.

5. RECOMMENDATIONS

- 5.1 That the Management Panel approves the expenditure budget for 2022/23.
- 5.2 That the Management Panel approve the Medium-Term Financial Plan.

GMPF Management Budget 2022/23 excluding external investment management fees

Area	Description / Basis	2022-2023	2021-2022
Staffing	Including indirect costs such as training	7,797,671	7,113,177
Leadership & Development	Recharge from TMBC for Corporate Leadership team plus development items	745,703	589,900
Governance	Advisors, Local Board and Panel costs plus Democratic Services	324,573	269,120
Custody		500,120	488,620
Actuarial Fees		580,500	275,500
Professional Fees	Includes External audit fees	1,960,900	2,080,010
IT and Equipment		1,387,000	1,295,640
Premises	Rent, rates, utilities etc.	1,104,300	1,011,760
Other General Costs	Post, telephone, printing & stationery, media, travel etc. including misc. items < £10,000	672,684	794,309
Central Establishment Charges	Core Services HR Internal Audit etc.	508,086	478,067
Income	Recharge to third parties, divorce and admission fees	(1,225,000)	(1,230,000)
Total Cost		14,356,537	13,166,103

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