

Report To: **GMPF MANAGEMENT/ADVISORY PANEL**

Date: 16 September 2022

Reporting Officer: Sandra Stewart, Director of Pensions
Paddy Dowdall Assistant Director (Local Investments and Property)

Subject: **GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2021-2022**

Report Summary This report covers the draft annual report and accounts for GMPF including a summary financial report and updates Members with respect to the external audit.

Recommendations: Members are asked to

- (i) Approve the Draft Annual Report
- (ii) Note the Summary Financial Report
- (iii) Note the update on progress of external audit

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 INFORMATION: Further information can be obtained by contacting Paddy Dowdall Assistant Director (Local Investments and Property)

 Telephone: 0161 301 7140

 e-mail: Paddy.Dowdall@gmpf.org.uk

1. INTRODUCTION

- 1.1 This report covers the draft annual report and accounts for GMPF including a summary financial report and updates Members with respect to the external audit.

2. DRAFT ANNUAL REPORT AND ACCOUNTS

- 2.1 The draft annual report is available for review at: [Annual report cover final copy \(gmpf.org.uk\)](https://www.gmpf.org.uk)
- 2.2 The summary financial report for 31 March 2022 is detailed below.

GMPF: Financial Performance Report 2021/2022

Simplified Statement of Accounts

	£m	£m	£m
Fund Value at 31 March 2021			26,890
Contributions and Benefits			(290)
Employee contributions	168		
Employer contributions	461		
Pension benefits Paid		941	
Net Transfers	22		
Management Costs			(120)
Investment		113	
Administration		6	
Oversight		1	
Investments			2,844
Income	587		
Change in market value of investments	2,257		
Total change in value of Fund			2,434
Fund Value 31 March 2022			29,324

Out-turn against medium term financial plan

- 2.3 The table below shows the financial out-turn against the prediction for the year 2021/22 as agreed by the Management Panel at its meeting on March 2021. The main variance was that, Investment returns were significantly higher than the long term average this year as markets were positive for the period creating a rise in valuation of assets.

	2020/22 prediction	2022/21 actual	Variance
	£m	£m	£m
Fund Size at Start of Year	26,890	26,890	
Fund Size at end of Year	27,890	29,324	1,434
Pensions Paid	917	941	24
Contributions received	551	629	78
Transfers	0	22	22
Net Cashflow	-366	-290	76
Management Costs	113	120	7
Investment Income	548	587	39
Increase in Value of Investments	931	2,257	1,326
Net Return from Investments	1,479	2,844	1,365
Net Change in Fund	1,000	2,434	1,434

Out-turn against prediction for management costs 2021/22

- 2.4 The table below shows the out-turn for expenditure against budget (ex-investment management external fees) for 2021/22

2.5 The main variances are due to:

- Significant development items initiated during the year incur expenditure in future years
- Saving on Northern Trust fees
- Significant savings on pooling, website consultants, external legal fees, investments advice and employer service costs
- Saving on Altair annual fee (paid in 20/21), hardware maintenance and infrastructure licenses and development
- Savings due to restricted use of building. (Rent costs understated - deferred to 2022/23)
- Cost of changing postal services to Adare, not as significant as expected in first year. On-going savings on travel and subscriptions.
- Increased divorce and admission fee income offset by reduced legal recharges.

Type	Total Out-turn 2021/22	Total Budget 2021/22	Variance Fav (Adv)
Staffing	7,109,594	7,113,177	3,583
Leadership & Development	91,899	589,900	498,001
Governance	206,684	269,120	62,436
Custody	440,379	488,620	48,241
Actuarial Fees	289,775	275,500	(14,275)
Professional Fees	738,382	2,080,010	1,341,628
IT and Equipment	445,704	1,295,640	849,936
Premises	731,093	1,011,760	280,667
Other General Costs	343,118	794,309	451,191
Income	(743,615)	(1,230,000)	(486,385)
	9,653,013	12,688,036	3,035,023
Central Establishment Charges	458,435	478,067	19,632
Total Pre-Investment Management Fees	10,111,448	13,166,103	3,054,655

External Investment Management Fees

2.6 The table below shows investment fees paid directly by GMPF against forecast, variances will be due to changes in asset valuations and fee negotiation by investments team from that projected at start of the year, notably an excellent result with UBS.

Area	Subset	Original Annual Budget 2021/22	Actual Out-turn 2021/22	Variance Fav (Adv)
External Managers	UBS (incl designated fund)	13,220,000	10,095,856	3,124,144
	L&G	2,400,000	2,041,213	358,787
	91 (formerly Investec)	1,830,000	1,879,990	(49,990)
	Sci Beta	1,200,000	1,140,998	59,002
	Stone Harbour (credit manager)	3,850,000	4,168,888	(318,888)
		22,500,000	19,326,945	3,173,055
Property	Main Portfolio Investment Management	2,329,000	932,772	1,396,228
	Main Portfolio Other	110,000	72,789	37,211
	Local Portfolio Investment Management	115,000	115,000	0
	Local Portfolio Other	0	3,303	(3,303)
	2,554,000	1,123,864	1,430,136	

Investment Fees Private Markets

- 2.7 Certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs charged directly by the investment managers from either asset values or capital calls/payments. These costs are allocated directly to the Fund Account where information is available to the Custodian by the investment manager, on an as paid rather than on an accruals basis. This is a change in policy for 2022.
- 2.8 Where costs are charged by these managers and not disclosed to the Custodian, they are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes; in previous years all of these costs were treated this way
- 2.9 The table below shows an estimate of a fuller charge to these private market funds on an accruals basis including performance related fees. for 2021/22 and 200/21 The material variance is the performance fees which reflects the strong performance achieved by these assets during the period.

31 March 2021 £000		31 March 2022 £000
	GMPF Private market and alternative investments	
89,516	performance related	182,440
66,417	non-performance related	67,604
	GMPF Indirect investment property	
10,078	performance related	15,502
20,098	non-performance related	19,149
	Northern LGPS Investments (NPEP/GLIL)	
4,669	performance related	17,621
10,580	non-performance related	12,634
201,358	Total	314,950

Three-year Financial Plan

- 2.10 The table below shows the financial forecast for period 2021-2024 as approved by GMPF Management Panel on 16 September 2022. Key issues remain consistent with previous years.
- The net negative cash-flow from contribution income less benefits whilst accelerating due to the maturity of the Fund, is offset by investment income meaning that GMPF is not going to be a forced seller of assets for the foreseeable future.
 - These figures are based on long term projected average investment performance of 5.2% taken from and short-term volatility may cause significant variations to the figures in this forecast.
 - GMPF has changed the way in which it discloses some costs for private market assets, (those specifically reported to the custodian) that were previously deducted at source by investment managers, effectively netting against investment performance. These were previously disclosed as note to accounts but not expensed through accounts. Some costs which are not reported to the Fund are This does not affect the projected change in fund value for the 3-year period.
 - Due to the general uncertainty, specific forthcoming issues with how costs from pooled investments are treated, and a desire to review budgets on a zero-based basis, the Management Panel has not approved a 3-year budget for management costs with the exception of AUM movements for external management fees.

	2022/23	2023/24	2024/25
Fund Size at Start of Year	29,324	30,408	31,437
Fund Size at end of Year	30,408	31,437	32,459
Pensions Paid	945	1,052	1,107
Contributions received	629	629	629

Transfers	0	0	0
Net Cashflow	-316	-423	-478
Management Costs	125	130	135
Investment Income	618	650	683
Increase in Value of Investments	907	932	951
Net Return from Investments	1,525	1,581	1,635
Net Change in Fund	1,084	1,029	1,022

3. UPDATE ON PROGRESS OF EXTERNAL AUDIT

- 3.1 At the time of writing a draft audit findings report for GMPF is not available. Following comments from Mazars local and national review team the team are making some presentational changes to certain disclosures. The verbal updates from the auditors so far are that there are no material or high-risk findings, a verbal update will be provided at the meeting.

4. RECOMMENDATIONS

- 4.1 As set out at the front of the report.