

Report To: LOCAL PENSIONS BOARD

Date: 6 October 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 is submitted for information and Members are asked to note the progress of the governance arrangements for the audit of GMPF Accounts 2021/22.

Recommendations: Members are asked to note the report.

Policy Implications: None.

Financial Implications: 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 report sets out where the responsibilities lie.

(Authorised by the Section 151 Officer)

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: The administering authority must produce an annual report and accounts in line with statutory provisions.

(Authorised by the Solicitor to the Fund)

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:

| | |
|--------------------|----------------------------|
| Appendix 1: | Report to Management Panel |
|--------------------|----------------------------|

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

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1. INTRODUCTION

1.1 This report provides an update on the last report to the Local Board on 28 July 2022.

2. UPDATE ON PROGRESS AND NEXT STEPS

2.1 The audit remains in progress, whilst field work is largely complete and no major issues have been identified, the AFR has not to date been issued by Mazars.

2.2 The internal team have made some amendments to disclosures within the accounts alongside some presentational changes following comments from the auditors.

2.3 The completion process for 2021/22 is subject to completion of 2020/21 audit by Mazars for Tameside. This is subject to a national resolution on a technical issue related the treatment of 'infrastructure' assets held by the local authority.


2.4 A further verbal update will be given at the meeting.

3. RECOMMENDATION

3.1 To note the report.

APPENDIX 1

| | |
|--|---|
| 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.