



**BY EMAIL**

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Date: 19 July 2018

Dear Marianne,

**Greater Manchester Pension Fund Financial Statements for the year ended 31 March 2018**

In response to your letter of the 21 June 2018 I have attached the completed schedule having taken into account the views of other appropriate senior staff within Tameside including the Pension Fund Management Team.

The Chair is responding separately on how the Governing Body, (Pensions Management Panel) maintains oversight of the process.

If you require any further information or clarification, please contact me.

Yours sincerely,

**Sandra Stewart**  
**Director Greater Manchester Pension Fund**

Encl.

## QUESTIONS FOR MANAGEMENT:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2017/18?	There are no key events or issues this year that have a material effect on the financial statements. There have been some significant inflows from First Group and advanced payment of contributions by some employers as disclosed in the accounts. As ever, investment performance is the key determinant to the Net Asset Value of GMPF
Have you considered the appropriateness of the accounting policies adopted by the Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	There is regular consideration of the appropriateness of the accounting policies adopted by GMPF.  There have been no events or transactions that would justify change, or adoption of new accounting policies.
Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?	There have been no changes that would justify a change to the accounting policies. Looking forward, factors such as asset pooling, and deficit management arrangements may have a material impact.
How would you assess the quality of the Pension Fund's internal control processes?	There are very strong processes for assessment of the quality of GMPF's internal control processes (see below) The internal audit results are largely positive and therefore the assessment is that internal control processes are working well.
How would you assess the process for reviewing the effectiveness of internal control?	There are strong processes. The administering authority allocates substantial internal audit resource to review internal control processes which are generally considered to operate well. Copies of these reports are automatically circulated to the senior management of the Administering Authority, the Chair of Employer Funding Viability Working Group and the Local Board, together with GMPF staff. Internal audit reports are also submitted to the Local Board and the relevant Working Group.
How do the Pension Fund's risk management processes link to financial reporting?	Many of GMPF's key risks are identified in the Funding Strategy Statement together with measures to mitigate those risks, and they are considered in the Annual Accounts. The Employer Funding Viability Working Group has the remit to oversee and review the effectiveness of internal control and financial reporting, with further oversight from the Local Pensions Board on behalf of the administering authority
How would you assess the Pension Fund's arrangements for identifying and responding to the risk of fraud?	Effective.
What has been the outcome of these arrangements so far this	No material frauds have been identified. There will always be pension overpayments following death, but GMPF has checks to

year?	facilitate early identification of deaths.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<ol style="list-style-type: none"> <li>1) Cash and Unquoted Investments and Assets not with the global custodian.</li> <li>2) No communication of changes in circumstance by pensioners or their relatives.</li> </ol>
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
Have any reports been made under the Bribery Act?	None
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Through regular reporting to the Employer Funding Viability Working Group, other Working Groups and the Management Panel.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	Through training, regular reminders to staff, team briefings and procedural documents available on the intranet.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	<p>Potential receipts:</p> <p>Any group litigation re tax claims or class actions relating to investments (as at the year end) are notified to Accountancy to allow them to take a 'holistic' and prudent view of all group litigation and tax claims for disclosure in the Accounts.</p> <p>Potential expenditure:</p> <p>The norm would be to account for legal costs and settlement as incurred. If there was a material claim against GMPF, consideration would need to be given to the appropriate treatment at the time. I am not aware of any material claims being made against GMPF over the last 25 years.</p>
Is there any use of financial instruments, including derivatives?	Yes (Futures and Forward Currency contracts). These are reported in the accounts at year end.
Are you aware of any significant transaction outside the normal course of business?	No
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None

Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
Are you aware of any instances of non-compliance with laws or regulations or is the Pension Fund on notice of any such possible instances of non-compliance?	<p>We sent some probation members incorrect benefit statements due to receiving incorrect information from the employer (this has no impact on financial statements).</p> <p>We reported the issue to the Pensions Regulator with agreement of the Fund and the Local Pension Board.</p> <p>We are working with the regulator to improve the MOJ's processes and we have arranged an audit and follow up review.</p>
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	None
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	There are no amounts based on significant estimates. The basis of valuation is set out in the notes to the accounts.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	There is no formal process in place by GMPF's management team to consider whether the Council is a going concern. However, given that tax raising bodies are considered by GMPF and its Actuary as the most secure of employers, this is considered to provide adequate comfort that the Council satisfies the "Going Concern Basis" in preparing GMPF's accounts. Further comfort is provided by the relative strength of GMPF's funding position where it is in the top 10 of LGPS funds.
Although the public sector	The starting point is that GMPF is relatively well funded, albeit at

<p>interpretation of IAS1 means that unless services are being transferred out of the public sector then the financial statements should be prepared on a going concern basis, management is still required to consider whether there are any material uncertainties that cast doubt on the Pension Fund's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	<p>the individual employer level there is a wide range of funding levels and this is regularly monitored. The prime purpose of the actuarial valuation is to determine employer contributions including deficit recovery. Monitoring processes are in place to ensure employers pay their required rate.</p> <p>The Employer Funding Viability Working Group considers viability issues at the whole fund and individual employer level.</p> <p>The Funding Strategy Statement is a key document in helping to focus attention on funding and associated risk management which is reviewed every 3 years by the Working Group and Management Panel and is subject to consultation.</p> <p>GMPF also has an in-house actuary.</p> <p>These arrangements are considered strong in concluding that GMPF is a going concern at the date the financial statements are approved.</p>
<p>Can you provide details of those solicitors utilised by the Pension Fund during the year? Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Trowers &amp; Hamblins (Colgate Lane, Salford)</p> <p>Shepherd &amp; Wedderburn (Sale – Aberdeen)</p> <p>Irwin Mitchell (Irwell Riverside loan)</p> <p>Owen Street, Manchester (Loan – DLA Piper)</p> <p>Addleshaw Goddard (Joint Venture – Princess Street, Manchester)</p> <p>Trowers &amp; Hamblins (Joint Venture – Circle Square, Manchester)</p> <p>DAC Beachcroft (Purchase and leases - Morgan Quarter, Cardiff)</p> <p>DAC Beachcroft (Island Road, Reading and Test Lane, Southampton)</p> <p>Gowling WLG (Advice on setting up joint venture – Island Site)</p> <p>DAC Beachcroft (Construction advice – New Marlborough Yard, London)</p> <p>DLA Piper (Advice on Global Custody Agreement)</p> <p>Gowling WLG (Loan - Crusader Mill, Chapeltown Street, Manchester)</p> <p>Addleshaw Goddard (Purchase - Chapelfield, Norwich)</p> <p>Addleshaw Goddard (Loan - Burlington House, Tariff St, Manchester)</p> <p>Squires Patton Boggs (Creation of NPEP – ongoing)</p>

	<p>DLA Piper - Advice on Northern Trust contracts (ongoing)</p> <p>Shoosmiths – (O’Caithan pensions dispute – now completed)</p> <p>Pre 2017 Appointments</p> <p>Squires Patton Boggs (Pooling – ongoing)</p> <p>Pinsent Masons (Manufactured Overseas Dividends action – ongoing)</p> <p>Stewarts Law (RBS class action – now settling)</p> <p>None of the above (apart from the last two) relate to open litigation or contingencies from previous years and that litigation action is that which the Fund is taking as reported quarterly to Alternative Investment Working Group to recover losses generally for misstatement.</p>
<p>Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>GMPF has 4 independent advisors supporting the Management Panel. These are listed in the Annual Report.</p> <p>Hymans Robertson is GMPF’s primary investment consultant in addition to their main role of providing advice on investment strategy. The Investment team also utilise specialist advice from a variety of sources on an ad hoc basis for making investments.</p> <p>Actuarial and funding advice is also provided by Hymans Robertson.</p> <p>Jardine Lloyd Thompson are providing advice on AVC arrangements.</p>
<p>Have any of the Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>No</p>