

<b>Report To:</b>	<b>GREATER MANCHESTER PENSION FUND LOCAL BOARD</b>
<b>Date:</b>	14 February 2019
<b>Reporting Officer:</b>	Sandra Stewart, Director GMPF  Paddy Dowdall Assistant Director (Local Investments and Property)
<b>Subject:</b>	<b>GMPF BUDGET 2019/2020 AND FUTURE MEDIUM TERM FINANCIAL PLANNING</b>
<b>Report Summary</b>	The attached report was taken to the GMPF Management Panel meeting on 18 January 2019 in order for the Panel to approve an expenditure budget for GMPF for 2019/20 with a medium term financial plan. (An updated version will be included in the Annual report for 2018/19 )
<b>Recommendations:</b>	Members are asked to note the attached report which was approved by GMPF Management Panel on 18 January 2019
<b>Policy Implications:</b>	None.
<b>Financial Implications:</b>	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.
<b>(Authorised by the Section 151 Officer)</b>	
<b>Legal Implications:</b>	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.
<b>(Authorised by the Solicitor to the Fund)</b>	
<b>Risk Management:</b>	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. Compliance with the accounting Code provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement.
<b>ACCESS TO INFORMATION:</b>	<b>NON-CONFIDENTIAL</b>
	<b>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	A presentation is attached  For further information please contact Paddy Dowdall, Assistant Executive Director – Local Investments and Property, tel 0161 301 7140, email <a href="mailto:paddy.dowdall@tameside.gov.uk">paddy.dowdall@tameside.gov.uk</a> .

## 1. INTRODUCTION

- 1.1 This report asks the Local Board to note the expenditure budget for GMPF for 2019/20 alongside the medium term financial plan for 2019 to 2022. The Administration and Employer Funding Viability Working Group has previously considered the budget and approved it to be taken forward to the Management Panel.
- 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 2019 to 2022 will be finalised for the annual report following, approval of budget and more up to date information on position at 31 March 2019.

## 2. OVERVIEW AND CONTEXT

- 2.1 As required by CIPFA's Guidance on preparing the Annual Report for Local Government Pension Scheme Funds, GMPF's Annual Report, following approval on assumptions and process by the Management Panel, produced a medium term financial plan in its annual report and accounts for 2017/18. This is detailed below.

### **Medium term Financial Plan 2018-2021 (as included in Annual Report 2017/18)**

	2018/19	2019/20	2020/21
	£m	£m	£m
<b>Fund Size at Start of Year</b>	<b>22,497</b>	<b>23,428</b>	<b>24,362</b>
<b>Fund Size at end of Year</b>	<b>23,428</b>	<b>24,362</b>	<b>25,296</b>
Pensions Paid	816	861	910
Contributions received	609	609	609
Transfers	0	0	0
Net Cashflow	<b>-207</b>	<b>-252</b>	<b>-301</b>
Administration Costs	32	32	32
	0	0	0
Investment Income	426	448	472
Increase in Value of Investments	744	770	795
<b>Net Return from Investments</b>	<b>1,170</b>	<b>1,218</b>	<b>1,267</b>
<b><u>Net Change in Fund</u></b>	<b><u>931</u></b>	<b><u>934</u></b>	<b><u>934</u></b>

2.2 The key observations at the time of considering the plan were that:

- Investment returns are the key determinant of the financial position.
- The Fund has a negative cash-flow from pensions paid less contributions and the trend is for this to increase as the Fund matures.
- The management costs are small relative to Fund size and annual cash flows and are assumed to remain constant in the medium term. (This is due to uncertainty over pooling arrangements and the Fund's zero based budgeting approach)

2.3 At the time of writing the report we are still 3 months away from the end of the financial year, so it is not possible to project an out-turn, largely due to the volatility of investment returns and the profiling of some of the cash flows. This out-turn will be reported to the Management Panel alongside the final accounts at a future meeting.

### 3. BUDGET CHANGES FROM 2018/19 AND BUDGET FOR 2019/20

3.1 The key changes are set out in **Appendix 1** and reflect the implementation of policies approved by the Management panel including changes to investment management arrangements which make up the major part of the changes. **Appendix 2** sets out the proposed budget for 2019/20

### 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	5.2% per annum over the long term
Inflation	CPI Bank of England
Pay Inflation	2%
Employer Payroll	From actuarial valuation
Pensioner Profile	From actuarial valuation
Budget	2019/20 taken forward

4.2 The proposed medium term financial plan for 2019-2022 is shown below.

	2019/20	2020/21	2021/22
	£m	£m	£m
<b>Fund Size at Start of Year</b>	<b>22,500</b>	<b>23,484</b>	<b>24,540</b>
<b>Fund Size at end of Year</b>	<b>23,484</b>	<b>24,540</b>	<b>25,615</b>
Pensions Paid	835	870	906
Contributions received	684	740	740
Transfers	0	0	0
Net Cashflow	<b>-151</b>	<b>-130</b>	<b>-166</b>
Administration Costs	35	35	35
	0	0	0
Investment Income	433	456	480
Increase in Value of Investments	737	765	796
<b>Net Return from Investments</b>	<b>1,170</b>	<b>1,221</b>	<b>1,276</b>
<b><u>Net Change in Fund</u></b>	<b><u>984</u></b>	<b><u>1,056</u></b>	<b><u>1,075</u></b>

4.3 Key observations to be considered are:

- The maturity of the Fund continues and accelerates
- Investment income is still higher than outflows to pensioners net of contributions
- Investment returns are key driver of outcomes

## 5. RECOMMENDATIONS

5.1 As stated at the front of the report.