

Financial Performance Report GMPF 2019/20

Key financials

	£m	£m	£m
Fund Value at 31 March 2019			23,844
Contributions and Benefits			-265
Employee contributions	152		
Employer contributions	460		
Pension benefits Paid		(860)	
Net Transfers		(17)	
Management Costs			35
Investment		(27)	
Administration		(6)	
Oversight		(2)	
Investments			-1,509
Income	520		
Change in market value of investments		(2,029)	
Total change in value of Fund			(1,809)
Fund Value 31 March 2020			22,035

Out-turn Against prediction

The table below shows the financial out-turn against the prediction for the year 2019/20 as agreed by the Management Panel at its meeting on January 2019. The main variances were

- Investment returns were significantly lower than the long term average this year with the final quarter seeing an exceptional level of volatility due to the Covid 19 crisis.
- Pensions paid were higher than predicted
- Contributions received were less than predicted
- There was a significant bulk transfer due to GMPF continuing to take on board the pension assets and liabilities for subsidiaries of First Group plc from other LGPS Funds.

	2019/20 prediction	2019/20 actual	Variance
	£m	£m	£m
Fund Size at Start of Year	23,844	23,844	-
Fund Size at end of Year	24,897	22,035	(2,862)
Pensions Paid	(835)	(860)	(25)
Contributions received	684	612	(72)
Transfers	0	(17)	(17)
Net Cashflow	(151)	(265)	(114)
Management Costs	(35)	(35)	-
Investment Income	433	520	87
Increase in Value of Investments	806	(2029)	(2,835)
Net Return from Investments	1,239	(1,509)	(2,748)
Net Change in Fund	1,053	(1,809)	(2,862)

Three-year Financial Plan

The table below shows the financial forecast for period 2020-2023 as approved by GMPF Management Panel on 17 July 2020. Key issues to draw out remain similar to those in recent years.

- During 2020-21 GMPF receives some employer contributions from local authorities in advance.
- The net negative cash-flow from contribution income less benefits paid in later years is offset by investment income meaning that the fund is not a forced seller of assets
- 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 is considering changes to way in which it discloses costs for private market assets that are deducted at source by investment managers, effectively netting against investment performance. At present these are disclosed as note to accounts but not expensed through accounts. If implemented this would have the effect of increasing the projected increase in investments and at the same time costs, but would not effect the projected change in fund value for the 3-year period

	2020/21	2021/22	2022/23
Fund Size at Start of Year	22,035	23,113	23,922
Fund Size at end of Year	23,113	23,922	24,747
Pensions Paid	877	916	956
Contributions received	844	558	572
Transfers	0	0	0
Net Cashflow	-33	-358	-384
Administration Costs	35	35	35
	0	0	0
Investment Income	433	456	480
Increase in Value of Investments	712	746	764
Net Return from Investments	1,146	1,202	1,244
	0	0	0
<u>Net Change in Fund</u>	<u>1,078</u>	<u>809</u>	<u>825</u>

Administration Expenditure Monitoring Statement for the 12 Months to March 31 2020

Type of Expenditure

Staff Costs

Direct Costs

Publications and Subscriptions

Travel and Subsistence

Premises

Postage, Printing, Telephone

Office Equipment and Software

Investment Advisory Expenses

Bank Charges and Nominee Fees

Investment Management Fees

Actuary and Professional Fees

Performance Measurement Services

Communications

Central Establishment Charges

Less:

Recovery of Management and Legal Fees

Admin Fees

Commission Recapture

-	-	-
<u>12 MONTHS TO MARCH 2020</u>		
<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
<u>Original</u>	<u>Actual</u>	<u>Variation</u>
<u>Estimate</u>	<u>Exp</u>	<u>To Date</u>
<u>2018/19</u>	<u>2018/19</u>	<u>(2) - (1)</u>
-	-	-
<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
-	-	-
7,290	6,328	(963)
-	-	-
-	-	-
105	110	5
95	77	(18)
944	892	(52)
215	148	(67)
1,065	1,062	(3)
68	66	(2)
447	284	(163)
19,751	19,047	(704)
1,554	1,318	(236)
127	116	(11)
371	365	(6)
24,742	23,482	(1,260)
-	-	-
411	376	(35)
-	-	-
-	-	-
(1,176)	(1,399)	(222)
(36)	(52)	(16)
-	-	-
(50)	(12)	38
<u>31,181</u>	<u>28,723</u>	<u>(2,458)</u>
-	-	-

Commentary on out turn for year

During the year the expenditure on administration and investments was less than budgeted. The main variances were:

- Expenditure on investment managers was less than predicted due to implementation of changes in strategy and fee reductions following negotiations.
- Expenditure on Actuary & Professional Fees: was lower than expected due to more efficient implementation of pooling arrangements.
- Staffing costs were less than predicted due to implementation of changes in management structure.

The Fund Account splits out expenditure into three activities in note 8, these are investment, administration, and oversight and governance functions as required and defined by accounting standards. During the year monitoring of management expenditure is made on an overall basis and at service management level which may cut across these functions. It should be noted that the figure in the accounts of £35m includes investment transaction costs (£6m) which are not controlled internally or monitored in same way.

Three Year Budgeted Expenditure

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 expenditure budget. The Panel has assumed constant expenditure on administration, investment management and oversight for the period 2020-2023 in the Medium-Term Financial Plan. This will be subject to review when there is more visibility on future arrangements.