

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

Friday, 14 October 2016

Commenced: 9.00 am

Terminated: 9.45 am

Present: Councillors J Lane (Chair), Middleton, Patrick, Brett, Grimshaw and Stogia

Apologies for Absence: Councillor S Quinn

8. DECLARATIONS OF INTEREST

There were no declarations of interest.

9. MINUTES

The minutes of the meeting of the Pensions Administration Working Group held on 15 July 2016 were approved as a correct record.

10. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pensions Operations Manager submitted a report, which provided information about scheme member's additional voluntary contributions (AVC's) investments with the Prudential as at 31 March 2016.

It was reported that the Prudential was the AVC provider for the Fund and contributors could elect to pay up to 50% of their pay into the AVC arrangement, which benefitted from tax relief. There were three investment options; 'with-profits', 'deposit' and 'unit-linked'.

As at 31 March 2016, the AVC scheme had 8,863 members with over £69 million invested, mainly in the 'with-profits' fund, which aimed to achieve higher returns whilst maintaining security and stability. The Prudential 'with-profits' account had achieved a yield of 2.95% over one year and 5.40% over five years.

AVC Deposit Returns were available for those members for whom certainty of return was important. The current practice was to set the interest rate on the first day of each month in line with the Bank of England base rate at that time. This option had achieved a return of 0.5% over the last one, three and five years.

There was a variety of 'unit-linked' funds on offer to scheme members, which were outlined to the Working Group. In 12 out of 17 funds the Prudential either matched or bettered the benchmark over three and five years. Due to the relatively satisfactory performance of the Prudential it remained a good choice for the scheme.

It was reported that the decision was taken to close the UK Specialist Equity unit-linked fund to new AVC payers from the 1 October 2016 as a result of consistent poor performance when compared with the relevant benchmark.

RECOMMENDED:

That the report be noted.

11. INTERNAL DISPUTE RESOLUTION PROCEDURE AND COMPLAINTS RECEIVED BY THE PENSIONS ADMINISTRATION SECTION

The Pensions Operation Manager submitted a report outlining the Internal Dispute Resolution Procedure (IDRP) process and the number of stage 1 and 2 cases that had been received during the period July 2015 to June 2016. It also confirmed that the area of IDRP's and complaints in general had been identified for review and enhancement.

It was reported that the IDRP was a statutory part of the scheme and applied to both employers and the administering authority with two procedural stages and a final right of appeal to the Pension Ombudsman.

The Working Group heard that the data for stage 1 cases related to disputes with the administering authority. There had been 23 stage 1 appeals received during the July 2015 to June 2016 period and to date 17 cases had been rejected, 3 resolved, 2 upheld and 1 appeal. The main causes of concern for members were outlined and included death grant disputes, conflicting advice regarding benefits, transfer requests and additional voluntary contribution queries.

Stage 2 cases related to appeals against both employer decisions and decisions made by the administering authority at stage 1. There had been a slight increase in the number of stage 2 cases with 25 appeals being received in 2015/16 and 23 in the previous year. Of the 25, 19 had been rejected and 6 referred back to the employer at stage 1 as the process had not been undertaken satisfactorily. There had been three new appeals to the Ombudsman.

Whilst the number of Stage 2 cases is few in comparison with overall membership numbers, it was reported that for a number of years, the majority of cases referred back to the employer are related to ill health retirements.

The approximate number of other informal complaints received during the same period was six. On reviewing the data, several areas had been identified where additional information would assist to make better and more informed decisions. By conducting a wider scale review, more informal grievances could be captured which in turn could ascertain possible enhancements to current systems and processes. The three main objectives of the review would be to ensure that:

- The systems put in place for identifying and investigating complaints were effective and facilitated continuous feedback and learning opportunities;
- Complainants felt that their complaint had been dealt with effectively, whatever the outcome; and
- Any changes to procedures or processes that were made because of a complaint were regularly tested to ensure the intended aim of the change was actually being achieved.

The Executive Director for Governance, Resources and Pensions suggested that the amounts of compensation currently paid should also be reviewed in addition to the response timescales of employers.

RECOMMENDED:

- (i) **That the report be noted; and**
- (ii) **The proposal to review and enhance current systems and processes should be undertaken.**

12. PERFORMANCE STANDARDS

The Pensions Operations Manager submitted a report, which provided information about adherence to the performance standards set by the Pensions Fund Management Panel. It also provided further information regarding the number and age of outstanding tasks for the ten Local Authorities and highlighted scope for further improvements in this area.

The record of performance for the 12 months ending August 2016 was appended to the report, which showed that 17 of the 28 standards had met or exceeded the expected level of 90%. In areas where the standard had not been met, further analysis had been undertaken to assess whether changes to procedures were required to try to ensure adherence to the standards going forward. For 19 of the 28 standards assessed, the 2015/16 statistics showed that performance had either been maintained or improved compared with the 2014/15 statistics.

The performance of the ten Local Authorities in respect of notifying the Pensions Office of new starters and early leavers and details of outstanding tasks for the 12 months ending August 2016 were also appended to the report. The standard was that these tasks should be reported to the Pensions Office within two months of members joining or leaving the Greater Manchester Pension Fund (GMPF) at a level of 90% or better. Since the last report was presented to the Working Group, only one Local Authority had achieved this target for new starter submissions with none achieving the target for leavers.

With regards to outstanding tasks, it was reported that since the last report to the Working Group, four Local Authorities had seen a net decrease in the number of outstanding tasks. Details were provided on the age of the tasks in relation to their completion date and the average age of the outstanding tasks for each of the employers had been calculated. It was confirmed that this analysis had been provided to employers and would continue to be provided on a regular basis alongside the usual performance statistics in order to help GMPF and employers monitor progress.

It was reported that the older the task the more difficult it was to resolve but by highlighting the age of the tasks and regularly monitoring progress Local Authorities could consider focussing resources on out-of-date tasks in order to resolve them as soon as possible. If required, GMPF officers would provide assistance to Local Authorities officers to assist them in resolving the cases and making best estimates where actual information could not be provided. The performance data for both GMPF and employers had indicated scope for review and improvement therefore work would be undertaken over the next 12 months to achieve this.

The Executive Director for Governance, Resources and Pensions commented that the data would be shared with the Local Authorities S151 Officers for action.

RECOMMENDED:

- (i) **That the report be noted; and**
- (ii) **Further work be undertaken to make improvements in this area over the next twelve months.**

13. LOCAL AUTHORITY MEMBERSHIP LEVELS

The Pensions Operations Manager submitted a report, which provided information about membership levels amongst the ten Local Authorities of the Greater Manchester Pension Fund (GMPF) across a three year period, as at September 2016, with comparisons to 2015 and 2014.

It was reported that membership amongst full time staff had remained broadly similar to 2015 with a small upward trend over the last three years for most Local Authorities with figures ranging from 74% up to 95%. Membership amongst part time staff was similar although slightly more variable with figures ranging from 73% up to 93%. Auto-enrolment had affected the upward trend, however, some Local Authorities had opted to defer auto-enrolment staging until 2017 so the increases in membership cannot solely be attributed to auto-enrolment. It was noted that the figures had not been tested therefore there could be some inconsistencies between the data collected from each employer.

The figures had highlighted that there could be scope for GMPF to carry out some further work; by collecting and analysing more data around membership questions could be answered around

membership take-up, awareness of the 50:50 scheme and could also help to identify groups of employees where membership was lowest.

If further information was gathered, GMPF could take this into account when reviewing literature and determining future communication strategies to encourage employees to join.

RECOMMENDED:

- (i) **That the report be noted; and**
- (ii) **Further analysis be undertaken with a view to ensure that GMPF is doing all it can to encourage employees to save for retirement.**

14. INTERNAL AUDIT - EMPLOYER AUDITS AND FINDINGS

The Pensions Operations Manager submitted a report, which outlined the employer audit process used by the Greater Manchester Pensions Fund (GMPF) and gave details of the employer audits undertaken during the period April 2015 to March 2016 with a summary of the findings. The report also highlighted where enhancements to internal processes could be made.

It was reported that GMPF monitored the performance of its employers by using Tameside MBC's internal audit department to undertake employer audits to assess compliance with a number of relevant regulations, legislative requirements and administrative processes. A risk based approach was adopted with the largest employers being audited as part of a rolling programme. Other employers who had a significant number of members and those where issues had been separately identified were audited on an ad-hoc basis.

Four employer audits had been undertaken during the period April 2015 to March 2016. High priority recommendations made by the auditors as a result of their findings covered the following areas:

- Auto-enrolment
- Assumed Pensionable Pay
- Final pay figures
- Errors in documenting differences in pay
- Year End Return for 2014/15

Common findings with medium priority recommendations included the late submission of new starters and leavers, failure to apply the correct contribution rate bandings to members and the late submission of year-end returns. Management responses to the recommendations had been received alongside target dates for when they expected issues to be addressed with post audit reviews being scheduled if necessary.

Several possible enhancements to GMPF procedures had been identified and included; investigating if providing immediate support to the employer after the audit report had been issued would be productive, considering if holding follow-up discussions with the employer is viable and effective and exploring if discussing employer audit reports amongst a wider group of officers might lead to improvement.

RECOMMENDED:

- (i) **That the report be noted; and**
- (ii) **Current practices following the issue of audit reports be reviewed and enhanced.**

15. URGENT ITEMS

There were no urgent items.