

ITEM NO: 7

Report To: Pension Fund Management/Advisory Panel

Date: 2 October 2015

Reporting Officer: Peter Morris, Executive Director of Pensions

Subject: **MANAGEMENT SUMMARY**

Report Summary The aim of this report is to provide a short commentary on issues and matters of interest arising during the last quarter.

Recommendations: To note the report.

Policy Implications: None.

Financial Implications: There are no direct financial implications arising from this report.
(Authorised by the Section 151 Officer)

Legal Implications: Legal advice needs to be taken expediently on each of the individual projects referenced in the report.
(Authorised by the Solicitor to the Fund)

Risk Management: The report is primarily for information only.

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: For further information please contact Peter Morris, Executive Director of Pensions tel 0161 301 7150, email peter.morris@tameside.gov.uk.

1 INTRODUCTION

- 1.1 The aim of this report is to provide a short commentary on issues and matters of interest arising over the last quarter.

2. LAPF INVESTMENT AWARDS



- 2.1 The Fund won two awards at the 2015 LAPF Investment Awards.

- LGPS Fund of the Decade
- Infrastructure Project of the Year (with LPFA)

3. NEW OFFICES

- 3.1 The development of the Fund's new offices, Guardsman Tony Downes House has been delivered in line with the timetable with staff moving in on 14 September.
- 3.2 The offices provide the capacity for future growth in the service. The facilities are designed to support working differently and flexibly as service delivery and service demands change.
- 3.3 The Panel meetings, AGM and official opening are all planned for 2 October and there will be an opportunity to walk round the offices on the day. Future meetings of Working Groups and the Panel will be held at Guardsman Tony Downes House.

4. LOCAL BOARD – NEW MEMBERS

- 4.1 Four new members of the Local Board have been nominated for approval by the Council. These are:

- (i) Chris Goodwin - UNITE
- (ii) Catherine Lloyd – UNISON

(iii) Jayne Hammond – Monitoring Officer, Bury

(iv) An employer representative

4.2 The remaining positions will be filled by:

(i) a non-local authority employer, nominations have been sought on the Fund's website;

(ii) a pensioner representative with the process to start at the Pensioner Forum on 9 October.

4.3 The next meeting of the Local Board will be held on 6 October.

5. PUBLIC SECTOR CAP ON EXIT PAYMENTS

5.1 In late July, the Government started a short consultation on a proposal to limit the aggregate exit payments payable by public sector boards in England to £95,000. This includes employer "strain payments" arising from early retirements, redundancy, severance payments and any other payments relating to the employee leaving their employment.

5.2 The Fund's response was from an administering authority's perspective and thus the Fund's response focussed on the practical issues of implementing such a policy. Comments included:

(i) the need for LGPS regulatory change prior to implementation of any introduction of a cap;

(ii) which employers will it be applicable to;

(v) whether there will be flexibility for an individual to choose to give up other exit payments in exchange for an unreduced pension;

(vi) whether there will be a standard methodology for calculating strain costs.

5.3 The Government has considered and responded to the consultation responses. It will be broadly progressing proposals as set out in the original consultation document.

6. PROBATION (MoJ) TRANSFER

6.1 Virtually all assets due have been received and nearly all the membership records are on the Fund's administration system.

6.2 There are still some exceptional matters outstanding and data cleansing continues to be progressed.

6.3 During the week commencing 24 August 2015, there were significant falls in equity markets. After discussions with the Advisors and after consulting the Chair, it was decided to take the opportunity to switch approximately £60m from Cash to UK equity within the MoJ portfolio, at advantageous prices compared to those obtaining during the past 12 months. The MoJ Portfolio was thereby moved closer to the current Main Fund asset allocation, in preparation for the assimilation of MoJ assets into the Main Fund.

7. LPFA JOINT VENTURE

- 7.1 Since the last Panel meeting the joint Transaction team has been busy evaluating deals and at present has 3 prospective deals which are in final due diligence. These include a stake in a privately owned regulated utility as previously reported to Panel, funding of anaerobic digestion plants and a transport infrastructure investment. The JV is also looking at participation in a club bid for a transportation asset. Further details of these transactions will be reported at the meeting.
- 7.2 The team has also been establishing processes and resources for back office functions. This platform has the potential to play a part in the pooling of LGPS investments as discussed elsewhere on this agenda.

8. NORTH WEST IMPACT FUND

- 8.1 The team are progressing a number of investments, including renewable energy, lending to SMEs and the supported living sector; and completed investments with Enterprise Ventures (lending to small businesses) and Albion (renewable energy)
- 8.2 Efforts to collaborate with other LGPS Funds are progressing. Cumbria's investment committee have approved the undertaking of final due diligence to determine whether they should become partners which will take place in late October. There has also been positive feedback from other funds and GMPF is leading on undertaking on due diligence on other potentially suitable opportunities.

9. GMPVF - ONE ST PETER'S SQUARE

- 9.1 Agreements for lease are being progressed with two tenants.
- 9.2 An update will be given at the meeting.

10. ANNUAL BENEFIT STATEMENTS 2015

- 10.1 LGPS funds have a disclosure requirement to issue Annual Benefit Statements by 31 August i.e. the 2014/2015 statement has to be issued by 31 August 2015.
- 10.2 This has been a very challenging timetable for most funds and most have failed to meet this deadline in whole or in part. The main reasons for this were:
- Late and/or incorrect data submitted by employers
 - Pension software issues
 - Internal resourcing issues
- 10.3 Under the new rules, this would normally require a letter to be sent to the Pensions Regulator from funds that have failed to comply. However, for this year, the Regulator is aware of the exceptional issues and individual funds have not been required to write to the Regulator.
- 10.4 For GMPF's members, approximately 70% of employee members received their illustration before the deadline. The main reason was no data and incorrect data from employers. We are still awaiting data from a small number of our employers.

11. GUARANTEED MINIMUM PENSION

- 11.1 As previously reported, as part of the State Pension reforms, contracting out ends in 2016.
- 11.2 This necessitates a reconciliation between the records of pension funds and HMRC. Work has started on this reconciliation process with records obtained from HMRC and compared to the Fund's records.
- 11.3 Sorting out the differences is a major administrative task and substantial progress needs to be made by both funds and HMRC in 2016. An example of where differences occur is when HMRC believe the Fund holds a liability for a member and the Fund believes there is no liability, resolving this type of case is a high priority.

12. ANNUAL ALLOWANCE AND LIFETIME ALLOWANCE

- 12.1 With effect from 6 April 2016, the lifetime allowance will reduce from £1.25m to £1m. For most members the Annual Allowance remains at £40K but for a small number of members a taper limited to pay has been introduced that could result in an Annual Allowance of £10k.
- 12.2 Most members' pension savings are not affected by these changes. Where members are affected, they will tend to be well paid and have long service for lifetime allowance calculations and an additional factor of increase in pay will apply for the Annual Allowance.
- 12.3 These are complex matters and very significant for members that are affected. The administration relating to tax matters is growing significantly as an increasing number of members are being affected. Options for delivery of this service are being considered and will be reported to the next meeting of the Pensions Administration Working Group. Additional specialist resource will be required which is likely to be obtained by a combination of recruitment and external specialists.

13. FOSSIL FUELS

- 13.1 An article was published in the Guardian regarding LGPS exposure to fossil fuels. The Fund's response to the Guardian in advance of the article being published has already been circulated to members. An update on further publicity relating to this campaign will be given at the meeting.

14. RECOMMENDATION

- 14.1 To note the report.