

# **GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP**

**14 July 2017**

**Commenced:** 9.00 am

**Terminated:** 9.40 am

**Present:** Councillors J Lane (Chair), Patrick, S Quinn, Brett and Grimshaw

**In Attendance:**

|                   |   |
|-------------------|---|
| Euan Miller       | Assistant Director of Pensions (Funding and Business Development) |
| Emma Mayall       | Pensions Policy Manager   |
| Victoria Plackett | Pensions Operations Manager                                       |
| Christine Weston  | Principal Auditor   |

**Apologies for Absence:** Councillor Middleton and Mr Flatley

## **1. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **2. MINUTES**

The Minutes of the meeting of the Pensions Administration Working Group held on 7 April 2017 were approved as a correct record.

## **3. ADMINISTRATION BUSINESS & PROJECT PLANS**

The Pensions Policy Manager submitted a report, which provided a summary on the progress made on the 2017/18 business planning objectives, other strategic or service improvement projects currently being worked on and regular or topical items of work currently being undertaken by the section.

It was reported that in March 2017 six key business plan items were established for the administration section as follows:-

1. Guaranteed Minimum Pension Reconciliation
2. Year-end processes
3. Employer support
4. Business continuity plan and disaster recovery provision
5. Data cleansing
6. Member communication

During the first quarter of the year work had focussed on objectives 1 and 2 (Guaranteed Minimum Pension Reconciliation and Year-end processes). Various improvements had been made to the year-end pay and contribution such as, producing regular newsletters for employers in the lead-up to the year-end deadline; providing training and support for employers via webinar sessions; making internal software enhancements to enable information to be recorded more quickly and accurately; and applying the new escalation policy to the year-end work.

The Working Group was notified that with regards to year-end processes there had been a significant improvement in responses to queries and the vast majority of the annual benefit statements would be sent out on time, although Officers were still chasing 12 employers for their data. For the forthcoming quarter, Officers would be focussing on objectives 3 and 4 (Employer support and Business continuity plan and disaster recovery provision).

The Working Group was informed that the section was also working on other strategic and service improvement projects as follows:- Assumed Pensionable Pay Strategy, Trivial Commutation, Death Grant Process Review, Data Cleansing, Induction and Training Review, Payroll Sign-off, Benchmarking and Key Performance Indicators, GAD Transactional Data, Java Payroll and First Bus Transfer. The Induction and Training Review project was now complete and the induction process had been reviewed and documentation redesigned. It had also been agreed with Metropolitan Fund colleagues to design a new benchmarking framework.

With regards to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending April 2017, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks, which detailed the age of the tasks in relation to their completion date. It was reported that officers had held positive meetings with certain employers to discuss issues with performance and further meetings were planned.

**RECOMMENDED:**

**That the report be noted.**

#### **4. AQUILA HEYWOOD UPDATE**

The Pensions Policy Manager submitted a report, which provided the Working Group with an update from the Fund's main pension software supplier, Aquila Heywood, for the period April 2017 to June 2017, a copy of the report was appended.

It was reported that the Fund had been involved in a Testing Working Party and had assisted with the testing of the next software release, Altair 8, which was due to be received into the Altair LIVE service throughout August 2017. In response to feedback on system performance, Aquila Heywood had made changes to the hardware used to run Altair and although there had been some improvement, some issues remained, which were being closely monitored by Officers and Aquila Heywood.

It was further reported that the Fund had commenced testing of the new Java Payroll module in May 2017. The initial testing had highlighted some problems that Aquila Heywood were working to resolve. This had impacted on the original timetable but testing was expected to recommence imminently.

**RECOMMENDED:**

**That the report be noted.**

#### **5. COMMUNICATION ACTIVITIES**

The Pensions Policy Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter. Website statistics, data on emails and telephone calls to the Helpline, Twitter statistics and information on roadshows and presentations over the period were appended to the report.

The Working Group were informed that 118,063 P60s had been sent to pension members during March and April alongside a Grapevine magazine, 100,033 annual benefit statements were issued to deferred members during May and the annual report and accounts for 2016/17 had been

prepared during May and June. The main communications related tasks for the next quarter would be the issuing of annual benefit statements for active members, preparation for which was already underway. It was intended to increase the use of the Fund's Twitter account and telephone software used by the Helpline to get clear messages to members about where they can access further information.

With regards to a new communications strategy it was confirmed that preliminary work had commenced on forming a new strategy with an initial focus on how an effective and clear strategy could be developed and what support was required to produce this for the future. The Fund had been working with the Council's Policy and Communications Team and a draft communications strategy was appended to the report alongside the existing communications policy.

**RECOMMENDED:**

**That the report be noted.**

## **6. FIRST BUS TRANSFER**

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the First Bus Transfer, specifically in respect of the key tasks currently being undertaken for the implementation and communication work streams.

It was reported that First Bus Group, which operated a significant proportion of the bus services in Greater Manchester, participated in three LGPS Funds and wished to move the pension's liabilities from two other LGPS Funds into GMPF. Hymans Robertson had been appointed to carry out the project management tasks for the transfer and had formed four project work streams as follows:-

- Governance and regulatory
- Implementation
- Communications
- Asset transfer

The implementation work stream primarily concerned the transfer of member and payroll data and the reallocation of additional voluntary contribution pots from the other two funds over to GMPF. The communication work stream covered all tasks that needed to be completed in order to communicate information and messages to key stakeholders involved in the implementation work stream. An internal project team had been established to manage and carry out the tasks relating to both work streams and project plans had been drawn up, which were appended to the report.

The Working Group was informed that a number of initial tasks had been carried out and a risk log had been created in conjunction with the auditors with regular follow-up meetings scheduled to update the log as necessary. The largest risk was the transfer of payroll data and there was a significant number of pensioner records to be transferred. Steps had been built into the planning process to ensure that learning points from previous transfers were applied to this project. Work would continue through to the end of the year and progress updates would be brought to future Working Group meetings.

Members enquired about the staffing impact of the project. It was confirmed that the number of active members was low with reasonable pensioner numbers therefore there was no requirement for additional resources.

**RECOMMENDED:**

- (i) **That the report be noted; and**
- (ii) **That update reports on the progress of the project be brought to future Working Group meetings.**

## **7. GUARANTEED MINIMUM PENSION RECONCILIATION**

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project that would reconcile guaranteed minimum pension information held by Her Majesty's Revenue and Customs against data held on its own records over the next 18 months.

It was reported that a project team had been formed, initial testing had been carried out to identify the scale of the project and officers had attended a training seminar on how to best deal with queries. Due to the scale and complexity of the project a detailed plan would be created to include setting priorities, making decisions and allocating resources. An initial milestone plan and risk log was appended to the report in addition to a decisions log and draft approach document.

The Working Group was informed that the scale of the task was significant and progress against the target and deadline dates would require close monitoring. Work on the leaver file had identified:-

- 347,191 records on Altair to be reconciled against the Her Majesty's Revenue and Customs leaver file;
- 178,325 entries on Her Majesty's Revenue and Customs leaver file;
- 70,387 records had returned a 100% match;
- 133,185 Altair records were not listed on the Her Majesty's Revenue and Customs leaver file;
- 21,871 deceased members with linked dependents were not found on the Her Majesty's Revenue and Customs leaver file; and
- 10,949 Her Majesty's Revenue and Customs entries could not be matched to Altair records.

Once work on the first milestone was complete (data analysis and planning) work would commence on the second stage of the project (tackling mismatches created through analysis and sending queries to Her Majesty's Revenue and Customs); work would commence on analysing the closure scan once the Aquila Heywood tool had been delivered.

### **RECOMMENDED:**

**That the report be noted.**

## **8. INTERNAL AUDIT UPDATE**

The Assistant Director of Finance submitted a report, which provided the Working Group with details of the Internal Audit Reports finalised in the period April to June 2017 in relation to pension's administration systems.

It was reported that two final reports had been issued during the period:-

1. Altair Application Review
2. Pension Benefits Payable

The Altair Application Review was an ICT Audit carried out by Salford Computer Audit Services, who provided ICT Audit Services to the Council. The objective of the audit was to ascertain that the risks relating to the management of the system were well controlled to ensure the confidentiality, integrity and availability of the system. The audit examined policies surrounding application use; processes for account creation/deletion/changes; access controls for users and administrators; system logging and reviews for data quality; contractual performance indicators relating to system availability; and upgrade process.

The audit was given a high level of assurance on the adequacy and the operational effectiveness of controls in place within the system. Two recommendations were made, both with a medium level of

priority, that had been accepted by the Fund and action was being taken to address the issues in consultation with Aquila Heywood. A Post Audit Review would be undertaken in approximately six months.

In relation to Pension Benefits Payable, the audit examined the processing and payment of all pensioners/dependants including the payment of death grants. The overall objective of the audit was to ensure that adequate systems and controls were in place to ensure that the key risks were controlled and minimised.

The audit was given a high level of assurance on the adequacy and the operational effectiveness of controls in place within the system. Seven recommendations were made, five with a medium level of priority and two with a low level of priority. All recommendations had been accepted and action was being taken to address them. A Post Audit Review would be undertaken in approximately six months.

**RECOMMENDED:**

**That the report be noted.**

## **9. LGPS REGULATORY AND LEGISLATIVE UPDATE**

The Pensions Policy Manager submitted a report, which summarised regulatory and legislative items that were currently being monitored by the administration section. Some items of legislation/guidance had been delayed by the general election held on 8 June 2017. These included the Government's exit payment review, State pension age review and the Brewster Judgement. The proposed reduction in the money purchase annual allowance and changes to the pension's advice allowance payment had been delayed.

Exit payment recovery draft legislation proposed that when an individual with a salary of £80,000 or more left public sector employment and returned to the public sector within 12 months, they would be required to pay back some or all exit payments received. The Exit Cap referred to the £95,000 cap to be placed on payments made to an individual leaving the public sector. It was uncertain whether the Government would pursue these policies.

With regards to the independent review of state pension age, two reports had been published by the Department for Work and Pensions. The first report recommended a timetable for increasing state pension age to 68 over a two-year period starting in 2037 with the age not increasing by more than one year in any ten-year period. The second report considered how state pension age timetables may need to change beyond 2028 based on projections of future life expectancy. It was uncertain whether the Government would pursue this policy.

In relation to the Brewster Judgement, LGPS funds in England and Wales were awaiting notification from the Department of Communities and Local Government as to the steps they should take in respect of claims arising from the Brewster Judgement.

Reference was made to the 2016 LGPS annual report, the 2016 governance and administration survey findings and surveys currently being undertaken by the Scheme Advisory Board for the LGPS in England and Wales.

**RECOMMENDED:**

**That the report be noted.**

## **10. UPDATE ON DEATH GRANT PROCEDURE REVIEW**

The Pensions Operations Manager submitted a report, which provided an update on the death grant procedure review. The report detailed a new decision-making framework and provided additional

analysis and information regarding the number and type of death grant decision cases that the Fund processed each year.

It was reported that the Fund's approach to determining the beneficiaries of death grant payments had been identified as an area for review and enhancement. The intentions of the review were to ensure that any decisions taken were done so by a properly authorised person; decisions complied with the law and were taken at the proper time with appropriate steps taken to implement the decision; internal processes were in place and any correspondence sent to potential beneficiaries supported the principles and minimised the risk of challenge.

An analysis of the number of death grants paid during 2015, 2016 and 2017 (to 20 June 2017) was outlined in the report. The number and amounts of payments made each month varied considerably. There had been an increase in the complexity of cases including a number of cases where deceased members had children from more than one relationship, which prolonged the decision making process. Detailed data was provided on 42 cases that had been reviewed over a five week period; five cases had been referred to the Pensions Operation Manager for a decision to be made on the beneficiaries due to the unusual circumstances.

The Working Group was informed that the death grant project was due for completion by 30 September 2017 and the death grant discretions board would be operational from the start of September. The project plan was appended to the report and detailed the items to be covered under the review, current progress and items to be progressed. The majority of work stream 1 (project data gathering and compliance) had been achieved and work had commenced on work stream 2 (member data-gathering and decision making), and items of work stream 3 (correspondence) and work stream 4 (reporting and workflow). Documents that supported the framework had been drafted and work would commence on reviewing and updating letters and forms.

**RECOMMENDED:**

**That the report be noted.**

## **11. ACADEMIES UPDATE**

The Assistant Director of Pensions (Funding and Business Development) submitted a report that updated the Working Group on national initiatives to improve how academy schools and their contractors interacted with LGPS administering authorities and an overview was provided of the Fund's current administration arrangements in relation to academy schools.

It was reported that in Greater Manchester less than 30% of approximately 1,000 schools had converted to academies since the Academies Act 2010 was established. There were currently 215 academies participating in the Fund as scheme employers with 54 academy applications logged with GMPF. A significant amount of work could be created if academies chose to outsource groups of non-teaching support staff, which would increase the number of admitted bodies within the Fund, many of which had very small member numbers and joined for a short period of time.

In April 2017 the Local Government Association, in conjunction with the Department for Education and Department of Communities and Local Government, published a document providing information for academies participating in the LGPS (a copy of which was appended to the report). Funds had voiced their concerns over the accuracy of the document and had therefore only given it limited publicity. Feedback had been provided to the Local Government Association with a number of recommendations for improvement.

In May 2017 the Scheme Advisory Board published a report "Options for Academies in the LGPS". The report set out three approaches agreed with the Board Secretariat to handling pension provision. Three key themes had emerged as follows:-

- Policy, governance and outsourcing
- Administration and operations
- Contributions and finance

The Fund's actuary, Hymans Robertson, had provided a commentary on the report (a copy of which was appended to the report), which was considered by the Working Group.

**RECOMMENDED:**

**That the report be noted.**

**12. URGENT ITEMS**

There were no urgent items.