

GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP

Friday, 13 October 2017

Commenced: 9.00 am

Terminated: 9.40 am

Present: Councillors J Lane (Chair), S Quinn, Brett, Grimshaw and Mr Flatley

In Attendance:

Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Emma Mayall	Pensions Policy Manager
Victoria Plackett	Pensions Operations Manager

13. DECLARATIONS OF INTEREST

There were no declarations of interest.

14. MINUTES

The Minutes of the Pensions Administration Working Group held on 14 July 2017 were approved as a correct record.

15. ADMINISTRATION BUSINESS & PROJECT PLANS

The Pensions Operations 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 second quarter of the year work had continued to focus on objectives 1 and 2 (Guaranteed Minimum Pension Reconciliation and Year-end processes). Various improvements had been made to the year-end process such as holding webinars and applying the new escalation procedure, both of which had helped to increase the number of returns received by the deadline. Officers were continuing to work with employers to resolve a number of outstanding queries. A review of the process would be undertaken to highlight any improvements and a bulletin, providing details of year-end performance and a feedback questionnaire, had been sent to employers. Work would focus on the remaining four objectives for the rest of the year.

The Working Group was informed that the section was also working on other strategic and service improvement projects as follows:- Valuation, Assumed Pensionable Pay Strategy, Trivial Commutation, Death Grant Process Review, Data Cleansing, Enhanced Admin to Payroll Interface,

Payroll Sign-off, Benchmarking and Key Performance Indicators, Java Payroll, First Bus Transfer and General Data Protection Regulation.

With regards to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending August 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. The Fund had produced 101,844 Annual Benefit Statements, which had been issued before the end of August and the number of members requiring a Pensions Savings Statement had increased from 178 in 2016 to 612 in 2017.

RECOMMENDED:

That the report be noted.

16. COMMUNICATION ACTIVITIES

The Pensions Operations 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.

It was reported that there had been an increase in viewing forms on the GMPF website and a peak in telephone calls received during August 2017. This was attributed to the distribution of Annual Benefit Statements. Twitter activity continued to increase and officers would continue to promote the use of Twitter.

The Working Group were informed that the main communication related tasks for the coming quarter would be issuing Pensions Saving Statements to members and producing Annual Benefit Statements for active members who had outstanding employer queries.

With regards to a new communications strategy it was confirmed that preliminary work was continuing 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 continued to work with the Council's Policy and Communications Team on formulating a new communications strategy.

RECOMMENDED:

That the report be noted.

17. FIRST BUS TRANSFERS

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 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. Data from West Yorkshire had been received and tested and work was progressing on the South Yorkshire data. This task was anticipated to be completed by 1 November 2017. The successful transfer of data was essential to be able to pay pensions in a timely and accurate manner and to administer pension benefits going forward.

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. Communication tasks undertaken to date had been completed in line with agreed deadlines. Initial letters had been sent to pensioner members at the end of August and second letters had been drafted in preparation for issuing.

Project milestone plans for the implementation and communication work streams were appended to the report alongside an updated risk log.

Members enquired about the numbers of members who would transfer to the fund and the number of members with additional voluntary contributions. It was confirmed that there were approximately 5000 members, 20 of which had additional voluntary contributions.

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.**

18. LGPS REGULATORY AND LEGISLATIVE UPDATE

The Pensions Policy Manager submitted a report, which summarised recent items related to regulation or legislation linked to the LGPS or wider pension environment. These included Exit Payments, the Brewster Judgement, ruling on same-sex survivor benefits, new finance bill, General Data Protection Regulation and the Data Protection Bill 2017, the Government response to Pension Scams consultation and expected / recent consultations.

With regards to Exit Payments, it was reported that a fresh consultation on draft regulations governing the exit payment cap and exit payment recovery was expected to take place imminently, with possible implementation in the first half of 2018. No update had been given on proposals looking at overall severance packages.

In relation to the Brewster Judgement, the Department of Communities and Local Government had circulated a letter to LGPS funds in England and Wales stating that it was for LGPS funds to determine their approach in respect of claims arising from the judgement. It also stated that it would be 'reasonable' for funds to rely on the judgement and section 3 of the Human Rights Act 1998 when dealing with any claims. It had been confirmed that there was no requirement to amend the Benefits Regulations 2007.

It was reported that the Supreme Court had declared that UK legislation allowing the restriction of same sex survivor's benefits, in respect of service since 5 December 2005, was incompatible with EU law and must be dis-applied. The new Finance Bill reintroduced tax measures that had been excluded from the draft legislation such as a reduction to the money purchase annual allowance. A further Finance Bill would be introduced following the autumn budget on 22 November 2017.

The General Data Protection Regulation would come into effect in May 2018 and introduce significant changes to data protection requirements. The new rules would strengthen data protection requirements by introducing new contractual obligations, increase the amount of information that needed to be given to individuals, enhance reporting obligations in the event of a breach and impose heavier sanctions for non-compliance. The Data Protection Bill 2017 would bring the provisions of the General Data Protection Regulation into UK law. It was confirmed that a project team had been formed and an initial work stream and milestone plan created to ensure compliance with the regulations.

In respect of consultations, the Government had published its response to a package of measures aimed at tackling three different areas of pension scams. The measures included a ban on cold calling in relation to pensions, tightening of HM Revenue and Customs rules to stop scammers opening fraudulent pension schemes and tougher actions to help prevent the transfer of money from occupational pension schemes into fraudulent ones. A consultation on draft regulations governing

Fair Deal was expected shortly and the Scheme Advisory Board had recently consulted on the development of options for academies.

RECOMMENDED:

That the report be noted.

19. THE PENSIONS REGULATOR

The Pensions Policy Manager submitted a report updating the Working Group on recent guidance issued by The Pensions Regulator and confirming the work currently being undertaken relating to The Pensions Regulator's Code of Practice 14.

It was reported that on 18 September 2017 The Pensions Regulator launched a campaign aimed at driving up standards of governance across pensions schemes called '21st Century Trusteeship – raising the standards of governance'. The key governance themes included the following:-

- Clear roles and responsibilities
- Clear purpose and strategy
- Competence and integrity
- Upskilling and training
- Managing advisers and providers
- Managing conflicts of interest
- Managing risk
- Meetings and decision-making
- Value for members

The guidance stated that schemes were expected to work with participating employers to ensure they had key events, information and processes in place to provide timely and accurate data. If an employer failed to provide the required information the breach could be reported to The Pensions Regulator. It was confirmed that GMPF had improved the support given to its participating employers and the introduction of an escalation procedure was one of the tools the Fund had put in place to help ensure compliance going forward. However, there had been a small number of employers who had submitted incorrect data in their year-end returns. Work was being carried out to correct the data and re-issue revised annual benefit statements where necessary.

The Fund would undertake their annual review of compliance over the next six months taking into account the new guidance.

RECOMMENDED:

- (i) **That the new campaign launched by The Pensions Regulator to drive up standards of governance across pension schemes be noted; and**
- (ii) **That the steps being taken by GMPF to ensure compliance with Code of Practice 14 be noted.**

20. 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 (HMRC) against data held on its own records.

It was reported that the first stage of planning the project had been completed and work had begun to reconcile the data and investigate mismatches. 6,384 mismatches had been investigated over a four week period, 6,692 records had been queried with HMRC and 1,132 pensions / dependent records had been identified that required re-calculation. Revised data files had been received from

HMRC in August 2017, which had caused a slight delay to the project schedule. The revised figures were as follows:-

- 353,455 Altair leaver records to be reconciled against 197,579 HMRC leaver records;
- 80,578 leaver records had returned a 100% match;
- 22,323 additional exact matches had been made;
- 121,524 Altair leaver records were not matched against the HMRC leaver file that had been categorised as low, medium or high priority;
- 93,115 Altair active records to be reconciled against 91,195 HMRC active records;
- 34,673 active records had returned a 100% match;
- 19,643 Altair active records were not matched against the HMRC active file that had been categorised as low, medium or high priority.

Analysis of the active member reconciliation had been undertaken and work on investigating these mismatches would commence in November 2017. Members of the project team had met with colleagues at Merseyside Pension Fund to discuss the project and identify learning points.

An updated project milestone plan and statistical analysis of the number of matches, mismatches and queries were appended to the report and explained to the Group.

RECOMMENDED:

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

21. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pensions Operations Manager submitted a report, which provided information about scheme members' Additional Voluntary Contribution investments as at 31 March 2017. It was reported that Prudential was the chosen Additional Voluntary Contribution provider for the Fund and contributors could elect to pay into the arrangement, which offered tax relief. The scheme had three broad types of investments: a with-profit fund, a deposit account and a range of unit-linked funds. As at 31 March 2017 there were 9,574 members with over £69 million invested, the majority of which were in the with-profits fund.

It was explained that the with-profits arrangement aimed to achieve above-inflation returns while maintaining security and stability. Returns were added to a with-profits account by way of a two part bonus system, the first of which was a daily calculated annual bonus and the second was a terminal bonus that was added to the account at retirement. The fund was diversified across various asset classes with a relatively high proportion invested in shares and commercial property with a view to delivering strong returns over the long term.

A detailed review of GMPF's Additional Voluntary Contributions was currently in progress to consider the arrangements in the context of the current landscape for defined contribution pensions and recent changes to legislation, in particular the introduction of 'Freedom and Choice' in pensions, which had increased the range of options available to members on retirement. The review would also include the range of funds available to members and the choice of the default fund (with-profits).

RECOMMENDED:

That the report be noted.

22. URGENT ITEMS

There were no urgent items.