

Report To: Pension Fund Management/Advisory Panel

Date: 11 December 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 material 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 as required.
(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. POOLING OF ASSETS

- 2.1 The progression of the Government's proposals for pooling of assets is a key area of work for the Panel, Chair of the Fund and officers. This item will feature on all Panel agendas for the foreseeable future.
- 2.2 Euan Miller will give an update on progress over the last 2 months as a separate item on this agenda and the relevant matters published as part of the Chancellor's Autumn Statement that sets out the criteria against which fund proposals will be judged and the timetable for submissions from funds.

3. LOCAL BOARD – NEW MEMBERS

- 3.1 The Council approved a move to 5 employee and 5 employer membership for the Local Board chaired by Cllr Middleton and the appointment of 2 of the additional employee and employer representatives.
- 3.2 Progress is being made on filling the remaining positions as follows
 - (i) a non-local authority employer, nominations were sought on the Fund's website and expression of interest were received from 15 potential employer representatives. A shortlist has now been drawn up and interviews are being programmed for December.
 - (ii) Similarly 5 expressions of interest have been received from potential pensioner representatives and again interviews are planned for December.

4. ACTUARIAL VALUATION 2016

- 4.1 The next actuarial valuation is due to be undertaken as at 31 March 2016 with revised employer contribution rates to take effective from 1 April 2014. This is a major task for all areas of the Pension Service and it is time critical for both employers and the administering authority. Progress will be monitored by the Employer Funding and Viability Working Group with updates presented to Panel meetings throughout next year.
- 4.2 Discussions have been held with the Actuary regarding the timetable for the valuation process and this is attached at **Appendix 1** to this report and the key dates on the critical path will be discussed at the meeting.

5. GMPVF - ONE ST PETER'S SQUARE

- 5.1 An update will be given at the meeting on the progress of the lettings and the possible sale of ONE St Peter's Square.

6. AIRPORT CITY

- 6.1 The President of China's visit to Manchester Airport and Airport City attracted considerable publicity for the planned developments and this coincided with the resolution of a number of technical issues. The pace of development is now expected to accelerate.



7. ANNUAL BENEFIT STATEMENTS 2015

- 7.1 The LGPS Regulations 2013 require that annual benefit statements (ABSs) be sent to those who were active members and deferred members on 31 March, by 31 August.
- 7.2 89,976 ABSs for deferred members were sent in May.
- 7.3 4,395 ABSs for active members were sent in July (being a pilot run), followed by 69,277 in August. The statutory deadline for ABSs was met when complete, accurate and timely year-end returns (which contain the pay data required to calculate ABSs) were received from employers. Many were received late, leading to a further 29,870 ABSs being sent in November.
- 7.4 Many employers had difficulties in providing complete, accurate and timely year-end information for active members. An important factor for 2014/15 returns was that this was the first year when both final salary and career average information was required. These difficulties applied nationally, with the Local Government Association (the LGA) writing to the Pensions Regulator (the Regulator) highlighting the problem, and the effect this was having on the production of ABSs, on behalf of all English and Welsh LGPS funds. The Regulator's response is attached as **Appendix 2**.

- 7.5 Where an ABS can reasonably be produced, it has been produced. There remain however approximately 7000 cases that have not yet been sent for one of the following reasons:
- pay and contributions have been provided, but not the starting details of when new members joined the Fund;
 - members have changed employer during the year, with pay and contributions in respect of only one employer being received; or
 - the year-end return provides leaving dates, but no other information has been received, not least the final pays that would allow deferred benefits to be calculated.
- 7.6 All the missing data is being sought from employers, in part for the benefit of members, but also to prevent year-end problems repeating next year, and to have complete and accurate information present for next year's valuation of the Fund. However, and as stated in the Regulator's letter, it remains to be considered whether the failures to provide all ABSs by 31 August are such that they should be reported to the Regulator. This is currently being considered with the Solicitor to the Fund.
- 7.7 As part of the preparations for the 2015/16 year-end returns, a questionnaire has been sent to all employers to gauge what will help improve matters, such as more training or changes to the year-end specification. Where employers have had particular problems, or have many queries outstanding, direct contact will be made.

8. 2016 PENSIONS INCREASE AND REVALUATION

- 8.1 Pensions in payment and deferred pensions are increased in line with Pension Increase (Review) Orders. These are made when there is an increase in the September value of the Consumer Prices Index (CPI) as compared to the previous September's CPI. This year the change to September 2015 was a negative 0.1%, meaning that no Pensions Increase (Review) Order will be made. Pensions and deferred pensions will therefore not change in value.
- 8.2 Career average pensions being built up by active members are revalued to take account of changes in prices, by Treasury Orders. Regarding the 2016 revaluation, the LGA report as follows:

"Negative CPI – revaluation of CARE benefits

On 13 October 2015 it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Service Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be approved by both the House of Commons and the House of Lords for it to become law; this is called the affirmative procedure. This is different to the negative procedure which is applied when the percentage is zero or an increase. In the negative procedure the Treasury Order will automatically become law without debate unless there is an objection from either the House of Commons or the House of Lords.

As yet, nothing has been confirmed concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law."

- 8.3 It therefore remains to be seen for active members whether career average pensions built up thus far will reduce in value or remain the same.

9. SCOTTISH PARLIAMENT REPORT ON PENSION FUND INVESTMENT IN INFRASTRUCTURE

- 9.1 The Local Government Government and Regeneration Committee of the Scottish Parliament published its report on pension fund investment in infrastructure and city deal spend on 30 November 2015.
- 9.2 A submission was made to the Committee by the Fund and members of the Committee subsequently visited Manchester to look in more detail at GMPF's approach to local investment and infrastructure.
- 9.3 An extract from the report re GMPF's contribution is set out below.

Other approaches to investment in infrastructure

Greater Manchester Pension Fund

- 31. GMPF is the largest local government fund in the UK. It has assets of £17.5bn and more than 350,000 members with 100,000 employee, pensioner and deferred members. GMPF has invested in its local area for more than 20 years. The fund's local investment programme has the twin aims of commercial returns and supporting the area.
- 32. Having heard from Peter Morris, Executive Director of the GMPF, in Committee we were keen to find out more about how the GMPF reconciles its fiduciary duty with achieving suitable financial return from investment in infrastructure in its area.
- 33. Housing was an important part of the fund's investment portfolio providing strong income generation and a secure collateral base. It also explained to us a recent project in building affordable homes with Manchester City Council – Matrix Homes- which met its strategy for social responsibility. GMPF provided the capital to fund the developments, while Manchester City Council and the Homes and Community Agency provided the five sites. Half of the 500 homes were being built for sale, half for market rent, a mix determined by commercial factors. Financial viability was determined in aggregate across the five sites – good sites balancing more challenging sites. We also learned that crucial to the success of the project was appropriate governance structures.
- 34. Learning from experience and following its involvement with the Investing for *Growth Initiative*³⁰, the fund is developing a local impact portfolio, with five other pension funds where the aim is to deliver commercial returns and have social impact. GMPF has also invested in targeted loans to SMEs, property and social impact bonds.
- 35. GMPF is now considering further collaborative work with other funds. It indicated that the pooling of resources has the benefit of economies of scale while also reducing management fees and costs.
- 36. One of the lasting impressions from our Manchester visit was the level of enthusiasm, proactivity and vision shown by the staff and the political leaders involved with the Fund. GMPF has a dynamic team supporting the Fund to achieve the best returns for its members while identifying new innovative investment vehicles and ways of working. We had a strong sense they were driving the Fund's investment strategy with a clear view of their short, medium and long-term goals, whether these were to increase in-house expertise, diversify the Fund's portfolio, tackle social need, or grow the local economy.

10. RECOMMENDATION

10.1 To note the report.