

GREATER MANCHESTER PENSION FUND - ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

22 January 2021

Commenced: 11:00

Terminated: 12:20

Present: Councillors M Smith (Chair), Andrews, Cooney, Cunliffe, Jabbar, Patrick, Ricci, Sharif, Wills, O'Neill and Mitchell,

Mr Llewellyn, Mr McDonagh and Mr Flatley

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Paddy Dowdall	Assistant Director of Pensions (Local Investment and Property)
Tom Harrington	Assistant Director (Investments)
Emma Mayall	Assistant Director (Pensions Administration)
Victoria Plackett	Head of Pensions Administration
Adrian Aguilera	Project & Policy Support Officer
Jane Wood	Member Services Strategic Lead
Matthew Simensky	Employer Services Section Manager

Apologies for Absence: Councillors Drennan, Grimshaw and Parkinson

Mr Drury

Fund Observers: Councillors Pantall & Ryan

12 DECLARATIONS OF INTEREST

There were no declarations of interest.

13 MINUTES

The minutes of Administration, Employer Funding and Viability Working Group meeting on the 2 October 2020 were approved as a correct record.

14 ADMINISTRATION STRATEGIC SERVICE UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration. The report provided the Working Group with a summary of the strategic improvement administration projects and areas that were being worked on by the Administration, Funding and Accountancy teams.

With regards to business continuity, the approach that had been taken to manage the impact of the Coronavirus outbreak on service delivery remained essentially unchanged. Workloads had been volatile, and this was expected to continue and remain a challenge. However, service delivery levels were high, and teams remained focussed on meeting member needs. Work this quarter continued to move processes online so members could download and upload correspondence from and to their My Pension account. Risks were being closely monitored with a full review of the overarching risk register and Coronavirus log taking place at least once each quarter.

The Assistant Director for Administration reported that two key areas had been undertaken this quarter to meet or strengthen compliance with the Pension Regulator's Code of Practice these were around data quality and trustee access to information. The recent project to trace missing addresses and work undertaken to review data quality reports run in June 2020 had led to an improvement to GMPF's common and scheme-specific data scores. The common data failures were those that related to missing addresses for members that officers were still trying to trace as part of the address tracing project. It was stated that the new Governance section of the GMPF website was made available last quarter for all trustee members of GMPF to access. This supported GMPF's ability to demonstrate compliance with certain elements of the Code of Practice.

Members were advised that GMPF sent a response to the MHCLG consultation on the proposals following the McCloud/Sargeant judgement, MHCLG were yet to issue a response. GMPF had set up a project team to manage the McCloud project. Work last quarter focussed on liaising with the software supplier, Aquila Heywood, alongside other funds to agree on the tools and reports that needed to be developed for the first stage of the project.

It was reported that the Pensions Dashboards Programme (PDP) on 15 December 2020 issued a first version of the usage guide for pensions dashboards data standards. Officers were working with the software supplier to determine whether the data standards proposed were agreeable and would result in LGPS funds being able to provide adequate data.

It was stated that following the introduction of the £95k exit cap on 4 November 2020, GMPF had set up a project team to ensure that we keep up to date with developments and cascade this information to stakeholders where necessary.

The Assistant Director for Funding and Business Development explained that the annual report and accounts were still awaiting sign off by the auditors. All work had been completed from the perspective of GMPF as had the administrative authority in terms of providing the auditors with all information needed. However, the auditors were not in a position where they could complete the process and sign off the accounts.

RECOMMENDED

That the report be noted and that the Working Group recommend that GMPF take part in the next phase of the Pensions Dashboard Project.

15 ADMINISTRATION EMPLOYER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pension Administration. The report provided the Working Group with a summary of the work and projects that had been carried out by the Employer Services area of Pensions Administration.

It was reported that there continued to be a significant number of employers applying to join GMPF with 54 applications currently being progressed. A further 30 enquiries had been made by employers considering applying for admission.

The Section Manager for Employer Services stated that GMPF continued to work closely with those employers who have not yet transitioned to monthly data collection. All employers except for 21 were on-boarded onto iConnect. Nine of these employers were associated with Oldham MBC. Oldham MBC were the only Local Authority yet to on-board and were given an extension due to the implementation of a new payroll system. On-boarding of the remaining 12 employers was in progress and related to just three separate payroll providers.

It was explained that an indication of the performance of GMPF's larger employers had been gained in the past by recording data about the timeliness of new starter and early leaver information and the number and age of queries with those employers. Performance data for the latest three months' statistics available, together with cumulative figures for the 12 months ending 30 November 2020, was available in **Appendix 2**. A review of the employer monitoring process was underway. The

intention was to report on more areas to provide a better understanding of an employer's overall performance level. Furthermore, the timeliness of contribution payments and other employer debts, such as those in relation to the costs associated with early retirements, had been collated.

Members were advised that the LGA-run 'Understanding the Employer Role' training event was held online using Microsoft Teams on the 24/25 November, with 15 GMPF employer representatives attending. Several GMPF staff also attended to further broaden their knowledge. Due to the success of the new GMPF employers section of website and the effectiveness of Microsoft Teams to deliver training for employers, officers were carrying out a review of all employer training and were looking to put in place a new online employer training programme from April 2021.

RECOMMENDED

That the report be noted.

16 ADMINISTRATION MEMBER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pensions Administration, which provided the Working Group with a summary of the work and projects carried out by the Members Services section of Pension Administration.

The Members Services Strategic Lead reported that all 44 cases identified following the Brewster judgement had now been reviewed by the Bereavements Team. Of the 44 cases reviewed, 16 had provided sufficient evidence and were in receipt of a partner's pension. 24 had either not responded or had been unable to provide sufficient evidence and so had been deemed ineligible. Four were no longer at their previous address and could not be located by GMPF's address tracing provider. Therefore, unless they contacted GMPF in future no further action would be taken.

Following the introduction of the £95k exit cap on 4 November 2020, officers had been liaising with the employers of all members accessing benefits where the exit cap would apply and reviewing all cases before processing. A total of 89 redundancy cases had been processed during the period. Of these, 16 were for employers not in scope and 73 were for employers in scope but where confirmation was received from the employer that the £95k cap was not exceeded.

It was reported that the review of the Key Performance Indicators continued, and Altair workflows were in the process of being amended in order to match the revised performance standards.

Members were advised that GMPF issued surveys to members to obtain a view of member experience for several key processes. Overall, feedback was positive with members generally indicating that the service provided was good. The results highlighted several areas for improvement, and officers would be reviewing the feedback and investigating whether any changes could be made to current processes to improve the experience for members.

With regards to the member address tracing project, phase two of the project would begin with GMPF working with Target Professional Services to locate the remaining 9,500 members. Initial work would focus on locating deferred members over the age of 55 who were entitled to access their benefits. Further updates on progress made would be provided at future meetings.

RECOMMENDED

That the report be noted.

17 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the work and projects that had been carried out by the Developments and Technologies section of Pension Administration.

It was reported that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued. Work this quarter had continued to focus on how GMPF data files could be transferred to the Cloud using services hosted by Microsoft.

The Head of Pension Administration stated that following testing of a SharePoint demo site, feedback was obtained from user champions to identify how best the new applications should be configured. The planning phase of this project was almost complete and work would be moving shortly to the implementation stage. Preparatory work had already been undertaken, with teams reviewing files that were held and considering whether information needed to be retained and how best it should be stored within SharePoint and OneDrive. Further, to support this work a new data retention plan was being drafted and would be finalised in the coming weeks. This would also provide a clear set of document retention tables.

Members were advised that Altair software release 11.1 was due to be made available. As with previous system upgrades, GMPF would be testing the new release in advance of general testing. Testing was expected to take place in the last two weeks of January. Along with several other developments, the new release would provide enhancements for aggregation and bulk retirement processing which would reduce processing times and increase efficiency.

The Complaints and Disputes Board continued to meet monthly and all learning points were passed back to the relevant team. Regarding formal disputes received since October 2020, there had been two stage 1 dispute cases considered and four stage 2 cases.

RECOMMENDED

That the report be noted.

18 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the Work and Projects being carried out by the Communications and Engagement area of Pensions Administration.

With regards to the project to procure new contact centre software, a preferred contact centre solution had been identified and a compliant route to procurement found. The contact centre solution, called Enghouse, is a cloud-based system that integrated with Microsoft Teams. The procurement phase of the project was underway.

The Head of Pensions Administration reported that work on refining and adding new content to the GMPF website had continued. A new video promoting My Pension had been developed and My Pension had been rebranded to match the branding of the main website. The contract with the website development company that had been supporting GMPF with this project, Clay10, would end in February 2021.

It was reported that over 136,000 members had now registered for the online service, *My Pension*. As several processes had now moved online and with more to follow in the next quarter, it was expected that the number of registrations would increase steadily. In addition, the Communications and Engagements team had created a range of materials that GMPF employers could use to promote the benefits of My Pension to their employees.

It was stated that 77,225 calls were received by the Customer Services team from 1 January 2020 to 15 December 2020, of which 63% were answered first time. This was a similar figure to those received in the previous year, however 11,067 of this year's calls were related to My Pension, which was treble that of the previous year.

Members were reminded that, the Communications and Engagement team arranged 20 online presentation sessions last quarter aimed at educating contributing members on their annual statements. Sessions took place throughout August and September, the new 'Pension Overview'

video was played at each session and received a very positive reaction. It was reported that a survey had been sent out to all attendees after each session and some excellent comments and compliments were received.

Good progress had been made against several objectives set out in the current Communications & Engagement Strategy. The Strategy was a three-year plan that would come to an end in March 2021.

RECOMMENDED

That the report be noted

19 CYBER SECURITY UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration, which provided the Working Group with an update on the work that had been carried out to strengthen controls linked to cyber security and to ensure the expectations of the Pensions Regulator were met.

Members were advised that in November 2020, the Pension Administration Standards Association (PASA) issued Cybercrime guidance to help administrators in their work to reduce the risks and impact of cybercrime. PASA emphasised that pension administrators were particularly vulnerable to ransomware attacks due to the types of data they held, and that the pandemic had increased the risks because of unplanned for changes, such as administrators working from many different locations. PASA asked its members to take relevant steps against risks of cybercrime and use the guidance to test their controls.

With regards to the GMPF Cyber Security Strategy and Policy GMPF officers had been working on several tasks in recent months in order to strengthen resilience against cyber attacks and ensure its approach, procedures and documents were in line with the guidance issued by PASA and TPR and general industry best practice. As part of this work, GMPF specific strategy and policy documents had been created to sit alongside those of Tameside MBC. Both documents were attached at **Appendix 2 and 3** respectively. The strategy document set out GMPF's approach to cyber security, while the policy document confirmed the procedures and controls currently in place.

It was reported that GMPF intended to align itself with the standards set out in ISO27001 in order to ensure its cyber risk controls followed industry best practice. ISO27001 was the international standard that set out the specification for an information security management system. Officers carried out a gap analysis exercise last quarter against the ISO27001 standards, the action plan created from this would be worked on over the coming months in order to ensure GMPF's controls aligned with the ISO27001 standards. An audit had also been initiated on the area of cyber security in order to ensure that the steps and overall approach being taken in respect of cyber security are robust and meet the objectives outlined within the strategy.

Work had also been undertaken to identify the cyber security statistics that were available and to establish where there were gaps in information. The aim of the review was to be able to provide accurate information to the Working Group and Local Board each quarter on cyber-attack activity.

RECOMMENDED

That the report be noted.

20 EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development), the report summarised the latest developments regarding the £95,000 cap on exit payments for public sector employees leaving employment and the proposed changes to the LGPS regulations to facilitate this.

Members were reminded that on the 4 November 2020 HM Treasury's public sector exit payments cap took effect through a statutory instrument. Separately to HM Treasury's general public sector exit payments cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published a Local Government specific consultation, which included proposals on how to translate the exit cap measures into the LGPS.

The main points raised in GMPF's response to MHCLG were summarised to Members of the Working Group. These included that the proposed changes to the LGPS Regulations impact lower earning members, which was at odds with the stated aim of limiting pay-outs to higher earning public sector employees. The proposals would significantly increase the administration burden for administering authorities and would make workforce restructuring much more difficult for in-scope employers. Further, the proposals would present members with complex choices to make regarding the form of their redundancy package.

The draft LGPS amendment regulations closed for consultation on 18 December and it was expected that any amendments to the regulations would be made sometime in early 2021. However, the regulations could be delayed due to a number of judicial reviews being sought against the HM Treasury regulations. As a result, there was a significant conflict between the LGPS Regulations and the exit payments regulations, which placed both in-scope employers and LGPS administering authorities in a difficult position.

RECOMMENDED

That the report be noted.

21 NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development). The report provided an update on the Ministry of Housing, Communities and Local Government's partial response to the review of interim valuations and flexibility on exit payments consultation and the new regulations which came into effect on the 23 September 2020.

Members were reminded that on the 23 September 2020 the LGPS Regulations were amended to grant Administering Authorities additional powers in regards to permitting deferred debt agreements, phased exit debts and interim valuations.

It was explained that previously, when an employer's last active member left employment, the employer became an exiting employer under the LGPS Regulations. This would lead to an exit debt being incurred by the employer or, in certain circumstances, an exit credit being paid to the employer. Under the new regulations, administering authorities had the flexibility to defer the exit of an employer when its last active member left employment. The new deferred debt agreements and 'deferred employer' status allowed an employer to continue contributing until their existing liabilities were fully funded without accruing any further future service liabilities.

The Assistant Director for Funding and Business Development outlined that the new approach would see these employers participate in triennial actuarial valuations and their assets/liabilities assessed in a similar manner to normal active employers.

It was highlighted that one of the primary issues that GMPF would need to be mindful of when considering employer requests was the employer covenant. If using the deferred employer approach GMPF would need to be comfortable that the employer's covenant was sufficiently strong so that they are unlikely to default on their obligations.

It was reported that amended regulations had introduced a specific power to allow administering authorities to spread employer exit payments instead of requiring payment via a single lump sum. The spreading of exit payments would be helpful for employers who had temporary cashflow problems, but who could afford to pay an exit debt over a period of time. Again, an assessment of

the employer covenant and discussions with any guarantor would be key to helping GMPF assess whether to spread any exit payment and the period over which any spreading should occur.

GMPF was awaiting MHCLG's final guidance for administering authorities on the usage of these new employer flexibilities. Once the guidance had been provided, it was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities, which would form part of the Funding Strategy Statement (FSS).

RECOMMENDED

That the report be noted.

22 SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director (Funding and Business Development). The report provided information about scheme members AVC investments as at 31 March 2020.

It was reported that as at 31st March 2020 the GMPF Prudential AVC scheme had 5,253 contributing members with total funds invested in excess of £71.5million. The majority of the investments were in the With-Profits Fund, which was historically the 'default fund' for members who choose not to make a fund choice; the default fund had since been changed in favour of a lifestyle strategy.

The default fund was changed from the Prudential With-Profits fund to a bespoke lifestyle strategy designed by Hymans Robertson to be appropriate for typical LGPS AVC members. These changes took effect in August 2019. A lifestyle strategy aims to match a person's life stage with an appropriate fund choice for that life stage. It worked by setting a retirement date and automatically adjusting fund selection so that as a member became closer to their stated retirement age the fund choice would become progressively more low risk.

It was explained that GMPF inherited a number of AVC policies held with Equitable life as part of the bulk transfers of members from other LGPS funds (First Group and the Probation Service). Equitable Life transferred its business and its policies to Utmost Life and Pensions ('Utmost') on 1 January 2020.

The Assistant Director for Funding and Business Development stated that there were a variety of unit-linked funds on offer to AVC Scheme members. A full list of the performance of all GMPF AVC Scheme funds could be found in **Appendix 2** and a brief description of each fund and its benchmark in **Appendix 3**.

Members were advised that Prudential had decided to permanently close the UK Property S3 fund, which was available to GMPF members. The property fund had been 'gated' since 3 June 2019, the decision to close the property fund was due to significant liquidity pressures and the medium-term performance outlook. Prudential intended to close the property fund in mid-2021. As of 31 March 2020 the property fund had 277 GMPF members with a collective amount of £927,725 invested in the fund.

RECOMMENDED

That the report be noted.

23 GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 8 MONTHS TO NOVEMBER 2020

Consideration was given to a report of the Director of Pensions / Assistant Director (Local Investments and Property).

The report detailed the administration expenses incurred by the Fund for the 8 months to 30 November 2020. Comparison was made against the budget for the same period of £23,055,000 which was derived from the Original Estimate for 2020/2021 approved by the members at the Management Panel Meeting of 17 January 2020.

In the eight months to 30 November 2020 there was an under-spend of £3,004,000 against the budget of £23,055,000 for that period. The reasons for major variations to November 2020 and projected to the year end March 2021 were detailed in the report.

RECOMMENDED

That the report be noted.

24 URGENT ITEMS

There were no urgent items.

CHAIR