

**GREATER MANCHESTER PENSION FUND  
LOCAL PENSIONS BOARD**

**8 April 2021**

**Commenced: 15:00**

**Terminated: 16:55**

<b>Present:</b>	<b>Councillor Fairfoull</b>	<b>Employer Representatives</b>
	<b>Paul Taylor</b>	<b>Employer Representatives</b>
	<b>Michael Cullen</b>	<b>Employer Representatives</b>
	<b>Jayne Hammond</b>	<b>Employer Representatives</b>
	<b>Mark Rayner</b>	<b>Employee Representatives</b>
	<b>Catherine Lloyd</b>	<b>Employee Representatives</b>
	<b>David Schofield</b>	<b>Employee Representatives</b>
	<b>Chris Goodwin</b>	<b>Employee Representatives</b>
	<b>Pat Catterall</b>	<b>Employee Representatives</b>
	<b>Fund Observer: Councillor Ryan</b>	

**Apologies for Absence     David Schofield**

**43     DECLARATIONS OF INTEREST**

There were no declarations of interest.

**44.     MINUTES**

The minutes of the meeting of the Local Pensions Board meeting on the 14 January 2021 were approved as a correct record.

**45.     ADMINISTRATION UPDATE**

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with an update on the 2020/21 business planning objectives set by the Administration section, strategic or service improvement projects and comments on administration performance.

Members were advised that performance levels had remained relatively consistent across all areas. However, the effects of the pandemic were still having a notable impact on workloads and these were also volatile. Impacts could be seen across almost all areas of work, this included bereavements, retirements and leavers. This together with the impact of changes such as the 95k cap and projects such as McCloud, were likely to generate significant challenges for the section over at least the next six months.

It was reported that several projects had been progressed over the last quarter. The majority of the new data retention policy had been drafted and was being used as a working document to assist with the preparations for the first team's files to migrate to OneDrive and SharePoint. Work continued on the cyber security project with actions to strengthen compliance being drawn up and undertaken. Migration would start for 4 teams later in April and May, following this a plan would be produced for the remaining teams.

It was stated that the procurement process for the Enghouse contact centre solution had continued over the quarter. Officers were working with the software provider to develop an implementation plan which would initially focus on telephone calls, with further stages incorporating emails and

webchat. This project would be completed alongside a wider telephony project that would see all telephony integrated with Microsoft Teams.

Work had commenced on a review of the pensions overpayments process. Officers were reviewing areas such as overpayment thresholds, recovery processes and authorisation and review of write offs with a view to revising policies and procedures, which will be presented to the Working Group for approval at a future meeting.

A number of new developments on the website around improving engagement and understanding had been undertaken this quarter. This included a new page on the employers section on the website which contained promotional materials for employers to use in newsletters and employee bulletins to encourage members to sign up for My Pension.

It was also reported that preparations were underway to launch an online training programme for employers in April 2021 to increase the availability of support available for employers on an ongoing basis.

## **RESOLVED**

**That the report be noted.**

## **46 SUMMARY OF GMPF DECISION MAKING**

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups the decisions made by the Management Panel at the same meeting.

The report detailed the recommendations made by the Administration, Employer Funding and Viability Working Group and Investment Monitoring and ESG Working Group on the 22 January 2021 and the recommendations of the Policy and Development Working Group on the 4 March. The report also detailed the reports received by the Management/Advisory Panel on the 19 March 2021.

The Assistant Director for Funding and Business Development highlighted that on the 19 March 2021 the Management / Advisory Panel received a report about property investment, deployment and performance monitoring. Panel observed that several years following the appointment of La Salle there were remaining issues on overall deployment of capital into property and that performance was behind expectations. The Management/Advisory Panel recommended that:

- (a) The Director of Pensions be authorised to make arrangements for the procurement of two replacement property managers
- (b) Future deployment of capital into UK property be made via pooled vehicles selected by the internal team under delegation to the Director, overseen by the Investment Committee in line with the property strategy of using pooled funds, with the majority of investment through Balanced Funds

## **RESOLVED**

**That the report be noted.**

## **47 EMPLOYER FLEXIBILITIES**

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the progress of GMPF's approach to implementing employer flexibilities.

The Assistant Director for Funding and Business Development stated that the employer flexibility powers that were introduced to the LGPS via amending regulations in September 2020 allowed the

Fund to conduct an Interim Valuation for an employer, spreading of Exit Payments and the ability to enter Deferred Debt Arrangements.

It was explained that Deferred Debt Arrangements would give administering authorities the power to allow an employer with no active employees to delay its exit from the Scheme and to pay regular deficit contributions until it reached a fully funded position. Previously when an employer's last active member left employment, the employer became an exiting employer under the LGPS Regulations. This led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit would be paid to the employer depending on the funding level of the employer's liabilities at the exit date and the terms of the employer's admission agreement.

Members of the Board were advised that the draft GMPF Employer Flexibilities Policy had been drafted setting out how the Administering Authority would approach interim valuations and consider requests for deferred debt agreements and the spreading of exit payments. The policy made clear that the Administering Authority's default position would continue to use established approaches unless it could be demonstrated that allowing use of the flexibilities in respect of an employer was to the benefit of the Fund as a whole. It was explained that a balance had been sought between providing employers with enough detail to reduce the number of unsuccessful applications and retaining enough flexibility to assess each case according to its particular circumstances.

It was stated that following the Management Panel meeting on 19 March, GMPF officers met with the actuary to further refine the draft policy. The current draft was attached at Appendix 1.

Consultation with employers was expected to begin in mid-April with a final version of the policy to be brought to the 16 July 2021 Management Panel meeting for approval. It was envisaged that the consultation exercise would be undertaken over a period of around 2 months, commencing in mid-April, with a final version presented at 16 July Management Panel for approval.

## **RESOLVED**

**That the report be noted.**

## **48. THE PENSIONS REGULATOR (TPR)**

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 Local Board with a summary of the current breaches log and decisions made by the Scheme Manager, an update on GMPF's recent involvement with TPR and Relevant announcements from TPR.

The Assistant Director for Funding and Business Development advised the Board that a copy of the current breaches log was attached as Appendix 1. The criteria that officers used to assist them in assessing whether a breach might be deemed 'material' was also attached at Appendix 2.

It was stated that Appendix 3 contained details of expected contribution payments, which had not been received by GMPF by the 19<sup>th</sup> of the month following the month to which they related for the period from November 2020 to January 2021 inclusive. Appendix 4 provided further analysis on the contribution payments received in respect of the period from November 2020 to January 2021, specifically detailing the number of employers making payments in accordance with GMPF's deadline of the first day of the following month.

It was stated that TPR had been required to limit some evaluation activities during 2020/21 in order to focus on its response to the Coronavirus pandemic and its potential implications for occupational pensions.

It was reported that the TPR had issued its consultation on the long-awaited Single Code of Practice on 17 March 2021. The Single Code of Practice would supersede Code of Practice 14, as well as the other Codes of Practice, to become TPR's main regulatory e-document on governance and administration. The consultation would close on 26 May 2021.

It was explained that the new Single Code of Practice would be introduced in phases. The draft currently available comprised 51 consolidated web-based modules which would replace 10 of the existing codes and incorporate some new elements.

**RESOLVED**

**That the report be noted.**

**49. POOLING UPDATE**

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the activities of the Northern LGPS Pool and relevant national pooling development.

Members were reminded that on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review. It was stated that MHCLG had indicated that a new consultation on pooling guidance and potentially changes to the LGPS Investment Regulations was expected sometime later in the year.

The Assistant Director for Funding and Business Development summarised the progress of the main ongoing work streams for the North LGPS. The report detailed the progress of the 8 pools across the LGPS.

**RESOLVED**

**That the report be noted.**

**50. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT**

Consideration was given to a report of the Director of Pensions. This report provided an update for the Board on the current business planning and budget setting process which was reported at the March Management Panel meeting. It also highlighted the current key risks being monitored.

It was reported that each year, GMPF prepared an annual business plan to provide strategic direction and to assist with the planning and monitoring of performance. At the September 2020 Pension Fund Management Panel meeting, the Director of Pensions undertook a review GMPF's strategic objectives to ensure they remained relevant and to revise the business planning process to ensure both the process and format allow for effective monitoring and scrutiny. Officers were in the process of drafting revised strategic objectives for consideration and were drawing up a new detailed business plan for 2021/22 in a new format. This exercise was largely complete and details were expected to be brought to the next Working Group, Management Panel and Local Board meetings for consideration.

In regards to the budget, the expenditure budget was set with a view to ensuring the cost of delivering the business plan were met. It was stated that GMPF's financial position was determined by two main elements, the first being the receipt of contributions and payment of pension benefits and the second being the performance and costs of its investment portfolio. The third element was the cost of governance, oversight and administration, which had far less material impact. It was important that this was managed and monitored effectively to ensure value for money was being achieved and to provide assurance that the service was being managed in line with expectations.

It was stated the expected expenditure budget was outlined in Appendix A and the Management Panel approved this at its 19 March meeting. CIPFA guidance for annual reports of LGPS Funds required these reports to include medium term financial planning. The estimate for this for the period 2021-2024 was included as Appendix B and the Management Panel also approved this at its meeting.

It was explained evaluating risk and monitoring the effectiveness of controls was a vital part of good governance and ran alongside business planning and budget monitoring activities. The overarching risk register was reviewed and updated at least once each quarter and the latest version was included within this report for review at Appendix C.

## **RESOLVED**

**That the report be noted.**

### **51. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided information about GMPF members' AVC investments.

The Assistant Director for Funding and Business Development advised the Board that Prudential's performance in administering LGPS in-house AVCs had become of increasing concern over recent months. A deterioration in performance had been observed by GMPF and a number of other LGPS funds and experiences had been shared at regional and national meetings of the LGPS Technical Group.

It was highlighted that there had been significant delays when disinvesting members' AVC pots, which resulted in delays to GMPF and other administering authorities processing and paying retirement benefits for these members. Further, there were delays in tracking contribution payments from employers and investing members' contributions into their chosen AVC funds and significant delays in processing member requests such as changes to contribution levels and fund switches.

It was explained that there appeared to be a number of factors contributing to Prudential's recent poor performance.

Prudential had provided assurances to GMPF, which were detailed in the report. GMPF officers had expressed concerns to Prudential regarding a lack of information being provided to members on the problems being experienced which had made it difficult for GMPF to adequately manage members' expectations.

Members of the Board were advised that all parties involved with the governance and administration of public service pension schemes must report breaches of the law to TPR where they believed failure to comply was likely to be of 'material significance' to TPR.

Members of the Board expressed their concern that whilst Prudential had recognised issues and delays that had occurred and were compensating members, the problems had not yet been resolved. Further, the failure demand created could continue for a significant amount of time and the Local Pensions Board should continue to monitor the impact of this.

## **RESOLVED**

**That the Local Pensions Board continue to monitor the performance and work undertaken by Prudential.**

### **52. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES JANUARY 2021 TO MARCH 2021**

Consideration was given to a report of the Head of Risk Management and Audit Services, which summarised the work of the Risk Management and Audit Service for the period 1 January 2021 to March 2021.

The Head of Risk Management and Audit Services reported that the actual days spent against the planned days for 2020/21 were 291 days against the 320 planned days up to 19 March 2021. As

reported in the January update report, as a result of not having had full resources during the period, it was projected there would be a shortfall in days provided in 2020/21 of approximately 30 days.

A final report was issued for the transfers out to Defined Contribution (DC) Schemes. The overall objective of the audit was to ensure that adequate systems and controls were in place to ensure that the risks were controlled and minimised.

The audit highlighted there were good practices and controls maintained by the Contributing Members Team to ensure that transfer requests were dealt with timely and correctly. The Contributing Members Team undertook a number of checks to protect the member from transferring their benefits to an illegitimate pension provider. Due to the ongoing Covid-19 pandemic, there had been an increase in fraudulent providers targeting individuals to transfer their pension; in response to this, the team had reviewed their processes, including further checks and further information provided to the member to ensure that they did not fall victim to a potential scam. Sample testing looked at the processes from the initial request to the payment of the transfer value, to ensure at each stage appropriate checks were in place. It was evident that processes were regularly reviewed and transfers to defined contribution schemes were being dealt with appropriately. It was reported that a HIGH Level of Assurance was given.

A final report was issued for the Pension Benefits Payable, the Pensions Payroll Section undertook the processing and payment of all pensioners/dependents pensions within the Greater Manchester Pension Fund. In order to ensure that the information held within the system was accurate and up to date, the Pensions Payroll Section were dependent on other teams within the Fund processing member retirement information promptly and accurately and also Employers informing the Fund promptly of any forthcoming retirements. A number of process changes were made within the Pensions Payroll Section to cater for the changes in working styles due to the current pandemic. The audit included a review of the changes to processes to ensure that adequate controls were still in place within the new processes. The Audit highlighted there were good practices and controls maintained by the Pension Payroll Team to ensure that pension payments were made timely and correctly. A number of issues were identified and recommendations made, which had been responded to positively. A medium Level of Assurance was given.

In regards to the final report issued for the visit to one of the Local Authority employers. The situation at this local authority in respect of Pensions Administration was improving. There had been issues with the payroll provider in the past with changes in key staff members and a change to the payroll system, which had contributed to the ongoing issues. At the time of the audit the staffing had stabilised and it was evident that staff at the provider were committed to ensuring that processes were operating correctly and had made significant improvements to processes since the last audit. The introduction of iConnect would improve data quality and efficiencies going forward and the payroll provider and the employer needed to continue to work with the Pension Fund to achieve this. A number of recommendations were made and positive responses were received. A medium Level of Assurance was given.

There had been no new fraud cases reported in the period. Data matches from the National Fraud Initiative (NFI) had been received back from the Cabinet Office and had been distributed to the relevant teams within the Pension Fund for further investigation. The next report to the Local Board would provide an update of the numbers identified, and the numbers investigated once it had been established how many of the reported matches were already identified by the Fund due to the timing issue.

## **RESOLVED**

**That the report be noted.**

### **53. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2021/22**

Consideration was given to a report of the Head of Risk Management and Audit Services. The report presented the planned work for the Risk Management and Audit Service for 2021/22.

It was reported that 300 days would be provided to the Greater Manchester Pension Fund in 2021/22. The full Annual Audit Plan for 2021/22 was included at Appendix 1. The overall Annual Audit Plan for Tameside Council, which included the days for the Greater Manchester Pension Fund, was approved by the Audit Panel on 16 March 2021.

Members were advised that the Service Unit did not employ a specialist Computer Auditor for the provision of technical computer audit support and this was procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT Computer Audit Plan.

Members were reminded that the work of Internal Audit was fundamental to the production of this statement as the work conducted provided evidence and ongoing assurance that the systems of internal control had been reviewed and that risks were being effectively managed.

It was stated that the Internal Audit Strategy and the Internal Audit Charter were approved by the Audit Panel on 16 March 2021 and were attached at Appendix 2 and Appendix 3 for the information of the members of the Local Board.

In regards to proactive fraud work and irregularity investigations, whilst unplanned in their nature, time was required each year for the investigation of frauds and irregularities that were notified to Internal Audit. There was a dedicated resource within the service unit, which provided support to management to ensure that such problems were dealt with as effectively as possible.

It was stated that performance of the service was monitored against targets and performance indicators. Individually auditors were monitored against performance targets and appraisal sheets were completed for audits highlighting issues and potential training needs.

The Audit Plan would be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Local Board.

#### **RESOLVED**

**That the Members of the Local Pensions Board note the following:**

- (i) The Internal Audit Plan for 2021/22 as shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team.**
- (ii) The Audit Strategy for 2021/22 shown at Appendix 2.**
- (iii) The Audit Charter for 2021/22 shown at Appendix 3.**
- (iv) The Quality Assurance and Improvement Programme for 2021/22 shown at Appendix 4.**

#### **54. URGENT ITEMS**

There were no urgent items.

**CHAIR**