

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

21 January 2022

Commenced: 11:00

Terminated: 12:34

Present: Councillors M Smith (Chair), Cooney, Cunliffe Grimshaw, Jabbar, Joinson, Hartigan, Patrick, Sharif, Ricci, Wills, and Mitchell,

Mr Llewellyn, Mr Drury and Ms Blackburn

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
Emma Mayall	Assistant Director of Pensions (Pensions Administration)
Victoria Plackett	Head of Pensions Administration
Georgia Ryan	Strategic Lead (Administration)
Mark Flannagan	Customer Services Section Manager
Matthew Simensky	Employer Services Section Manager
Jane Wood	Member Services Strategic Lead

Apologies for Absence: Councillor Andrews

Mr Flatley and Mr Caplan

Fund Observers: Mr Pantall & Councillor Ryan

24 DECLARATIONS OF INTEREST

There were no declarations of interest.

25 MINUTES

The minutes of the meeting of the Administration, Employer Funding and Viability Working Group on the 1 October 2021 were approved as a correct record.

26 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 an update on administration projects and areas of work being undertaken across the Administration, Funding and Accountancy teams.

Members were advised of the key strategy business plan projects for the Administration, Funding and Accountancy teams were:

1. My Pension online improvements
2. Working differently
3. IT infrastructure, DR arrangements and cyber security
4. Ensuring good governance

It was reported that changes to how post and printing was managed continued to be progressed and was helping to strengthen further our business continuity plans. All incoming post was now

being processed by GMPF's print provider along with a series of letters that previously could only be printed in house. Further, the transition to using My Pension online for all key processes also continued, and officers were working to change the deferred into payment process so that newly available My Pension system functionality could be adopted.

Overall, administration workflow and performance remained consistent. The administration performance dashboard for quarter 2, July to September 2021, was attached to the report at Appendix 1.

Member events continued to be well received, 16 online member events were held in quarter 2 with 654 members attending. The events programme included LGPS overview presentations, pre-retirement presentations and sessions for members with benefits on hold. Four employer events were also held on the topics of ill health, employer discretions and pensionable pay, with 40 employer representatives attending one or more sessions.

A key annual task undertaken in quarter 3 was that of calculating and producing pension saving statements for those members who exceed or are close to exceeding the annual allowance tax limits. This work progressed well, and all statements were issued by the statutory deadline of 6 October. GMPF had offered members and employers the opportunity to attend a webinar and a one-to-one guidance session provided by a financial advisor. Three webinars were held, with 213 places being booked by members or employers. Over 90 GMPF members booked a guidance session to discuss the impact of annual allowance tax limits.

It was stated that the accounts for 2020/21 had been produced and the annual report is in the process of being finalised.

Senior Officers continued to meet each month to review employer performance in line with the Pensions Regulators expectations. The timeliness of employer contribution payments and the submission of accurate monthly data returns were the main areas of focus.

In regards to preparations for McCloud, work carried out by officers this quarter on McCloud had been focussed on assessing the impact on software and the team had been working with our software supplier, Aquila Heywood, on the system changes needed. The first set of software amendments were delivered in the latest Altair release. Work had also continued on the challenge of obtaining missing data from employers.

It was stated that Officers have continued to attend Programme Dashboard Programme meetings over the quarter. GMPF's software supplier, Heywood Pension Technologies, was now beginning to undertake some basic testing of system connectivity before a full programme of testing begins.

RECOMMENDED

That the report be noted.

27 ADMINISTRATION MEMBER 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 being carried out by the Member Services section of Pension Administration.

It was reported that Pension Savings Statements for those members who had either exceeded or were close to exceeding the annual allowance tax limits were produced and distributed by the statutory deadline of 6 October. Since then, teams across the Member Services section had been supporting these members with any queries they have had. The Working Group were advised that members should submit any scheme pays request they wish to make to GMPF by 31 January 2022.

The project to move processes online continued, with the process for those members who wished to draw their benefits on hold being prepared for moving online. These members would be able to

obtain an estimate of their benefits using an online calculator and then request payment of their benefits directly through My Pension. This would bring efficiencies by removing the need to send an offer of the member's benefits by post prior to payment.

The work to trace members who had lost touch with GMPF continued. Members where no response was received from the initial address tracing exercise had all been written to again.

It was stated that the review of the pension overpayment recovery process had continued over the quarter. Analysis of previous debt raised and recovered had been completed and a set of principles to be applied going forward was being drafted. An analysis of all outstanding member related debt could be found attached to the report at Appendix 1.

Attached to the report at Appendix 2 was information on the survey responses received for the bereavements first stage process, retirement offers, deferred benefit offers and deferred refund processes for the period. Overall, feedback continued to be positive, with members generally indicating that the service provided is good.

It was reported that the new solution for dealing with incoming post was successfully tested and implemented in November 2021. The process was going well with efficiencies being made on teams and the requirement for people needed in the office being reduced. Any issues identified had been resolved quickly with GMPF's provider and Royal Mail.

Work on the member existence check exercise had continued this quarter; the exercise for 2021/22 was almost complete. Notification was received for 34 members confirming they were deceased. Of these, 19 had no overpayment as the pension ceased before the next payment was made. There were 15 pensions that were overpaid, and the Bereavements team has raised an invoice to the personal representative for these cases.

RECOMMENDED

That the report be noted.

28 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 being carried out by the Employer Services area of Pension Administration.

It was stated that there continued to be a significant number of employers applying to join GMPF with 106 applications being progressed. A further 33 enquiries had also been made by employers considering applying for admission. A list of all applications ongoing and those applications agreed or closed over the last quarter was attached at Appendix 1.

The Employer Data team had been focusing on supporting employers to submit their monthly data returns expediently. The table at section 1 of appendix 2 confirmed the performance of the ten local authority employers with regards to submission of their monthly data returns since April 2021. The GMPF team has continued to work with one of the local authorities to support them in getting up to date with their monthly data submissions. Another local authority has also fallen behind due to the introduction of a new payroll system. The GMPF team is working with this employer to support them with submitting all late files by the end of January 2022.

Employer performance data of the GMPF's larger employers for the latest four months' was available in sections 2, 3 and 4 of appendix 2, together with cumulative figures for the 12 months ending 31 October 2021. Section 5 of appendix 2 also provides information about the most recent employer audits that have taken place, with a brief commentary on items of note.

The timeliness of contribution payments and other employer debts, such as those in relation to the costs associated with early retirements, was also collated. The current position relating to employer

debt could be found in appendix 3.

Over the last quarter, work had continued on devising a draft employer 'Year in Review' document. The intention was to provide employers with a report each April highlighting how well we think they were meeting or exceeding their employer responsibilities based on several key indicators. Draft reports based on data for 2020/21 had been issued to the ten local authorities for initial feedback and work was underway to produce these reports for 2021/22 for the ten local authorities and potentially several other employers. The aim would be to build on the content of the report and widen the distribution to all employers in future years.

Members of the Working Group were advised that training on ill health, discretions, pensionable pay, retirements and leavers and topping up benefits is now available to employers. So far, 163 employer representatives have attended our events, which have been well received with 98% of attendees saying they would recommend the training to others.

RECOMMENDED

That the report be noted.

29 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Working Group with a summary of the work and projects being 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 has focussed on two main areas. The first was the migration of data belonging to the pension Legal, Accountancy and Local Investments teams from Tameside MBC managed systems to the GMPF cloud infrastructure. The second was that of system backup and disaster recovery arrangements. Work to migrate files and documents to SharePoint had continued, with all Administration teams having either migrated or being in the planning stage of migrating of their structural team files. In the upcoming months, work would begin on migrating collaborative team documents and data.

With regards to cyber security, attempted cyber-attack statistics had been gathered since April 2021. Details of the statistics for quarter 2 (July to September 2021) could be found attached at Appendix 1.

The report detailed that in 2021, an internal audit of cyber security was carried out by colleagues at Salford City Council and an action plan was created based on the recommendations made. The GMPF team has continued to work on completing this action plan. Several actions had already been completed, such as the documenting of certain policies and procedures, and the remaining ones are currently in progress. One of the actions being progressed was to implement multi-factor authentication, to strengthen the controls in place when colleagues sign into GMPF systems. The current intention was to rollout the new requirements during the first quarter of 2022.

It was stated that work had been undertaken to seek a third party cyber security consultant to work with the GMPF team to address some of the more complex recommendations made by the Audit team. Soft market testing with the specification that was included as an appendix on the last Working Group report had now been completed, however, there a wide variety of responses received from different suppliers. Therefore, further work was being undertaken with the Crown Commercial Services team, TMBC IT Services and the Tameside and Salford City Council Audit teams to enhance the specification to ensure it meets the requirements and attracts the right bidders.

It was highlighted that Appendix 2 outlined the strategic priorities that were set for the Developments & Technologies department for 2020/21. The end of the timeline for the objectives set has now been reached and so a review of the objectives had been carried out and this was detailed in

section 1 of Appendix 2. Section 2 of Appendix 2 outlined the objectives that are intended to be set for the 2022 calendar year.

RECOMMENDED

That the updates provided within the report be noted and that the objectives set out in the Developments and Technologies Strategy 2022 found in appendix 2 be agreed.

30 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Working Group with a summary of the work and projects being carried out by the Communications & Engagement area of Pension Administration.

It was reported that the new telephony system, which was implemented in July 2021, has already had a positive impact on service delivery. In quarter three, 89% of calls were answered, compared to 60% of calls offered over the same period last year. Members were advised that there had been several challenges, mainly due to some initial system configuration issues, and because a telephony partner had some resource issues. However, matters had progressed recently following regular scheduled meetings and almost all the initial changes and issues had either now been made or were in the process of being fixed.

Up to date statistics on the number of members signed up to My Pension and the number of members who had opted for paper communications could be found in Appendix 1. The 11 largest employers all had over 40% of their members registered for My Pension. Following the most recent Altair release, some improvements had been made to the My Pension software. This had included those registering being able to see their activation code on screen to avoid input mistakes and users now being automatically logged in once they had registered.

In regards to communication and engagement activities, it was explained that the flow of calls this year so far has been less volatile compared to previous years. This was likely to be due to several reasons, including the fact that more members would now be using the GMPF website and My Pension to obtain information about their pension throughout the year at a time convenient to them. Previously, all members received an annual statement at the same time through the post, which prompted large numbers to contact GMPF simultaneously.

The Communications team has been continuing to assist with the work to move more processes online for both employers and members, by creating several new online forms. The employers' death in service form was the most recent form to become available as an online interactive form.

It was highlighted that winning the Communications Award at the European Pensions Award reflected the hard work undertaken to improve the communications for GMPF members with improvements to the GMPF website, the production of new videos and facilitating online events.

RECOMMENDED

That the report be noted.

31 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration, the report provided the Working Group with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2020/21. It also highlighted the current plans to ensure that more elements of GMPF's service levels could be measured in the future.

Members of the Working Group were reminded that for many years, GMPF used CIPFA benchmarking services to benchmark its administration costs against other LGPS pension funds.

However, since 2010, the number of funds participating in the CIPFA process had continued to drop year on year with only around 20 funds participating in 2019/20. Therefore, little value was being gained from taking part. Subsequently, in 2019 many of the larger LGPS funds signed up to use CEM benchmarking instead, including GMPF.

There were two main benefits to using CEM compared to the CIPFA service. The first was that the CEM process enabled GMPF to benchmark itself against other non-LGPS UK pension funds that were of a similar size. The second was that CEM benchmarks service alongside cost enabling a 'value for money' assessment to be made.

It was stated that there were caveats to consider when assessing the outcomes. It was very difficult to be sure, like-for-like data was collected across all areas and there would inevitably be differences in interpretation of the questions when funds completed the benchmarking questionnaires. As all staffing structures were different, it could be difficult to know if processes were being measured consistently. Separating out governance and project costs was challenging, and because the questions aimed to cover all CEM clients, some questions just do not apply to or 'fit' with the LGPS or the way it was undertaken. Additionally, it was not particularly easy to see the direction of improvement from the summary analysis, as, because everyone was improving each year and because many improvements took time to be realised in the data, relative position amongst the group tends to stay the same or be similar over the short term.

The Assistant Director for Administration stated that GMPF's peer group comprised of 14 pension schemes whose membership ranged between 90,000 and 607,000 members. Nine LGPS pension funds supplied data and were part of this peer group.

The key outcomes from the 2020/21 benchmarking were highlighted to the Working Group. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The total cost per member was slightly higher than last year (by £0.09) and the service score was 1 point lower. The increase in administration costs was mainly due to an increase in average pay.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced with challenges.

The Working Group were advised of future items that might impact on next year's outcomes. It was likely that outcomes for 2021/22 would be very similar to 2020/21. Regarding service levels, a new contact centre had already been implemented and this would facilitate a better service score for several aspects of customer service going forward. However, due to the pandemic, GMPF's offices were still closed for face-to-face visits, and so the service score for this aspect was likely to remain unchanged. Many of the other aspects of service delivery also remain unchanged.

RECOMMENDED

That the report be noted.

32 ACADEMY CONSOLIDATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report provided the Working Group with an update on the Multi-Academy Trust's proposal to consolidate its' LGPS interests in a single fund and to consider GMPF's response to the second consultation on the proposal which had recently been issued by the Department for Levelling Up, Housing and Communities ('DLUHC').

Following consideration of a report, the GMPF Management Panel decided at its December 2020 meeting that it does not, as a rule, support consolidation requests within the academy schools

sector at the current time.

Members were advised that in response to some of the comments received in connection with the initial consultation, DLUHC had on 9 December 2021 opened a second consultation, which was due to last 10 weeks. However, DLUHC had not expanded the consultation to Administering Authorities in which the MAT did not participate or other major LGPS stakeholders. The consultation would close on 17 February 2022.

The consultation documents were attached to the report as Appendices 1a, 1b and 1c. There were six questions to answer with pension funds being asked to state whether they support or oppose the proposal. The second consultation had a longer timeframe for responses compared to the first consultation but had not expanded the list of consultees as was requested by GMPF in its response to the first consultation. The majority of the content was unchanged between the two consultations; albeit the second consultation had clarified a small number of apparent omissions or ambiguities identified in the first consultation, the most significant being what would occur should an academy join the MAT in future.

It was stated that, none of the changes made appear to mitigate substantially the concerns that GMPF had about academy consolidation within the LGPS in general as set out in section 4 of the report or the MAT's specific application for a Direction Order.

A discussion took place considering the various risk, benefits and challenges of various approaches to the issue.

RECOMMENDED

That the recent developments regarding the proposed consolidation be noted and support be given to GMPF submitting a consultation response, which strongly objects to the proposed Direction Order, setting out the points raised in section 4 of this report.

33 2022 ACTUARIAL VALUATION AND RELATED MATTERS

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised some of the main issues to consider going into the 2022 valuation and considered the Government's Actuary's recently unveiled Section 13 report in respect of the previous 2019 actuarial valuation of the LGPS in England and Wales.

It was stated that following the recent decision to re-appoint Hymans Robertson as the Fund's Actuary, GMPF officers had started to consider the key strategic issues, which could arise at the 31 March 2022 actuarial valuation. Hymans Robertson presented their initial thoughts on the 2022 valuation at the December Management Panel meeting. The presentation slides were attached to the report at **Appendix 1**.

It was explained that whilst market conditions could change considerably prior to the valuation date and actuarial assumptions were yet to be formally considered by the Working Group or the Management Panel, at a whole fund level, the early indication was that GMPF could emerge from the 2022 valuation with a similar funding level compared to 31 March 2019. GMPF's investment returns were likely to have exceeded the assumption made at the 2019 valuation, but a fall in real interest rates and an increase in future expected inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. One significant area of uncertainty is the long-term impact of the Covid-19 pandemic on future life expectancy.

There would likely be a wide variety of outcomes across employers. Increases in both asset and liability values tended to produce more favourable outcomes for employers that had a section of GMPF that was already well funded and/or employers that had a relatively 'mature' liability profile. Less mature employers were more exposed to the level of the 'Primary Contribution Rate,' which is the cost of active members earning further benefits in the Scheme.

As part of the 2022 valuation GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The updating of the FSS would give consideration to prominent issues such as how GMPF structured Multi Academy Trusts' ('MATs') participations and arrangements for funding ill-health retirement strain costs. The consultation on the FSS was expected to take place following the July 2022 Management Panel meeting with preliminary results being notified to employers from September 2022 onwards.

Members were reminded that GMPF's ill health insurance arrangement was approved in principle by the Management Panel at its 12 April 2019 meeting and began operation on 1 April 2020. GMPF had almost two years' experience of operating the arrangement and it had to date appeared to achieve its objectives. Whilst as expected there had been significant variability on a month to month basis, the total cost of ill-health retirements since inception had been close to the amount forecasted by the Actuary.

The report detailed that under section 13 of the Public Service Pensions Act 2013, funded public sector pension schemes must conduct a section 13 report. Section 13 reports examine the compliance, consistency, solvency and long-term cost efficiency of the scheme. In aggregate, the funding position of the LGPS had improved since 31 March 2016 to 31 March 2019.

It was stated that GAD's view of the LGPS' long-term cost efficiency was positive but they flagged four funds as raising potential concern in relation to long-term cost efficiency. Long-term cost efficiency related to not deferring payments too far into the future so that they affected future generations of taxpayers disproportionately.

RECOMMENDED

That the report be noted.

34 PROCUREMENT OF ACTUARIAL SERVICES

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report outlined the outcome of the procurement process undertaken to replace the previous contract for actuarial services and benefit consultancy services, which was ending on 31 December 2021.

On 12 November 2021 bidders were notified of the Administering Authority's intention to award the contract for actuarial and benefits consultancy work to Hymans Robertson.

As part of the intention to award notification, a 10-day standstill period was initiated. The purpose of the standstill period was to allow time for unsuccessful bidders to review, and if they deem it necessary, challenge the outcome of the further competition process before any contract is signed.

The standstill period ended on 22 November 2021. No challenge was received from any of the tendering actuarial firms. Following the standstill period, a formal contract award letter was issued to Hymans Robertson and the new contractual period commenced on 1 January 2022. The new contract is intended to remain in force until 31 December 2030, although the contract does allow earlier termination.

RECOMMENDED

That the report be noted.

35 SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. GMPF's main AVC provider Prudential had been experiencing service issues across many of its LGPS clients since the migration to a new administration platform. The report summarised the ongoing issues, the measured being undertaken to address these issues

and implications for GMPF's administration service.

The Assistant Director for Funding and Business Development provided an update on Prudential's performance. It was explained that whilst the deterioration in performance observed in the first half of 2021 appears to have stabilised; Prudential made slower progress than expected in returning service standards to an appropriate level and GMPF officers continued to meet regularly with Prudential to monitor what progress is being made.

It was reported that GMPF was exploring at a high-level alternative options for AVC provision. However, there were several potential impediments to changing provider, including the ability of other potential AVC providers to handle payments coming from multiple employers, which for a metropolitan fund such as GMPF could be well over one hundred.

RECOMMENDED

That the report be noted

36 URGENT ITEMS

There were no urgent items.

CHAIR