

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

19 January 2023

Commenced: 15:00

Terminated: 16:50

Present:

Councillor Fairfoull
Jack Naylor
Paul Taylor
Michael Cullen
Paul Entwistle
David Schofield
Mark Rayner
Catherine Lloyd

(Chair) Employer Representative
Employer Representative
Employer Representative
Employer Representative
Employee Representative
Employee Representative
Employee Representative
Employee Representative

Apologies for Absence

Chris Goodwin

26 DECLARATIONS OF INTEREST

There were no declarations of interest.

27 MINUTES

The minutes of the Local Pensions Board meeting on the 28 July 2022 were approved as a correct record.

28 LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – EXEMPT ITEMS

RESOLVED

That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

- (i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
- (ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

| Items | Paragraphs | Justification |
|---------------------|-------------------------------------|---|
| 5, 6, 7, 9, 10, 11, | 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, | Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers. |

29 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 a summary of the key activities that had taken place in the Administration section during the last quarter, including comments on administration performance and on complaints and disputes. Confirmation of the areas of focus for the next quarter were also covered in the report.

It was reported that most of the Annual Benefit Statements for contributing members were issued in this quarter with all statements issued before the 31 August statutory deadline, except for those for around 18 members where there were ongoing queries with these members' employers. This was also the quarter when pension saving statements were produced for those members who had either exceeded, or who were close to exceeding, the annual allowance tax limit in 2021/22. All pension saving statements were issued by the 6 October statutory deadline.

Member events continued to be popular and very well received. Fourteen online member events were held in quarter 2 with 930 members attending. The events programme includes LGPS overview presentations, pre-retirement presentations and sessions for members with benefits on hold. Ten employer events were also held on the topics of ill health, employer discretions and pensionable pay, with 135 employer representatives attending one or more session.

In regard to Member Services over the last quarter, work mainly focused on delivering two key objectives. This first was to produce and issue pension saving statements to those members who had exceeded, or were close to exceeding, the annual allowance tax limits. 746 contributing members received a statement, as did nine members with benefits on hold and 33 pensioner members. All statements were issued by the 6 October statutory deadline. GMPF had worked with Mercer again this year to assist members who were or could be affected by the annual allowance limits. To further enhance the support available, officers had created a new member event about pension's tax to add to our events calendar and were holding several sessions in January 2023 to gauge interest and feedback.

The second objective had been to both move the benefits on hold into payment process online while also reducing the wait time for members, which had developed due to the substantial increase in requests received in recent months.

In regard to Employer Services, monthly data submissions continued to be monitored at the monthly TPR breaches meetings. 85% of employers submitted their return on time in October 2022. The Employer Data team are continuing to work with employers to ensure the deadlines continue to be achieved.

It was stated that the customer services and communications dashboard at appendix 2 provided some key statistics and information about general engagement from April to November 2022 on page 1 and other useful statistics for quarter 2, July to September 2022 on the remaining pages.

Member registrations for My Pension among contributors and pensioner members continued to increase steadily each month. However, to encourage more of our members with benefits on hold to register, the team was about to begin a promotional postcard campaign, writing to a small group of members every month to encourage them to sign up.

RESOLVED

The information provided in the report be noted.

30 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions. The report summarised the recommendations made by GMPF Working Groups over the period from October 2022 to November 2022, which were approved at Management Panel meeting on 2 December 2022.

At the meeting of the Administration, Employer Funding and Viability Working Group on the 7 October the Working Group considered a number of reports for noting. The Working Group also reviewed member overpayments and the work undertaken to recover lost monies during the last twelve months. The following recommendations were made:

- (a) Approve the changes to the policies and procedures identified during the review to improve the process and recovery success rate

- (b) Agree with the recommendations for the individual cases where an overpayment remains unrecovered
- (c) Note that the intention is to report individual cases to the Working Group on a quarterly basis as part of the Member Services update report going forward
- (d) Note that officers intend to continue work on improving other aspects of the process once the relevant procedures have been changed in line with the recommendations

Further, the Working group was informed of the progress to date on the 2022 Actuarial Valuation, discussion centred on the Funding Strategy Statement. The Working Group recommended:

- (a) The report be noted and the appended slides which were presented by the GMPF Actuary at the 16 September 2022 Management Panel
- (b) Note progress on the valuation

As the meeting of the Investment Monitoring and ESG Working Group on the 7 October 2022 the Working Group considered a number of reports for noting, no recommendations were made.

At the meeting of the Policy and Development Working Group on the 24 November 2022 the working Group considered a number of reports for noting. The Working Group also considered a report which detailed further information about the due diligence undertaken in relation to the proposal for a pilot of a Global (Developed) Equity Value allocation. Going forward, it was proposed that the Global (Developed) Equity Value allocation would be kept under review and increased, subject to satisfactory progress against the standard monitoring framework of Philosophy, People, Process and Performance, and with prior approval by Panel. The recommendations made were as follows:

- (a) That approval be given for a Global (Developed) Equity Value allocation within the UBS Portfolio with an initial quantum of assets (as set out in the report)
- (b) That the rules pertaining to the Main Fund public equity allocation be updated.

RESOLVED

That the report be noted.

31 BUSINESS PLANNING AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which provided details of the current business plan and highlights the current key risks being monitored.

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 1. It was highlighted that the specific risks that had been being monitored closely by officers this quarter were:

Risk 1 – High inflation. Price inflation had been increasing rapidly in recent months, both in the UK and in many parts of the world. Many elements of the LGPS benefit package were linked to CPI inflation, including annual pension increases for retired members and the revaluation of active members' pension accounts accrued since the change to a career-average scheme in 2014. Barring an unexpected change of approach from Government, these benefits will be increased in April 2023 in line with the September 2022 CPI inflation figure, which was 10.1%

Impacts of high-inflation on GMPF included a deterioration in the cash-flow position (contributions received versus benefits paid) and the potential for lower returns on growth assets such as equities as central banks tightened monetary policy when seeking to bring inflation back towards long-term targets. These issues were being considered as part of the assumption setting for the 2022 actuarial valuation and discussions regarding investment strategy.

Risk 9 – Assessing the impact of the McCloud changes. DLUHC issued an update on McCloud on 27 July 2022, which suggested that an updated version of the draft regulations and a new consultation will take place early in 2023, with the actual regulations being made later in 2023. The

lack of certainty continues to cause issues for funds and their software suppliers and further reduces the timeframes that all parties originally set out to work to.

Additionally, officers were continuing to work on identifying the best routes to ensure any data changes were captured and uploaded effectively, but there were several risks that needed to be carefully considered and this was continuing to prove a challenge. This work continued to be a key focus for the team, who continue to collaborate with colleagues from several other LGPS funds to try to identify all viable options.

Risk 19 – Cyber security work. The risks relating to cyber security were greater than ever and work continued ensuring existing controls were still working and on putting new controls in place wherever possible.

The Working Group received a presentation which provided an update on IT Risk and the work being undertaken by the IT team to improve back up and disaster recovery processes.

RESOLVED

That the report be noted.

32 THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions/Assistant Director of Administration. The report provided the Board with a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches including details of any late payment of contributions. The report also provided an update on the TPR's proposed Single Code of Practice.

Members of the Board were advised that a copy of the current breaches log (excluding late payments of contributions) 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.

In regard to Late Payment of Contributions and Escalation Procedures, one of the key requirements of Code of Practice number 14 was that Scheme Managers operated appropriate systems and controls to ensure that contributions were paid to the Scheme in accordance with requirements in the Scheme Regulations. Officers met monthly to discuss issues that related to the monitoring of late contributions and other payments (such as early retirement strain costs) and to examine options for revising and improving current processes.

Appendix 3 contained details of expected contribution payments (with matching remittance information) that had not been received by GMPF by the 19th of the month following the month to which they relate (for example 19 November for October contributions) for August 2022 to October 2022.

Appendix 4 provided some further analysis on the contribution payments received in respect of the period August 2022 to October 2022, specifically detailing the number of employers making payments (and the amount of contribution payments received) in accordance with GMPF's deadline of the first day of the following month.

RESOLVED

That the report be noted.

33 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions/Assistant Director for Administration. The report provided the Local Board with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2021/22. It also

highlighted the current plans to ensure that more elements of GMPF's service levels could be measured in the future.

It was reported that GMPF's peer group comprised of 14 pension schemes whose membership ranged between 92 thousand and 640 thousand members. The peer median was 317 thousand, compared to GMPF's membership of 405 thousand. Nine LGPS pension funds supplied data and were part of this peer group. The CEM benchmarking report compares both costs and member service, with 'cost per member' and 'service score' being the two indicators of comparison

As mentioned, CEM's analysis shows that GMPF remains a high service, low cost provider relative to its peers. GMPF's total cost per member was £16.91, being £9.91 lower than the adjusted peer average of £26.82. GMPF's service score was 71 out of 100, being 3 points above the peer median of 68. The total cost per member was slightly lower than last year (by 10p) and the service score was 4 points higher.

There were two main areas that officers intend to focus on in view of the outcomes of the report.

The first was around measuring casework tasks. This was a particularly difficult area due to the complexities of casework workflow and the limits of the current reporting tools available within the pension system. However, this was an area where GMPF scores lower than its peers and where change should be possible.

The second was to consider the value and benefit of providing a stewardship report to GMPF employers to provide feedback on how well GMPF's members were being served. Although this was not a measure that was reflected in the overall service score, there could be benefits to producing this type of report and officers intend to explore this further and liaise with those funds that already produced a stewardship report to see what they can learn.

RESOLVED

That the report be noted.

34 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions. The report provided progress to date on the valuation project and highlighted some key issues.

The Board were advised that GMPF's actuary, Hymans Robertson, had presented at previous Panel meetings about some of the key issues influencing the outcomes of the valuation. The presentation slides that were presented by the Actuary at the December 2022 Panel meeting had been attached as Appendix 1 to this report.

It was reported that at a whole fund level, the funding position of GMPF has improved slightly since the 2019 actuarial valuation. Using the assumptions set out in the Funding Strategy Statement, GMPF's funding level as of 31 March 2022 is 104%.

In regards the employer valuation results, officers met with the Actuary on 4 November 2022 to examine the proposed contribution rates for employers outside of local authority pools. Most employers would either have reduced contribution rates or would see their contribution rates stay at their current level.

There were a small number of employers where the proposed contribution rates for 2023-2026 were higher than the current contribution rates they currently pay. Generally, these employers were admission bodies that did not allow new entrants into GMPF and who did not have a funding guarantee from a tax-raising body. In these circumstances, in line with the Funding Strategy Statement, the Actuary was seeking to increase their funding level to ensure there was no deficit when the employer ceases to be in the Fund.

The Board were advised that a revised Funding Strategy Statement was drawn up in the summer and the consultation period with employers began on 15 August 2022. Employers were notified by email that GMPF was consulting on its Funding Strategy Statement, and they were invited to send responses by 11 October 2022. GMPF received two responses within the consultation deadline and two after the consultation deadline.

GMPF also made an amendment to the draft Funding Strategy Statement during the consultation period following the unexpected period of volatility in gilts experienced. The amendment was made to section 4.2.3 on 'Exit payments'. The following wording was added: *"additional allowances may be made relative to the funding basis for other areas of material uncertainty, including, but not limited to, inflation, longevity, exceptional market volatility around the cessation date and future benefit changes"*.

The Management Panel approved the amended Funding Strategy Statement at their December 2022 meeting, and a copy of the finalised version is attached at Appendix 2.

As part of the 2019 valuation, GMPF engaged a partner to undertake a piece of work to provide an insight into the financial resilience (also referred to as employer covenant) of GMPF's employers. The purpose of the work was to help inform the setting of contribution rates and assess the financial risk posed by individual employers or specific sectors. The work also had the benefit of providing an independent third-party view of GMPF's employers, which could be drawn upon when discussing affordability concerns with individual employers.

At a high-level, the findings provided useful insights into GMPF's employer base and helped contextualise sector specific financial risks. It is worth noting that the covenant work was intended to be a snapshot of an employer's covenant and not a detailed review.

It was explained that the covenant review provided a useful starting point to assess employer covenant and could enable further detailed work. Officers were planning to identify high risk employers for further scrutiny. Any future covenant work would be reported to future Local Board meetings.

RESOLVED

That the report, the appended slides which were presented by the GMPF Actuary at the recent Management Panel and the progress made on the valuation process be noted.

35 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES - 17 SEPTEMBER 2022 TO 31 DECEMBER 2022

Consideration was given to a report of the Interim Head of Risk Management and Audit Services. The report summarised the work of Risk Management and Audit Service for the period of the 17 September 2022 to 31 December 2022.

The progress report showing the actual days spent against the planned days for 2022/23 was the cumulative position from the 1 April 2022 to 31 December 2022 and was attached at Appendix 1. 132 days had been spent against the 300 planned days up to 31 December 2022. This was less days than would be expected at this stage in the year, due to staff resourcing issues, previously discussed. Several new staff had now been recruited and starting in January 2023, so based on the new resources that were expected to be in place, the days that were believed to be delivered to the end of March were projected as 220.

There were two final reports issued during the period 17 September 2022 to 31 December 2022 these were on the Pension Fund Debtors and Northern Private Equity Partnership (NPEP).

RESOLVED

That the report be noted.

36 URGENT ITEMS

There were no urgent items.

CHAIR