

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

13 April 2023

Commenced: 15:00

Terminated: 16:30

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

37 MINUTES

The minutes of the Local Pensions Board meeting on the 19 January 2023 were approved as a correct record.

38 GMPF FINAL ACCOUNTS AND BUDGET/MEDIUM TERM FINANCIAL PLANNING ACCOUNTING POLICIES

Consideration was given to a report of the Director of Pensions / Assistant Director for Local Investments and Property. The report detailed the progress of the governance arrangements for the budget setting and financial reporting. This was provided by the attached appendix to the report that was presented to the GMPF Management Panel on 24 March 2023.

It was explained that the medium-term financial plan was essentially dependent upon the assumptions in the Funding Strategy Statement, and the out-turn was largely subject to financial markets and their impact on investment performance. The medium-term financial plan 2023 to 2026 would be finalised for the annual report following approval of budget and Fund Valuation at 31 March 2023.

Members of the Board were advised that the Fund remained committed to its core objectives. There remained a great deal of uncertainty in the short to medium term in the outlook for inflation. The key assumptions and methodology for budget setting were set out in the report.

The level of budget sought for 2023/24 sought an increase from that in 2022/23. The budget covered the expenditure by the Fund on governance, administration and investment costs for oversight and internal management. External Investment Management fees were overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM.

It was reported that there had been significant changes made in recent years to the disclosure of investment management costs. There was detailed consideration given to those through reporting mechanisms outside of budget setting, particularly through the reporting by CEM. They were not, therefore, considered in detail as part of the report. For information, those costs (excluding private markets) for 2023/24 with a comparison to projected out-turn for 2022/23, were outlined in the report.

The Board discussed the impact of the accounts not being signed off and its material impact.

RESOLVED

That the report be noted.

39 LOCAL INVESTMENTS

Consideration was given to a report of the Director of Pensions / Assistant Director for Local Investments and Property. The report detailed the progress of Local Investments through the attached copy of the reports that went to GMPF Management Panel on the 24 March 2023.

In terms of GMPVF, it was explained that the aim of the portfolio was to gain cost effective, diversified exposure to property development assets located predominantly in the North West of England and with a clear emphasis on Greater Manchester. Also, to add value to the economy of the North West through property development to generate employment, improve long-term employment prospects and generally contribute to the overall development of the local economy.

The mandate adopted a very broad definition of property development, to be as flexible as possible to the opportunities available. However, examples of possible investments included direct development, including purchase of land and property for development, either with or without a partner. They also included investment in financial instruments such as debt or equity in property development and investment in collective investment vehicles. The development could involve construction of new buildings or renovation of existing buildings. The allocation of the portfolio across the capital structure and a summary of deployment and performance, were detailed in the report. Progress with the portfolio was also presented to the Panel.

In respect of the Impact Portfolio, it was reported that it had been active since 2014. Investments had been made into a range of Limited Partnerships, this being the most common form of investment vehicle for the private markets.

The purpose of the allocation was to gain cost effective, diversified exposure to a portfolio of "impact" investments located predominantly in the North West of England. The principal aims used to define impact investing being: -

- Targeting underserved markets
- Promoting health and well being
- Supporting Improvement in Education and Skills
- Supporting Sustainable Living
- Renewable energy generation
- Job creation/safeguarding

It was explained that the Panel had previously agreed, that to meet the aims of the Impact portfolio, investments would be diversified across key themes, details of which, were provided in the report. Actual deployment would be subject to the availability and timing of suitable investment opportunities.

Progress with the impact portfolio was appended to the report and summaries of deployment to date/expected and performance were also detailed.

The Good Economy, had been directly appointed from the National LGPS Framework for Stewardship Services, to prepare an independent report on the outputs achieved from the Funds Local Investment Portfolios. The work was underway but not yet complete. A summary of their initial work was appended to the report.

RESOLVED

That the report be noted.

40 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 taking

place in the Administration section during the last quarter, including comments on administration performance and on complaints and disputes.

The performance dashboard for quarter 3 (October to December 2022) could be found at appendix 1. Overall, levels of casework and performance against turnaround targets remain relatively consistent. Performance levels remain high and work on projects that support improving the service provided to members has continued.

Demand from members with benefits on hold looking to bring those benefits into payment remained high, however the steps taken to reduce response wait times had had a positive effect, reducing times to more normal levels. The team was continuing to focus on this area of work this quarter to ensure further improvements are made. Increases in workload had also been generated by the receipt of revised pay figures because of the backdated pay award agreed in the autumn.

The work to transition processes onto My Pension continued to increase steadily, and over 168,000 members were now registered for My Pension.

Member events continued to be popular and very well received. Sixteen online member events were held in quarter 3 with 750 members attending. The events programme included LGPS overview presentations, pre-retirement presentations and sessions for members with benefits on hold. Seven employer events were also held on the topics of ill health, employer discretions and pensionable pay, with 14 employer representatives attending one or more session.

In regard to Member Services, work had commenced on producing Annual Benefit Statements for 2023 for both contributing members and members with benefits on hold. The statement artwork had now been reviewed and the next stage of the process, to extract the data needed to populate the statements, was underway.

The report detailed that over the last quarter, in the lead up to the voluntary scheme pays deadline of 31 January 2023, 70 scheme pays requests were received from members who had exceeded their annual allowance. These were all processed by the deadline and the details sent to HMRC.

In Employer Services there continued to be a significant number of employers applying to join GMPF, with 45 cases currently being progressed. Within these, there were nine employers who could need to apply for admitted body status, however, application forms had not yet been received.

Monthly data submissions continued to be monitored at the TPR breaches meeting held monthly. The number of submissions received on time continued to improve, with 88 per cent of employers meeting the deadline in January 2023.

The Employer Services section was responsible for undertaking the data collection and reconciliation work linked to the McCloud project. Although the regulations were still awaited, the team had been working for some time on finding a solution for identifying the missing data needed and for adding this to member records. Communications had been sent to all employers to inform them that the data collection and verification part of this project is about to commence and to warn them that they will need to conduct some data checks and provide missing data.

In regard to the Developments & Technologies service, the IT platform that the GMPF website was built on would be reaching end of life later this year, and so a new platform needed to be sourced and the website content migrated to the new platform. Officers were working with colleagues from the Tameside MBC IT team to scope and plan the migration to the new platform.

The Customer Services and Communications dashboard was attached at appendix 3. This dashboard provided long-term statistics about general engagement from April to December on page 1, with other statistics for quarter 3 (October to December 2022) on the remaining pages. Call and email volumes reduced through the quarter, as was usual at that time of year as Christmas

approaches. However, as mentioned, demand had remained high, and coupled with resource issues on the team, this had resulted in much longer than normal wait times and high numbers of abandoned calls.

RESOLVED

That the information provided in the report be noted.

41 THE TRANSFERS PROCESS

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 pension transfer process and information about the checks in place to reduce risk, including details of how GMPF complied with the Pensions Regulator's pledge to help fight scams and protect members. The report also provided confirmation that as part of the self-certifying the pledge GMPF's trustee members must complete the Regulator's Public Service Toolkit as part of their training to ensure the requirements continued to be met.

The transfer process was complicated, with several sets of regulations and guidance to consider. The transfer value calculations themselves were also complex, particularly since the LGPS changed to be a career average revalued earnings scheme in 2014. Members could have built up benefits over five periods that each differ either in benefit accrual rates, pension age or both. Additionally, benefits built up from 1 April 2014 may be subject to a final salary underpin. Compliance checks to ensure a transfer could be paid legally had always been part of the transfer process. However, the level of checks undertaken started to increase in 2013 when there was a significant increase in pension liberation cases.

A 'Scorpion' leaflet was created by the Pensions Regulator in February 2013, and GMPF issued this leaflet to members when they first enquired about a transfer, warning them about scams and providing them with guidance on the risks. This leaflet is still issued today, with a copy of the current version attached for information at appendix 1.

Pension flexibilities brought about significant change to occupational and personal pension schemes and created additional risks for members. However, it also created new opportunities for pension scams, requiring further information and warnings to be provided to members. A copy of the current LGPS Freedom and Choice leaflet given to all members who enquire about a transfer was attached for information at appendix 2.

Following the Covid-19 outbreak in 2020, a joint communication was created and issued by The Pensions Regulator, the Financial Conduct Authority and the Money and Pensions Service. Pension funds were asked to forward this communication to all members who were asking to transfer out their benefits. This was in response to pension schemes identifying the risk that members could find themselves in financial difficulty due to the pandemic, and so be more susceptible to falling for a pension scam. **Appendix 3** was the current version of this communication, which was still issued with all GMPF transfer letters.

Appendix 4 provided details of the GMPF transfer process flowchart. This chart showed all the key stages and checks that the GMPF team completes before making a transfer payment to a member's receiving scheme.

On 1 June 2022, the Occupational and Personal Pension Scheme (Disclosure of Information) Regulations 2022 came into force. It was reported that the new regulations introduced new requirements, referred to as Stronger Nudge. The Stronger Nudge to pensions guidance required pension schemes to ensure that members have either received or opted out of receiving appropriate pensions guidance before proceeding with the transfer. Pension funds must facilitate the booking of a Pension Wise appointment as part of the application process. A flag system was also introduced in these regulations to help to identify potential risks and guidance was provided on what to do if a

red or amber flag was identified. GMPF implemented all the regulatory requirements linked to Stronger Nudge and there was detailed information about this for members on the GMPF website.

In August 2022, the Pensions Regulator unveiled a new scam-fighting plan aimed at protecting savers. GMPF had recently completed the Pledge self-certification process, which confirmed the Fund had adopted higher standards to help protect pensions from criminals and would be innovative to help protect pensions in the future.

It was explained that before GMPF was able to successfully complete the process, checks were carried out to ensure the necessary signposting was in place that would alert members to the risk of scams, which included providing information in all relevant communications, such as in annual benefit statements, within transfer letters and on the GMPF website. All these checks and signposting measures help to ensure transfer payments were only made to legitimate pension schemes and they significantly reduced the risk to members. The process was now extremely robust with multiple checks and warnings throughout. As part of self-certifying the Pledge, GMPF's trustee members must complete the Regulator's Public Service Toolkit as part of their training to ensure the requirements continued to be met.

RESOLVED

That the report be noted.

42 THE PENSIONS REGULATOR (TPR)

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 current breaches log and decisions made by the scheme Manager regarding the reporting of these breaches. The report also included an update on the TPR proposed Single Code of Practice now called the General Code.

As mentioned at previous Local Board meetings, TPR issued a consultation on its Single Code of Practice on 17 March 2021. TPR had recently issued communications confirming that the single code will now be called the General Code of Practice and was likely to be published mid-April 2023.

TPR had confirmed that the main aim of the General Code was to ensure consistency in its expectations for all types of pension scheme, and that the General Code would be considerably shorter than all the codes it replaced. Content would be separated into five key areas, being:

- The Governing Body
- Funding and investment
- Administration
- Communication and disclosure
- Reporting to TPR

As reported at the last meeting, officers had been carrying out a gap analysis based on the anticipated changes highlighted in the consultation documentation to help ensure GMPF was fully compliant with the new code whenever it was issued.

A summary document highlighting the self-assessment rating resulting from the gap analysis work of the modules in the sections listed above was attached at Appendix 5. There were no areas of concern to highlight at present. However, TPR had confirmed that the new General Code would differ somewhat to the initial consultation and therefore detailed compliance work would need to be undertaken once the new Code was available. There were also several requirements stated in the consultation where it was unclear whether those requirements would apply to the LGPS or not. TPR had confirmed that text and information in the new General Code should clarify where a requirement applies to the LGPS. Therefore, once the General Code was issued, this clarification work could also be undertaken.

RESOLVED

That the developments set out in the report be noted.

43 BUSINESS PLANNING AND RISK MANAGEMENT

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

This quarter, the Fund's senior management team had been undertaking a full review of the whole fund risk register and this work is currently still in progress. The latest version of the register was included within this report for review at appendix 1. Work on finalising the revised version would continue in the coming weeks, with more detailed assessments of the risk levels to be carried out and new tabs to be added to enable trustee members to see the current risks at a glance, together with the direction of travel. The risk policy had been updated as part of this work and is attached at appendix 2.

In regard to progress on strategic items, it was reported that on the project to implement the changes due to be made to the regulations following the McCloud ruling. The amended regulations were still awaited, however, internally, work had been progressing well on the system amendments and data capture. A significant amount of testing had taken place in conjunction with one of our local authority employers on how to capture any missing data and work connected to McCloud would continue to be a key focus for the administration teams over the coming months.

Specific issues that had been being monitored closely by officers this quarter were:

- Issue 4 – Employer flexibilities / exits.
- Issue 8 – McCloud .
- Issue 14 – Changes to the CARE revaluation date.
- Issue 18 – Pensions Dashboard.
- Issue 16 – Increase in levels of cyber fraud
- Issue 24 – Changes prompted by the budget
- Issue 25 – UBS takeover of Credit Suisse

RESOLVED

That the report be noted.

44 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions. The report summarised the recommendations made by the GMPF Working Groups over the period from January 2023 to March 2023, which were approved at the Management Panel meeting on 24 March 2023. It also summarised the decisions made by the Management Panel at the same meeting,

At the meeting of the Administration, Employer Funding and Viability Working Group on the 20 January 2023 a number of reports were considered for noting. The Working Group also reviewed a summary of the work and projects being carried out by the Communications & Engagement area of Pensions Administration. The report discussed GMPF's Communications Policy. It was reported that the policy had been updated with some minor changes to reflect some of the work undertaken on communications. While the 'digital first' approach remained key, the main amendment to the policy concerned meeting with members face to face. This service was temporarily withdrawn during the Covid-19 pandemic but had now been reinstated following the removal of social distancing requirements. The updated Communications Policy was attached in Appendix 5 of the report and the Working Group was asked to approve this version. It was recommended that the updates made to the Communications Policy be approved.

At the meeting of the Investment Monitoring and ESG Working Group on the 20 January 2023 the Working Group considered a number of reports for noting.

At the Policy and Development Working Group meeting on the 2 March 2023 the Working Group considered the following reports for noting and consideration was given to a report about trustee member training requirements, together with an updated version of the Trustee Member Development Policy for approval. It also provided details of the training plan for 2023/24.

It was explained that the previous policy applied to senior officers as well as trustee members. However, officers were currently in the process of developing a Workforce development plan (linked to the Scheme Advisory Board's expectations around Good Governance). Therefore, the intention was to include details of the training requirements for senior officers within the Workforce development plan instead. It was recommended that the updated Trustee Member Development Policy be approved.

It was a requirement for GMPF to prepare and publish a governance compliance statement. A new, updated Governance Policy was attached to the report. The new version included more background information about GMPF's governance structures and functions, alongside updated information about the current Panels, Working Groups and Local Board, that covered the requirements of part 1 of regulation 55. It was explained that the governance compliance statement followed the format recommended in the statutory guidance. The previous governance compliance statement was a separate document, but this had now been incorporated into the new Governance Policy. It was recommended that that the updated and combined Governance Policy and Governance Compliance Statement be approved.

At its 24 March 2023 meeting, the GMPF Management Panel approved the recommendations from the various Working Group meetings. The Panel was asked to approve an expenditure budget for GMPF for 2023/24 alongside a medium-term financial plan for 2023 to 2026. CIPFA Guidance on preparing the Annual Report for Local Government Pension Scheme Funds requires GMPF to publish a medium-term financial plan approved by those charged with governance of the Fund. It was recommended that the Management Panel approve the expenditure budget for 2023/2 and approve the Medium-Term Financial Plan for 2023 to 2026.

GMPF was required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements were prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This required that GMPF accounts should be prepared in accordance with International Accounting Standard (IAS) 26. It was recommended that the Management Panel approve the accounting policies and critical judgements contained in the report.

RESOLVED

That the report be noted

45 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions. The report provided a final progress update, confirming that the valuation project was now complete. It also highlighted that GMPF officers and the Fund's Actuary had been reviewing the suitability of the Funding Strategy Statement for cessation valuations, in light of two recent employer exits.

It was reported that officers met with the Actuary on 4 November 2022 to examine the proposed contribution rates for employers outside of local authority pools. For the 2023-2026 triennial period, most employers had benefitted from reductions in contribution rates or have seen their contribution rates stay at their current level.

In total, 373 employers had their contribution rates reduced on 1 April 2023, 194 employers had their contributions stay the same, and 75 employers had their contribution rates increase. The vast majority of increases and decreases were in the 0.1% to 3.0% range, with a few employer specific outliers.

There were a small number of employers where the contribution rates for 2023-2026 were higher than the previous contribution rates they used to pay. Generally, these employers were admission bodies that do 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 had sought to increase their funding level to ensure there was no deficit when the employer ceases to be in the Fund.

As part of this valuation, multi-academy trusts (MATs) were offered the opportunity to pool all their academies under their own MAT-specific pool. Four MATs approached GMPF to discuss pooling their academies together from 1 April 2023. Of these four, only one MAT decided to pool their academies following conversations with GMPF.

Since adoption of the latest Funding Strategy Statement in December 2022, two employers had ceased their participation in GMPF prompting cessation valuations.

RESOLVED

That the report and the completion of the valuation project be noted.

46 TRUSTEE MEMBER DEVELOPMENT POLICY AND TRAINING PLAN FOR 2023/24

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided some background information about trustee member training requirements, together with an updated version of the Trustee Member Development Policy for information. It also provided details of the training plan for 2023/24.

A new, updated Trustee Member Development policy was attached at appendix 1. This new version included:

- More information about the tools and resources available to support training
- Updated references to the CIPFA frameworks that were updated in 2021
- Confirmation of the various methods by which training will be delivered
- Reference to the annual training plan that will outline the mandatory courses, external training events and in house training events available
- Details of how the training plan will support succession planning
- Confirmation of how the success of the training strategy will be measured and future learning opportunities identified

The previous policy applied to senior officers as well as trustee members. However, officers were currently in the process of developing a Workforce development plan (linked to the Scheme Advisory Board's expectations around Good Governance). Therefore, the intention was to include details of the training requirements for senior officers within the Workforce development plan instead.

The previous policy was reviewed every two years. However, due to the current focus on good governance and the possibility of new requirements being introduced by the Regulator in the new General Code, the intention now was to review it annually to ensure it was kept up to date.

A new training plan for 2023/24 was attached at appendix 2. Officers intended to expand the number of in-house training events available, making use of the opportunity to deliver short, bite

size sessions online and thus covering a wider number of topics throughout the year. The Governance area of the website would be updated over the coming weeks to reflect the changes suggested.

RESOLVED

That the updated Trustee Member Development Policy be noted.

47 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES

Consideration was given to a report of the Director of Resources. The report summarised the work of the Risk Management and Audit Service for the period 1 January 2023 to 31 March 2023.

This progress report covered the work undertaken on the 2022/23 Pension Fund Audit Plan for the period 1 January 2023 to 31 March 2023. Analysis of Actual vs Planned Audit days was being finalised to 31 March 2023 and would be provided to the next meeting of this panel alongside the 2022/23 out-turn budget analysis report and the Audit Plan for 2023/24.

A review of the remaining audits in the plan had been undertaken and discussions had been held with Pension Fund Management to ensure that the high risk areas were prioritised for completion. The audits undertaken would provide the necessary assurance around the key systems and controls in place. There were a number of audits in the plan that would need to be rescheduled due to the timing of the proposed audits. These audits would be reassessed as part of the risk assessment for the annual planning process for the 2023/24 audit plan, to establish if they were still required.

Members discussed and requested a programme which considered the risk and balance of audits and the rationale on why audits were taking place. It was also expressed that the coverage was more important than days spent.

RESOLVED

That the report be noted.

48 URGENT ITEMS

There were no urgent items.

CHAIR