

# **GREATER MANCHESTER PENSION FUND - PENSIONS ADMINISTRATION WORKING GROUP**

**Friday, 27 January 2017**

**Commenced:** 9.00 am

**Terminated:** 10.00 am

**Present:** Councillors J Lane (Chair), Middleton, Patrick, S Quinn, Brett, Grimshaw and Stogia

**In Attendance:** Sandra Stewart Executive Director of Pensions  
Emma Mayall Pensions Policy Manager  
Victoria Plackett Pensions Operations Manager

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. MINUTES**

The minutes of the meeting of the Pensions Administration Working Group held on 14 October 2016 were approved as a correct record.

## **4. 2016 YEAR-END PENSION CONTRIBUTION RETURN PROCESS**

The Pensions Operations Manager submitted a report detailing the year-end contribution return process. The returns contained individual member pay and contribution information for all members who had paid contributions during the 1 April to 31 March period, which was uploaded to individual members records held on the pension administration system. The process was reviewed annually and feedback and data collected, which was used to make improvements.

The Group were informed that the deadline for submission of the year-end return was 7 May each year, which allowed for sufficient time to produce and send annual benefit statements by the statutory deadline of 31 August. The processing of year-end returns resulted in a significant peak of work for the teams involved with over 500 employers submitting returns.

Following feedback received from the 2015 year-end process, a significant amount of changes were made to the 2016 postings pack to improve the experience for the employer and improve the quality of the submissions. Training sessions were held, which were attended by 56 employers and officers visited some employers to discuss the process.

It was reported that 63% of employers submitted their 2016 year-end return by the deadline and over the course of the process 119 employers had their return rejected, including four of the ten local authorities. A significant amount of resource was utilised reviewing returns that had not met the expected standard and contacting employers who had failed to submit a return. Accepted returns had also generated a number of errors when they were uploaded to the system that needed investigation, which resulted in a query being raised with the employer.

In total 5,700 queries were raised, over 2,100 of which related to missing new starter notifications. By the end of December 2016 2,077 queries remained outstanding for 280 employers and 93 employers had to submit new starter notifications. A data clearance team was created to deal with the backlog and the process of contacting employers was ongoing.

The Group were notified that in preparation for the 2017 year-end postings exercise employers had been given the opportunity to participate in a data matching exercise in order to identify potential mismatches prior to the return submission date, a bulletin, which was appended to the report, had been produced and circulated to all employers with further editions to be distributed throughout the year. An online survey had been launched to gather employer's opinions, a training programme for employers was being created and a formal escalation procedure was proposed.

The Executive Director of Pensions commented that there was a need to move from an annual process to an electronic monthly postings system and that the Fund were looking at the most efficient and effective way to do this.

**RECOMMENDED:**

- (i) That the report be noted; and**
- (ii) That a further report regarding the outcome of the 2017 process be brought to a future meeting.**

## **5. AQUILA HEYWOOD 'ALTAIR' PENSION SYSTEM**

The Pensions Policy Manager submitted a report, which detailed information about the main pension software system, 'Altair' supplied by Aquila Heywood. The system was a database that stored information about each Fund member and had a suite of benefit calculations that could be performed with additional software functionality that could be purchased.

An outline of the operations of the system was provided. It was highlighted that having an efficient and effective pension system was vital to the successful operation of the administration section. The Fund was a member of the Consortium of Local Authority Superannuation Schemes who acted as an advisory body to Aquila Heywood and assisted in decision making for relevant matters. They also tested system developments prior to distribution to all clients.

The Fund had a positive relationship and held regular meetings with the system provider. They had suggested providing the Fund with a half-yearly report summarising key business activity and details of the work they had undertaken, which would be presented to the Working Group.

The Executive Director of Pensions commented that Pensions Policy Manager and herself were due to meet with the new Chief Executive of Aquila Heywood with a view to learning about future developments and sharing any concerns with a view to ensuring that system as effective as it could be.

**RECOMMENDED:**

- (i) That the report be noted; and**
- (ii) That a summary report from Aquila Heywood be brought to future meetings.**

## **6. CIPFA BENCHMARKING**

The Pensions Policy Manager submitted a report detailing the Fund's participation in the CIPFA pension administration benchmarking club, which the Fund had taken part in for a number of years and paid an annual fee. Data about membership, workloads, staff movements and performance measures formed part of the benchmarking analysis in addition to information on costs.

Key points of comparison between the Fund and other LGPS funds for 2015/16 were highlighted. The cost per member for the Fund was below average at £15.26 per year, placing GMPF at the mid to lower end of the spectrum, although this was an increase on the previous year's figure of £14.40. The indirect costs were higher than average, mainly due to higher accommodation costs, however, direct costs were lower than average and income generation was high. A time analysis of the

Fund's total costs since 2011 was appended to the report, which showed that Fund costs had remained stable.

It was reported that the number of funds participating in the CIPFA benchmarking club continued to decrease with 37 LGPS funds participating in the exercise in 2015/16. Assessing the Fund's position relative to other funds was becoming increasingly difficult as fewer funds took part. There were a number of benefits to benchmarking and it was important to continue with the exercise, however other options could be explored.

The Executive Director of Pensions commented that the Fund was looking wider than the LGPS schemes to ensure that the Fund is efficient and effective as it can be and learning from other providers.

**RECOMMENDED:**

- (i) **That the report be noted; and**
- (ii) **That further information be obtained from metropolitan fund colleagues about their continued participation in the CIPFA benchmarking club and a further report be brought to a future meeting.**

## **7. COMMUNICATION ACTIVITIES**

The Pensions Policy Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter. Statistics, information and feedback covering key activities over the period were appended to the report.

It was reported that several teams were responsible for the key communication activities, which were:-

- Communications – website editing, presenting roadshows, designing and producing annual benefit statements, booklets and newsletters
- Helpline – general telephone calls and emails
- Systems – maintenance of the website software and online forms
- Compliance – ensuring letters and other written communication were technically correct

It was proposed to bring a standard quarterly report incorporating all areas of communication with a summary of key work undertaken to future meetings of the Working Group, which would help shape the Fund's communication strategy.

Although the methods of communication were reviewed and improved on an ongoing basis, the way members were communicating with the Fund had changed significantly with an increase in email correspondence and via the website. Developments in technology had provided new and interesting opportunities to explore and a wide-scale review of member communication had been identified as a potential business plan action for 2017/18.

The Executive Director of Pensions commented that it was important that we reviewed the website to ensure it was as useful as possible to all stakeholders as well as members and employers particularly relating to governance and investment approach and performance.

**RECOMMENDED:**

- (i) **That the report be noted; and**
- (ii) **That a regular report be brought to future meetings of the Working Group.**

## **8. EMPLOYER ISSUE ESCALATION PROCEDURE**

The Pensions Operations Manager submitted a report detailing a proposed employer issue escalation procedure. The Fund's approach to identifying, monitoring and improving employer's performance had been identified as an area for review and enhancement, the first stage of which was to establish a procedure for identifying where individual employers were failing to meet the required standards.

The Working Group were notified that the Fund currently had over 500 active employers with varying degrees of LGPS knowledge and expertise. Since changes to the regulations in 2014 there had been a significant decline in the quality and timeliness of information submitted to the Fund by the employers. There were a variety of reasons cited such as a reduction in budgets, increase in staff turnover and increased workloads.

The submission of inaccurate and/or late information created additional work for the Fund and often meant that providing accurate information to its members was delayed. The Fund relied upon the quality of the data in order to provide a high level of service to its members. In addition, it could impact on the Fund's duty to meet statutory deadlines and regulatory requirements such as the issuing of annual benefit statements to members, pensions savings statements and retirement benefits.

Key areas such as general queries, year-end data submission and responses, had been identified as needing a formal escalation process. The proposed escalation procedure for each of the key areas was appended to the report and detailed a timeline for actions and the relevant responsible Fund officer. In addition, a performance monitoring log would be utilised to allow Fund officers to review all aspects of employer performance and determine the best course of action to deal effectively with the issues. The potential courses of action were outlined and included meeting senior officers, mandatory training, additional costs and reporting to the Pensions Regulator.

**RECOMMENDED:**

- (i) **That the report be noted; and**
- (ii) **That the Working Group support the adoption of an escalation procedure.**

## **9. LGPS REGULATORY AND LEGISLATIVE UPDATE**

The Pensions Policy Manager submitted a report, which summarised the recent items related to regulation and legislation linked to the LGPS.

The Working Group were informed that four pension consultation exercises were currently being conducted by the Government, which were:-

- Pension scams
- Indexation and equalisation of guaranteed minimum pensions in public service pension schemes
- Guaranteed minimum pensions equalisation
- New financial guidance body

The Government had also recently initiated an independent review of state pension age and a consultation on exit payments was undertaken at the start of 2016.

In addition, they had announced that following the spring 2017 budget a single major fiscal event would be held in the autumn each year, salary sacrifice reforms would come into effect from April 2017 onwards and the bill to require all schools in England to convert to academy status by 2022 had been abandoned.

**RECOMMENDED:**

**That the report be noted.**

## **10. ADMINISTRATION BUSINESS AND PROJECT PLANS**

The Pensions Policy Manager submitted a report, which provided a summary of the progress made on the 2016/17 business planning objectives, the other strategic and service improvement projects currently underway, items that had been identified for possible inclusion within next year's business plan and regular items of work.

An update was provided on the ten key business planning items, which had been set for the administration section in March 2016, as follows:-

- The deadline for completion of the triennial actuarial valuation project was March 2017
- All year-end processes had been received and processed
- The backlog reduction project was ongoing
- Staff training would be completed by the end of the year
- BCP development would be progressed and continue into next year
- Guaranteed minimum pension reconciliation would continue into next year.

The objectives relating to i-connect, trivial communication for new pensioners, member self-service and digital by design would be progressed during the quarter. Areas of focus for the final quarter of the year were completing the valuation, clearing the backlogs and the guaranteed minimum pension reconciliation project.

Other strategic and service improvement projects included data cleansing, internal governance management, payroll sign-off and GAD transactional data. A brief update was also provided for GMPF and employer performance statistics, Altair testing and employer admissions.

It was reported that work had commenced on potential items for the 2017/18 business plan and determining the budget for next year. Possible items for inclusion were guaranteed minimum pension reconciliation, year-end processes, employer support, business continuity plan, data cleansing and member communication.

### **RECOMMENDED:**

**That the report be noted.**

## **11. URGENT ITEMS**

There were no urgent items.