GREATER MANCHESTER PENSION FUND - EMPLOYER FUNDING VIABILITY WORKING GROUP

21 April 2017

Commenced: 9.30 am **Terminated:** 10.15 am

Present:	Councillors J Fitzpatrick (Chair), Cooney, Patrick, Mitchell, Mr Allsop and Mr Flatley	
In Attendance:	Sandra Stewart	Executive Director of Pensions
	Steven Taylor	Assistant Executive Director of Pensions (Investments)
	Paddy Dowdall	Assistant Executive Director of Pensions (Local Investments and Property)
	Euan Miller	Assistant Executive Director of Pensions (Funding and Business Development)
	Tracey Boyle	Head of Pensions Accountancy
Apologies for Absence:	Ms Herbert and Mr Llewellyn	

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. MINUTES

The Minutes of the Employer Funding Viability Working Group meeting held on 10 February 2017 were approved as a correct record.

29. 31 MARCH 2016 ACTUARIAL VALUATION

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report updating the Group on the actuarial valuation process, which was formally completed by the statutory deadline of 31 March 2017.

The whole fund results were presented to the Group; the deficit had increased from £1.3 billion in 2013 to £1.4 billion in 2016, however, £0.6 billion of this was in respect of probation liabilities that were transferred to GMPF in 2014, therefore the deficit for non-probation employers had fallen by approximately £0.5 billion. The funding level had increased from 90.5% in 2013 to 92.5% in 2016. Using the standardised assumptions developed by the Scheme Advisory Board GMPF was 105.5% funded at the valuation date.

The Greater Manchester Pension Fund 2016 Actuarial Valuation Report was appended to the report and was also available on the GMPF website and had been made available to the LGPS Scheme Advisory Board. The report summarised the valuation result and provided a detailed commentary on the method, assumption used and the benefits that the actuary had valued. It was noted that the Rates and Adjustment Certificate, which set out the contribution rates payable by each active employer, had increased in length to reflect the increase in the number of employers in recent years. Also, the certificate was now split into a ‘Primary Rate’ and a ‘Secondary Rate’.

A comparison against other LGPS Funds was outlined in the report. GMPF remained one of the better funded LGPS funds and was approximately the 14th best funded LGPS fund in England and Wales. Funding positions as a whole across the LGPS were slightly improved, however, the gap between the better funded and the less well funded had increased with a range in standardised funding levels of 66% to 123%.

It was reported that GMPF had given Local Authority employers the option of paying some or all of their contributions in advance for the period 1 April 2017 to 31 March 2020, which would help maintain their contribution rates at broadly their existing level. In addition, Local Authorities were able to vary the amount they were paying to their budget to meet the pension strain cost of non-ill health early retirements. The contribution rates for the ten Local Authorities were set out in the report and discussed with the Group.

The results for other large employers were outlined. It was reported that approximately 67% of employers had seen no change to their contribution rate, 21% of employers had seen an increase and 12% had seen a decrease in their rate, mainly employers in the education sector.

RECOMMENDED:
That the report be noted.

30. GMPF AGED DEBT AS AT 19 MARCH 2017

The Assistant Executive Director of Pensions (Local investments and Property) submitted a report summarising the aged debt for the Fund as at 19 March 2017. Aged debt typically consisted of rent arrears from tenants of GMPF property, outstanding contributions and overpayment of pensions to members, which had not yet been repaid.

A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed. The largest component of Employer Related aged debt was unpaid contributions, much of which was in respect of strain costs associated with early retirement or member transfer. It also included fees for the production of actuarial work and administration fees charged to newly admitted bodies to the fund.

The report detailed all aged debt (31 days and over) alongside comparison to the previous quarter; total aged debt was £3.867 million at 19 March 2017 compared to £2.926 million at 19 December 2016. The key trends were highlighted; property aged debt had increased from £0.271 million in December 2016 to £0.316 million at March 2017 and Employer and Overpaid Pension Aged Debt had increased from £2.655 million to £3.552 million. The bulk of Employer debt related to invoices that had been issued in respect of early retirement strain costs.

It was reported that a review of debt recovery procedures was underway with a view to implementing an escalation procedure. Potential options included adding interest to outstanding employer related debts. A report detailing the findings of the review would be brought to the next meeting of the Working Group.

For the 12 months to March 2017 5.6% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.3%. Tables which showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and were discussed with the Group.

RECOMMENDED:
(1) That the report be noted; and
(2) A report be brought back to the Working Group detailing the review of escalation procedures for employer related debt.

31. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 11 MONTHS TO FEBRUARY 2017

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the eleven months to February 2017.

Actual expenditure was £3.527 million less than the estimate of £24.831 million for the same period. The main reasons for major variations were listed and included under budget staff costs, lower than expected utility charges, delayed implementation of software upgrades and lower than budgeted manager's fees.

RECOMMENDED:
That the report be noted.

32. GMPF STATEMENT OF ACCOUNTS 2016-2017 GOVERNANCE ARRANGEMENTS

The Assistant Executive Director of Pensions (Local Investments and Property) submitted a report informing Members of the governance arrangements for approval of the GMPF accounts as part of the accounts for Tameside MBC as the administering authority. Members also considered the key assumptions for estimates used in the production of GMPF accounts.

It was reported that the timescales for approval of the accounts had been brought forward this year to prepare for the changes to the statutory deadlines for Local Authorities to produce their accounts in 2018. The plan was for the pre-audit accounts for both GMPF and the Council to be signed off by 31 May 2017 and for the process to be complete by 31 July 2017. The provisional timetable for approval of the accounts and audit reports by these bodies for 2017/18 was outlined.

The continued key assumptions used in the production of the accounts would include accruals basis, fair value for investments, market prices at bid where possible, compliance with accounting standards and best practice, liabilities in compliance with International Accounting Standard 19 and continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS.

RECOMMENDED:
(i) That the governance arrangements for the approval of GMPF accounts be noted; and
(ii) That the assumptions for estimates used in the GMPF accounts be noted.

33. BUSINESS PLAN 2017/18

The Assistant Executive Director of Pensions (Funding and Business Development) submitted a report detailing the Employer Funding aspects of the GMPF Business Plan for 2017/18.

It was reported that GMPF had a number of long-standing strategic objectives, those of particular relevance to the work of the Employer Funding Viability Working Group were set out as follows:-

- Governance of the Fund
- Delivering a low, stable employer contribution rate whilst maintaining the solvency of the Fund
- Encouraging good, secure pension provision for eligible employees
- Best Value and Reputation

The Employer Funding related business plan tasks for 2017/18 included progressing the First Group Consolidation, developing the capacity to provide bespoke investment strategies for employers, management of employer risks presented by the rapid increase in employer numbers and working with other funds and other LGPS stakeholders to tackle structural issues in the scheme.

With regards to the First Group Consolidation, the Working Group were informed that First Bus Group was one of GMPF's largest private-sector employers and subsidiaries of the Group participated in two other LGPS funds and wished to consolidate their arrangements into a single fund hosted by GMPF. First Bus wished to transfer liabilities in respect of all of its members and assets to GMPF with an effective date of 31 March 2017. In order to minimise the risk of a significant shortfall emerging, a bespoke investment strategy would be developed.

The Group were advised that work had progressed for a bespoke investment strategy for Transport for Greater Manchester. A bespoke credit portfolio had been proposed in order to meet a substantial proportion of the expected legacy liabilities and a tender exercise was underway to find a manager to undertake this mandate. GMPF would explore the development of further bespoke investment strategies for other employers.

It was reported that the number of employers actively contributing to the Fund had grown from approximately 350 at the 2013 valuation to over 500 at the 2016 valuation. It was anticipated that this growth would continue with the continuing conversion of Local Authority schools to academies and the associated outsourcing of contracts by schools. This rapid increase caused administrative and funding challenges, which could be mitigated to an extent by existing procedures that would be reviewed to ensure they were effective and fit for purpose.

The Group were notified that GMPF officers would look to work with key stakeholders such as the Scheme Advisory Board, the Local Government Association and CIPFA to develop ideas and tackle any issues, which would benefit both the administering authorities and LGPS employers.

RECOMMENDED:
(1) That the report be noted; and
(2) That further update reports be brought to future meetings of the Working Group.

34. URGENT ITEMS

There were no urgent items.