

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

28 September 2018

Commenced: 11.00 am

Terminated: 12.00 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, J Lane, Ricci, Patrick, O'Neill, Mr Allsop and Mr Llewellyn

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Emma Mayall	Pensions Policy Manager
Victoria Plackett	Pensions Operations Manager

Apologies for Absence: Councillors Ball, Grimshaw, Halliwell, Mistry and Mr Drury

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the Pensions Administration Working Group meeting held on 6 July 2018 and the Employer Funding Viability Working Group meeting held on 12 July 2018 were approved as a correct record.

3. UPDATE ON PUBLIC SERVICES SCHEME VALUATIONS AND COST CAP MECHANISMS

The Assistant Director of Pensions (Funding and Business Development) submitted a report, which provided an update on the latest developments regarding the measurement of the costs of public service pension schemes and the potential implications for the LGPS.

It was reported that The Public Service Pensions Act 2013 allowed for the establishment of an employer cost cap mechanism to ensure the future sustainability of pensions schemes costs. An update on the actuarial valuations of public service pension schemes was given to Parliament on 6 September 2018 and a technical bulletin was produced that outlined the following themes:-

- For some schemes, member benefits would have to rise and / or member contributions reduce to ensure that the cost cap was met.
- Employer contributions to the unfunded public service schemes (i.e. most public services schemes other than the LGPS) would likely rise due to a reduction in the discount rate used to calculate the theoretical cost, taking effect from April 2019.
- Scheme valuations of the LGPS carried out by the Government's Actuary's Department would move to every 4 years to ensure that public service schemes were aligned.
- The cost management process itself would be reviewed to ensure the original objectives were met.

The cost cap floor had been breached for some schemes due to lower than expected improvements in life expectancy, higher than expected savings from members exchanging pension for cash at retirement and lower than expected salary growth and expectation over the coming years. This resulted in an increase to benefits and / or a reduction in member contribution rates for the affected schemes. Scheme valuations for the LGPS would move to a 4 year cycle in order to align the date, with the next valuation now scheduled for 31 March 2020 and the discount rate adopted for cost management and setting employer contributions for unfunded schemes would change from 2.8% to 2.4% above CPI from 1 April 2019.

It was confirmed that the changes were only applicable to active members and there would be no effect on deferred members or pensioners. A House of Commons briefing paper was appended to the report for consideration by the Group.

RECOMMENDED:

That the report be noted.

4. PROBATION SYSTEM REFORM CONSULTATION

The Assistant Director of Pensions (Funding and Business Development) submitted a report that detailed a Ministry of Justice consultation that was launched in July 2018, a copy of which was appended to the report, on the probation system and the proposed creation of 10 probation regions including the continued mix of National Probation Service and Community Rehabilitation Companies.

It was reported that the Fund became the sole administering authority for the National Probation Service and 21 Community Rehabilitation Companies LGPS interests on 1 June 2014. A consultation had been launched on reorganising Probation Services to ensure the financial viability of Community Rehabilitation Companies in the short-term and the continuation of community alternatives in probationary services. The recommendation to reduce the number of Community Rehabilitation Companies from 21 to 10 from 2020 was of particular relevance for the Fund as it could result in some administrative challenges.

The consultation made no direct reference to pension considerations and the proposed changes did not appear to present a significant risk to the Fund due to the process that was developed with the Ministry of Justice in 2014 to ensure the orderly transition of funding arrangements on the change of Community Rehabilitation Companies ownership. It was possible that Probation Services in Wales would revert to the public sector and the Fund could receive a group of new active members.

RECOMMENDED:

That the report be noted.

5. COMMUNICATION ACTIVITIES

The Pensions Operations Manager submitted a report detailing the communication activities undertaken by the Fund over the last quarter.

Website statistics, data on emails and telephone calls to the Helpline and Twitter statistics over the period were appended to the report. In addition, further information continued to be gathered regarding the nature of the calls to the Helpline, which provided a greater understanding of the questions that members had regarding their pension, which could help to improve the Fund's communications to its members and employers. The main communication related tasks for the next quarter were outlined and related to the calculation and issuing of Pensions Saving Statements, the deadline of which was 6 October 2018. Information seminars would be held for relevant scheme members in the coming months and guidance sessions offered to those who required them.

An update was provided on the new member self-service module 'My Pension', which was launched in July 2018. Uptake statistics by employer were provided alongside feedback from members who had completed the registration process, both of which were positive. Information on 'My Pension' had been included in the Annual Benefit Statements, which had resulted in an increase in users, and would continue to be promoted at regular intervals. An update was also provided on the Customer Service and Feedback project. A feedback zone had been designed for the GMPF website that could capture complaints, compliments or general feedback in a consistent way and allow officers to implement any necessary procedural changes to improve the service.

It was reported that the Fund had received four compliments and no informal complaints during the quarter. A number of formal complaints were currently under the Internal Dispute Resolution Procedure, the details of which were appended to the report.

RECOMMENDED:

That the report be noted.

6. ADMINISTRATION BUSINESS & PROJECT PLANS

The Pensions Operations Manager submitted a report, which provided a summary on the progress made on the 2018/19 business planning objectives, other strategic or service improvement projects currently being worked on and regular or other items of work currently being undertaken by the section.

It was reported that in April 2018 five key business plan items were established for the administration section as follows:-

1. Structure review and staff engagement
2. Employer support
3. Member communication
4. Altair development and workflow reform
5. Move to monthly pay and contribution returns

Significant progress had been made on four of the objectives during the quarter. Work had continued on item 1 (Structure review) and a report detailing the proposed new structure would be submitted to the Employee Consultation Group meeting in October. With regard to item 3 (Member communication) the "My Pension" module had been implemented and a feedback zone on the website had been developed. With regard to item 4 (Altair development) work had commenced on setting out the terms and objectives of the joint project with Aquila Heywood to deliver the agreed programme of change. With regard to item 5 (monthly pay and contribution returns) further testing had taken place on the software to ensure it was suitable and project planning had begun.

The Working Group was informed that the section was also working on other strategic and service improvement projects as follows:- GMP Reconciliation, Trivial Commutation, Year-end processing, Death grant process review, Data and The Pensions Regulator, Annual Report 2018, Pensions Administration Standards Association accreditation and IT developments.

In relation to regular work items the report contained a performance record of the Pensions Administration section for the 12 months ending August 2018, performance of the ten Local Authorities in respect of notification of new starters and early leavers and a table of outstanding tasks that detailed the age of the tasks in relation to their completion date. It was reported that officers continued to meet with the Local Authorities each quarter to discuss key items and performance and the majority continued to show improvements in their performance. A Local Authority Pensions Workshop had been arranged for October to discuss how the Fund could support Local Authorities in delivering their pensions objectives.

Other items of work included preparation for the issuing of Pension Savings Statements and employer admissions. It was noted that the Fund, along with West Midlands Pensions Fund, had written to Prudential requesting an amendment to the charging structure for the biggest LGPS clients. Prudential were due to meet with the Fund to discuss this proposal.

RECOMMENDED:

That the report be noted.

7. GUARANTEED MINIMUM PENSION RECONCILIATION

The Pensions Policy Manager submitted a report, which provided the Working Group with an update on the Guaranteed Minimum Pension Reconciliation project, including statistics on the reconciliation matches and mismatches as at mid-September 2018.

It was reported that work on the project was progressing well and in line with the timeframes. The project team were working on responses received from HMRC to phase 1 and phase 2 queries, there had been a further assessment of low priority mismatches and work continued on recalculating benefits.

An updated project milestone plan and statistical analysis of the number of matches, mismatches and queries were appended to the report and explained to the Group. Project update meetings continued to take place fortnightly in order to monitor progress.

RECOMMENDED:

That the report be noted.

8. AQUILA HEYWOOD UPDATE

The Pensions Policy Manager submitted a report, which provided the Working Group with an update from the Fund's main pension software supplier, Aquila Heywood, for the period July to September 2018, a copy of the report was appended.

It was reported that new software had successfully been installed in August 2018 and the Fund had taken part in a testing working party. A number of key projects had significantly progressed during the quarter including the implementation of 'My Pension' and the purchase of i-connect software, which would continue to be worked on over the coming quarter. GMPF and Aquila Heywood continued to work on a number of projects together, including the implementation of Enhanced Admin to Payroll functionality.

RECOMMENDED:

That the report be noted.

9. GMPF AGED DEBT AS AT 31 AUGUST 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report summarising the aged debt for the Fund as at 31 August 2018. 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. A 'red' status was currently in place for Employer Related aged debt as the outstanding amount was above the agreed threshold of £100,000. 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) as at 31 August 2018 alongside comparison to the previous quarter; total aged debt was £3.366 million at 31 August 2018 compared to £4.738million at 31 May 2018.

The key trends were highlighted; property aged debt had decreased from £0.840 million at May 2018 to £0.491 million at August 2018 and Employer and Overpaid Pension Aged Debt had decreased from £3.898 million to £2.874 million. This was largely due to the settlement of several high value one off invoices.

For the 12 months to 31 August 2018 5.49% of debt was outstanding, the proportion of the debt considered at risk of non-payment was 0.9%. Tables that showed the highest value invoices within the Employers, Property Main Fund and the Property Venture Fund category were appended to the report and discussed with the Group.

RECOMMENDED:

That the report be noted.

10. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 5 MONTHS TO AUGUST 2018

The Assistant Director of Pensions (Local Investments and Property) submitted a report comparing the administration expenses budget against the actual results for the 5 months to August 2018.

It was reported that there was an under-spend of £999,000 against the budget of £11.974 million. The main reasons for the variation related to staff vacancies across service streams, lower than expected investment management fees, lower than expected bank charges and nominee fees and commission recapture.

RECOMMENDED:

That the report be noted.

11. URGENT ITEMS

There were no urgent items.