

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

21 December 2018

Commenced: 11.00 am

Terminated: 12.10 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, Halliwell, Mitchell, O'Neill, Mr Drury, Mr Llewellyn and McDonagh

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Emma Mayall	Pensions Policy Manager
Victoria Plackett	Pensions Operations Manager
Adrian Aguilera	Project & Policy Support Officer

Apologies for Absence: Councillors J Lane, Ricci and Mr Flatley

12. DECLARATIONS OF INTEREST

There were no declarations of interest.

13. MINUTES

The Minutes of the Administration, Employer Funding and Viability Working Group held on 28 September 2018 were approved as a correct record.

14. ADMINISTRATION BUSINESS & PROJECT PLANS

The Pensions Operations Manager submitted a report, which gave a summary on the 2018/19 business planning objectives set by the administration section, other strategic or service improvement administration projects and comments on regular and other items of work currently being undertaken. Significant progress has been made in relation to the structure review and staff engagement. A report was taken to the Employee Consultation Group meeting in October. These have been accepted with feedback received from a two week consultation being largely positive. Further work has been undertaken to enhance and improve the functionality of the My Pension module for member communications. Additional information on My Pension has been provided in the Communication Activities report.

The Administration section is currently working on a number of projects. Included within the report is a table which shows a details and key points to note of projects currently being worked on. These included GMP Reconciliation, Trivial Commutations, monthly postings and I-connect, Year-end processing, data and The Pensions Regulator (TPR), Valuation 2019, Pension Administration Strategy and PASA accreditation.

RECOMMENDED

That the report be noted.

15. 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 continuing the roll out of the My Pension online self-service module and on researching options for redesigning the GMPF website.

It was reported to the working group that 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. 'My Pension' was made available to all members in July 2018. The majority of work carried out this quarter has been on resolving issues or making improvements identified from the feedback received so far. Work has also been done on installing the calculator function for deferred members.

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 11 compliments and 13 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.

16. 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 early-December 2018.

Work has continued on recalculating benefits. To date almost 3,000 pensions have been recalculated. A breakdown of these recalculations can be found appended to the report.

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. It was reported that work on the project was progressing well and in line with the timeframes. An exercise will be carried out to update member records accordingly and to establish the final position. All further updates on this project will be provided as part of future general update reports.

RECOMMENDED:

That the report be noted.

17. GMPF ADMINISTRATION EXPENDITURE MONITORING STATEMENT FOR THE 7 MONTHS TO OCTOBER 2018

The Assistant Director of Pensions (Local Investments & Property) submitted a report comparing the administration expenses budget against the actual results for the 7 months to 31 October 2018.

It was reported that there was an under-spend of £1,589,000 against the budget of £16.282 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 owing to work which had been understated to reduce costs in these areas.

RECOMMENDED:

That the report be noted.

18. GMPF AGED DEBT AS AT 31 OCTOBER 2018

The Assistant Director of Pensions (Local Investments & Property) submitted a report summarising the aged debt for the Fund as at 31 October 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.

The Director of Pensions advised that a review was being undertaken to improve performance and early indications, that this was having an effect that could be seen in the reduced local authority debt. 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 October 2018 alongside comparison to the previous quarter; total aged debt was £1.933 million at 31 December 2018 compared to £3.366million at 31 August 2018.

The key trends were highlighted; property aged debt had decreased from £0.491 million at August 2018 to £0.671 million at October 2018 and Employer and Overpaid Pension Aged Debt had decreased from £2.874 million to £1.263 million.

For the 12 months to 31 October 2018 2.77% 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.

19. GMPF EXPENDITURE BUDGET 2019/20

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which asks the working group to approve the expenditure budget for 2019/20 alongside a medium term financial plan.

It was reported that the estimate of expenditure for 2019/20 is £35.075 million, which represents a 13.8% increase on the budget approved for 2018/19. The key changes are appended to the report and reflect the implementation of policies approved by the Management Panel including changes to investment management arrangements which make up the vast majority of the changes.

RECOMMENDED:

That the report be noted.

20. UPDATE ON GMPF'S PENSIONS TAX SUPPORT

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which updates the group on the pensions tax support provided to GMPF members likely to be affected by either the Lifetime allowance or the Annual Allowance.

The Local Pensions Board at its 9 August 2018 meeting asked the Fund to consider ways in which it could provide further support to its members on tax matters. To satisfy the request made for increased support, officers of the fund devised a 3 stage process. Stage 1 involved a group seminar led by an independent expert. Stage 2 included Individual guidance sessions to help member learn how to calculate their tax liabilities and how to make payment of their taxes. In Stage 3 members received formal individual financial advice from a FCA regulated LGPS specialist advisor looking into the detailed specifics of a members individual case.

It was reported to the working group that 210 GMPF members attended one of the main seminar events, with 87 members attending the individual guidance sessions. Feedback forms were handed to attendees of the main seminar events, the feedback was very positive and members welcomed the support. The Director of Pensions said she would come back with a report setting out proposals as to how such advice would become part of normal work programme going forward as significant number of members became affected by the tax requirements.

RECOMMENDED

That the report be noted.

21. SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Assistant Director of Pensions (Local Investments & Property) submitted a report which provides information about scheme members' AVC Investments as at 31 March 2018.

Additional Voluntary Contributions ('AVCs') allow Scheme members to pay more to build up extra savings for their retirement. When members make AVCs they pay money into a separate AVC plan and build up a pot of money, which is then used to provide additional benefits on retirement. The Prudential Assurance Company Limited is the chosen AVC provider for GMPF.

As at 31 March 2018, the GMPF Prudential AVC scheme had 6,121 contributing members, with total funds invested in excess of £70 million. There are also a small number of AVC accounts administered by providers other than Prudential. These were inherited by GMPF from other LGPS funds as a result of the Probation Service and First Group transfers.

It was reported to the working group that as of 31 March 2018 73% of members' assets in the GMPF AVC Scheme were invested in the prudential With-Profits Fund. Over a period of 10 years the AVC With-Profits Fund had received average returns of 7.35%.

At the 31 March 2018, just over 5% of members assets in the GMPF AVC Scheme were invested in the Deposit Fund. The returns on the AVC Deposit averaged 0.4% per annum over 5 years.

It was reported to the group the performance of a variety of unit linked funds on offer to AVC members. Two tables included within the report showed the best performing funds relative to benchmark and the worst performing funds.

A detailed review of the GMPF's AVC arrangements is currently in progress. The initial stage was presented to members at the January 2018 meeting of the group. It was reported to the group that during the last few months GMPF has been in discussion with prudential regarding whether there is scope for a further reduction in annual management charges on the unit linked funds, given quantity of assets held in the GMPF AVC Scheme.

Following a comprehensive review of the GMPF AVC Scheme Prudential are unable to offer a further price reduction at this time. Prudential have however committed to keep the situation under review pending a review by GMPF of the current fund range offered to members in the coming months. Prudential have also indicated they are willing to consider in future having differential pricing for our larger LGPS. Historically all 73 of Prudential's Local Government clients have been subject to the same charging structure.

It was reported that the second stage of the AVC review will be to assess the range of funds available to members, the lifestyle options and the choice of default fund. Currently the default fund is the With- Profits fund. However, before moving onto the second stage a decision needs to be made regarding whether GMPF retains Prudential as their ongoing AVC provider for the time being.

RECOMMENDED

That the report be noted.

22. URGENT ITEMS

There were no urgent items.