

Report To: **PENSION FUND MANAGEMENT PANEL/ADVISORY PANEL**

Date: 12 April 2019

Reporting Officer: Sandra Stewart - Director of Pensions
Emma Mayall - Pensions Policy Manager

Subject : **PENSIONS ADMINISTRATION UPDATE**

Report Summary: This report provides an update on the following key items:

- Business planning objectives
- Other key projects and work areas
- Technology and system developments
- The Pensions Regulator and compliance
- Administration section performance
- Anticipated future challenges

Recommendation(s): It is recommended that the Panel note the report.

Financial Implications:
(Authorised by the Section 151 Officer) One of the key objectives of the administration section is to provide value for money, delivering a service that is both meeting its member's needs and its legal obligations whilst doing so in an efficient and cost-effective way.

Legal Implications:
(Authorised by the Solicitor to the Fund) Whilst striving to deliver a value for money service, GMPF must ensure compliance with the LGPS regulations and other relevant statutory guidance. It must also have regard to The Pension Regulator's Code of Practice and guidance.

Risk Management: There are no key risks to highlight.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**

This report does not contain information that warrants its consideration in the absence of the Press or members of the public.

Background Papers: Further information can be obtained by contacting Emma Mayall, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden



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1. BACKGROUND AND INTRODUCTION

- 1.1 This report provides an update on the following items:
- Business planning objectives
 - Other key projects and work areas
 - Technology and system developments
 - The Pensions Regulator and other compliance activities
 - Administration section performance
 - Anticipated future challenges

2. BUSINESS PLANNING OBJECTIVES

- 2.1 Significant progress against the administration business plan objectives for 2018/19 has been made over the last quarter.
- 2.2 A new structure for the Administration section was put in place with effect from 2 January 2019. Most of the work relating to implementing the structure has now been completed. There are a number of transition plans in place to manage the movement of work from one team to another and some other tasks are still to be completed. Feedback so far has been very positive and plans are in place to conduct a review in June 2019 to identify if the intended objectives are being achieved.
- 2.3 The changes made are now allowing focus to be brought to some of the other business plan objectives. This includes concentrating more resource on providing support to employers, reviewing workflow processes and improving member communications.
- 2.4 The implementation of the online system *My Pension* is one of the objectives where significant progress has been made. Approximately 40,000 members have now registered and have the ability to update their personal details, make death grant nominations and access information about their benefits through their *My Pension* account. E-mails and letters are being sent out each day to members to inform them that this service is now available. Drop-in sessions to help members to register have been scheduled and a programme of roadshows and other events is planned to encourage members to sign-up. In addition, all new joiners will now receive information about *My Pension* in the first letter they receive and all the information they need about joining GMPF and the LGPS will be added to their online account.
- 2.5 Significant progress has also been made on the project to transition from receiving year-end pay and contribution returns from employers to monthly data collection. Over 40 employers are now submitting monthly returns and a programme for on-boarding all other employers before March 2020 is in place. Workshops have been held, or are scheduled, with all ten local authorities, all of which are planning to on-board from July 2019 onwards.
- 2.6 The transition to monthly data collection, the roll out of *My Pension* and the review of workflow processes will therefore remain key business plan objectives for 2019/20. In addition, work will begin on implementing a new module of the Altair pension database known as 'Enhanced Admin to Payroll'. This module will streamline and enhance current processes used to add new pensioners to the payroll. A project will also be undertaken to revise the Fund's websites. A review of the telephone software used by the Customer Services section will also be carried out.

3. OTHER KEY PROJECTS AND WORK AREAS

- 3.1 Work to revise and update the service's business continuity and disaster recovery plans is underway. New Business Impact Assessment templates are in the process of being

completed and a new overarching plan is being put together. The plans and all associated documentation will be reviewed by colleagues in Risk and Internal Audit and a test will be carried out in the summer.

- 3.2 Production of the annual report and accounts for 2018/19 is now underway. New CIPFA guidance relating to the content of reports is expected shortly. Draft guidance issued in the autumn will be used to assess the changes needed to the format and content of this year's report.
- 3.3 Annual benefit statements for deferred members for the year ending 31 March 2019 are in the process of being finalised and will be uploaded to *My Pension* accounts at the end of May 2019.
- 3.4 The process to gain PASA accreditation began last quarter with the first assessment by independent assessors RSM Limited having been carried out on 14 and 15 March 2019. RSM are due to issue a report confirming their findings shortly and provide confirmation of the date of their next visit.

4. TECHNOLOGY AND SYSTEM DEVELOPMENTS

- 4.1 Alongside the implementation of i-connect, the software system used to facilitate monthly data collection, a scheduled Altair software update (release 9.1) was successfully implemented in February 2019.
- 4.2 The financial ledger system, Agresso, was also updated during the last quarter.

5. THE PENSIONS REGULATOR AND OTHER COMPLIANCE ACTIVITIES

- 5.1 Each autumn all LGPS funds are required to complete and submit an annual scheme return to the Pensions Regulator (TPR). This year, funds were required to include on the return their common and conditional data scores. GMPF's scores were 94% and 87% respectively. The main element of missing data is that of member addresses and therefore an address and member tracing project is to be undertaken over the next 12 months to attempt to improve the number of correct and complete addresses on file.
- 5.2 Monthly meetings to review breaches and potential breaches of the law continue to take place. Steps are being taken to improve compliance, with procedures around the late payment of contributions and strain costs in particular having been strengthened. Work will continue to build on and further improve the escalation procedures around these areas over the coming months.
- 5.3 A review is underway of the procedures used when pension overpayments occur. The aim of the review is to improve how invoices are issued and how overpayments are recovered. Pension overpayments can occur as a result of the death of a member, due to the member becoming reemployed or due to revised information being received from an employer.
- 5.4 Work is still being undertaken to ensure continued compliance with data protection regulations. A number of steps have been taken to improve the recording of data breach incidents and to ensure learning is captured. A joint project with colleagues from other Tameside MBC departments will be undertaken to see if training for colleagues or compliance checking processes can be further improved.
- 5.5 A new Complaints and Disputes board was established last quarter to consider all Internal Dispute Resolution Procedure (IDRP) cases and all notable complaints. It is hoped that this board will enable complaints to be dealt with in a more consistent way, will lead to an

improvement in learning points being captured and to members receiving a satisfactory resolution at the earliest possible point in the process.

6. ADMINISTRATION SECTION PERFORMANCE

- 6.1 Performance levels have generally remained consistent across all measures over the last quarter. However, changes introduced through amendment regulations and changes to actuarial factors have resulted in some delays for members. Regulation changes allowing deferred members to access their benefits from age 55 has led to an increase in requests for benefits to be brought into payment being received. Response times were extended but are now returning to normal levels. Changes to actuarial factors also resulted in some types of pension transfer needing to be stockpiled until new factors were received. Plans are in place to clear the resulting backlogs within a reasonable timeframe.
- 6.2 31 LGPS Funds took part in the CIPFA benchmarking exercise comparing data and costs for the 2017/18 year. GMPF's net cost per member was £18.46 compared with an average across all 31 funds that took part of £21.16.

7. ANTICIPATED FUTURE CHANGES AND CHALLENGES

- 7.1 On 20 December 2018, the Government lost a Court of Appeal ruling that found that the transitional protections introduced as part of the reforms to the Firefighters' and Judges Pension schemes were age discriminatory. In both schemes, members who on 1 April 2012 were within 10 years of their Normal Pension Age were protected so they would see no change to the level of benefits or when they could expect to receive them. This ruling has implications for all public service schemes that contained similar transitional protections, including the LGPS. Therefore the Government has announced a pause in the cost cap process for public service pension schemes whilst it appeals the judgement. On 8 February 2019 the Scheme Advisory Board (SAB) confirmed that it had no option but to suspend its own cost management process pending the outcome of the McCloud appeal process. When the process recommences, it is likely that the SAB will progress previous proposals to make a number of changes to the benefits package for members.
- 7.2 The LGPS (Miscellaneous Amendment) 2018 Regulations came into force on 10 January 2019 but with certain provisions having effect from earlier dates. Key changes introduced included:
- A general power for the Secretary of State to issue statutory guidance
 - Technical amendments to allow early access to benefits for deferred members who left before 1 April 1998
 - A provision for survivors of registered civil partners or same sex marriages to receive benefits that replicate those provided to widows.
- 7.3 On 10 January 2019, the Government launched a consultation on proposed amendments to the LGPS that are intended to implement the New Fair Deal Policy protecting the pension position of local government workers who are compulsorily transferred as part of an outsourcing arrangement. Mechanisms for the transfer of assets and liabilities when LGPS employers merge are also included.
- 7.4 The Government has also indicated that further consultations are to be issued shortly.
- 7.5 The number and scale of changes made to the LGPS, or affecting it, is likely to result in number of challenges for LGPS funds over the next twelve months.

8. PENSION ADMINISTRATION BENCHMARKING

- 8.1 For some considerable time the Fund has been involved with the CIPFA benchmarking. However, we have been challenging its value to us given we are the largest LGPS Fund and really our only comparator is Strathclyde. Whereas we need to be comparing ourselves and learning from the world's top funds. Accordingly, we have been working with CEM Benchmarking to see how we could pursue this. CEM are looking to create a LGPS benchmarking group with the top 10 LGPS funds. We have stated we will engage with accessing the CEM Administration worldwide comparators even if no other LGPS fund decides to take part.

9. RECOMMENDATION

- 9.1 It is recommended that the Panel note the report.