

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

13 June 2019

Commenced: 3.00pm

Terminated: 5.15pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Michael Cullen	Employer Representative
	Jayne Hammond	Employer Representative
	Paul Taylor	Employer Representative
	David Schofield	Employee Representative
	Chris Goodwin	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative

Apologies for absence: Councillor Cooper

1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members.

2. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 14 February 2019, having been circulated, were signed by the Chair as a correct record.

3. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – EXEMPT ITEMS

RESOLVED

That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

- (i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
- (ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.

4. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups from December 2018 to March 2019, and which were submitted for approval at the Management Panel meeting on 12 April 2019.

The recommendations of each of the working groups from the meetings that had taken place since the last meeting of the Local Board, were set out in the report.

RESOLVED

That the content of the report be noted.

5. POOLING UPDATE

The Assistant Director of Pensions, Funding and Business Development submitted a report summarising the recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was explained that on 3 January 2019, MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation, a copy of which was appended to the report. Parties that were being consulted included pools, administering authorities and local pension boards.

The guidance set out the requirements on administering authorities and was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015.

As per discussion at previous Shadow Joint Committee meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place, the guidance had six sections covering: structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. The presentation delivered to the Northern LGPS Shadow Joint Committee at its meeting on 10 January 2019 considered in further detail the potential implications of the draft statutory guidance.

An initial Northern LGPS response to the consultation was sent to the Minister on 19 March 2019. A detailed commentary on individual paragraphs of the new guidance was also provided as an appendix to the Pool's response. This had been drafted by the Pool's legal advisor, Squire Patton Boggs. The Chambers previously used by the Pool, had been instructed to provide opinion on specific aspects of the new draft guidance and how this interacted with existing legislation. Final opinion was received on 28 March 2019 and this was sent to Government (links to this were provided in the report).

The Pool's response to the consultation had been made publically available on the Northern LGPS website and it received significant press coverage, details of which were provided in an appendix to the report.

It was reported that Members of the Northern LGPS Shadow Joint Committee met the Minister on 3 April 2019 and discussed the Pool's key concerns with the draft guidance and potential amendments which could make the guidance more acceptable to the Pool. Following the meeting with the Minister, the Chair received a letter from the Minister thanking the Northern LGPS Pool for attending their meeting to discuss its concerns regarding the draft guidance. A copy of the letter was appended to the report. Further to the letter, MHCLG Civil Servants met with Northern LGPS officers on 16 May 2019. During the meeting there were discussions about the Northern LGPS' approach to pooling, whether FCA regulation would be appropriate and the cost-efficiency of the Northern LGPS.

It was further explained that, pending further developments on replacement pooling guidance key steps required for the Pool include: the approval of the inter-authority agreement which would establish the Northern LGPS joint committee, the updating of each fund's Investment Strategy Statement (ISS) in which funds were required to set out their approach to pooling and how their pooling arrangements were in accordance with the guidance and continued updating of the Northern LGPS website to include the required performance, cost and stewardship information.

Each fund participating in the Pool was required to disclose pool-related information in their 2018/19 annual reports. A consistent approach to reporting was agreed at the Northern LGPS Shadow Joint Committee meeting on 16 May 2019.

LGPS Pooling national developments were also detailed in the report.

RESOLVED

That the content of the report and the developments since the previous meeting, in particular the final response submitted to the consultation on new statutory draft guidance and subsequent dialogue with Government, be noted.

6. HYMANS ROBERTSON GOOD GOVERNANCE PROJECT SURVEY

The Assistant Director of Pensions, Funding and Business Development, submitted a report informing the Local Board about the GMPF Management Panel's response to Hymans Robertson's governance survey, which formed part of the 'Good Governance' project it was facilitating for the Scheme Advisory Board. It was explained that GMPF already operated governance arrangements which were broadly similar to option 2 of Hymans' proposals, as did many of the other metropolitan LGPS funds.

RESOLVED

That the content of the report be noted.

7. GMPF AUDIT 2018/19 AND DRAFT ACCOUNTS

Consideration was given to a report of the External Auditor, Mazars LLP, which set out their approach to the 2018/19 audit.

It was noted that the estimated audit fee for 2018/2019 was £43,383.

RESOLVED

That the content of the report, including the GMPF Audit Plan 2018/19 as approved by the GMPF Management Panel on 12 April 2019; and the draft GMPF Accounts 2018/19, be noted.

8. ANNUAL REPORT

A report was submitted by the Assistant Director of Pensions, Funding and Business Development, explaining that, in line with best practice, GMPF had previously included a report on the activity of the Local Board within the GMPF Annual Report. The GMPF Annual Report 2018/19 would be submitted to the GMPF Management Panel on 19 July 2019 for approval.

In respect of a query from Local Board members regarding terms of office for union members, the Director of Pensions explained that a response was still awaited from the TUC and it was agreed that the Director would report back at the next meeting of the Board.

RESOLVED

That the content of the report be noted.

9. EXIT PAYMENT CAP

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, informing Local Board members about the latest developments regarding the proposed public sector cap on exit payments.

It was explained that, on 10 April 2019, Government had opened a consultation on restricting exit payments in the public sector, including local government. The consultation would run for twelve weeks and would close on 3 July 2019. A link to the consultation was provided in the report. It was expected that there would be an LGPS specific consultation in the near future, but exact dates were not yet known.

RESOLVED

That the content of the report be noted.

10. ADMINISTRATION UPDATE

The Pensions Operations Manager submitted a report providing a summary of the following:

- An update on the 2019/20 business planning objectives set by the Administration section;
- Other strategic or service improvement administration projects currently being worked on;
- Comments on regular and other items of work currently being undertaken by the section; and
- Wider LGPS issues and items, including expected changes to the structuring of the Probation Service.

The report further commented on the CIPFA document entitled 'Administration in the LGPS: a guide for pensions authorities', published in March 2019.

RESOLVED

That the content of the report be noted.

11. 2019 ACTUARIAL VALUATION

The Assistant Director of Pensions, Funding and Business Development, explained that the 31 March 2019 actuarial valuation process had commenced for all LGPS funds in England and Wales. The valuation would determine employer contribution rates from 1 April 2020. The report provided a high level update on some of the key factors which would likely influence the valuation outcomes;

The report gave details of:

- Funding Strategy Statement;
- 2016 Valuation Results and Subsequent Experience; and
- Setting Assumptions for the 2019 Valuation.

It was explained that the annual update meeting for employers would be held on 19 July 2019 following the Management Panel meeting. The agenda would include a presentation from the GMPF actuary outlining the valuation process and potential outcomes. This would be at a 'whole fund' level and would not be employer specific. The Actuary may also comment on Hymans Robertson's 'Club Vita' programme which was used to analyse life expectancy trends and set assumptions.

RESOLVED

That the content of the report be noted, including the valuation timescales and the factors potentially impacting the valuation outcomes.

12. THE PENSIONS REGULATOR

A report of the Assistant Director, Funding and Business Development and the Assistant Director for Pensions Administration was submitted, providing the Local Board with an update on work relating to the Pensions Regulator's Code of Practice number 14 that was currently being carried

out; a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches; and information about Pensions Regulator activity in the last quarter.

Further to issues raised at the last meeting of the Board in respect of a specific GMPF employer, Members sought reassurance that this matter was being addressed. The Director of Pensions acknowledged the concerns raised and assured Board members that dialogue/communication was ongoing with the employer concerned in order to bring about a speedy resolution to the issue.

The report also gave details of:

- Breaches of the law logged so far in 2018/19;
- Issues and Escalation Procedures relating to Late Payment of Contributions; and
- Updates from the Pensions Regulator.

RESOLVED

- (i) **That the work being undertaken or planned to ensure GMPF continues to comply with TPR's Code of Practice number 14 be noted; and**
- (ii) **That the current breaches log and the decisions made by the Scheme Manager regarding reporting those breaches, be noted.**

13. CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK CONSULTATION

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, giving information about the recently released consultation on proposed changes to the actuarial valuation cycle, Part 1 Scheme Employers, the introduction of deferred debt arrangements in the LGPS and clarification on the circumstances in which exit credits could be paid.

RESOLVED

That the content of the report be noted.

14. RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2018/19

The Head of Risk Management and Audit Services submitted a report summarising the work performed by the Service Unit and provided assurances as to the adequacy of the Greater Manchester Pension Fund's system of internal control. Key achievements of the service provided to the Pension Fund for 2018/19 were detailed. The full year position of the audit plan was appended to the report. Actual days spent as at 31 March 2019 were 285 which equated to 95% and 93% of planned audits were completed in those days.

With regard to anti-fraud work and irregularity investigations, it was reported that data sets for the NFI 2018 Data Matching Exercise were uploaded in October 2018 and the matches identified for Tameside were received in February 2019. The results were in the process of being investigated.

In respect of Risk Management and Insurance, approved priorities for 2018/19 were detailed. Key Performance Indicators for 2018/19 applicable to the Pension Fund were detailed in the report. It was reported that four of the five performance indicators had been achieved, however it was further acknowledged that not all the measures used were fully within the control of the team.

The report concluded that, from the work undertaken during 2018/19, the Local Board could take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, were suitably designed and applied effectively. Where improvements had been highlighted, managers had agreed to implement the suggested recommendations and this would aid the management of risks and support the overall control environment.

The draft Annual Governance Statement for 2018/19 was presented to the Council's Audit Panel on 4 June 2019 for approval. The final Annual Governance Statement would be presented to the next meeting of the Local Board.

RESOLVED

That the content of the report and the performance of the Risk Management and Audit Service during 2018/19, be noted.

15. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2018/19

Consideration was given to a report of the Head of Risk Management and Audit Services presenting the planned work for the Risk Management and Audit Service for 2019/20.

RESOLVED

- (i) That the Internal Audit Plan for 2019/20 (as at Appendix 1 to the report) be noted, including the planned work for the Risk Management and Insurance Team;**
- (ii) That the Audit Strategy for 2019/20 (as at Appendix 2 to the report) be noted;**
- (iii) That the Audit Charter for 2019/20 (as at Appendix 3 to the report) be noted; and**
- (iv) That the Quality Assurance and Improvement Programme for 2019/20 (as at Appendix 4 to the report) be noted.**

16. URGENT ITEMS

The Chair reported that there were no urgent items received for consideration at this meeting.

CHAIR