

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

22 March 2019

Commenced:
11.00 am

Terminated: 12.17 pm

Present: Councillors J Fitzpatrick (Chair), Drennan, Ball, Grimshaw, Halliwell, Mistry, Mitchell, Mr Flatley, Mr Llewellyn and McDonagh

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Adrian Aguilera	Project & Policy Support Officer
Tracey Boyle	Head of Pensions Accountancy
Victoria Plackett	Pensions Operations Manager
Emma Mayall	Pensions Policy Manager

Apologies for Absence: Councillor Ricci

23 DECLARATIONS OF INTEREST

There were no declarations of interest.

24 MINUTES

The Minutes of the Administration, Employer Funding and Viability Working Group held on 21 December 2018 were approved as a correct record.

25 BUSINESS PLANNING

The Pensions Policy Manager submitted a report that provided the Working Group with a summary of the progress against the business plan objectives that were set for the Administration area for 2018/19. It included details of the draft business plans for the Administration, Funding and Accountancy teams for 2019/20.

The Pensions Policy Manager outlined the proposed business plan items for 2019/20 appended to the report. The project to revise the fund's website was highlighted as a significant project. The working group were informed that a soft market test had been carried out and work on procuring a partner to help carry out this work was now underway.

RECOMMENDED

That the report be noted.

26 STRATEGIC UPDATE

The Assistant Director (Funding & Business Development) submitted a report that updated the Working Group on the Administration Strategic Service. The Assistant Director (Funding & Business Development) outlined the administration projects and areas of work being undertaken across the Administration, Funding and Accountancy teams. The Group was informed that business continuity and disaster recovery planning business plan would be finalised in April and testing would be carried out in June. The Working Group was informed that work on the Annual report and Accounts

was underway and that work was being done to ensure GDPR compliance and wider proposals and issues affecting LGPS.

The Assistant Director (Funding & Business Development) explained that a court ruling 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 reduction to the level of benefits or when they could expect to receive them without reduction. Government is understood to be looking to appeal this judgement.

The Government on the 10 January 2019 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.

RECOMMENDED

That the report be noted.

27 DEVELOPMENT & TECHNOLOGIES UPDATE

The Pensions Policy Manager submitted a report to the Working Group, providing a summary of the work and projects being carried out by the developments and technologies are of the Pension Administration.

The Working Group was updated on the implementation of the I-Connect System, final testing of the software had been taking place since the beginning of January and the system went live in the last week of February. The Employer Services area was then able to on-board the first employer.

The Pensions Policy Manager informed the Working Group that the enhanced Admin to Payroll Module was about to become available and would improve the interface between the administration and payroll modules of Altair. Implementation of this software should result in greater accuracy, as significantly less manual input would be required in order to add new members to the payroll. It should also reduce the resource needed to carry out this process, as checks that were currently carried out manually would be carried out automatically by the software.

The Working Group was informed of the My Pension developments, it was reported that changes were being made to the processes used when new members join GMPF. From April 2019, all new joiners would receive an activation key on joining and would be asked to register for My Pension and access their online account to view their new starter pack. Pensioner members would be able to see a copy of their P60 online for the first time in April together with an online copy of the Grapevine newsletter. Plans would also underway to enable them to notify a change of bank details through My Pension.

There was a statutory obligation to provide members with a P60 and so where members request a paper version of this document in future it would be provided. All pensioners would receive a paper P60 in April together with a Grapevine newsletter to tell them that they would receive a paper copy as standard for the last time in April 2019 unless they requested one.

Members enquired on the accuracy of the current Payment Module. The Pensions Policy Manager informed members that the current level of accuracy as high and that this software would remove the requirement to cross-check manual input and thus reduce resource needed to carry out the process.

RECOMMENDED

That the report be noted.

28 COMMUNICATIONS & ENGAGEMENT UPDATE

The Pensions Policy Manager submitted a report that provided the Working Group with a summary of the work and projects being carried out by the Communications and Engagement area of Pension Administration.

Members were informed that since the last Working Group, 14 service complaints have been received. Four of these related to a delay in the payment of deferred benefits and three related to the recent decision to cease the provision of paper payslips for pensioner members. A total of 15 compliments were submitted through the feedback zone, spread across a number of service areas regarding the speed at which members received a response, the quality of information provided and the support given to members.

The Pensions Policy Manager informed the Working Group that work had begun on the production of the Annual Report for 2018/19. A project team had been set up and project meetings have been scheduled. CIPFA guidance was yet to be released to confirm the 2018/19 standards that funds must adhere to. However, based on draft guidance, GMPF did not expect there to be significant changes to the reporting requirements that were in force last year.

RECOMMENDED

That the report be noted.

29 MEMBER SERVICES UPDATE

The Pensions Operations Manager submitted a report that provided the Working Group with a summary of the work and projects being carried out by the Member Services area of Pension Administration.

The Working Group was informed that work was due to begin on procuring a new partner to assist with address and member tracing. A number of steps had been taken to ensure correct address data was held, including enhancing the address selection functionality within Altair, giving members the ability to update their own address using My Pension and improving address data cleansing procedures. However, address data was currently missing for around 5.25% of members and therefore GMPF was looking to work with a partner to assist with tracing members at their new address.

The Pensions Operations Manager advised the Working Group that performance against key performance indicators remain consistent across all areas. Changes to the regulations allowing deferred members to access their benefits from age 55 led to an increase in requests for benefits to be brought into payment being received. Response times were extended but were now returning to normal levels.

The number of retirement estimates being produced for members had reduced significantly due to the estimate facility being available to members within My Pension. Unless the member was within 6 months of their estimated retirement date, officers were advising the members that they could generate their own estimate through My Pension once they had registered.

The Working Group was informed that changes were currently being made to enable new joiners to receive information through their My Pension account when they joined.

The Pensions Operations Manager advised the Working Group that the process of dealing with death grant cases that fell outside the normal payment policy guidelines has been greatly improved since the Death Grant Board was introduced. Further work was scheduled to revise the payment guidelines and improve upon the letters issued.

RECOMMENDED

That the report be noted.

30 EMPLOYER SERVICES UPDATE

The Pensions Operations Manager submitted a report with a summary of the work and projects being carried out by the Employer Services area of Pension Administration.

The Working Group was informed that the meetings for the 2019 Valuation process had now commenced. Testing of the extract and upload process to the Hyman's Robertson data portal was due to commence this month. A test submission will also highlight issues with the actual data which may require investigation and resolution prior to the submission deadline.

The Pensions Operations Manager provided an update on employer meetings and training. Local Authority employer meetings are generally held each quarter, this quarter they were focussed on the transition to monthly data collection. The remit and agenda for future quarterly meetings was being considered.

In January and February 2019, GMPF facilitated a number of training sessions for employers. Representatives from 7 Local Authorities attended the training with 110 employer liaison officers being trained from a wide range of employers over a number of sessions.

The Working Group was informed that there continues to be a significant number of employers applying to join GMPF with 44 Admission Body and 36 Academy applications currently being progressed.

The Pensions Operations Manager updated the Working Group on the transition to monthly data collection. There was a planned programme of on-boarding now in progress and it is expected that 100 employers would be on-boarded by April 2019. The move to monthly returns for these employers would mean that there was no requirement for them to submit a year-end return for the 2018/19 year.

RECOMMENDED

That the report be noted.

31 2019 ACTUARIAL VALUATION

The Assistant Director (Funding and Business Development) submitted a report providing a high level update on some of the key factors, which would likely influence the valuation outcomes and set out an overview of the valuation project.

The Working Group was informed that the actuarial valuation process would determine the funding position of GMPF at 31 March 2019 and contribution rates for each participating employer from 1 April 2020. Traditionally actuarial valuations in the LGPS had been undertaken every 3 years; however it was understood that Government is seeking to align the local valuation cycle in the LGPS with the 4-yearly valuation cycle for other Public Service Pension Schemes. The contribution rates set at this valuation may once again apply for a 3-year period, however this could then be followed by a 2-year period prior to the commencement of the 4-year cycle. Alternatively, this valuation could set contribution rates for a 5 year period, potentially with the ability to refuse the rates in special circumstances.

An updated, Funding Strategy Statement setting out amongst other things the methodology for setting contribution rates, is expected to be issued to employers for consultation over summer 2019 following consideration by the Working Group at its 12 July 2019 meeting and the GMPF Management Panel at its 19 July 2019 meeting.

The Working Group were informed that significant areas of uncertainty were the impact of the Public Service Pension Scheme Cost Management Process and the pending appeal by Government against a finding that the transitional measures introduced in the Firefighters and Judges pension schemes were discriminatory, which could have wide-ranging implications for all Public Service Pension Schemes.

Members enquired on the possible changes to the assumptions from the 2016 valuation. Members questioned why there may be a reduction in the assumed rate of improvements in life-expectancy. The Assistant Director (Funding & Business Development) informed members that increases in life expectancy across the population as a whole had not risen as quickly as anticipated over the last few years. However analysis of the experience of GMPF members would be required. The Assistant Director (Fund & Business Development) informed the Working Group that a report will be submitted to a future meeting of the Working Group on this subject.

RECOMMENDED

That the report be noted.

32 FAIR DEAL

The Assistant Director (Funding & Business Development) submitted a report to provide the Working Group with an update on the Fair Deal proposals and their possible impacts.

On 10 January 2019, Government published its consultation on draft amendment regulations designed to implement its Fair Deal policy within the LGPS. The draft amendment regulations seek to introduce a new regulation into the LGPS Regulations 2013. Under this new regulation, an LGPS employer must ensure that 'protected transferees' were given access to membership of the LGPS for as long as they remain a protected transferee and had an entitlement to membership of the scheme.

The Working Group was informed that the consultation proposed that service providers did not necessarily need to become admission bodies in the LGPS to participate in the scheme. Instead, 'deemed employer' status could be used instead. In practice, for outsourced employees they would be legally employed by their contractor, but for pension purposes their employer would be the original scheme employer such as a Local Authority or Academy school.

In recent years, there had been an increase in the number of scheme employers involved in mergers or takeovers. This increase was partly a consequence of reforms within the public sector such as Local Authority schools becoming academies and changes to further education funding. These new scheme employers had themselves been merging and changing at a rapid pace.

The Assistant Director (Funding & Business Development) informed the Working Group that the Government was proposing to amend the regulations so that when a scheme employer was merged into or taken over by another organisation, the responsibility for their pensions liabilities automatically transferred to the successor body (unless specific legislative provisions state otherwise). Government hoped that mergers and takeovers would occur without unintended consequences in respect of an employer's LGPS liabilities through this method.

Members of the Working Group enquired on the potential implications of the Deemed Employer status. Members stated the importance that the deemed employer retained liability for employer contributions.

RECOMMENDED

That the report be noted.

33 AVC REVIEW

The Assistant Director (Funding & Business Development) submitted a report asking the Working Group to support making the strategic changes to the AVC fund range and default fund set out in the report.

Additional Voluntary Contributions ('AVCs') allowed Scheme members to pay more to build up extra savings for their retirement. When members make AVCs they paid money into a separate AVC plan and built up a pot of money which was then used to provide additional benefits on retirement.

Further to discussions at previous meetings of the working group, a detailed review of GMPF's AVC arrangements was in progress. At its December 2018 meeting, the Working Group recommended that Prudential be retained as GMPF's ongoing AVC provider for the time being.

Following this decision a second stage of the review was to consider the appropriate fund range to offer to members, the lifestyle options (members who have chosen a lifestyle option automatically have their AVC fund gradually moved into lower-risk asset classes as they approach retirement) and the choice of default fund for any members who would not wish to make their own fund choices. Currently the default fund was the With-Profits fund.

The Working Group was informed that there was considerable overlap between some of the funds and arguably too much choice for members, which would make selecting funds unnecessarily challenging. Rationalising the available options may achieve both a reduction in the governance burden of providing oversight of the AVC fund range and assist members in making appropriate investment choices. A specialist team at Hymans Robertson had analysed GMPF's current AVC fund range and had provided advice on how the fund range could be effectively streamlined.

The Assistant Director (Funding & Business Development) proposed that a further report is produced for the next meeting of the Working Group or the Management Panel setting out in detail the actions required and timescales for making the strategic changes to the AVC arrangements outlined in this report.

RESOLVED

- (i) That the report be noted.**
- (ii) That a report is produced for the next meeting of the Working Group or the Management Panel, setting out actions required and timescales for making the strategic changes to the AVC arrangements outlined in this report.**

34 ADMIN EXPENDITURE

The Assistant Director of Pensions (Local Investments & Property) submitted a report to compare the administration expenses budget against the actual results for the 10 months to January 2019.

The report detailed the administration expenses incurred by the Fund. Comparison was made against the budget for the same period which was derived from the Original Estimate for 2018/2019 approved by the members at the Management Panel Meeting of 23 March 2018.

RECOMMENDED

That the report be noted.

35 STATEMENT OF ACCOUNTS

The Assistant Director of Pensions (Local Investments & Property) submitted a report that informed Members about the governance arrangements for approval of the accounts for Greater Manchester

Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. The report asked Members to note the key assumptions for estimates used in the GMPF accounts.

The report outlined the provisional timetable for approval of accounts and audit reports for 2018/19. The plan, drawn up to meet legal requirements, is that the pre-audit accounts of both TMBC and GMPF be signed off by the S151 officer of the Council by 31 May 2019.

RECOMMENDED

That the report be noted.

36 AGED DEBT

The Assistant Director of Pensions (Local Investments & Property) submitted a report that summarises the aged debt for the Fund as at 31 January 2019. 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 report detailed that total aged debt was £2.072 million at 31 January 2019 compared to £1.933 million as at 31 October 2018. The key trends were highlighted. It was considered a very high probability that the vast amount of property and employer debt would ultimately be recovered. A calculation at 31 March 2018 established that the risk of non-payment across the total annual debts was negligible. A summary of debt across the four separate areas of Property Main Fund, Property Venture Fund, Employer Related and Overpayment of Pensions was detailed.

RECOMMENDED

That the report be noted

37 EMPLOYER UPDATE

The Assistant Director of Pensions (Funding & Business Development) submitted a report that summarised recent significant developments in respect of the operator of 3 Community Rehabilitation Companies who deliver probation services and at one of GMPF's major admitted bodies.

In July 2018, the Ministry of Justice (MoJ) opened a consultation on reorganising Probation Services to ensure the financial viability of CRCs in the short-term and to ensure the continuation of community alternatives in probationary services. The consultation closed on 21 September, however the results had not yet been published. The consultation made no direct reference to pension considerations. With the exception of the potential administration workload referred to above, the proposed changes did not appear to present significant risks to the Fund, primarily due to the process developed alongside the MoJ in 2014 to ensure an orderly transition of funding arrangements on the change of CRC ownership.

The Working Group was informed that the consultation had proposed to create 10 probation regions in England and configure service delivery within each area with one CRC per probation region. It appeared likely that most Probation Services in Wales would revert to the public sector.

RECOMMENDED

That the report be noted.

38 URGENT ITEMS

There were no urgent items.