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

12 July 2019

Commenced: 11:00 **Terminated:** 12:31

Present: Councillors M Smith (Chair), Cooney, Drennan, Grimshaw, Jabbar, Mitchell, O'Neill, Patrick Ricci and Wills

Mr Drury

In Attendance:	Sandra Stewart	Director of Governance and Pensions
	Euan Miller	Assistant Director of Pensions (Funding & Business Development)
	Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
	Victoria Plackett	Head of Pensions Administration
	Emma Mayall	Assistant Director for Pensions Administration
	Georgia Ryan	Section Manager Pensions Administration
	Councillor Oliver Ryan	Observer
	Councillor John Pantell	Observer

Apologies for Absence: Councillors Andrews, Halliwell, McDonagh, Parkinson and Sharif

Mr Llewellyn and Mr Flatley

1 DECLARATIONS OF INTEREST

There were no declarations of interest.

2 MINUTES

The Minutes of the Administration, Employer Funding and Viability Working Group meeting held on the 22 March 2019 were approved as a correct record with the inclusion of Councillor O'Neill in the list of persons present.

3 2019 ACTUARIAL VALUATION

The Working Group received two presentations in relation to Actuarial Valuation from Steven Law Actuary for Hymans Robertson and Gavin Hutchinson, Senior Manager and Employer Covenant Specialist at PricewaterhouseCoopers.

Hymans Robertson, Actuary to the Fund would shortly begin their calculations in order to produce valuation results for the Fund as a whole as well as funding level estimates and contribution rates for individual employers.

Members were presented with a valuation timetable and an update on the regulatory backdrop. A valuation was undertaken to comply with requisite legislation and as part of a continual 'health check' on fund solvency which was then used to calculate the employer contribution rates. The valuation can be used to review long term funding and investment strategies and ensure the fund complies with funding regulators.

Members were advised that the valuations incorporated a number of financial and demographic assumptions. This included a detailed analysis of the assumed investment returns, benefit increases, salary growth, longevity and demographic assumptions. Mr Law answered Member's questions regarding the longevity and demographic assumptions, Members were informed that longevity was still improving among the more affluent areas. The potential outcomes were presented to the Working Group taking into account the recommended assumptions and funding level results. It was reported that the market condition and cost sharing could put upward pressure on primary rates and that improved funding levels would lead to lower secondary rates.

In line with the expectations of the pensions regulator, the GMPF engaged a professional employer covenant advisor to provide input to the process of setting appropriate employer contribution rates. Mr Hutchinson, Employer Covenant Specialist at PwC presented the covenant, training agenda, principles and methodology for the Fund.

Members of the Working Group were presented with the Covenant Principles and their relevance to LGPS, it was explained to Members that the review focusses on a number of key areas which identifies the key drivers of the covenant rating, including strengths and risks to help identify future changes in covenant. It was explained that the methodology used would be a proportionate approach. The KPIs used comprised of a balance sheet strength indicator and earnings strength rating. An overview of the draft results was presented to the Working Group, it was highlighted that excluding Councils, more scheme deficit was attributable to housing associations than any other type of employer. Before guarantees, the categories of employers that been found to be higher risk were charities, contractors, and academies.

It was explained that after guarantees were taken into account, the risk profile of the Fund changed materially. Members were given a breakdown of the draft results which included guarantees for the sectors, Universities, Charities, Companies and Contractors, Housing Associations, Colleges and Academy schools.

RECOMMENDED
That the report be noted.

4 STRATEGIC UPDATE

Consideration was given to a report of the Assistant Director of Pensions (Funding & Business Development), which provided the Working Group with a summary of the strategic improvement administration projects and areas that were worked on by the Administration, Funding and Accountancy teams.

Members of the Working Group were informed that the annual report and accounts for 2018/19 were almost complete. The external audit was due to be finalised in July 2019. Internal audit would carry out a review of the new Business Continuity Plan (BCP) and testing schedule over the next quarter, the outcome would be reported at a future meeting.

Monthly meetings to review breaches and potential breaches of the law had continued to take place. The work undertaken by the Accountancy team over the last twelve months has substantially reduced the number of late payments being received.

The Assistant Director (Funding & Business Development) updated Members on progress of the application for PASA accreditation. Feedback was received from the independent assorts RSM Limited in April following a desktop review of GMPF's written submission and supporting evidence. The assessors indicated areas where they would like to see the outcome of projects currently being undertaken, before they return to carry out the next stage of the process.

It was reported that work over the last quarter continued on the review of GMPF's AVC provider and offering, a report would be presented to the next Pension Fund Management Panel meeting on the

19 July 2019. Members were informed that testing of new laptops and associated hardware for the IT replacement Programme had taken place. The costs of replace existing hardware and upgrade to windows 10 would be approximately £180,000.

Members of the Working Group were informed that views were sought by MHCLG on the Local Valuation Cycle and Management of Employer Risk, the consultation runs from 8 May to 31 July.

RECOMMENDED
That the report be noted.

5 DEVELOPMENT & TECHNOLOGIES UPDATE

The Assistant Director for Administration provided the Working Group with a summary of the work being carried out by the Developments & Technologies area of the Pension Administration.

Members of the Working Group were informed that work on the on-boarding of the I-Connect System had recommenced and the project team were working with the next group of employers who were due to on-board this quarter.

It was reported that work had started on the enhanced admins to payroll module that would improve the interface between the administration and payroll modules of Altair. The module was due to go live with the Altair 10 release in autumn. Preparation was underway for testing and adoption of release Altair 10, Members were given a detailed breakdown of the features within the new release.

The Assistant Director for Administration provided an update on Compliance Activities, 3 Complaints and Disputes Board meetings had taken place during the last quarter and the Board considered 16 cases with complaints.

RECOMMENDED
That the report be noted.

6 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

The Assistant Director for Pensions Administration submitted a report, which provided the Working Group with a summary of the work and projects being carried out by the Communications & Engagement area of Pension Administration.

Members of the Working Group were informed that a project was underway to redevelop the Funds website, the invitation to tender (ITT) was issued in April and an evaluation of the bids was undertaken in March and June to determine the winning bidder. The planned contract start date upon which work on the project with the appointed company would begin would be in early august.

As reported at previous Working Group meetings, promotion of the My Pension online service continued, a number of drop-in sessions at the GMPF offices took place during April and May. Similar events would be held at various local authority venues within Greater Manchester.

The Assistant Director for Pensions Administration informed Members of the Working Group that a record number of calls and emails were received by the Customer Services Helpline in May. Over 7473 calls were answered, with several other teams assisting. Since the last Working Group meeting 67 service complaints had been received, 45 of these related to members dissatisfaction. The remaining 22 were in relation to general service complaints. A total of 33 compliments were submitted through the feedback zone, spread across a number of service areas.

It was explained by the Assistant Director for Pensions Administration that the challenge going forward would be the increase in contact from members that had been experienced in recent

months and the work being undertaken to reword some of the information on the My Pension registration screen to make it easier to follow.

RECOMMENDED
That the report be noted.

7 ADMINISTRATION MEMBER SERVICES UPDATE

Consideration was given to a report of the Head of Pension Administration, which provided the Working Group with a summary of the work and projects being carried out by the Member Services area of Pension Administration.

Members received an update on the following work and projects, additional pension factor changes, annual benefit statements and pension saving statements, national fraud initiative cases and performance against key performance indicators.

The Head of Pensions Administration informed members that teams had been assisting customer services tasks due to the increase in telephone calls and written queries over the last quarter whilst continuing with their own workloads and service review transition tasks. There continued to be a significant number of deferred members requesting to take their benefits early due to the change in regulations that took place last year. Turnaround times were extended this area continues to be monitored closely.

RECOMMENDED
That the report be noted.

8 ADMINISTRATION EMPLOYER SERVICES UPDATE

Consideration was given to a report of the Head of Pensions Administration, which provided the Working Group with a summary of the work and projects being carried out by the Employer Services area of Pension Administration.

Members of the Working Group were updated on the following projects being undertaken by the Employer Services area, preparations for the 2019 valuation, employer admissions and issues, transition to monthly data collection, year-end returns, employer performance, audits and employer training.

It was reported that almost all year-end returns were processed within five days of being received and the majority of queries were issued within a month.

The Head of Pension Administration informed Members of the challenges that the Administration Service faced. A significant number of employer admission applications had progressed over the quarter. Despite comprehensive guidance notes being available for prospective employers, a significant amount of time was spent supporting employers with the application process.

RECOMMENDED
That the report be noted.

9 BENCHMARKING AND KPIS - CEM & CIPFA

The Assistant Director for Administration submitted a report, which provided the Working Group with information on how the Pension Administration section benchmarks its service against others and proposes enhancement of the area of work going forward.

Members of the Working Group were informed of the proposal for GMPF to participate in the CEM benchmarking programme alongside the other metropolitan funds. It was also proposed that GMPF review and amend the key performance data that was collected and change the presentation format so that it fully meets with the expectations set out in CIPFA guidance.

The Assistant Director for Administration explained that the CEM benchmarking data collection process had already been reviewed by officers and in general there were not expected to be any issues with completing the submission by the required deadlines. It was reported that changing performance would be difficult, cases target times were built into the workflow processes contained within the Altair pension administration system. The changes required involve complex work to be undertaken, which would take both specific resource and time to complete. It was likely there would be a period of transition where it may not be possible to report on all areas consistently. However, the changes would ultimately lead to a better and more consistent approach.

RECOMMENDED
That the report be noted.

10 EXIT CAP

Consideration was given to a report of the Assistant Director of Pensions (Funding & Business Development) which, informed the Working Group on the latest developments regarding the proposed public sector cap on exit payments.

Members of the Working Group were informed that the government was proposing a staged process of implementation of the Exit Cap across the public sector. The first stage would capture most public sector employees, before extending the cap to the rest of the public sector in the second stage.

If the exit payment cap were to be implemented under the current LGPS Regulations there would be a tension between the obligation to limit exit payments and a member's right to an unreduced pension under certain circumstances. The Exit Cap would apply to all payments received by a member, such as their redundancy pay, meaning that the value of permissible pension strain would likely be materially smaller than the £95,000 limit.

RECOMMENDED
That the report be noted.

11 EMPLOYER RISK CONSULTATION

The Assistant Director of Pensions (Funding & Business Development) submitted a report, which informed the Working Group on the recently released consultation on proposed changes to the actuarial valuation cycle, 'Part' 2 Scheme Employers, the introduction of deferred debt arrangements in the LGPS and clarification on the circumstances in which exit credits can be paid.

Members were updated on the consultation, which seeks to bring the LGPS in line with the other public sector schemes by changing the regulations to having quadrennial cycles. MHCLG's preferred option was to have a three year actuarial valuation followed by a shorter two year actuarial valuation. MHCLG were looking for comments from LGPS funds and employers as to their preferred approach.

Members of the Working Group were updated on potential changes to valuation periods. The solution envisaged was the introduction of 'deferred employers' who had deferred debt arrangements in place. The LGPS fund would decide as to which employers would qualify for 'deferred employer' status, but would be aimed at employers who would not place the fund under undue covenant risk.

The Assistant Director of Pensions (Funding & Business Development) advised Members on the proposed amendments to Exit Credits. The consultation seeks to allow an administering authority to take into account a service provider's exposure to risk in calculating the value of an exit credit. This would place a burden on LGPS funds to determine whether risk sharing might have occurred between a contracting employer and their service provider even though the LGPS fund would not be party to the contract.

RECOMMENDED
That the report be noted.

12 ADMINISTRATION EXPENDITURE MONITORING STATEMENT

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which detailed the administration expenses incurred by the Fund for the 12 months to 31 March 2019. Comparison was made against the budget for the same period of £23,784,000, which was derived from the original estimate for 2018/2019 approved by the members at the Management Panel Meeting of 23 March 2018. It was report that in the 12 months to 31 March 2019 there was an under-spend of £3,844,000 against the budget of £30,828,000 for that period.

RECOMMENDED
That the report be noted.

13 ACCOUNTING FOR PENSION COSTS IAS

Consideration was given to the report of the Assistant Director of Pensions (Funding & Business Development), which detailed the years local authority pension accounting reports.

It was reported to the Working Group that all local authority employers experienced a negative impact on their reported funding level between 2018 and 2019. The 12 months to 31 March 2019 had seen positive returns in equity markets. The return for the main Fund shown in the draft 2019 GMPF annual report and accounts was 5.6%, which was greater than the Actuary's long term assumed real rate of return of 2.7% at the start of the account period.

The cash deficit for the typical local authority had increased slightly. Members were given a comparison of the assumptions on Price, Salary, Pension increases and the Discount rate as at 31 March 2018 and 2019.

Members were informed that most employers had a deficit on an IAS 19 basis of calculation, due largely to the continued low interest rates. Local authorities' deficits had generally worsened slightly. For other employers there was likely to be wider variation in outcomes with most employers deficits likely to of increased.

RECOMMENDED
That the report be noted.

14 AGED DEBT

The Assistant Director of Pensions (Local Investments & Property) submitted a report, which summarised the Aged Debt for the Fund as at 31 May 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 Working Group were informed that Total Property Aged Debt had decreased from £0.730million to £0.490 million from January 2019 to May 2019. Total employer and overpaid pension Aged Debt had increased from £1.342 million to £1.515 million between January 2019 and May 2019. The bulk of employer debt relates to invoices which were issued in respect of early retirement strain costs.

It was reported that where debt was not paid on time effort was made to escalate the issue both internally and externally. Escalation for employer related debt was made to the most senior finance position within the organisation or to another senior position.

RECOMMENDED
That the report be noted.

15 URGENT ITEMS

There were no urgent items.