

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

20 December 2019

Commenced: 11:00

Terminated: 12:28

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

Mr Drury and Mr McDonagh

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding & Business Development)
Paddy Dowdall	Assistant Director of Pensions (Local Investments & Property)
Emma Mayall	Assistant Director of Administration
Victoria Plackett	Head of Pension Administration
Georgia Ryan	Section Manager Pensions Administration

Apologies for Absence: Councillors Patrick, Parkinson, Andrews, Jabbar and Halliwell,

Mr Llewellyn and Mr Flatley

Fund Observers - Councillors Pantall and Ryan

27 DECLARATIONS OF INTEREST

There were no declarations of interest.

28 MINUTES

The Minutes of the meeting of the Administration, Employer Funding and Viability Working Group held on 27 September 2019 were approved as a correct record.

29 2019 ACTUARIAL VALUATION

Consideration was given to a report of the Assistant Director of Funding and Business Development, which updated Members of the Working Group on the recent developments of the 2019 Valuation. The triennial valuation of the Fund was due as at 31 March 2019 with formal completion of the process required no later than 31 March 2020.

The Assistant Director of Funding and Business explained that at total fund level, GMPF's funding position has improved from 93% at the 2016 Valuation to 102% at the 2019 valuation. The contribution rates were outlined to Members of the Working Group, the provisional results suggested that two local authority pools may be able to reduce contribution rates whilst maintaining their current funding target. However, the Director reminded everyone that the Panel had to approach this on a long term basis because it was necessary to remember that the three year actuarial valuation was just a moment in time and an opportunity to ensure strategy was sufficient and to undertake minor adjustments whilst maintaining core belief of stable low cost and sustainable contribution rates.

In previous meetings of the Working Group the McCloud Judgment had been discussed. The Assistant Director of Funding and Business Development advised the Working Group that the Government Actuary's Department has released a technical note on what it believed might be the likely impact of the McCloud Judgement and an approximate allowance for this was being made in the valuation results.

RECOMMENDED

That the report be noted.

30 GMCA BUS FRANCHISING CONSULTATION

Consideration was given to a report of the Assistant Director for Funding and Business Development, which examined the possible implications of the proposed bus franchising model set out in the Greater Manchester Combined Authority's latest consultation.

Members of the Working Group were informed that on the 14 October 2019 GMCA opened a consultation on the future approach to bus service provision. The consultation would close on the 8 January 2020. Changes to bus provision may have an impact on GMPF as the two companies who operate most of the bus services in Greater Manchester are two of GMPF's largest private-sector employers.

The Assistant Director of Funding and Business Development outlined the potential implications for the Fund. It was explained that within the consultation documents it was stipulated that GMCA would talk to operators about protecting the TUPE rights of transferred members in line with the expectations of The Franchising Schemes and Enhanced Partnership Schemes (Application of TUPE) (England) Regulations 2017.

It was further explained that the franchise model would likely impinge on the current latitude and autonomy that service providers enjoy and may potentially reduce their profitability. This could weaken their ability to meet their funding obligations within GMPF. The proposed franchised model would seek to permit the entry of small and medium bus providers. The Fund would have to ensure the employer covenant of any small or medium service providers seeking admission body status in the Fund is robust enough to meet their future liabilities.

RECOMMENDED

That the report be noted.

31 RPI UPDATE / EXPLAINER

Consideration was given to a report of the Assistant Director for Funding and Business Development, which sought to highlight recent developments on the continuity of the Retail Prices Index (RPI). The UK Statistical Authority has signalled a desire to move away from using RPI to using the Consumer Prices Index including owner occupiers' Housing Costs (CPIH) measure.

The Assistant Director for Funding and Business Development informed Members of the Working Group that on the 4 September 2019 the Chancellor announced his intention to consult on whether CPIH's methodology should be inserted / merged into RPI between 2025 and 2030, aligning the measures.

It was explained that many pension schemes could be impacted by changes to RPI. The CPIH formulae would be expected to produce an inflation measure that would be around 1% per annum less than the RPI formulae. Implementation of the proposed changes would reduce the expected returns from the index-linked gilts that GMPF holds, however, there could be some form of compensation provided to ensure that investors are not adversely affected by the changes. The

Working Group would be provided with an update on developments when the RPI consultation is published by Government in 2020.

RECOMMENDED

That the report be noted.

32 STRATEGIC UPDATE

Consideration was given to a report of the Assistant Director for Funding and Business Development / Assistant Director for Administration, which provided a summary of the strategic improvement administration projects and areas that were being worked on by the Administration, Funding and Accountancy teams.

Members of the Working Group were informed that a new version of the Pensions Administration Strategy had been drafted to reflect the changes needed due to employers submitting data monthly, which all employers were expected to do by 1 April 2020. This document would be finalised before an eight week consultation, which would be launched in January.

The Updated Data Management Strategy and Data Improvement Plan and the Revised Administering Authority Discretions Documents were outlined to the Working Group. Both were expected to be effective from January 2020.

The Assistant Director for Administration informed Members that the IT replacement programme was now underway with stage two of the process due to take place until the end of January 2020. This stage would include the deployment of new laptops and upgrade to Microsoft 365.

RECOMMENDED

That it be recommended to the Management Panel:

- (i) A revised pension administration strategy be issued for consultation with employers in January 2020 and subsequently effective from 1 April 2020;**
- (ii) The adoption of the updated data management strategy and data improvement plan at Appendix 4; and**
- (iii) The adoption and publication of the revised administering authority discretions policy document at Appendix 5.**

33 EMPLOYER SERVICES UPDATE REPORT

Consideration was given to a report of the Head of Pension Administration, which sought to provide a summary of the work and projects carried out by the Employer Services area of Pension Administration.

The Head of Pension Administration updated Members on the number of employer admissions. There continued to be a significant number of employers applying to join the GMPF with 25 applications being progressed. A further 19 enquiries had been made by employers considering applying for admission.

It was reported that the GMPF continued to work with a number of employers to enable them to submit monthly data contributions returns. A total of 290 employers had now on boarded, leaving 283 employers still to transition before 31 March 2020. Manchester city Council and Stockport MBC had now on boarded, Trafford MBC was expected to on-board before the end of 2019.

Work on the 2018/19 year-end returns was almost complete, 512 returns had been submitted and processed, 4 returns were outstanding, of these 3 employers were admitted to the Fund following the deadline for submission of returns and have therefore been given an extension to the deadline.

Work on resolving the queries generated following the processing of returns had continued over the quarter and statistics were provided to the Working Group.

Members of the Working Group were updated on Employer Training, it was reported that Altair training was provided in November 2019 to new Altair users. The Understanding the Employer Role sessions held in November 2019 were well attended, these courses would be run again in February 2020.

RECOMMENDED

That the report be noted.

34 MEMBER SERVICES UPDATE REPORT

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

The Head of Pension Administration informed Members of the Working Group that 55 cases had been identified for review following the Brewster judgment, the Bereavements team had reviewed 30 cases with 25 still to be reviewed. Of the 30 cases reviewed, 15 potential beneficiaries had been written to and two of the cases had now been processed for payment.

As outlined at previous Working Group meetings a review of the pension overpayments process was in progress. It was reported that initial changes had been made to current processes with the responsibility for issuing invoices for overpaid pensions due to deaths now part of the calculation of dependant's benefits process. Invoices would now be issued to the next of kin rather than the deceased members' bank as many banks were refusing to pay invoices and this was causing significant delays in the recovery process.

It was explained that an exercise had been undertaken to produce Annual Benefit Statements in respect of members for whom corrected information had been received from their employer.

A total of 291 Pension Saving Statements were issued to members who had exceeded the annual allowance limit.

The Head of Pension Administration advised Members that the guidelines for the Death Grant decision making process had recently been reviewed and were revised slightly based on the learning obtained.

RECOMMENDED

That it be recommended that the Management Panel:

- (i) Approve the proposed revised death grant payment guidelines; and**
- (ii) Note the intention to carry out a member address tracing project.**

35 DEVELOPMENTS & TECHNOLOGIES UPDATE REPORT

Consideration was given to the report of the Assistant Director for Administration, which provided a summary of the work and projects being carried out by the Developments and Technologies area of Pension Administration.

The Section Manager for Pension Administration reported that Aquila Heywood had transitioned all hosted customers to the new cloud-based environment over the last twelve months with the GMPF's migration having taken place at the end of October. It was explained that there continued to be connection problems since the change took place; the Administration team was working closely with Aquila Heywood to reduce or eliminate these issues.

Members of the Working Group were informed that work began on revising the way GMPF uses the Altair workflow module. New workflow procedures had been created and were being used for new retirements and deferred benefits were being brought into payment. These new procedures made use of newer functionality, including in built checklists that ensured a more consistent and efficient approach across teams.

It was reported that the Complaints and Disputes Board continued to meet monthly and statistics in respect of the cases considered were provided to the Working Group.

RECOMMENDED

That the report be noted.

36 COMMUNICATIONS & ENGAGEMENT UPDATE REPORT

Consideration was given to a report of the Assistant Director for Administration which outlined the work and projects carried out by the Communication and Engagement area of Pension Administration.

The Assistant Director for Administration updated Members on the project to redevelop the fund's websites. Work over the last two months had focused on the design of the website and the content it should hold. It was expected that the design would be agreed in January 2020 with stakeholder feedback to take place afterwards.

It was reported that over 103,000 members had now registered for the online service My Pension. An analysis of the online annual pension statements revealed that many members had not accessed their statement, a strategy was under development to improve the statistics for future years.

Members of the Working Group were updated on the Complaints and Compliments received.

The Assistant Director for Administration informed Members that a number of pension surgeries were held throughout various locations in Greater Manchester over the last quarter. Feedback was obtained from members following their appointment. Once all the surgeries have taken place the feedback would be reported to a future meeting. Due to the success of surgeries, a programme of surgeries would be established for 2020, the Customer Services team would also be exploring other ways to support members.

RECOMMENDED

That the report be noted.

37 BENCHMARKING & PERFORMANCE INDICATORS

Consideration was given to a report of the Assistant Director for Administration, which outlined the outcome of the 2020/21 administration benchmarking exercises and information about the internal performance measures that were proposed for 2020/21.

It was reported that due to the reduced number of funds taking part, several LGPS funds had been working with CIPFA to identify ways in which the value of participation could be increased. This had resulted in changes being made to the benchmarking questionnaire that was completed for the period 2018/19. The questionnaire was completed and submitted to CIPFA in July 2019 and the outcome report was received in November 2019.

The Assistant Director for Administration explained that the Fund took part in the CEM administration benchmarking programme, the questionnaire was completed and submitted to CEM in 2019 and a draft report was received in November 2019. GMPF submission was benchmarked

against 12 other pension funds. The report stated that GMPF's total cost per member was £18.87, lower than the peer average of £34.25.

Members of the Working Group were informed that a new set of measures had been drafted to be used to measure administration performance from April 2020. Where possible changes would be made to enable officers to report on measures from April 2020. Some changes would require complex work to be undertaken which would take both specific resource and time to complete. Work on finalising the statutory targets to be reported each month was being carried out in collaboration with other metropolitan funds. An update would be provided at the next meeting of the Working Group.

RECOMMENDED

That it be recommended that the Management Panel:

- (i) Note the outcome of the benchmarking reports received and that GMPF would be using the information from the CEM benchmarking reports to shape business planning objectives going forward; and**
- (ii) The approval of the proposed administration key performance indicators to be used to measure performance in 2020/21 as set out in Appendix 3.**

38 AVC UPDATE REPORT

Consideration was given to the report of the Assistant Director for Funding and Business Development, which updated the Working Group on the scheme members' AVC investments as at 31 March 2019.

It was reported that the GMPF Prudential AVC scheme had 5,617 contributing members with total funds invested in excess of £72million. The majority of the investments were in the With-Profits Fund. The performance over the past 1-10 years of the AVC With-Profits Fund was outlined to Members of the Working Group.

The Assistant Director for Funding and Business Development explained that there were a number of AVC accounts administered by providers other than Prudential. These were largely inherited by GMPF from other LGPS funds as a result of the Probation Service and First Group transfers. Equitable Life had recently agreed to transfer its business and all of its policies. This was voted and accepted by policy holders.

Members of the Working Group were given an update on the Unit Linked Funds and their performance. The best and worst performing funds relative to their benchmarks over the five year period to 31 March 2019 were outlined to Members of the Working Group.

RECOMMENDED

That the report be noted.

39 ADMIN EXPENDITURE MONITORING STATEMENT

Consideration was given to a report of the Assistant Director of Pensions for Local Investments and Property, which compared the administration expenses budget against the actual results for the 7 months to October 2019. Comparison was made against the budget for the same period of £17,612,000 which was derived from the Original Estimate for 2018/2019 approved by the Members at the Management Panel meeting of 18 January 2019. It was reported that for the 7 months to 31 October 2019 there was an under-spend of £2,308,000 against a budget of £17,612,000 for that period.

RECOMMENDED

That the report be noted.

40 BUDGET 2020/2021

Consideration was given to a report of the Assistant Director for Local Investments and Property, which outlined the expenditure budget for the GMPF for 2020/21 and the underlying principles for the medium term financial plan.

It was explained that the Funds financial position was determined by two main elements, its dealing with its members and employers, and the performance and costs of its investment portfolio. Members of the Working Group were informed that for 2019/20 the Management Panel made a provision for investment management costs within the budget of £22.9m the out turn was projected to be £19.5m.

The Assistant Director for Local Investments and Property outlined the Expenditure Budget for 2020/21 and the main assumptions for the Medium Term Financial Plan for 2020-2023.

RECOMMENDED

That it be recommended that the Management Panel:

- (i) Approve the expenditure budget for 2020/21 to the Management Advisory Panel;**
- (ii) Approve the underlying principles for the Medium Term Financial Plan;**
- (iii) Note the work undertaken with regard to accounting and reporting of indirect investment costs from pooled vehicles; and**
- (iv) Note that there is an intention to review all budgets annual and undertake a zero based budget approach.**

CHAIR