

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

1 October 2020

Commenced: 15:00

Terminated: 16:50

Present:	Councillor Fairfoull	Employer Representatives
	Paul Taylor	Employer Representatives
	Michael Cullen	Employer Representatives
	David Schofield	Employee Representatives
	Chris Goodwin	Employee Representatives
	Pat Catterall	Employee Representatives

Fund Observer: Councillor Ryan

Apologies for Absence: Councillor Cooper
Mark Rayner and Catherine Lloyd

17. DECLARATIONS OF INTEREST

There were no declarations of interest.

18. MINUTES

The minutes of the meeting of the Local Pensions Board on the 30 July 2020 were accepted as a correct record.

19. GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2019-2020

Consideration was given to the report of the Director of Pensions / Assistant Director for Local Investments and Property. The report outlined the progress of the governance arrangements for the audit of GMPF Accounts 2019/20.

As previously reported, there were changes this year to the governance procedures for approval of the GMPF Annual Report and Accounts due to the impact of the Covid 19 crisis. The deadline for the audit of local government accounts was changed to 30 November 2020. For GMPF, the main concerns were the valuation of illiquid investments caused by acute public market volatility at the year-end date.

The draft GMPF accounts were presented at the last meeting and the audit was close to completion.

The auditors had been conducting their work on the GMPF Audit and IAS 19 assurance during July and August. At the present time, there were no indications of material concerns.

Letters of Assurance from the management of the Fund and those charged with governance would be provided to the auditors.

At completion of audit, a findings report would be agreed with management and would be presented to Tameside MBC Audit Panel ahead of the statutory deadline of 30 November. Following this, the GMPF Annual Report would be published ahead of the statutory deadline of 31 December.

RESOLVED

That the report be noted.

20. ADMINISTRATION UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with a summary of the projects being worked on in addition to the key business plan objectives.

Members were advised that work this quarter had focussed on setting up the project to move files to OneDrive and SharePoint.

Work on investigating and implementing new call centre functionality was the main item where work had progressed. Workshops were held during August 2020 to identify GMPF's detailed requirements for a new system and demonstrations from two different suppliers were scheduled for September.

GMPF had been taking part in the Pension Dashboards Programme Data Working Group as the LGPS fund representative and intended to continue to support the work being undertaken by the Money and Pensions Service (MaPS) by testing possible dashboard solutions as they were developed.

Work had begun on the objective of improving the measuring and reporting of employer performance. Officers had begun work to categorise the ways in which employer performance could be identified, assessed, recorded and reported.

The Head of Pensions Administration detailed progress on other key developments and service improvement projects.

Work on member self service had focused on making documentation and correspondence available to members through their online account. Procedures had been amended to enable those entitled to refunds to receive and submit correspondence through their account. The next process to be changed would be for contributors who were retiring.

A data extract of members for whom the fund did not have a home address on record was supplied to Target Professional Services. It was explained that updated addresses for over a third of these had been received. Consideration would be given on the next stages of the project.

An update on complaints and disputes, since the last meeting was provided to members. Over 70% of these were relating to the difficulties in getting through to the Customer Services team. A total of seven compliments were submitted through the feedback zone. Many of these were compliments about the quality of the service and thanking individual staff members.

A new complaints system (i-casework) was due to be implemented in October and senior colleagues within the Administration section had all been trained on how to use the system. The new system brought improvements for the process of recording complaints and the provision of management information, which would assist with service improvements going forward.

The Head of Pensions Administration delivered a presentation on information and statistics relating to transfers paid out under freedom and choice regulations since April 2020. Members were advised that from a funding perspective there was currently no concern over the number of transfers out. It was stated that since the start of the Covid-19 pandemic GMPF had been closely monitoring the number of members wishing to exercise their right to transfer their benefits out of the LGPS. Current information suggested that there had not been a material increase in transfers out. This would continue to be monitored and any concerns would be reported to future meetings of the Board.

An update on the McCloud project was also presented, it was explained that a project team had been established, the Fund had participated in a regional funds' discussion meeting attended by MHCLG representatives. Work was underway on drafting GMPF's response to the consultation,

which is to be finalised next week. Members were presented with an overview of the McCloud project work streams.

RESOLVED

That the Local Pensions Board note the report.

21. EXIT PAYMENT CAP

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development, which summarised the latest developments regarding the proposed cap on exit payments for public sector employees leaving employment.

Members of the Local Pensions Board were reminded that the Government legislated for a cap of £95,000 on exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016. The 2015 act set out the duty to implement the cap through secondary legislation titled The Restriction of Public Sector Exit Payments Regulations 2020.

Following HM Treasury's consultation response and the overall commitment to the Exit Cap, the Ministry of Housing, Communities and Local Government ('MHCLG') published an LGPS specific consultation on how to introduce the exit cap measures in the LGPS. This consultation was released on 7 September 2020, with a deadline for responses on 9 November 2020.

It was reported that the Restriction of Public Sector Exit Payments Regulations 2020 received parliamentary approval on the 23 September 2020. This was prior to the LGPS changes becoming effective, which was likely to prove problematic for LGPS funds, employers undertaking redundancy exercises and impacted members.

Members were presented with different scenarios and how the Exit Cap would impact them.

The Assistant Director of Funding and Business Development explained that this left a window where GMPF was technically still required to pay a full early retirement pension to anybody over 55 being made redundant but if it cost over £95,000 then the employer would be in breach of the Exit Payment Cap. It was expected that guidance would be received from MHCLG. Further, there was an intention to standardise how strain costs are calculated between funds, however, whilst the Government Actuary Department had published draft guidance it was not expected that this would come into effect until January.

The next steps would be to submit a consultation response on behalf of the GMPF Management Panel highlighting the issues. The Management Panel approved this approach at its last meeting. Further clarity would be sought from MHCLG regarding which employers were in scope for each of the proposed changes.

RESOLVED

That the Board note the information contained in the report and the proposed next steps in developing a response to the consultation and communicating with employers.

22. SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions and Assistant Director for Funding and Business Development, which summarised the recommendations made by the GMPF Working Groups over the period from July 2020 to September 2020.

The Assistant Director of Funding and Business Development summarised the agenda items discussed and the recommendations made by the GMPF Working Groups and decisions made by the GMPF Management Panel during the previous quarter.

At the meeting of the Administration, Employer Funding and Viability Working Group on the 31 July 2020 the Working Group considered a variety of reporting topics including pensions administration, the Retail Prices Index consultation and asset liability modelling for certain GMPF employers.

At the meeting of the Investment Monitoring and ESG Working Group on the 31 July 2020, the Working Group considered a number of items including an ESG update, a presentation from UBS and Ninety-One on trading costs and a report from Hymans Robertson's asset liability model of the Main Fund and climate change scenarios. Most reports were for noting only.

The Policy and Development Working Group met on the 3 September 2020 and considered a number of reports for noting.

The meeting of the Management Panel on the 18 September approved various recommendations made by the Working Groups. A report was considered on the proposed changes to the LGPS Regulations to allow for the introduction of the £95,000 public sector exit payment cap. The Panel supported the proposed next steps in developing a response to the consultation and communicating with employers. The Management Panel also reviewed the risk management report, risk register and 2020/21 business plan.

RESOLVED

That the report be noted.

23. BUSINESS PLANNING AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which detailed the Business Plan approved by the GMPF Management Panel. The report also delivered an update on the Risk Register and the key risks and plans relating to the ongoing management of business continuity due to Covid-19.

The Assistant Director for Pensions Administration outlined the funds eight Strategic Objectives, which were designed to meet the Funds statutory duties and to enhance the reputation of GMPF and the value it adds to its stakeholders.

The Business Plan was split into sections. Fund-wide, Administration, Employer-Funding, Investments, Local Investments, Property and Direct Infrastructure and Accountancy and Legal.

It was reported that health and wellbeing of colleagues continued to be a high priority and further work had been carried out to review and update all service level and individual risk assessments relating to the risk posed by Covid-19 and by the move to home-working. The Senior Management Team had continued to monitor communications issued by pension industry partners, linked organisations, attend webinars and similar online events in order to keep up to date with the latest news and thinking.

With regards to Administration, the day to day running of the section and the completion of tasks remained unchanged. Most activities were being carried out as normal and completed within the usual timescales. The number of notifications of death received had continued to reduce, with numbers being around expected levels for this time of year. Processing times for all payments were within internal targets, with more than 97% of all pension payment case types processed within 10 working days. Waiting times for calls remained high, mainly due to the issue of annual benefit statements for contributors and calls relating to the address tracing exercise that was being carried out.

It was stated that work on key projects had continued. The main areas of risk that continued to be closely and regularly monitored were around resources, staff wellbeing, system availability and cyber security.

The Assistant Director of Employer Funding and Business Development reported that whilst many GMPF employers were likely being severely impacted by the economic restrictions and behavioural changes brought about by the Covid-19 pandemic, as yet there were no confirmed employer insolvencies. However, it remained likely that some GMPF employers would face insolvency over the next few months as Government support measures were unwound. There had been little change to the timeliness of contribution payments from employers and this continued to be regularly monitored and reported to the Local Pension Board.

The Assistant Director of Investments stated that additional resource had gone into monitoring the liquidity of the Fund. This was to make sure that the Fund had sufficient cash available to pay pensions and to meet commitments to private funds if the investment manager was to call on money committed. This would help ensure that the Fund was not a forced seller of equities during a downturn.

The Director of Pensions summarised the Business Plan for the Local Investments, Property and Direct Infrastructure section. Rental collections continued to be impacted by both the underlying economic effects of the crisis and government advice effectively suspending recovery action on rents. This was focused predominantly on the retail sector despite some resumption of activity.

RESOLVED

That the report and the Business Plan at Appendix A be noted.

24. THE PENSIONS REGULATOR

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development / Assistant director of Pensions Administration. The report summarised the operation of the internal controls which GMPF had in place to ensure continued compliance with the expectations of the Pension Regulator (TPR) and in particular, TPR's Code of Practice number 14. It also provided an update on the activities of TPR in the LGPS and in the UK pensions industry generally.

Members of the Board received an update attached as **Appendix 4**, on the expected contribution payments which had not been received by GMPF by the 19th of the month following the month to which they related for the period from June 2020 to July 2020 inclusive.

The Assistant Director of Administration explained that the fund was looking at the ability to direct debit employers for contributions, this could help with the timeliness of contribution payments.

The report summarised that all parties involved with the governance and administration of public service pension schemes must report breaches of the law to TPR where they believed failure to comply was likely to be of 'material significance' to TPR. A copy of the current breaches log (excluding late payments of contributions) was attached as **Appendix 1**. The criteria that officers used to assist them in assessing whether a breach might be deemed 'material' was also attached at **Appendix 2**.

RESOLVED

That report be noted.

25. NEW REGULATIONS ON EMPLOYER FLEXIBILITIES

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development, which updated the Local Pensions Board on the Ministry of Housing, Communities and Local Government's partial response to the review of interim valuations and flexibility on exit payments consultation and the new regulations, which came into effect on 23 September 2020.

It was stated that previously that when an employer's last active member left, the employer became an exiting employer under the LGPS Regulations, which subsequently led to an exit debt being incurred by the employer or, in certain circumstances, an exit credit potentially being paid to the employer.

It explained that under the new regulations, Administering Authorities had the flexibility to defer the employer exiting the Scheme when its last active member left. The new 'deferred employer' status allowed an employer to continue contributing until their existing liabilities were fully funded without accruing any further future service liabilities. The terms and conditions for the deferral arrangements were expected to be set out in a deferred debt agreement.

In practical terms, the new approach would see these employers participate in triennial actuarial valuations and would have their assets/liabilities assessed as was the case with normal active employers. It would be up to Administering Authorities to stipulate the time horizon upon which a deferred employer could meet their obligations. Employers would be expected to comply with normal employer obligations and would not be released from their obligations until all liabilities were fully funded or the employer had faced a relevant event.

It was stated that the introduction of deferred employer status would be welcomed by many admission bodies who feared triggering a large exit debt. There were some employers, such as charities, that could not afford an exit debt but would struggle to meet their ongoing funding obligations. The amendment regulations had introduced a specific power to allow Administering Authorities to spread employer exit payments instead of payment via a single lump sum.

The regulation changes had additionally introduced the ability for Administering Authorities to conduct interim valuations for one or more employers in order to allow the adjustment of contribution rates via a revision to the Rates and Adjustments certificate. Subject to the Administering Authority's policy, employers would be entitled to request an interim valuation if they met certain prerequisite criteria.

With regards to next steps, the amendment regulations would be considered by the GMPF Management Panel at its 11 December meeting. It was likely that GMPF would need to detail a policy on its intended use of the increased employer flexibilities in its Funding Strategy Statement (FSS). Any material change to the FSS would require a consultation with employers. As a result, a formal GMPF policy in this area would not be finalised until Spring 2021. However, employers who were considering applying to use the flexibilities could gather information and develop their business case in the intervening period.

RESOLVED

That the report be noted.

26. RISK MANAGEMENT AND AUDIT SERVICES APRIL TO SEPTEMBER 2020

Consideration was given to a report of the Head of Risk Management and Audit Services, which summarised the work of the Risk Management and Audit Service for the period 1 April to 11 September 2020.

The progress report covered the work carried out on the 2020/21 plan for the period 1 April to 11 September 2020. The team had been working remotely from home since 18 March 2020, due to Covid-19.

The progress report showed the actual days spent against the planned days for 2020/21 detailed at **Appendix 1**. The Risk Management and Audit Service had spent 133.54 days against the 320 planned days up to 11 September 2020.

It was reported there was one employer audit report issued during this period, which received a Medium Level of Assurance. The key issues identified were discussed.

There were three draft reports issued, the results would be reported to the next meeting of the Local Pensions Board.

It was stated one post audit review had been completed, where it was found all recommendations had been implemented.

With regards to other work carried out in the period, the Pension Fund reported two Information Security Incidents during the reporting period. These were investigated and where control issues were identified recommendations were made to ensure that these issues did not occur in the future. Further, Advice and support was given in relation to the Data Protection Impact Assessment (DPIA) for the introduction of data validation on the GMPF website.

Members of the Board received an update on work that was in progress. Due to the ongoing COVID-19 Pandemic, the program of Visits to Contributing Bodies would need to be undertaken remotely. The new processes developed would involve relying heavily on the information provided by the employers, therefore, a trial with employers would take place. If these visits proved successful then further visits would be arranged with other employers scheduled for a visit in the 2020/21 Internal Audit Plan.

RESOLVED

That the report be noted.

27. POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding & Business Development, which provided an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

Members were reminded that on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted include pools, administering authorities and local pension boards.

The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As discussed at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

It was stated the Government was yet to publish a response to the consultation and the 2015 guidance therefore remained in force.

It was reported that the Government had requested a progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2020 and an estimate of costs savings achieved and those expected in future. The Northern LGPS progress update was appended to the report at **Appendix A**. As at 31 March 2020 the Northern LGPS Pool had generated net cost savings of over £40m.

It was reported that each of the partner funds in the Northern LGPS Pool was in the process of producing 31 March 2020 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. In recent years, this guidance had been expanded to include a section on accounting for asset-pooling arrangements.

At their July meeting, the Northern LGPS Joint Committee agreed that a Pool Annual Report be produced, which funds would have the option of including in their respective annual reports.

The current draft of the Pool annual report was attached at **Appendix B**. The Pool Joint Committee had agreed that the fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

RESOLVED

That the report be noted.

28. URGENT ITEMS

There were no urgent items.

CHAIR