

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

2 October 2020

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

Mr Drury, Mr Llewellyn and Mr Flatley

Fund Observers: Councillors Pantall & Ryan

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Tom Harrington	Assistant Director (Investments)
Emma Mayall	Assistant Director (Pensions Administration)
Victoria Plackett	Head of Pensions Administration
Adrian Aguilera	Project & Policy Support Officer
Jane Wood	Member Services Strategic Lead
Matthew Simensky	Section Manager Employer Services
Rachael Foster	Investment Officer

Apologies for Absence: Councillors Jabbar and Cunliffe and Mr McDonagh

1 DECLARATIONS OF INTEREST

There were no declarations of interest.

2 MINUTES

The minutes of the meeting of the Administration, Employment Funding and Viability Working Group held on the 20 December 2019 were approved as a correct record.

3 ADMINISTRATION STRATEGIC SERVICE UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director of Funding and Business Development / Assistant Director for Administration. The report provided the Working Group with a summary of the strategic improvement administration projects or areas that were currently being worked on by the Administration Funding and Accountancy teams.

It was reported that business continuity plans and the approach being taken to manage the impact of the Coronavirus outbreak on service delivery remained the same. Over 95% of colleagues continued to work from home and the focus on ensuring key priorities were delivered remained unchanged. Wellbeing support was being provided for staff and some wellbeing sessions had been arranged where attendees were given practical advice about how to maintain their health and wellbeing. So far, three sessions had been arranged and a further one was scheduled for next month.

There was an expectation that the current situation could result in an increase in members leaving the scheme and a surge of redundancy cases if employers were looking to reduce their workforces. Workloads were being monitored closely to ensure that any changes and increased demands could be dealt with and managed effectively.

Members of the Working Group were advised that work had continued on several objectives being undertaken to strengthen compliance with the Pension Regulator's Codes of Practice.

The transition to monthly data collection from employers had been continued, with almost all employers sending data monthly.

Detailed common and scheme-specific data reports were run on an annual basis to determine GMPF's data scores. This year's reports were run in June 2020. The headline scores were 96.5% for common data and 94.9% for scheme-specific data.

It was highlighted that the lack of valid addresses for a significant number of deferred members impacted negatively on the data scores. The 3.5% failures for common data solely related to missing address data. Due to the success of the recent address tracing project undertaken, this would improve the data score for this element.

With regards to the bulk transfer from citrus pension plan, GMCA requested that GMPF accept a bulk transfer of members' benefits from the Citrus Plan in order to help simplify arrangements for members and minimise the costs to GM Authorities of terminating the contract. GMPF received a bulk transfer payment of £46.4m on 12 September 2020 and was expected to receive a further payment of approximately £7m later in September.

It was stated that MHCLG had issued a consultation in July 2020 outlining the proposals with regards to McCloud. GMPF would be responding to the consultation before the closing date of 8 October 2020.

It was explained that the Money and Pensions Service (MaPS) were leading on the initial phase of the project to implement pension's dashboards. This included bringing together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The industry delivery group had been renamed the Pensions Dashboards Programme (PDP).

The PDP had asked GMPF to take part in the next phase of the project in testing the first iterations of the pensions dashboard that was expected to take place later in the year. Although this would require resource from GMPF colleagues, it would be of benefit to GMPF in the long run to be able to see the proposed system and whether there were any data issues to address in advance.

RECOMMENDED

That the report be noted and for GMPF taking part in the next phase of the Pensions Dashboard Project to be approved,

4 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the work and projects being carried out by the Communications & Engagement area of Pensions Administration.

It was stated that in line with current business plan objectives, work had been undertaken in recent months to review the contact centre functionality that was available in the market that would support the move to providing a greater digital offering to members. Significant progress had been made over the past two months. GMPF were working with TechAlign to procure the most appropriate solution and early meetings indicate that suitable software was available.

Following the demonstrations and the identification of a preferred solution, a procurement exercise would be undertaken, and an implementation plan would be developed. A further update on progress would be provided at the next Working Group meeting.

The Head of Pensions Administration explained the initial 12-month website redevelopment contract with Clay10 came to an end on the 1 August 2020. GMPF had entered a 6-month support phase during which any outstanding work would be completed. Over the next quarter, the development and use of the feedback tab, the addition of an online survey and work with focus groups would be carried out to identify where changes needed to be made in order to ensure the website met stakeholder needs.

It was reported that over 131,200 members had now registered for the online service. With processes for new starters and those entitled to deferred benefits already online and with further processes being moved online over the coming months, it was expected that the number of registrations would increase steadily. However, campaigns would be run in collaboration with scheme employers to further encourage take up.

With regard to customer services activities, call volumes had continued to remain consistent over the last three months. Queries regarding My Pension had been received with many users requiring help registering or accessing their account.

Members of the Working Group were advised of the complaints, suggestions and compliments received. Since the last meeting, 22 service complaints had been received. 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.

RECOMMENDED

That the report be noted.

5 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration, which provided the Working Group with a summary of the work and projects carried out by the Developments & Technologies section of Pension Administration.

Members of the Working Group heard that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued. Work this quarter had focussed on how GMPF data files could be transferred to the Cloud using services hosted by Microsoft. This would facilitate a more flexible working approach, reduce risks linked to data storage and enable teams to work more efficiently and effectively in the future. This project also encompassed the creation and implementation of a new GMPF specific Cyber Security policy. A new draft policy was being worked on, with a more detailed update planned to be provided at the next Working Group meeting.

It was reported that the latest Altair software release, Altair 11, was implemented into the live service in September 2020. GMPF took part in the testing of the new release and carried out extensive testing and reporting findings back to Aquila Heywood. Following the testing and feedback being received, Aquila Heywood carried out further development work on the system resulting in the release being implemented slightly later than initially planned on 15 September 2020.

In addition as part of the CLASS group arrangement, Aquila Heywood looked to deliver system improvements or developments requested by funds. Two key developments were included within this release. The first being the ability to delete full or partial member data in bulk. This would enable GMPF to review its policy on member data retention and make changes where necessary to ensure compliance with GDPR. The second development was to provide new functionality in My Pension to enable members to generate their own transfer out calculations

The Complaints and Disputes Board continued to meet monthly and all learning points were passed back to the relevant team. Regarding formal disputes received since April 2020, there had been six stage 1 dispute cases considered and six stage 2 cases.

RECOMMENDED

That the report be noted.

6 ADMINISTRATION MEMBER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pensions Administration, which provided the Working Group with a summary of the work and projects being carried out by the Members Services section of Pensions Administration.

Members were advised of the key work items across the member services section. Of the 44 cases identified for review following the Brewster judgement, the Bereavements team had reviewed 43 cases with one still to be reviewed. Of the 43 cases reviewed, 39 potential beneficiaries had been written to and nine of these cases had now been processed for payment. Officers would continue to progress these cases in the coming quarter. The review of the area of work relating to pensions overpayments was continuing and an analysis of the current outstanding member related debt could be found in **Appendix 1**.

It was stated that the transition of the payment of AVC's from the Contributing Members team to the respective benefit teams was now complete and an improvement had been implemented to pay AVC's directly to members at the point of retirement.

It was reported that work had commenced on this year's Pensions Savings Statements exercise, which was to provide all members who had exceeded the annual allowance tax limit with a statement containing details of their pension savings in GMPF.

The review of the Key Performance Indicators was continuing, Altair workflows were in the process of being amended in order to match the revised performance standards. In the interim period six key indicators were being monitored.

The Member Services Strategic Lead summarised member feedback in **Appendix 3**. The results highlighted several areas for improvement, and officers would be reviewing the feedback and investigating whether any changes could be made to current processes to improve the experience for members.

With regard to the planned changes to the early leaver process, the Working Group were advised that a pilot exercise was underway with Manchester City Council. Once the pilot was complete and any improvements identified had been implemented, the change of process would be made available to all employers who had on boarded to iConnect.

Members of the Working Group were given an update on the member address tracing project. Target carried out an automated search for these members to identify a likely new address and returned approximately 10,000 positive results. Target wrote to those members and updated addresses had been received for 5,600 of these members.

Of the 5,000 members where no new address could be found using the automated search, a manual trace was done for 150 of those to establish if a manual trace was effective. However, only 19 new addresses were verified out of these 150 members. Therefore, consideration would be given to the next stages of the project and what other steps could be taken to try to locate the 8,400 members.

RECOMMENDED

That the report be noted.

7 ADMINISTRATION EMPLOYER SERVICES UPDATE

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

It was reported that there continued to be a significant number of employers applying to join GMPF with 45 applications being processed. A further 41 enquiries had also been made by employers considering applying for admission. Members received a list of all applications ongoing and those applications agreed or closed over the last quarter enclosed at **Appendix 1**.

GMPF continued to work with those employers who had not yet transitioned to monthly data collection to do so. A total of 582 employers had on-boarded onto iConnect, leaving 29 employers still to on-board; 12 of these related to Oldham MBC and their associated employers and a further 7 related to new employers only recently admitted to the Fund.

All local authorities, except for Oldham MBC, had now on-boarded. Oldham MBC's on-boarding date was anticipated to be November 2020 to align with their move to a new payroll system. Due to delays caused by the coronavirus pandemic, the remaining employers yet to on-board had been given a deadline extension to 31 December 2020.

Members were advised that most employers were on-boarded by 31 March 2020 as a result the number of year-end queries received this year was significantly reduced. There were only 168 outstanding queries relating to the year-end submissions for 2019/20.

The Employer Support team were working on a new set of performance measures for GMPF employers. These would cover aspects such as the timeliness of information submitted to GMPF, responsiveness to queries and payment of contributions. Once finalised, performance reports would be sent regularly to employers highlighting any concerns or issues.

Meetings were held each month where senior officers discussed employer contribution payments, employer debt and employer performance. Where contributions or other employer debts were not paid within the expected timescales, senior officers were actively engaging with these employers. The current position relating to employer debt could be found in **Appendix 3**.

The LGA-run 'Understanding the Employer Role' was held online via Microsoft Teams in August. The next session would also be presented online and would take place over two days on 24/25 November 2020. In addition to employer representatives attending the course, several GMPF staff also attended to further broaden their knowledge.

RECOMMENDED

That the report be noted.

8 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 Working Group 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.

RECOMMENDED

That the report be noted.

9 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.

RECOMMENDED

That the report be noted.

10 ADMINISTRATION EXPENDITURE MONITORING STATEMENT

Consideration was given to a report of the Director of Pensions, which compared the administration expenses budget against the actual result for the 5 months to August 2020.

This report detailed the administration expenses incurred by the Fund for the 5 months to 31 August 2020. Comparison was made against the budget for the same period of £14,620,000, which was derived from the Original Estimate for 2020/2021 approved by the members at the Management Panel Meeting of 17 January 2020.

In the five months to 31 August 2020 there was an under-spend of £1,256,000 against the budget of £14,620,000 for that period as detailed in **Appendix 1**.

RECOMMENDED

That the report be noted.

11 URGENT ITEMS

There were no urgent items.

CHAIR