

GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

13 January 2022

Commenced: 15:00

Terminated: 16:16

Present:	Councillor Fairfoull	Employer Representative
	Jack Naylor	Employer Representative
	Paul Taylor	Employer Representative
	Michael Cullen	Employer Representative
	Mark Rayner	Employee Representative
	Catherine Lloyd	Employee Representative
	David Schofield	Employee Representative
	Pat Catterall	Employee Representative

Apologies for Absence **Chris Goodwin and Jayne Hammond**

25 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

26 **MINUTES**

The minutes of the Local Pensions Board meeting on the 29 July 2021 were approved as a correct record.

27 **ADMINISTRATION UPDATE**

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Local board with an update on key activities taking place in the Administration section during the last quarter, including comments on administration performance and on complaints and disputes. The report also detailed the areas of focus for the next quarter.

It was reported that the following four GMPF key strategy business planning projects were relevant to the Administration section:

1. My Pension online improvements
2. Working differently
3. IT infrastructure, Disaster Recovery arrangements and cyber security
4. Ensuring good governance

It was reported that Business continuity plans and the approach being taken to manage the impact of the Coronavirus outbreak on service delivery remains largely unchanged. Overall, administration workflow and performance remain consistent. The administration performance dashboard for quarter 2, July to September 2021, was attached the report at Appendix 1. Although the effects of the pandemic continued to have an impact on workloads, many areas were now experiencing much less volatility and teams were regularly maintaining casework turnaround times. Targets were still being maintained in some areas using overtime and by redistributing resource to the teams processing priority tasks, but this was expected to come to an end shortly.

It was stated that all incoming post was now being dealt with by our print provider, who was also printing and posting more individual letters on our behalf, reducing the need for colleagues to attend Guardsman Tony Downes House, and providing further resilience.

In regards to Member services, issuing annual pension savings statements to members had been

the main task during the last quarter. Statements must be sent to those members who exceeded or are close to exceeding the annual allowance tax limits. Over 500 statements were issued by the statutory deadline. As in previous years, GMPF offered members and employers the opportunity to attend a webinar and one-to-one guidance session..

Members were reminded that a project to review pension overpayments and the recovery process of these was underway. Various aspects of work on this project had been undertaken this quarter. Statistics had been collated regarding the level of outstanding debt and debt recovery periods to assess the effectiveness of the current debt recovery procedures. On completion of the analysis, the intention was to submit a report to the Administration Working Group with several proposals to make further improvements to the processes.

It was stated that in 2021, 2277 checks were made to ensure that members who lived overseas were still alive and receiving their pension correctly, to ensure no fraudulent activity was taking place. These checks led to the Fund becoming aware of 34 deaths. Around 650 members opted to complete the checks using either the app or video call option. Further work relating to address tracing has also continued, with reminder letters being sent to over 4,000 members. A project plan for actions to try to trace the remaining members would be drawn up in the new year and an update on progress will be provided at the next meeting.

The Local Pensions Board were advised that new pension transfer regulations were issued and came into force on 30 November 2021. A review of the relevant communications issued to members and the content on the GMPF website was carried out and updates were made by 30 November 2021.

In regards to employer performance, it was reported that the team had also been reviewing the area of employer performance and had devised a draft employer 'Year in Review' document. The intention was to provide employers with a report each April highlighting how well the Fund thought they were meeting or exceeding their employer responsibilities based on several key indicators. Draft reports based on data for 2020/21 had been issued to the ten local authorities for initial feedback and work was underway to produce these reports for 2021/22 for the ten local authorities and potentially several other employers. The aim was to build on the content of the report and widen the distribution to all employers in future years.

It was stated that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued and an update on progress was provided.

Work on the area of cyber security also continued including work to procure cyber support services alongside work linked to several actions identified from the recent cyber security audit.

The Board were advised that work in the Communications and Engagements section had focused on implementing the new contact centre system, which went live in July 2021. Since then, training and system configuration work had been carried out to deploy new functionality and the new options available. This work had led to some changes to the initial configuration being made to enable better statistics to be produced. The next development would be integrating emails within the system and testing on this had already begun.

The report set out the four key areas of focus for the upcoming months:

- Working differently – Engagement sessions were due to take place and new plans would need to be made to move forward from the current business continuity arrangements.
- McCloud – A significant amount of engagement would be taking place with the software supplier, LGA and MHCLG to ensure the correct steps are taken at the right time.
- IT and Microsoft 365 projects – The SharePoint migration work would continue, alongside work to embed and develop the new telephony functionality.
- Cyber security – Work to ensure our procedures align with industry best practice would also continue.

RESOLVED

That the information provided in the report be noted.

28 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2020/21. It also highlighted the current plans to ensure that more elements of GMPF's service levels can be measured in future.

The Local Pensions Board were reminded that for many years, GMPF used CIPFA benchmarking services to benchmark its administration costs against other LGPS pension funds. However, since 2010, the number of funds participating in the CIPFA process had continued to drop year on year with only around 20 funds participating in 2019/20. Therefore, little value was being gained from taking part. Subsequently, in 2019 many of the larger LGPS funds signed up to use CEM benchmarking instead, including GMPF.

There were two main benefits to using CEM compared to the CIPFA service. The first was that the CEM process enabled GMPF to benchmark itself against other non-LGPS UK pension funds that were of a similar size. The second was that CEM benchmarks service alongside cost enabling a 'value for money' assessment to be made.

It was stated that there were caveats to consider when assessing the outcomes. It was very difficult to be sure like-for-like data was collected across all areas and there would inevitably be differences in interpretation of the questions when funds completed the benchmarking questionnaires. As all staffing structures were different, it could be difficult to know if the same stages in processes were being measured. Separating out governance and project costs was challenging, and because the questions aimed to cover all CEM clients, some just do not apply to or 'fit' with the LGPS or the way it was run. Additionally, it was not particularly easy to see the direction of improvement from the summary analysis, because everyone was improving each year and because many improvements took time to be realised in the data, relative position amongst the group tends to stay the same or be similar over the short term.

The Assistant Director for Pensions Administration stated that GMPF's peer group comprised of 14 pension scheme whose membership ranged between 90,000 and 607,000 members. Nine LGPS pension funds supplied data and were part of this peer group.

The key outcomes from the 2020/21 benchmarking were highlighted to the Working Group. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The total cost per member was slightly higher than last year (by 9p) and the service score was 1 point lower. The increase in administration costs was mainly due to an increase in average pay.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced with challenges.

The Board were advised of future items that might impact on next year's outcomes. It was likely that outcomes for 2021/22 would be very similar to 2020/21. Regarding service levels, a new contact centre had already been implemented and this would facilitate a better service score for several aspects of customer service going forward. However, due to the pandemic, GMPF's offices were still closed for face to face visits, and so the service score for this aspect was unlikely to remain unchanged. Many of the other aspects of service delivery remain unchanged.

RESOLVED

That information provided in the report be noted.

29 THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director Pensions Administration. The report provided the Local Pensions Board with a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches, including details of any late payment of contributions. The report also provided an update on TPR's proposed Single code of Practice.

The Assistant Director for Funding and Business Development reported that in regards to the TPR's Single Code of Practice the TPR did not have a firm final publication date for the new code. However, it did not expect to lay the new code in Parliament before spring 2022 and it was, therefore, unlikely to become effective before summer 2022. Given the expected delay in implementation, GMPF would seek to assess itself against the draft code of practice and would report back to the Board on progress at future meetings.

The Board were advised that attached at Appendix 3 were details of expected contribution payments (with matching remittance information) which had not been received by GMPF by the 19th of the month following the month to which they related (for example 19 November for October contributions) for August, September and October 2021. Further, attached to the report at Appendix 4 was further analysis on the contribution payments received in respect of the August to October 2021 period, specifically detailing the number of employers making payments (and the amount of contribution payments received) in accordance with GMPF's deadline of the first day of the following month.

RESOLVED

That the report be noted.

30 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups over the period from October 2021 to November 2021, which were approved at the Management Panel meeting on the 10 December 2021. The report also summarised the decisions made by the Management Panel at the same meeting.

RESOLVED

That the report be noted.

31 POOLING UPDATE

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

The Board was reminded that in 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. The draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 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 explained that Government was yet to publish a response to the consultation and the 2015 guidance therefore remained in force.

The report set out the progress of the main ongoing work streams for the Northern LGPS.

It was reported that DLUHC issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future. The Northern LGPS subsequently submitted its annual progress report on 22 September 2021. Appendix 1a and 1b attached to the report detailed the transition costs and projected savings of the Northern LGPS. Northern LGPS' cost savings for 2020/21 were slightly higher than the future projections made last year and the estimated figures provided at the previous Board meeting.

RESOLVED

That the report be noted.

32 BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which provided details of the current business plan and highlighted the current key risks being monitored.

The Director of Pensions detailed the six key projects set out in the 2021/22 business plan. It was highlighted that Key Project 3 – IT infrastructure, DR arrangements and cyber security had a status of “minor lag”. It was reported that the migration of files to Microsoft SharePoint continued to progress well and was on track for completion next year. Some minor issues with reporting were encountered with the new contact centre system but these had now been remedied and work was underway to discover and analyse the management information that was now available. Testing was also underway to redirect written enquiries from the website through the system.

Work on cyber security also continues. The first stage of a market testing exercise to potentially procure specialist cyber security support has been undertaken. However, this had highlighted some further work that needs to be done before procurement can begin, therefore leading to a minor lag status.

The overarching risk register was reviewed and updated at least once each quarter and the latest version was included attached to the report at Appendix 1. It was explained that Specific risks that had been monitored closely by officers this quarter and to note relate to the following:

- Risk 9 – Assessing the impact of the McCloud changes. MHCLG had confirmed that its consultation response on the anticipated changes due to the McCloud judgement was now unlikely to be issued before February 2022. The LGA had also highlighted that they believe the scope of those affected may be widened to match that agreed by the unfunded public sector pension schemes. The lack of certainty continued to cause issues for funds and their software suppliers and further reduced the timeframes that all parties originally set out to work to.
- Risk 19 – Cyber security work. The risks relating to cyber security were greater than ever and work continued ensuring existing controls were still working and on putting new controls in place wherever possible.

RESOLVED

That the progress on the key business plan tasks be noted.

33 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised some of the main issues to consider going into the 2022 valuation, including the recent procurement exercise to appoint a fund actuary and benefit consultant. Further, the report considered the Government Actuary's recently unveiled Section 13 report in respect of the previous 2019 actuarial valuation of the LGPS in England and

Wales.

Members of the Board were advised that the actuarial valuation process would determine the funding position of GMPF at 31 March 2022 and contribution rates for each participating employer from 1 April 2023. All LGPS funds in England and Wales were undertaking actuarial valuations at this time.

It was explained that GMPF's previous contract for actuarial services and benefit consultancy services was due to end on 31 December 2021. As a result, a re-tender of these services was undertaken in autumn of 2021 via the National LGPS Frameworks. Hymans Robertson would be reappointed with effect from 1 January 2022 to conduct actuarial and benefit consultancy services for the Administering Authority until 31 December 2030 (although there is the ability for Tameside MBC to exit the contract at relatively short notice at any point).

Confirmation of the Fund's Actuary allowed GMPF to start considering the key strategic issues, which could arise at the 31 March 2022 actuarial valuation. The aims of this report were to provide the Board with a summary of the key issues, which were likely to impact the actuarial valuation.

It was stated that Hymans Robertson presented their initial thoughts on the 2022 valuation at the December Management Panel meeting. The presentation slides were attached as Appendix 1. It was explained that whilst market conditions could change considerably prior to the valuation date and actuarial assumptions were yet to be formally considered by the Management Panel, at a whole fund level, the early indication was that GMPF would emerge from the 2022 valuation with a similar funding level compared to 31 March 2019. GMPF's investment returns were likely to have exceeded the assumption made at the 2019 valuation, but a fall in real interest rates and an increase in future expected inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. One significant area of uncertainty was the long-term impact of the Covid-19 pandemic on future life expectancy.

As part of the 2022 valuation GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The updating of the FSS would give consideration to prominent issues such as how GMPF administers Multi Academy Trusts' ('MATs') liabilities and arrangements for funding ill-health retirement strain costs. The consultation on the FSS was expected to take place following the July 2022 Management Panel meeting with preliminary results being notified to employers from September 2022 onwards. The valuation process was required to be completed via the production of the valuation report and a 'rates and adjustment certificate', which set out all employers' contribution rates by 31 March 2023.

The Board were advised that the introduction of 'Employer Flexibilities' into the LGPS during 2020 and 2021 could lead more employers to request further detail on their valuation results and more employers could seek to explore what options could be available to them in order to cease accruing further benefits. This had the potential to increase GMPF resourcing requirements compared to previous valuations.

It was stated that following completion of the 2019 actuarial valuation, five of the GM Local Authorities made advance payment of three years' employer contributions and two others had made annual advance payments. The timing of these payments appeared to have been relatively favourable and these authorities should benefit from a slightly improved funding position at the 2022 actuarial valuation as a result.

RESOLVED

That the report be noted.

34 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES 10 SEPTEMBER 2021 TO 17 DECEMBER 2021

Consideration was given to a report of the Head of Risk Management and Audit Services. The report summarised the work of the Risk Management and Audit Service for the period 10

September 2021 to 17 December 2021.

The progress report showing the actual days spent against the planned days for 2021/22 was discussed. The audit service had spent 235 days against the 300 planned days up to 17 December 2021.

It was stated that four final reports were issued during the period, two of which were by the Salford Computer Audit Team. The reports were reviews of Stone Harbor, Greater Manchester Property Venture Fund, Cyber Security and MyPension.

The Board were advised of two Post Audit Reviews on Information Governance and GDPR and Transfers from the Local Pension Scheme (LGPS to Defined Contribution Schemes).

RESOLVED

That the report be noted.

35 URGENT ITEMS

There were no urgent items.

CHAIR