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**REPORT FOR: Pension Board**

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<b>Date of Meeting:</b>	30 October 2023
<b>Subject:</b>	Pensions Administration Update with Key Performances
<b>Responsible Officer:</b>	Sharon Daniels – Interim Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	None

## Section 1 – Summary and Recommendations

This report provides Members with information relating to the administration performance of the Fund over the last quarter.

### Recommendations:

The Board is **recommended** to consider, note and comment on the contents of this report and make recommendations to the Pension Fund Committee if appropriate or if any further action is required.

## Section 2 – Report

1. London Borough of Harrow (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the London Borough of Harrow Pension Fund (the Fund). The LGPS is governed by statutory regulation.
2. The Harrow Pension Administration Team carries out the operational, day-to-day tasks on behalf of the members and employers of the Fund and for the Council. A core part of running the pension fund is the maintenance of scheme membership records that enable scheme benefits to be calculated in addition to dealing with new members joining and members leaving the scheme. The team also deals with employer related issues, including new employers and cessation.

### Key Activity Summary

Activity / Project Area	Impact on Harrow Pension
<p><b>McCloud:</b> In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The government has decided that the general principles established will apply to all public sector pension schemes and, therefore, it has consulted on amending the LGPS Regulations.</p> <p>Employers will be required to provide payroll data that will pre date 2014, which may pose challenges.</p>	<p>The Harrow Pension Administration Team will need to undertake a remediation process for all affected members in line with the regulations, LGA and its software providers, to ensure the reformed regulations are carried out within the scheme membership. The potential financial impact has been assumed at the last valuation by Hymans to be 0.5% of the total fund worth. We will work to provide a clearer understanding of the affected members and, more accurate costs in line with the regulatory changes.</p>

<p><b>Guaranteed minimum pension (GMP) Reconciliation Project:</b> The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997.</p> <p>The Harrow Pension Administration is to undertake the rectification of members GMP in line with the HMRC guidance.</p>	<p>The Team is to work with the HMRC to analyse data held on our system Altair and the data held by HMRC, with a view to full rectification by the end of 2023.</p> <p>This work will not only ensure that the fund has accurate member liabilities, but it will also ensure the GMP amounts are correct for our members, resulting in potential over or underpayments, that will be corrected where agreed. Potential cost impact is unknown at this stage.</p>
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### Membership

3. Employees working for an employer that participates in the Local Government Pension Scheme (LGPS) are eligible for membership in the scheme membership. Membership in the LGPS is voluntary, members are free to choose whether to continue participating in the scheme or to make personal arrangements outside of it.
4. The below table provides a breakdown of London Borough of Harrow Pension Fund's membership as at 30 June 2023.

LB Harrow Pension Fund Member status	31 March 2023	30 June 2023	Change from last quarter
Active	5,558	5,566	8
Deferred	7,036	7,058	22
Frozen	829	819	(10)
Pensioner	6,765	6,705	(60)
<b>Total</b>	<b>20,188</b>	<b>20,148</b>	<b>(40)</b>

### Performance

5. The table below shows tasks / case type completed and outstanding as at 30 June 2023 and are categorised as follows:

Case Type	Outstanding March 2023	New Cases	Cases Closed	Outstanding June 2023	% of Completed Case Type
Transfer in quote	4	17	17	4	81.0
Transfer out quote	1	73	71	3	95.9
Age Estimate	1	63	63	1	98.4
Retirement Quote	4	58	57	5	91.9
Refund	1	17	17	1	94.4
Death	1	48	47	2	95.9
Actual transfer in	2	20	20	2	90.9
Actual transfer out	0	32	29	3	90.6
Actual Retirement	2	35	34	3	91.9
Preserved Benefit Estimate	4	75	69	10	87.3

Starters	0	268	268	0	100.0
Leavers	13	329	317	25	92.7
Other	44	1108	1059	93	91.9
<b>Total</b>	<b>77</b>	<b>2143</b>	<b>2068</b>	<b>152</b>	<b>93.2</b>

6. For quarter ending June 2023 the Administration Team completed a total of 2,068 tasks. An average of 93% of all tasks were completed over this period.

### **Complaints**

7. During this period there are no complaints received.
8. There are two ongoing complaints against Clerical Medical (CM).
- i) One regarding a life cover which had expired, Mrs R had not been informed by CM and deductions were being taken, they tried to refund her the money and her argument was that she was under the impression she would have been covered had something happened. Second complaint following her deferment from in profits fund which can only be deferred twice. CM did not send an information factsheet at the time so have given Mrs R a couple of options (this case will more than likely end up with Ombudsman)
  - ii) The second complaint was from CC – she complained to the admin team because she did not receive her retirement letter with the breakdown of payments. This was due to postal issue. An email has been sent to her early this month, hopefully this is now resolved.

### **Pension Ombudsman Appeals**

9. The two previous Ombudsman cases are now resolved as stated below:
- i) CG – Following the Ombudsman instruction to re refer CG to Occupational Health, this was done but Tier 1 was not awarded. The admin team and Medigold have both sent this decision to CG.
  - ii) BH – Appealed against the decision of rejection of ill Health payment of a deferred Pension. BH reached the pension age in September and started taking his benefit.
10. No new Pensions Ombudsman appeals received in this period.

### **Update on Log of Breaches (potential breaches)**

11. There are no breaches to report, this period.

### **Guaranteed Minimum Pension (GMP)**

12. Reconciliation Project took place in 2016 – audit have picked up some errors which need to be reviewed. All required member data need analysing and recalculated, and any discrepancies or exceptions will be investigated.

13. It is therefore planned at the next Board meeting to propose a rectification approach which will allow the project to proceed on how to treat all affected members, both those who maybe over or under paid.

### **Annual Benefit Statements (ABS)**

14. Administering authorities of the Local Government Pension Scheme (LGPS) are required to provide all scheme members with a yearly benefit statement which shows the current value of pension benefits accrued as at 31 March of the previous financial year.
15. The ABS includes a projection of future benefits, members can expect to accrue until they reach their Normal Pension Age (NPA). This allows scheme members to better plan for their retirement.
16. According to regulations this statement must be made available to members by 31 August each year.
17. Statements for all members (except Harrow active scheme members) were produced and made available to members via MSS portal or through the post. Internal communication has been produced and circulated to inform members that their statement is ready and provide information on how to obtain it.
18. The team produced approx. 3,800 active statements and 7,015 deferred statements; these have been issued in line with the August 31st deadline.
19. Work continues in processing the remainder of over 1,900 ABS for LBH active members, this has been delayed due to the new Harrow payroll system and it is estimated that all the outstanding statements will be issued before 31<sup>st</sup> October 2023.

### **McCloud**

20. On 17 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent and became law. In mid-July 2022, the Department for Levelling Up, Housing and Communities (DLUHC) provided an update on its work to rectify the “McCloud” age discrimination across all affected public service pension schemes, including the LGPS. In relation to the LGPS the Government’s consultation closed at the end of June, with the Government finalisation of the regulations in early September, making it to be into force from 1 October 2023. DLUHC plans to ‘establish a guidance working group’ with the LGPS Scheme Advisory Board (SAB) to consider what guidance is required, no further update on this at the time of report writing.
21. Starting from 1 October 2023, the LGPS McCloud remedy regulations will be implemented. After this date, the scheme will be required to begin recalculating benefits for affected members according to the McCloud guidelines. The scheme will contact these members directly.
22. Officers have undertaken some preliminary work to identify the affected members ahead of the implementation date. The guidance sets out the

available options administering authorities may consider if they are unable to collect the necessary data to implement the McCloud remedy.

23. It is anticipated that the implementation of the proposed remedial regulations will be both complex and time consuming. Additional resources are likely to be required to undertake this work.
24. Officers will continue to keep the Pensions Committee and the Board informed of developments related to McCloud remedy activities and update on any additional resource requirements when identified.
25. The team will continue to liaise with employers to support employers who have not yet provided the necessary data. For those who are unable to or do not hold the necessary data, SAB has issued a guidance on how to deal with these and it will be factored into the remediation plans.
26. Work is still ongoing with our third-party supplier, who is carrying out data quality checks on all employer returns. After initial assessments it was recognised, key data was missing from some employers. We will have an idea on benefits affected after this has been interfaced.

### **Pension Dashboard**

27. Pension Dashboards are digital services (websites, apps or other tools) which individuals will be able to use to see all their pension information in one place, including their State Pension.
28. The Money and Pensions Service (MaPS) will host its own dashboard on the MoneyHelper website and other organisations will host their own dashboards, subject to approval and regulation by the Financial Conduct Authority (FCA).
29. The Pensions Dashboard Programme (PDP) has been set up by MaPS who are responsible for developing the dashboards ecosystem which enables individuals to view their pension data online.
30. Pension Funds will need to connect with and supply pensions information to dashboards from their scheme-specific staging deadline. Schemes will connect over time according to their type and size. The date dashboards will be launched to the public (known as the “Dashboards Available Point”) will be advised by DWP.
31. The recent announcement in June 2023 has confirmed go live date for the dashboard will be delayed. Whilst a connection deadline has been set for all schemes by 31<sup>st</sup> October 2026, a transition plan is expected in the coming months, detailing specific dates for all schemes.
32. Whilst there has been a delay, the timeline is not expected to drastically change and therefore, work will continue with data cleansing to support the dashboard readiness. The team will use this extended period to rectify data discrepancies and, further embed data cleansing into day-to-day operations.

## **Member Self Service (MSS) Roll Out**

33. The Member Self Service (MSS) portal is a pension scheme website that members can register an account with to view and edit their personal information as well as running their own retirement estimates.
34. The roll out of MSS continues, take up has been significantly good.

## **Cost of Living**

35. Through various channels such as newsletters, annual benefit statements and by attending wellbeing events where possible, the service continues to provide support and guidance to members and employers, in relation to the current financial climate.
36. The LGA previously requested from all schemes within the LGPS to review their membership and identify any trends where this may have impacted scheme opt outs or moves to the 50:50 scheme.
37. Details of this can be found below and show no obvious links at this stage.

## **Trends of scheme opt outs or moves into 50/50**

<b>Financial Year ending; March:</b>	<b>No. of opt out</b>
2019	208
2020	47
2021	54
2022	87
2023	32
<b>Total</b>	<b>428</b>

<b>Financial Year ending; March:</b>	<b>No. into 50/50</b>
2019	9
2020	9
2021	8
2022	11
2023	4
<b>Total</b>	<b>41</b>

38. Additional resources required by Fund to focus on GMP, McCloud and related employer bottlenecks.

## **Legal Implications**

39. There are no direct legal implications arising from this report.
40. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
41. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and

efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- iii) such other matters the LGPS regulations may specify.

42. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
43. In its role, The Board will have oversight of the administration of the fund including:
  - i) The effectiveness of the decision making process
  - ii) The direction of the Fund and its overall objectives
  - iii) The level of transparency in the conduct of the Fund's activities
  - iv) The administration of benefits and contributions
44. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
45. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
46. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

47. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no direct financial implications arising from this report.

## **Risk Management Implications**

48. Risks included on corporate or directorate risk register? **No**  
Separate risk register in place? **Yes**
49. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board.
50. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.



## **Equalities implications / Public Sector Equality Duty**

51. Was an Equality Impact Assessment carried out? No  
There are no direct equalities implications arising from this report.

### **Council Priorities**

52. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Sharon Daniels**

Signed by the Chief Financial Officer

**Date: 16 October 2023**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 16 October 2023**

**Chief Officer: Sharon Daniels**

Signed on behalf of the Chief Executive

**Date: 16 October 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

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**Background Papers:** None