

## **Report for: Pension Board**

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<b>Date of Meeting:</b>	4 March 2021
<b>Subject:</b>	Pensions Administration Update to 31 December 2020
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1: Pension Administration Performance Monitoring to 31 December 2020

### **Section 1 – Summary and Recommendations**

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This report summarises the performance of the Pensions Administration team for the quarter ended 31 December 2020.

#### **Recommendations:**

The Board is requested to note the report.

### **Section 2 – Report**

1. Monitoring the service performance of the Fund is a key responsibility of the Board. The Board has been monitoring comparative pensions administration indicators since June 2017. This report provides information on performance to 31 December 2020.
2. The Pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 December 2020 are set out in Appendix 1. The Board is invited to comment on this performance.
3. Table 1 below sets out the membership of the Pension Fund in the current year to 31 December 2020, with previous years to 31 March as

a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

	31 March 2018	31 March 2019	31 March 2020	31 December 2020
Pensioners	5,760	5,795	6,004	6,230
Deferred	7,115	6,966	7,037	6,988
Active Members	5,557	5,400	5,410	5,420
% Active Members	30.1%	29.7%	29.3%	29%
Total	18,432	18,161	18,451	18,638

### Requirement to Report Breaches of Law

4. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 20<sup>th</sup> September 2018.
5. There have been no known breaches of law in the current financial year to date.

### Internal Disputes Cases and Complaints

6. No internal disputes or complaints have been raised in the current financial year.
7. During the last quarter, there was further correspondence in respect of two long standing cases, and Stage 2 determinations were issued. Both related to and upheld earlier decisions regarding ill health retirement.
8. In addition, one complaint to the Pensions Ombudsman was received in December 2020. A response was sent to the Ombudsman in January 2021, and his decision is awaited. This complaint related to a decision regarding ill health retirement taken in 2017 and followed a stage 2 appeal which was received and determined early in 2020.

### Payment of Employer Contributions

9. Employer contributions are required to be paid in arrears by the 19<sup>th</sup> of each month. All employer contributions have been paid on time in the year to date. Employers are contacted if payment has not been received by the due date.

### Update on Legislation Changes (Exit Cap and McCloud)

10. The Fund participates in a “system user group” with other LGPS fund who use the same software supplier – Aquila Heywood. This enables Funds to agree on the prioritisation of system changes which affect all funds, and to share the costs of these changes equitably. Since the Board’s last meeting, when it received a detailed report on these

legislative changes, work has progressed on scoping the software changes which will be required to address the issues.

11. Aquila Heywood had discussions with officials from the Ministry of Housing & Local Government (MHCLG), and had agreed to prioritise work on the Exit Cap. The changes required were expected to be completed and released in April 2021, although it was acknowledged that the new LGPS Regulations may be changed or may require further change when the judicial reviews into the Exit Cap are heard in March 2021.
12. On 12 February 2021, HM Treasury announced that the Restriction of Public Sector Exit Payment Regulations 2020 “may have had unintended consequences,” and were therefore to be revoked. Pending revocation, HM Treasury has published mandatory guidance that the Regulations should not be applied.
13. The guidance includes the following comments
  - *“HM Treasury will bring forward proposals at pace to tackle unjustified exit payments.” (para. 1.5)*
  - *For individuals - “If you have been directly affected by the cap whilst it was in force, you should request from your former employer the amount you would have received had the cap not been in place by contacting your employer directly.” (para. 2.2)*
  - *For employers - “In light of the withdrawal of the Regulations, employers are encouraged to pay to any former employees who had an exit date between 4th November 2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have paid but for the cap. Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury’s expectation is that they will do so.” (para. 3.2)*
14. Harrow has had only a small number of cases where the cap may have been applied, and work is being undertaken to establish whether it is appropriate to review these. In none of these cases was a reduced pension paid. At the time of writing the report, guidance is awaited from the Fund’s actuaries, Hymans Robertson, on whether it is now appropriate or necessary to revert to using the “fund specific” strain cost factors in early retirement calculations, rather than the standard Government Actuary’s Department (GAD) factors which were appropriate for the exit cap. A further update will be provided to the Pension Fund Committee on 24 March 2021.
15. The first phase of work required to implement the McCloud changes is also underway. This is the development of tools to identify (from the scheme member database) which members are likely to be affected, and to issue spreadsheets to employers for completion in respect of those individuals – this should address any gaps in their earnings / payroll data. Subsequent phases, including software changes, will be dependent upon the MHCLG response to the consultation on McCloud remedies. This is still awaited.

## **Other Matters**

16. The current contract with Acquila Heywood for provision of Pensions Administration Software and the hosting of this on a database expires in October 2021. Officers are currently reviewing the approach to addressing this and will report with a recommendation to the Pension Fund Committee on 24 March 2021.

## **Legal Implications**

17. At its November meeting the Pension Fund Committee approved an approach to mitigate as far as possible the conflict between the Restriction of Public Sector Exit Payment Regulations (which limited the cost which an employer could incur in respect of an employee's employment being terminated, including pension strain costs) and the LGPS Regulations (which provide that if an active scheme member aged 55+ is made redundant, then he/she should have immediate unreduced access to his/her pension). The Government's decision to revoke the Restriction of Public Sector Exit Payment Regulations removes this conflict.

## **Financial Implications**

18. The review of individual cases where active members have left employment since 4 November 2020 may in some cases require additional payments to be made. If such payments are required it is possible that these will be underpayments of pension, which would need to be met from the Pension Fund.

## **Risk Management Implications**

19. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The conflict between the Restriction of Public Sector Exit Payment Regulations 2020 and the LGPS Regulations was classified as a red risk at the last review in November 2020. That risk has been "downgraded" as the Government's decision to revoke the "Exit Payment Regulations" has removed the conflict.

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

20. Was an Equality Impact Assessment carried out? No

21. There are no direct equalities implications arising from this report.

## **Council Priorities**

22. 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: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 19/02/2021**

**Statutory Officer: David Hodge**

Signed on behalf of the Monitoring Officer

**Date: 17/02/2021**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 18/02/2021**

### **Mandatory Checks**

**Ward Councillors notified: NO**

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

**Contact:** Jeremy Randall – Interim Pensions Manager

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**Background Papers:** None