

## **Report for: Pension Board**

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| <b>Date of Meeting:</b>     | 3 March 2022  |
| <b>Subject:</b>             | Pensions Administration Update to 31 December 2021                            |
| <b>Responsible Officer:</b> | Dawn Calvert – Director of Finance and Assurance                              |
| <b>Exempt:</b>              | No  |
| <b>Wards affected:</b>      | Not applicable  |
| <b>Enclosures:</b>          | Appendix 1: Pension Administration Performance Monitoring to 31 December 2021 |

### **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 2021 and updates the Board in respect of a number of other items.

#### **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 2021.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 December 2021 are set out in Appendix 1. The numbers of cases have been included in the table to provide further contextual information about performance. 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 at 31 December 2021, with previous years at 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

|                     | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2021 | 31 December<br>2021 |
|---------------------|------------------|------------------|------------------|---------------------|
| Pensioners          | 5,795            | 6,004            | 6,196            | 6,420               |
| Deferred            | 6,966            | 7,037            | 7,033            | 6,965               |
| Active<br>Members   | 5,400            | 5,410            | 5,309            | 5,517               |
| % Active<br>Members | 29.7%            | 29.3%            | 28.6%            | 29.19%              |
| Total               | 18,161           | 18,451           | 18,538           | 18,902              |

4. The three yearly “re-enrolment” exercise for members who had previously opted out of the LGPS is required will be carried out by LBH in its capacity as a scheme employer before 31 July 2022. It is possible that this may lead to an increase in the number of active members reflected in these statistics towards the end of 2022.

#### **Requirement to Report Breaches of Law**

5. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 16<sup>th</sup> December 2021 – the document will be submitted for approval by the Pension Fund Committee at its meeting on 9<sup>th</sup> March 2022.
6. There have been no known breaches of law in the current financial year to date.

#### **Internal Disputes Cases and Complaints**

7. No internal disputes or complaints have been raised since the previous report.
8. As reported to previous meetings of the Board, three complaints have been referred to the Pensions Ombudsman. In all three cases, Harrow responded to the Ombudsman within his deadlines – in one case in January 2021, and in the other two, October 2021. All three cases relate to decisions taken regarding ill health retirement, and the decisions of the Ombudsman are awaited.
9. The Pensions Ombudsman has indicated that their office is dealing with a large number of complaints, (most of which are not related to the LGPS) and that it may be “several months” before they write to LBH again. Whilst this situation is unsatisfactory for the three complainants, as indicated above, the delays are not of Harrow’s making.

## **Payment of Employer Contributions**

10. 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 2021-22 to date. Employers are contacted if payment has not been received by the due date.

## **Update on Legislation Changes**

### **McCloud**

11. As previously reported, following the 2020 Consultation, on 13<sup>th</sup> May 2021 the Government announced plans to implement the changes proposed in the consultation from 1 April 2023. On 19 July 2021, a bill was put before Parliament amending the Public Service Pensions Act 2013 to rectify unlawful discrimination in public service pension schemes. The Bill to amend this Act was progressing through the committee Stage in the House of Commons during the week beginning 24 January 2022 and the draft LGPS regulations for consultation are still awaited.
12. Once there is some certainty regarding the structure of the new Regulations, the LGPS software providers will be able to make the necessary changes – LBH has progressed the collection of data from employers in preparation for the changes when these are eventually implemented.

### **Exit cap**

13. As reported previously, the Public Sector “Exit Cap” Regulations were repealed in February 2021, and the Government announced that measures to achieve the cap’s intended outcomes would be implemented later in 2021. On 28<sup>th</sup> May, the Government issued Guidance on “Special Severance payments” to the rest of the public sector. The position is unchanged from the last meeting, in that a consultation in respect of the LGPS is still awaited.

## **Other Matters**

### **Scheme Advisory Board (SAB)**

14. The SAB’s most recent meeting was on 13 December 2021. Items considered were
  - Investment cost transparency and reporting thereof
  - A letter from Mr. Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories which asks a number of questions of LGPS funds regarding their investments. The SAB is liaising with LAPFF regarding an appropriate response.
  - Replacement of the CIPFA Pensions Panel with an SAB “Compliance and Reporting Committee”. One of this Committee’s important functions will be to review, develop and issue guidance on LGPS Funds’ Annual Reports and Accounts.
  - Investment, including Cost Management

15. The agenda and papers can be found at the following link <https://lgpsboard.org/index.php/about-the-board/prev-meetings>

### **Levelling Up White Paper**

16. The Government published its White Paper on “Levelling Up the UK” on 2 February 2021. Included in the paper is a statement that *“The UK Government will go further and work with Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.”*
17. It is currently unclear how this will be achieved and over what timescale, although it is thought that a Consultation Paper will be issued later this year, and that this paper may also cover pooling guidance and climate change matters.

### **Triennial Valuation 2022**

18. In preparation for the triennial valuation based upon the Fund’s position as at 31 March 2022, the Pension Fund Committee received a training presentation from Laura McInroy of Hymans Robertson before its last meeting on 24 November 2021. Members of the Board were invited to attend, and Laura explained the process and set out an outline timetable for the valuation and reporting of the results. This was reported to the Board’s last meeting.
19. The activities currently in progress are
- initial data cleansing work which began in Q4 of 2021 is continuing
  - officers are working with Hymans Robertson to consider the key actuarial assumptions (investment returns, inflation and pay growth, mortality) to be applied in the valuation. These will be reported to the Pension Fund Committee on 9<sup>th</sup> March 2022.
20. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

### **Legal Implications**

21. There are no direct legal implications arising from this report.
22. The terms of reference for the Board include assisting 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.

## **Financial Implications**

23. There is a cost of engaging Aquila Heywood to assist in the collection of employer data in readiness to implement fully the McCloud Judgement when the new Regulations become available. The work to deliver the triennial valuation will result in additional fees payable to the Fund's actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

## **Risk Management Implications**

24. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
25. There are no specific risk management implications arising from this report.

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

26. Was an Equality Impact Assessment carried out? No
27. There are no direct equalities implications arising from this report, although as the Committee is aware, the McCloud Judgement arose from a Equalities Claim against another public sector pension scheme.

## **Council Priorities**

28. 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: 09/02/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 09/02/2022**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 09/02/2022**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

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

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

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None