

Report for: Pension Board

Date of Meeting:	28 July 2022
Subject:	Pensions Administration Update to 31 March 2022
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Pension Administration Performance Monitoring to 31 March 2022

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 31 March 2022 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 March 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 March 2022 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 March 2022, 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 2019	31 March 2020	31 March 2021	31 March 2022
Pensioners	5,795	6,004	6,196	6,460
Deferred	6,966	7,037	7,033	6,957
Active Members	5,400	5,410	5,309	5,586
% Active Members	29.7%	29.3%	28.6%	29.40%
Total	18,161	18,451	18,538	19,003

4. The three yearly “re-enrolment” exercise for members who had previously opted out of the LGPS is required is currently being carried out by LBH in its capacity as a scheme employer. This is required to be completed 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 16th December 2021 – the document was approved by the Pension Fund Committee at its meeting on 9th March 2022.
6. There were no known breaches of law in the 2021-22 financial year.
7. During April 2022, there were problems with the printing and distribution of payslips, which arose following a change in Harrow’s payroll arrangements. As a result, some pensioners’ pay details were printed on the reverse of other pensioners’ pay slips. As soon as the error was identified, a breach of the data protection requirements was reported, and action to rectify the situation and prevent it happening again was taken in accordance with the Council’s procedures.

Internal Disputes Cases and Complaints

8. Since the previous report, one Stage 1 complaint has been dealt with under the Internal Dispute Resolution Procedure. The complaint concerned a statutory review on a tier 3 ill health retirement. As a result of the review, and on the advice of the appointed Independent Registered Medical Practitioner the member’s pension was to have ceased in July 2022. The decision was upheld in the Stage 1 review and the member’s pension ill-health pension will cease in July 2022 and become a deferred pension, payable from Normal Pension Date. Following further correspondence, the member has decided to take early payment of the deferred pension at a reduced rate.

9. 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.
10. 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

11. Employer contributions are required to be paid in arrears by the 19th of each month. All employer contributions were paid on time in 2021-22. Employers are contacted if payment has not been received by the due date.
12. Following changes to the Council’s payroll arrangements, the LBH Community Schools were required to make their own payroll arrangements. This means that from April 2022 the 30 schools are now remitting their employer contributions and members’ details in the same way as an external employer – the reconciliation and upload of this information has increased the Admin Team’s workload.

Update on Legislation Changes

McCloud

13. As previously reported, following the 2020 Consultation, on 13th May 2021 the Government announced plans to implement the changes proposed in the consultation from 1 April 2023. The Public Service Pensions and Judicial Offices Act 2022 received Royal assent in March 2022. It amends the Public Service Pensions Act 2013 to rectify unlawful discrimination in public service pension schemes. The current expectation is that the updated LGPS Regulations reflecting these changes will not be published until the autumn of 2022.
14. Once there is some certainty regarding the new Regulations, the LGPS software providers will be able to make the necessary changes. With the help of our software suppliers, Heywoods, LBH has progressed the collection of data from employers in preparation for the changes when these are eventually implemented. Heywoods advise that having completed this for 80% of our scheme employers LBH is better placed than many administering authorities to implement the changes in 2023. The outstanding employers are mainly academy schools, and work is continuing to collect the requisite data.

Exit cap

15. As reported previously, the Public Sector “Exit Cap” Regulations were repealed in February 2021. The Department for Levelling Up, Communities and Local Government issued statutory guidance for local authorities on 12 May 2022. The guidance now aligns with the LGPS Regulations in that only strain costs arising from a decision to enhance standard pension benefits count as a “special severance payment”.

Other Matters

Scheme Advisory Board (SAB)

16. The SAB’s most recent meeting was on 6 June 2022. Items considered included

- Investment cost transparency and reporting thereof
- An update on Compliance and Reporting
- An update on the Queen’s Speech.

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

18. The Board published the 2021 Scheme Annual Report for the LGPS. This covers the financial year 2020-21, and can be found at the following link <https://lgpsboard.org/index.php/schemedata/scheme-annual-report>

19. The key headlines from the report are

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 m members in 2021 from 6.160 m in 2020
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%
- The scheme maintained a positive cash-flow position overall, including investment income
- Over 1.8m pensioners were paid over the year
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

Triennial Valuation 2022

20. Following on from the training presentation from the Fund’s actuary (Laura McInroy of Hymans Robertson) at its November meeting, on 9th March 2022 the Pension Fund Committee considered a further presentation and report regarding the key assumptions for the 2022

triennial valuation, which is being carried out, based upon the Fund's position as at 31 March 2022.

21. The submission of key data was completed at the end of June, and the actuary is working through the detail of this. The actuary will be updating the Pension Fund Committee on 26 July 2022 on the next phase of work, including development of the Funding strategy statement for consultation with employers following the September meeting of the Committee.
22. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

Legal Implications

23. There are no direct legal implications arising from this report.
24. 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

25. 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

26. 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.
27. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

28. Was an Equality Impact Assessment carried out? No

29. 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

30. 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: 07/07/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 07/07/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 07/07/2022

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

Telephone 020 8736 6552

Background Papers: None