

Report for: Pension Board

Date of Meeting:	6 October 2022
Subject:	Pensions Administration Update to 30 June 2022
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Pension Administration Performance Monitoring to 30 June 2022

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 30 June 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 30 June 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 June 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 level of performance has dropped in this quarter – the main reason is that the

Council's new payroll arrangements have made the preparation of the pension payroll more labour intensive, and this, alongside the additional workload which is always required during a triennial valuation, has impacted on the speed at which routine work is carried out. It is intended that employer and scheme member self service will be implemented during the winter of 2022-23, and this should help to improve performance going forward. 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 30 June 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	30 June 2022
Pensioners	5,795	6,004	6,196	6,542
Deferred	6,966	7,037	7,033	6,904
Active Members	5,400	5,410	5,309	5,545
% Active Members	29.7%	29.3%	28.6%	29.2%
Total	18,161	18,451	18,538	18,991

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 was completed in 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. Other than the item disclosed at paragraphs 7 and 8 below, there have been no known breaches of law in the current financial year.
7. Annual benefit statements, setting out the individual member's position at 31 March, are required to be sent to all active and deferred members before 31 August each year. For 2022, the exercise was completed before the deadline for most employers in the Fund. The exception was four academy schools, which are all part of the Avanti Schools Trust, affecting approximately 10 scheme members in total. The reason these statements were not sent on time is that the Trust had not provided the necessary year-end returns in time for the deadline to be met. The Trust advised that they had changed payroll providers at 1 April 2022, and there had been a problem with the transfer of responsibilities between the outgoing and incoming provider. The issue also impacted on the

triennial valuation work (see below). The Trust has schools in other local authorities/ LGPS funds and those have been similarly affected.

8. As reported to the Board's last meeting, 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

9. Since the previous report, no further cases have been dealt with under the Internal Dispute Resolution Procedure.
10. 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.
11. 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.
12. At the Board's last meeting, it was noted that whilst the delays are not of Harrow's making, this situation is unsatisfactory for the three complainants. Following the Board's request, officers have written to the Pensions Ombudsman expressing concerns at the length of the delay and its possible impact on the complainants. At the time of writing this report no further update has been received.

Payment of Employer Contributions

13. Employer contributions are required to be paid in arrears by the 19th of each month. In the current financial year to date, all employer contributions have been paid on time. Employers are contacted if payment has not been received by the due date.

Update on Legislation Changes

McCloud

14. As previously reported, 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 updated LGPS Regulations reflecting these changes have still not been published. They are however expected before the end of December 2022.

15. In the meantime, the Government has provided some information to LGPS software suppliers about the “Mccloud remedy”, to assist them in development work to facilitate implementation of 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

16. 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)

17. The SAB’s most recent meeting was on 6 June 2022, and information about that meeting was reported to the Board’s last meeting.

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

Triennial Valuation 2022

19. As previously reported, the Fund’s actuary (Laura McInroy of Hymans Robertson) has delivered three presentations to the Pension Fund Committee about the triennial valuation, which will be based upon the Fund’s position at 31 March 2022

- 24 November 2021
- 9 March 2022 – covering the key assumptions to be used in the Valuation
- 26 July 2022 – an update on progress to date and on the next phase of the valuation work, and in the process bringing new members of the Committee up to speed on the valuation process and approach.

20. Laura McInroy is about to begin a period of maternity leave, and her colleague Steven Law will be covering her responsibilities during that time. Steven will be presenting a report to the forthcoming meeting of the Pension Fund Committee on 12th October 2022 (please note this meeting was originally due to take place on 19th September but was rescheduled because of the funeral of Queen Elizabeth II on that day.)

21. The presentation on 12th October will cover two items

- Initial “Whole Fund” results
 - Proposed LBH contribution strategy.
22. As indicated in paragraph 7 above, there were some problems obtaining scheme member data from the Avanti Group of academy schools (the Group has four schools in LBH plus a number in other areas / LGPS Funds, and the problem extends across the group). As the four employers are small in the context of the LBH Fund (0.6% of the membership in total), Hymans have been able to deploy a “work around” to produce initial whole fund results.
23. The timetable for the remainder of the Triennial Valuation process is summarised as follows:
- PF Committee meeting 23 November 2022
 - Consideration of draft Funding Strategy Statement (FSS) and related policies – for employer consultation
 - Results for “non LBH” employers
 - Early December – Employer Forum (date tbc) – this will be the way in which we consult employers on the FSS)
 - PF Committee – 29 March 2023
 - Final valuation report
 - Approval of Funding Strategy Statement
 - By 31 March 2023 (statutory deadline) – Final Report including Rates and Adjustments Certificate issued
 - From 1 April 2023 onwards – new contribution rates payable by employers.
24. Following discussions with the actuary, the Funding Strategy Statement will be a much simpler document than the current version – but it will sit alongside a number of key policies which will set out how the Fund deals with employer events, including new admissions and cessations. The draft policies will be brought to the Board for consideration / comment as soon as these are available.
25. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

Legal Implications

26. There are no direct legal implications arising from this report.
27. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
28. 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:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
29. 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.
30. In its role, The Board will have oversight of the administration of the fund including:
- a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
31. 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.
32. 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.
33. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

34. 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

35. 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.
36. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

37. Was an Equality Impact Assessment carried out? No

38. 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.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/09/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 27/09/2022

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Telephone 020 8736 6552

Background Papers: None