

Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	Pensions Administration Update to 31 December 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 December 2022

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 31 December 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 December 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 December 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 had dropped in the quarter to 30 June and was similar in

the quarter to 30 September. This was linked to the impact of the Council's new payroll arrangements, which have made the preparation of the pension payroll more labour intensive, alongside the additional workload which is always required during a triennial valuation. Since the beginning of October performance has begun to improve and is now almost back to where we would expect. As an indication, we had a small backlog (i.e., the number of out-of-date work items) of 60 items in early October - this had fallen to 34 in mid-November 2022, and has fallen further to 17 by February 2023. The Board is invited to comment on this performance.

3. Work on the implementation of scheme member self-service is progressing well, and the roll out to active and deferred members will commence shortly. Once this is operational, i-Connect (an employer self service module) will be implemented. I-Connect will streamline the monthly uploading of member contribution data from each employer, replacing the current approach which uses spreadsheets. Once these technology improvements are fully operational, they will reduce the team's workload in some areas leading to further improvements in performance.
4. Table 1 below sets out the membership of the Pension Fund in the current year at 31 December 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.

Table 1

	Pension Scheme members				
	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 Dec 2022
Pensioners	5,795	6,004	6,196	6,460	6,664
Deferred	6,966	7,037	7,033	6,957	6,858
Active Members	5,400	5,410	5,309	5,586	5,633
% Active Members	29.7%	29.3%	28.6%	29.3%	29.4%
Total	18,161	18,451	18,538	19,003	19,155

5. The three yearly "re-enrolment" exercise for members who had previously opted out of the LGPS is required was completed on 31 July 2022.

Requirement to Report Breaches of Law

6. 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.
7. Other than the items disclosed at the last meeting (Annual Benefits Statements issued late in respect of the Avanti Schools Trust because

of delays by the Trust in providing year end data – now resolved, and the data breach in respect of a small number of payslips in April 2022), there have been no known breaches of law in the current financial year.

Internal Disputes Cases and Complaints

8. Since the previous report, no further cases have been dealt with under the Internal Dispute Resolution Procedure.
9. As reported to previous meetings of the Board, three complaints had been referred to the Pensions Ombudsman. In all three cases, Harrow had 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.
10. The Ombudsman has recently reported on one of the cases from October 2021, and the authority is implementing the actions recommended by the Pensions Ombudsman.
11. Following the Committee's last meeting, officers contacted the Pensions Ombudsman expressing concern about the delays. In a response dated 7 November 2022, it was indicated that the case from January 2021 is likely to be passed to an adjudicator in 3-4 months, and the remaining case from October 2021 is likely to be passed to an adjudicator in 6-7 months. This is clearly unsatisfactory for the complainants and indicates that the Pensions Ombudsman's office continues to be dealing with a large number of complaints, (most of which are not related to the LGPS).

Payment of Employer Contributions

12. 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

13. In February 2023, a small consultation on changing the dates for "indexation" of CARE benefits was published – the intention of this is to simplify the position for active and deferred members because of the impact of uprating on the annual allowance and tax positions which would be unusually high this year and occur because the tax year and indexation dates currently are not aligned. Initial impressions, confirmed by analysis by Hymans Robertson, indicate that the proposals would have the intended impact. A link to the Consultation is below.
[Annual revaluation date change in the Local Government Pension Scheme \(LGPS\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme)
14. A Government consultation on the McCloud remedy for public sector pension schemes was published in December 2022. This closed on 10 February 2023, the response by the Government is awaited and Regulations are expected to be laid in "Spring 2023". There will need to

be specific LGPS Regulations for the implementation of the remedy, covering this. A link to the Consultation is below.

<https://www.gov.uk/government/consultations/draft-regulations-for-the-mccloud-remedy/consultation-on-draft-regulations-for-the-mccloud-remedy#executive-summary>

15. On 30 January 2023 the Government published a Consultation on proposed changes to arrangements for cost sharing (between scheme members and employers). The Consultation closes on the 24 March 2023. The cost management process is overseen by the Scheme Advisory Board. The changes being considered are intended to align the mechanisms with those for other public sector schemes. A link to the consultation is below.

<https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process>

16. Previously we had expected a major consultation for the LGPS – covering a range of topics including investment pooling, investment in “levelling up” and infrastructure, the good governance review as well as the McCloud remedy and cost sharing. Apart from the specific items above, the major consultation is still awaited. It is understood that one factor in the delays is the lack of capacity in DLUHC – their LGPS team is small. A report will be brought to the Board when the consultation is published.

Other Matters

Scheme Advisory Board (SAB)

17. The SAB’s most recent meeting was on 5 December 2022. Items considered included

- Cost management of the scheme (a Consultation was issued on 30 January 2023)
- McCloud and Exit Pay
- Update on the Good governance review
- Compliance and Reporting - including setting in train work to update guidance on
 - Pension Fund Annual reports and accounts
 - Funding strategy Statements
 - Knowledge and Skills Framework
 - Separating Pension Fund and Administering Authority audits.
- Investment Cost Transparency

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

Legal Implications

19. There are no direct legal implications arising from this report.
20. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
21. 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.
22. 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.
23. 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
24. 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.
25. 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.
26. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

27. 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

28. 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.

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

Equalities implications / Public Sector Equality Duty

30. Was an Equality Impact Assessment carried out? No

31. There are no direct equalities implications arising from this report, although as the Committee is aware, the McCloud Judgement arose from an Equalities Claim against another public sector pension scheme.

Council Priorities

32. 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: 21/02/2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 14/02/2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 21/02/2023

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