

Non-Executive Report of the: Pensions Committee March 2018	
Report of: Zena Cooke, Corporate Director of Resources	Classification:
Pension Scheme Administration Update	

Originating Officer(s)	Tim Dean, Pensions Team Leader
Wards affected	All

Summary

This report covers the activities and performance of the Pensions administration team.

Recommendations

Members of the Pensions Committee are asked to:

1. Note the information provided in this report in respect of the scheme administration and the performance metrics;
2. Note the changes of status of the schools that are becoming academies;
3. Note the intention of One Housing to close their scheme;
4. Agree the transfer of East London Arts and Music Academy into the Fund;
5. Agree in principle the admission of the following as Admitted Bodies :
 - i. KM Cleaning & Maintenance Limited; and
 - ii. Tower Hamlets Youth Sports Foundation
6. Approve the revised Communications Strategy as set out in the appendix to this report
7. Confirm that they have no objection to Tower Hamlets Community Housing converting from a company to a Community Benefit Society.

1. STAFFING

- 1.1 One of the team's Pensions Administrators was seconded to another part of the HR department from 4 December 2017. She was due to return to the section on

1 March 2018 however this arrangement is to be extended until the new Human Resources structure is in place in May 2018.

- 1.2 A second member of the team is due to return from maternity leave on 11th March 2018, however she has annual leave to take that will take her through to the middle of May. She has indicated that she will not be returning to work and will hand in her notice in the middle of April.
- 1.3 An officer from the Ideas Store, with a finance background has indicated a desire to progress his finance career, and so will be joining the Pensions team on a temporary secondment, part-time (three days a week) basis from 15th March 2018. This will assist with the workload and may be extended further if it suits both parties.
- 1.4 Recruitment of another temporary administration assistant is currently under way. This will assist with the resourcing levels and ensure that performance can continue to be improved.

2. ACTIVITY AND PERFORMANCE

- 2.1 The activity levels and performance against service standards are reported in the appendices to this report.
- 2.2 Activity levels and performance are monitored on a monthly basis. Appendix 1 gives a summary of the performance during the current financial year.
- 2.3 Overall the Pensions team has completed 85.66% of its workload in line with the services standards measured by the performance indicators. Performance monitoring indicates that Deferred Benefit calculation, Lump Sum Retirement Grant payments and General Enquiries are particular areas for concern with less than 80% completed within target. Deferred Benefit calculations and General Enquiries are processed by the Pensions Administrators. Both of these posts have been vacant for part of the period covered by the performance summary and are still vacant however the actions reported above will start to address this.
- 2.4 A review of the procedures involved in the payment of Lump Sum Retirement Grants will be undertaken by the Pensions Manager to see if this process can be streamlined which will enable the performance standard to be more easily achieved without reducing the quality of the checking.
- 2.5 Performance data is produced using Workflow reports from the Altair Pensions administration system. Members of the Pensions team are currently working with the system providers, Aquila Heywood, to improve the Workflow processes so that they better reflect the work of the team and enable the team managers to identify areas where improvements to procedures can be made.

3. SCHEME EMPLOYERS

- 3.1 There are some changes to the status of employers that are admitted to the fund which are being dealt with currently. Some require noting however as

indicated some require the approval of the Committee. Each case is set out below.

- 3.2 **Tower Hamlets Youth Sports Foundation** – Two active LGPS members are likely to be transferred from Langdon Park School to this employer by 1st April 2018 as a result of a change in the way the Foundation provides services and is funded. These two active members have rights under the Transfer of Protection of Employment Regulations (TUPE) to retain their current pension provision. The Fund's Actuary has calculated the employer's contribution rate and discussions are ongoing with the Foundation's Trustees about a range of matters which include the provision of appropriate guarantees for the Pension Scheme. However in order to facilitate a smooth transition, this report requests agreement in principle, that subject to appropriate agreement being in place, that the THYSF become an admitted body to the Pension Fund.
- 3.3 **KM Cleaning & Maintenance Ltd** – Four active LGPS members transferred from Manorfield School on 1 July 2017 to this company as a result of the externalisation of the cleaning contract. As existing employees transferring with the contract award, the four active members have a right to retain membership to the LGPS as described above. The employer contributions rate calculation report has been completed by the fund actuaries and a draft admission agreement has been sent. The company has also been given the cleaning contract for Chisenhale School from 1 April 2018. A further four active members will transfer on that date with similar rights. Agreement is requested to the admission to the fund for KM Cleaning and Maintenance Ltd.
- 3.4 **East London Arts & Music Academy** – This Academy was originally based in Newham when it was formed approximately three years ago. They became a Scheduled Body in the Newham Pension Fund. They have now moved to new premises in Tower Hamlets and have been informed by Newham that they can no longer be a Scheduled Body to their Fund. They should now be a Scheduled Body to the Tower Hamlets Pension Fund. There were two active LGPS members when they moved on 1 May 2017. Agreement is requested to the transfer of this Academy from Newham's Fund to Tower Hamlet's Fund.
- 3.5 **One Housing** – One Housing are intending to withdraw access to the LGPS for their staff from 1 April 2018. They currently have seven active LGPS members. They have written to the members to let them know. Unison has contacted us to ensure that we are aware and ask whether or not One Housing can do this. HR have advised that, as long as delivery of the service is not affected, and as long as One Housing follow the correct procedures, we cannot interfere. One Housing have also contacted us about spreading the cessation cost over a period of time. This is for noting by the Committee at the current time.
- 3.6 Three Schools are or have become academies with varying numbers of active members. The Schools are Scheduled Bodies in the Fund. These are set out below and are for noting by the Committee.
- i. Ian Mikardo Academy – Transferred to academy status from 1 February 2018. Ten active LGPS members.

- ii. Letta Trust – Multi academy trust formed from Bygrove and Stebon Schools. Thirty eight active LGPS members
- iii. Clara Grant/Stepney Green College – Will be forming a Multi Academy Trust from 1 March 2018. Exact number of active members yet to be confirmed

4. i-Connect

- 4.1 Testing on the i-Connect system has now been completed and it is being used live for the first time in February 2018 by our largest payroll providers. The smaller payroll providers should all be using the system for their March payrolls.
- 4.2 i-Connect is part of the pensions administration system Altair. It enables Scheme employers and their payroll providers to upload data to the Altair system. This includes starters, leavers, earnings and amendments (posts, hours of work, addresses etc.). The system should require no intervention from the Pensions team. This will greatly reduce the need for the Pension team to manually process payroll data as well as improving the quality of the team's data.

5. Pensions Communication Strategy

- 5.1 The Local Government Pension Scheme Regulations require administering authorities to prepare and maintain a policy statement for its communication strategy regarding the LGPS.
- 5.2 The strategy has recently been revised to reflect changes in the way the Pensions team communicate with scheme members. A copy of the amended strategy is attached to this report and is for the approval of the Committee.

6. Tower Hamlets Community Housing (THCH)

- 6.1 THCH has notified the council that they are proposing to convert from a company to a Community Benefit Society.
- 6.2 The legal implications for the Pensions Fund are set out in Section 8 of this report.

7. COMMENTS OF THE CHIEF FINANCE OFFICER

- 7.1 There are no expenditure proposals within the paper. All the projects that are noted in this report are already funded from within existing resources

8. LEGAL COMMENTS

- 8.1 The Pensions Committee is required to consider pension matters and ensure that the Council meets its statutory duties in respect of the fund. It is appropriate having regard to these matters for the Committee to receive information from the Pensions Administration team about the performance of the administration function of the pension fund.

- 8.2 The Committee is asked to approve in principle the admission of Tower Hamlets Youth Sports Foundation and KM Cleaning & Maintenance Ltd as employers to the pension fund. In accordance with Schedule 2, Part 3, section 1(d)(i) of the Local Government Pension Scheme Regulations 2013, the Committee may approve the admissions. The Committee must satisfy itself that both employers are bodies that are providing or will provide a service or assets in connection with the exercise of a function of a Scheme Employer as a result of –
the transfer of the service or assets by means of a contract or other arrangement.
The Committee must also be satisfied that proper arrangements are in place for both employers to sign an admission agreement with the administering authority and secured an appropriate level of indemnity or bond or a guarantee, taking into account actuarial advice,
- 8.3 The Committee is asked to agree the transfer of the East London Arts & Music Academy into the Tower Hamlets Pension Fund, the Academy having moved into LB Tower Hamlets from Newham. It is appropriate for the Committee to agree the transfer in accordance with paragraph 20, Part 1, Schedule 2 of the 2013 regulations.
- 8.4 With regard to the decision of One Housing to withdraw from the Tower Hamlets scheme, there is no legal requirement for them to remain a member of the LGPS.
- 8.5 The Committee is asked to confirm that it does not object to the conversion of Tower Hamlets Community Housing from a company to a Community Benefit Society. Before confirming its agreement, the Committee must consider the issue of whether it is appropriate for the Council to give up its priority status in respect of THCH's pension deficit. Santander bank as THCH's lender has asked for confirmation that the Council agree to the bank having priority as a creditor in respect of any amounts owed under the Facility Agreement THCH has with them. This could impact on the Council's ability to recoup any pension deficit.
- 8.6 When carrying out its functions as the administering authority of its pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 The administration costs of running the pension scheme are a very small part of the contributions paid. An efficient administration function will contain costs over the long term, minimising the costs falling on the scheme employers, including the Council.
- 9.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

10. BEST VALUE (BV) IMPLICATIONS

- 10.1 In each case decisions to acquire additional services have followed the Council's procurement procedures. All costs are paid for from the assets of the Pension Fund.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 11.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

12. RISK MANAGEMENT IMPLICATIONS

- 12.1 Risks arising from poor administration tend to be reputational but can include additional expenditure through inaccurate benefits, delays in collecting contribution, fines and interest on late payments. This and future reports are designed to provide the Pensions Committee with assurance that pension risks are being adequately managed.

13. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 13.1 There are no crime and disorder reduction implications arising from this report.
-

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1- Activity and performance – October 2017
- Appendix 2- Activity and performance – 2017/18 Summary
- Appendix 3 – Revised Communication Strategy

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

- Tim Dean – Senior Pensions Team Leader Ext. 4530
- 3rd Floor Mulberry Place, 5 Clove Crescent E14 2BG