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| Non-Executive Report of the:<br><br><b>Pensions Committee</b><br><br>24 September 2019 |  |
| <b>Report of:</b> Neville Murton - Corporate Director of Resources                     | <b>Classification:</b><br>Open (Unrestricted)                                       |
| <b>Pensions Administration Quarterly update- Quarter End June 2019</b>                 |   |

|                               |  |
|-------------------------------|--|
| <b>Originating Officer(s)</b> | Miriam Adams, Pensions and Investments Manager |
| <b>Wards affected</b>         | All Wards                                      |

### Executive Summary

To provide Members with information relating to the administration of the Fund over the last quarter as well as performance and updates on key issues and initiatives which impact the Pensions administration team.

### Recommendations:

The Pensions Committee is recommended to:

- Note the report contents; and
- Note the update on potential new employers

### 1. REASONS FOR THE DECISIONS

- 1.1 The report asks the Committee to note the content of this report which covers the activities relating to Pensions administration over the last quarter.

### 2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options to this report

### 3. ADMINISTRATION

- 3.1 Scheme Membership at 30 June 2019

- 3.1.1 A core part of the role of running the pension fund is the maintenance of scheme membership records that enable scheme benefits to be calculated in addition to dealing with new members joining and members leaving the scheme. This activity is carried out in-house. The team also deals with employer related issues, including new employers and cessation.

| <b>Membership Numbers</b>       | <b>Active</b> | <b>Deferred</b> | <b>Undecided</b> | <b>Pensioner</b> | <b>Frozen</b> | <b>Total</b> |
|---------------------------------|---------------|-----------------|------------------|------------------|---------------|--------------|
| <b>LGPS</b>                     | 7,106         | 7,811           | 156              | 6,545            | 1,510         | 23,128       |
| <b>% of Membership</b>          | 30.7%         | 33.8%           | 0.7%             | 28.3%            | 6.5%          | 100.0%       |
| <b>Change from last quarter</b> | 301           | -15             | 76               | 140              | 28            | 530          |

| <b>Membership Category</b>                  | <b>At 31/3/19</b> | <b>+/- Change (%)</b> | <b>At 30/6/19</b> |
|---|-------------------|-----------------------|-------------------|
| Active                                      | 6,805             | 4.4                   | 7,106             |
| Deferred                                    | 7,826             | -0.2                  | 7,811             |
| Pensioner (incl spouse & dependant members) | 6,405             | 2.2                   | 6,545             |
| Undecided                                   | 80                | 95                    | 156               |
| Frozen                                      | 1,482             | 1.9                   | 1,510             |
| <b>Total</b>                                | <b>22,598</b>     | <b>2.3</b>            | <b>23,128</b>     |

### 3.2 Employers with active members at 30 June 2019

| <b>Scheduled Bodies</b>  | <b>Admitted Bodies</b>  |
|--|---|
| London Borough of Tower Hamlets  | Attwood Academy (Ian Mikardo School)                            |
| Agilisys Limited   | Canary Wharf College  |
| Compass Contract Services Limited  | City Gateway  |
| East End Homes   | East London Arts & Music  |
| Energy Kidz Limited  | London Enterprise Academy                                       |
| Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association) | Letta Trust (Stebon and Bygrove Schools)                        |
| Greenwich Leisure Limited  | Mulberry Academy  |
| One Housing Group (formerly Island Homes)  | Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools) |
| Swan Housing Association   | Sir William Burrough  |
| Tower Hamlets Community Housing Limited  | St. Pauls Way Community School                                  |
| Vibrance (formerly Redbridge Community Housing Limited)                                    | Tower Hamlets Homes Limited                                     |
| Wettons Cleaning Limited   | Tower Trust (Clara Grant and Stepney Green Schools)             |
|  | Wapping High School   |

### 3.3 Tasks completed between 1 April to 30 June 2019

| Task type                      | Tasks outstanding at start of quarter | New Tasks    | Tasks Closed | Tasks outstanding at End of Quarter |
|--------------------------------|---------------------------------------|--------------|--------------|-------------------------------------|
| Transfer in quotes             | 13                                    | 26           | 26           | 13                                  |
| Transfer Out quotes            | 14                                    | 31           | 30           | 15                                  |
| Employee estimates             | 20                                    | 139          | 129          | 30                                  |
| Retirement quotes              | 7                                     | 73           | 75           | 5                                   |
| Preserved benefits             | 28                                    | 73           | 67           | 34                                  |
| Opt out                        | 17                                    | 122          | 119          | 20                                  |
| Refund Calculations            | 5                                     | 109          | 98           | 16                                  |
| Refund Payments                | 12                                    | 70           | 79           | 3                                   |
| Death in payment or in service | 14                                    | 85           | 80           | 19                                  |
| Actual transfers in            | 21                                    | 34           | 32           | 23                                  |
| Actual transfers out           | 6                                     | 27           | 24           | 9                                   |
| Starters                       | 3                                     | 266          | 198          | 71                                  |
| Leavers                        | 40                                    | 223          | 210          | 53                                  |
| Others                         | 28                                    | 241          | 218          | 51                                  |
| <b>Total Case</b>              | <b>228</b>                            | <b>1,519</b> | <b>1,385</b> | <b>362</b>                          |

Alongside the above cases, the team also handles phone calls and emails from members received via the Pensions Inbox.

### 3.4 Administration System

The contract for the existing administration software was renewed in June 2019 with a new contract end date of 31 October 2024. An online training tool TEC for pension administration staff was also procured.

### 3.5 CIPFA

Published in November 2018, the administration in the LGPS guide for pensions authorities produced by CIPFA and Aon aims to raise the profile and awareness of the pensions administration function within Pension Funds. (Appendix A)

Over the next few months officers will produce monitoring statistics based on the suggested format and types in the guide.

## 4. **ADMISSIONS, TERMINATIONS AND OTHER EMPLOYER CHANGES**

4.1 There are a growing number of employers participating within the Scheme mainly due to schools moving to academy status. In addition, the outsourcing of council or school activity that involves the transfer of staff will normally result in a new employer joining the Fund.

4.1.1 Academies are identified as scheduled bodies and must participate within the Pension Fund as the terms of their participation are determined by regulations.

Bodies who are admitted to the scheme because they are employers of staff that have transferred to them with the relevant service or activity (under legislation known as TUPE) are referred to as admitted bodies and must sign

the Council's admission agreement that set out the terms under which they will participate. Although new admitted bodies are brought to the attention of the pensions Committee for approval to participate, the Committee is not able to refuse providing the employer signs the admission agreement, pays contributions on time, provides satisfactory bond or guarantor and abides by the other scheme policies.

- 4.1.2 During the quarter ending June 2019 there were no finalised admissions or terminations to the Fund, however there are a number of admissions being processed.

## **4.2 Academy Conversions**

Ian Mikado High School (Academy) a school under the Attwood Academy Trust is due to move to a new academy trust t4Trust. The staffs to move across to the newly formed t4Trust are currently scheme members.

### **4.3 Admitted Bodies**

St Pauls Way Trust School (Academy) a school under the umbrella of the University School Trust informed the Fund of its intention to outsource its cleaning services to Purgo Limited. Discussions to finalise the commercial arrangement continue between Purgo Limited and t4Trust.

### **4.4 Employers Changing payroll providers**

Letta Trust informed the Fund of its intention to change its payroll provider service. Both schools (Stebon primary and Bygrove primary) under the management of the trust will be affected by the change.

## **5. SPECIAL PROJECTS**

### **5.1 Annual benefit statements (ABS)**

- 5.1.1 The ABS process is carried out annually and its purpose is to actively manage and monitor all employers associated with the Fund. The employers are required to submit their end of year pay information by the set deadline. This requirement to submit end of year pay information is not required for employers who submit payroll data via i-Connect. The ABS statement to all active and deferred members is required be produced by the regulatory deadline of August 31.

Improvements have been made to ABS project planning, preparation and production this year

- 5.1.2 Officers are pleased to report that annual benefits statements for deferred members were despatched on 12 August and active members despatched by post on 19 August 2019. However, there remains a number of deferred members and active members with incomplete data and records which have not received statements. This is due to a number of reasons including but not limited to those who joined the scheme after 31 March 2019, where employers have not submitted information for 2018/19 or previous years or

outstanding queries, where the team is in the process of joining together two or more of a members pension records or there is an additional pension contract or pension sharing order in place.

## 5.2 i-Connect Update

5.2.1 Although the Council is the pre-eminent employer within the Scheme, there are 31 employers in the scheme. The Fund commenced the use of i-Connect in April 2017. Since then, data is now received in respect of 19 of 31 employers with active membership as at 22 August 2019. I-Connect is a data exchange system that enables the uploading of bulk payroll data to Altair.

5.2.2 The benefits of i-Connect include:

- Pension records are maintained in 'real-time' time
- One Member Self Service is implemented, scheme members are presented with the most up to date and accurate information Member Self Service in future
- Pension administration data matches employer payroll data
- Discrepancies are dealt with as they arise each month
- Employers are not required to complete year end returns
- Manual completion of forms and input data onto systems is eradicated removing the risk of human error
- Contribution received in pension fund bank account is verified without manual intervention thereby speeding up reconciliations.

5.2.3 The implementation of i-Connect remains on going. The scheme employers already submitting their scheme data on a monthly basis are listed below

| <b>Employers on i-Connect</b>                           | <b>Date</b> | <b>Employers not on i-Connect</b>      |
|---|-------------|--|
| London Borough of Tower Hamlets                         |             | Tower Hamlet Community Housing limited |
| Agilisys  | Aug 18      | Swan Housing Association               |
| East End Homes  | Jan 19      | Gateway housing Association            |
| Greenwich Leisure Limited                               | Jan 19      | One Housing Group                      |
| Vibrance (formerly Redbridge Community Housing Limited) | Apr 19      | Canary Wharf College                   |
| City Gateway  | Jun 18      | London Enterprise Academy              |
| Letta Trust   | Apr 18      | Compass Contract Services Limited      |
| Mulberry Academy  | Jan 19      | Attwood Academy (Ian Mikardo School)   |
| Paradigm trust  | Apr 19      | East London Arts & Music               |
| Sir William Burrough Academy                            | Jan 19      | Energy Kidz Limited                    |
| St Pauls Way Community School                           | Jan 19      | Wettons Cleaning Limited               |
| Tower Hamlets Homes Limited                             | Jan 19      |  |
| Tower Trust   | Apr 18      |  |
| Wapping High School                                     | Apr 18      |  |

5.2.4 Plans are being drawn up by officers to fully train, support and guide scheme employers through the on-boarding process to be concluded by January 2020. This will facilitate the implementation of the 2019/20 online annual benefit statements. As at 16 August 2019, the following employers in the table above have not signed up to the use of i-Connect.

### **5.3 Data Quality Exercise and Improvement**

5.3.1 The Pensions Regulator (TPR) previously issued guidance on the approach they consider to be good practice for measuring the presence of member data.

The Regulator expects all UK pension schemes to measure the presence and accuracy of the data they hold, and put plans in place to resolve issues where they find them.

5.3.2 The scheme has commissioned Heywood, supplier of the Pension Fund's Altair pension administration software, to run a data health check report, the results are expected at the end of September. Following receipt of the results a plan of action will be put in place to tackle short falls. Some of this will be utilising the LGPS National Insurance data base which the Fund recently signed up to, procuring a one off deferred member address search service and in-house training of staff.

### **5.4 Tackling deferred member addresses**

The Fund has over 700 members without current address details. Although members are required to inform the Fund of any changes in address details this is not usually the case.

### **5.5 LGPS Administration Benchmarking & Resources**

CIPFA recently issued A Guide to Administration in the LGPS which has been designed to provide an insight into the administration function for Pension Committee Members, Local Pension Board Members and those new to the LGPS. As well as ensure that the Fund is meeting both legal deadlines and internal target time scales.

Over the next few months these KPI's would be incorporated in the administration report.

### **5.6 Member Self Service (MSS)**

Currently information flowing to and from scheme members is via traditional communications channels (letter, emails and telephones) and each enquiry requires the involvement of the Pensions team. We have been discussing with Aquila Heywood, the acquisition of Altair's Member Self-Service (MSS).

MSS is an online portal which gives members secure access to their LGPS records. The facility provides members with the opportunity to view and update their individual pension account, download forms and documents all in one place. Although cost savings are difficult to quantify in monetary terms, other benefits include:

- View and update personal details and changes of address
- Calculate the amount of additional lump sum they can take on retirement
- View service history, including any service which has been transferred
- View nominated beneficiaries
- View Annual Benefit Statements
- View pension payslips and P60s
- Change UK bank details

## **5.7 Guaranteed Minimum Pensions (GMP) Reconciliation**

- 5.7.1 With the removal of the contracted-out nature of public service pension schemes the Pension Fund entered into a period of reconciliation against DWP records to ensure that the correct Guaranteed Minimum Pension (GMP) values are held by the Fund for pensioner and dependant scheme members. The reconciliation also ensures that scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC) thereby allowing the scheme to comply with the regulator's data quality checking requirements as well as ensuring that members' benefits are accurate
- 5.7.2 The GMP is the minimum pension that a United Kingdom occupational pension scheme must provide those public sector employees who are contracted out of the State Earnings Related Pension Scheme (SERPS), between April 6, 1978 and April 5, 1997. GMP paid was broadly equivalent to the amount an employee would have received if they had not been contracted out of the state pension scheme. Starting April 6, 1997, a reference scheme test replaced the guaranteed minimum pension system. The test evaluated the overall benefits provided by the scheme as opposed to an individual guarantee for each participant. If the scheme passed the test, it retained its ability to be contracted out.
- 5.7.3 There were two main components to the UK's old pension system: a basic state pension and the State Earnings Related Pension Scheme, also known as the Additional State Pension. Employees who paid National Insurance Contributions at the full rate built up a basic state pension. However, not all employees built up a SERPS. Many were contracted out of the state pension, either voluntarily or because their pension plan did so on their behalf. HMRC provides two separate reconciliation support services. Shared Workspace is a web-based service for schemes that have surrendered their contracting-out certificate. Schemes that have not yet surrendered their contracting-out certificate can use HMRC's Scheme Reconciliation Service (SRS). Both are designed to help administrators reconcile the membership and GMP data held on scheme records with that on HMRC records.
- 5.7.4 The Fund is currently in the process of procuring external support to deal with the GMP reconciliation. Working with HMRC the contracted firm will provide an agreed position on membership and GMP amounts and undertake the final analysis of HMRC and Scheme data. This will allow the final position from a membership and GMP value perspective. This is expected to commence at the end of November. Decisions will then be needed on the treatment of any over/underpayments and will allow a rectification and communications plan to be written.
- 5.7.5 The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. Stage 3 of the GMP Reconciliation Project, i.e., Rectification will amend LGPS pensions in line with the reconciled Stage 2 GMP information. This stage will

also involve a significant member communication exercise to explain the changes taking place.

Officers are unable to quantify the under/overpayment liability values as at 31/03/2019 until the completion of this exercise.

## 5.8 Internal Disputes Resolution Procedures

5.8.1 Scheme members and relatives who are unhappy with decisions made in respect of the Scheme, normally in connection with the awarding of benefits, have the right to ask for the decision to be reviewed under the Scheme's formal complaints procedure, referred to as Internal Disputes Resolution Procedure (IDPR).

The IDPR has two stages, with each stage the decision being reviewed by someone who was not involved in the original decision. If the complainant is not happy with the first stage decision they can request a second review.

5.8.2 It is intended that in future a summary of current complaints received and the outcomes will be reported to both the Pensions Committee and the Pensions Board. Details of cases will be minimised to maintain scheme member confidentiality.

## 5.9 Project Plan

The table below outlines the immediate projects for the team over the next 12 months. The Committee and Board will be provided with a quarterly update on progress.

|   | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Tackle manual ABS statements (2018/19)  | x      | x      | x      | x      |        |        |        |        |        |        |
| Incorporate CIPFA suggested KPI's in new admin report format                      |        | x      | x      | x      | X      | x      |        |        |        |        |
| Employer database   |        | x      | x      | x      | X      | x      | x      | x      | x      | x      |
| Data quality review   | x      | x      | x      | x      | X      |        |        |        |        | x      |
| i-Connect   |        | x      | x      | x      | X      | x      | x      | x      | x      | x      |
| Annual Allowance (AA) and Life Time Allowance (LTA) Statements including workshop |        | x      | x      | x      |        |        |        |        | x      | x      |
| GMP reconciliation  |        |        | x      | x      | X      | x      | x      |        |        |        |
| Tackling of deferred member addresses   |        | x      | x      | x      | X      | x      | x      | x      |        |        |
| 2019/20 ABS   |        |        |        |        |        |        | x      | x      | x      | x      |
| Employers Forum   |        |        |        |        | X      | x      |        |        |        |        |
| Outstanding HMRC returns  |        |        |        |        |        |        | x      | x      | x      | x      |
| Internal Disputes Resolution Procedures (IDPR) reporting                          |        |        | x      | x      | x      |        |        |        |        |        |

## 6. EQUALITIES IMPLICATIONS

- 6.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

**7. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 7.1 There are no direct financial implications arising from the contents of this report.

**8. COMMENTS OF LEGAL SERVICES**

- 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 functions of the pension fund.
- 8.2 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).

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**Linked Reports, Appendices and Background Documents**

**Linked Report**

- NONE

**Appendices**

- Appendix 1 – Administration in the LGPS – A CIPFA guide for pensions authorities

**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:**

Miriam Adams – Pensions & Investments Manager Ext. 4248  
3<sup>rd</sup> Floor Mulberry Place, 5 Clove Crescent E14 2BG  
Email: Miriam.adams@towerhamlets.gov.uk