


Non-Executive Report of the: Pensions Committee 28 November 2019	
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
Pensions Administration Quarterly update- Quarter End September 2019	

Originating Officer(s)	Miriam Adams
Wards affected	All Wards

REASONS FOR URGENCY

The report was not published five clear days in advance of the meeting. This is due to the additional time required to review the report in order to provide the necessary clearances. Also as it is important that there should not be an extended period without member oversight of this matter this report cannot be deferred.

Executive Summary

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

Recommendations:

The Pensions Committee is recommended to:

1. Note the report contents;
2. Note the identified regulatory breaches to be reported to The Pension Regulator;
3. Agree to report the regulatory breaches to The Pensions Regulator; and
4. Note that a detailed remediation plan which has the deadlines for all actions, owners and up to date status will be provided to the Board in February.

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. A number of identified breaches which require a report to the Pensions Regulator have been identified. This report has been presented at the November Pensions Board meeting.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options to this report.

3. ADMINISTRATION

3.1 Scheme Membership at 30 September 2019.

3.2 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.

Membership Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,122	7,863	144	6,605	1,615
% of Membership	30.50%	33.68%	0.62%	28.29%	6.92%
Change from last quarter	-0.29	-0.20	0.07	0.03	0.39

Membership Category	At 30/6/19	+/- Change (%)	At 30/9/19
Active	7,106	0.2	7,122
Deferred	7,811	0.7	7,863
Pensioner (incl spouse & dependant members)	6,545	0.9	6,605
Undecided	156	-7.7	144
Frozen	1,510	7.0	1,615
Total	23,128	1.0	23,349

3.3 Employers with active members at 30 September 2019

Scheduled Bodies	Admitted Bodies
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	Tower Hamlets Homes Limited

Community Housing Limited)	
Wettons Cleaning Limited	Tower Trust (Clara Grant and Stepney Green Schools)
	Wapping High School

3.4 Tasks completed during the quarter ending 30 September 2019.

Task type	Tasks outstanding at start of quarter	New Tasks	Tasks Closed	Tasks outstanding at End of Quarter
Transfer in quotes	13	35	26	22
Transfer Out quotes	15	50	37	28
Employee estimates	30	109	107	32
Retirement quotes	5	122	114	13
Preserved benefits	34	124	98	60
Opt out	20	284	291	13
Refund Calculations	16	139	115	40
Refund Payments	3	56	51	8
Death in payment or in service	19	61	64	16
Actual transfers in	23	33	15	28
Actual transfers out	9	21	17	13
Starters*	71	989	435	625
Leavers*	53	301	248	106
Others*	51	334	301	81
Total Tasks	362	2,658	1,919	1,085

*major increase in starters, leavers and others has been due to the 3 year auto-enrolment exercise.

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

3.5 Pensions Administration Statistics and Performance reporting

The scheme administration software provider has been approached to assist with the writing of the necessary reports to enable officers to extract the data necessary to produce reporting in the suggested CIPFA format reported to the Board and Committee in September.

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, council contract services outsourcing (involving cleaning, catering and meals on wheels). 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.

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

5. REPORTING OF REGULATORY BREACH TO THE PENSIONS REGULATOR

5.1 There are a number of administration and governance oversight issues which are breaches of law. It is therefore necessary to inform The Pensions Regulator of these breaches and provide the Regulator with a robust improvement plan and work programme. Some of these include:

- Failure to provide Annual Benefit Statements to 100% of members. Each year the majority of members have received Annual Benefit Statements (ABS), however due to incomplete records from employers, lack of payroll, back log, lack of information from employers, lack of resources, some members do not receive a statement.
- Outstanding scheme tax returns from previous years. Although a number of members made elections for 'scheme pays', tax returns remain outstanding.
- Failure to issue Annual Allowance Statements to all members who require one.
- Lack of policy documents and data quality issues.

5.2 It is recognised that in order to provide better member outcomes it is necessary that the scheme manager addresses the root cause of these issues which have been identified as predominantly a lack of staffing resources and management over a number of years and knowledge gaps which is required to implement changes effectively and embedding them successfully.

The remediation plan will also look to build around values, providing adequate and robust staffing resources and staff training for the administration team.

5.3 Key areas to be covered by the remediation plan will include:

- Resource planning
- Aged Casework
- Data Quality and Completeness
- Outstanding admission agreements
- Review of admission agreements and bonds of existing employers
- Annual Allowance 2019/20
- Annual Benefit Statements 2019/20
- Monitoring of employer and employee contributions
- Monitoring of submissions of employer data via i-Connect
- Reconciliations
- Staff training and awareness
- Business continuity and succession planning
- Impact of council insourcing and outsourcing and provision of support to council employees and managers
- Data capture and integrity

- Better use of Altair workflow systems
- Complaints and breaches process review
- Impact of ongoing and continuous restructures across the council on pensions administration resources.
- Ensure all contributions are recorded against member records
- Improving reporting and provision of adequate statistics
- Performance monitoring
- Internal control improvements
- Implementation of internal audit recommendations
- Implementation of Member Self Service
- Implementation of better payment systems for overseas Pensioners
- Deferred members without addresses
- Monthly sample testing of member records

6. UPDATES ON SPECIAL PROJECTS

6.1 Annual benefit statements (ABS)

6.1.1 Although Annual Benefit Statements were issued before the 31 August statutory deadline, there remains a number of active and deferred members who have been unable to receive a statement.

This is due to a number of reasons including, but not limited to, missing addresses for deferred members, actives who joined the scheme after 31 March 2019, missing information from employers going back a few years, where the team is in the process of joining together 2 or more of a members pension records or there is an additional pension contract or pension sharing order in place.

6.2 i-Connect Update

6.2.1 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, not all employers have been fully migrated to i-Connect.

6.2.2 The benefits of i-Connect include:

- Pension records are maintained in 'real-time'
- Once Member Self Service is implemented, scheme members are presented with the most up to date and accurate information within Member Self Service in the 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.

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

Employers on i-Connect	Date	Employers not on i-Connect
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	

6.2.4 Plans are being draw up by officers to fully train, support and guide scheme employers through an on-boarding process to be concluded by January 2020. This will facilitate the implementation of the 2019/20 online annual benefit statements.

6.3 Data Quality Exercise and Improvement

6.3.1 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.

6.3.2 The scheme commissioned Heywood supplier of the Pension Fund's Altair pension administration software to run a data health check report, the results were received in October. Following receipt of the results a plan of action is being put together to tackle short falls. In addition to this more rigorous data review and testing will be undertaken.

6.4 Tackling deferred member addresses

The Fund has over 985 members without current addresses details. Although members are required to inform the Fund of any changes in address details, this level is not usually the case.

6.5 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 ensuring 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.

6.6 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

6.7 Guaranteed Minimum Pensions (GMP) Reconciliation

6.7.1 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

6.7.2 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.

6.7.5 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 until the completion of this exercise.

6.8 Internal Disputes Resolution Procedures(IDRP)

6.8.1 There were two IDRP cases received this quarter. 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. Specific details of the cases will be minimised to maintain scheme member confidentiality.

6.9 Summary 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 quarterly update on progress.

	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20
Tackle manual ABS statements (2018/19)	X	x	x							
Incorporate CIPFA suggested KPI's in new admin report format	X	X	x	x						
Employer database	X	X	x	x	x	x	X	x	x	x
Data quality review and implementation	X	X	x	x	x	x	X	x	x	x
i-Connect	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	x	X	x		
Tackling of deferred member addresses		X	x	x	x	x	X			
2019/20 ABS					x	x	X	x	x	x
Employers Forum		X	x	x						
Outstanding HMRC returns		x	x	x	x	x	x			
Internal Disputes Resolution Procedures (IDRP)reporting		X	x	x	x	x	X			
Review administration risk register		X	X							
Review of scheme governance documentation			x	x	x					
Overseas pensioner payments service provider			x	X						
Implementation of Member Self Service (MSS)			X	X	X	X	X			

7. EQUALITIES IMPLICATIONS

7.1 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. Good governance arrangements will benefit everyone who contributes to the Fund.

8. COMMENTS OF THE CHIEF FINANCE OFFICER

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

9. COMMENTS OF LEGAL SERVICES

- 9.1 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.
- 9.2 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).

10. BEST VALUE (BV) IMPLICATIONS

- 10.1 The effective and efficient management of scheme costs is key to the achievement of the funding strategy objectives and this is considered to be a good decision which can result in greater cost savings to the fund.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

12. RISK MANAGEMENT IMPLICATIONS

- 12.1 The rigorous robust management of LBTH Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
- 13.2 Ensuring good corporate governance is essential to managing the risks of the Pension Fund.

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 14.1 There are no crime and disorder reduction implications arising from this report.
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- None

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

3rd Floor Mulberry Place, 5 Clove Crescent E14 2BG

Email: Miriam.adams@towerhamlets.gov.uk