

Non-Executive Report of the:  <b>Pensions Committee</b>  27 July 2020	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Pensions Administration and LGPS Quarterly update - June 2020</b>	

<b>Originating Officer(s)</b>	Miriam Adams
<b>Wards affected</b>	All Wards

### Executive Summary

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

### Recommendations:

The Pensions Board is recommended to:

1. Note the report contents

### 1. REASONS FOR THE DECISIONS

- 1.1 The report asks the Board 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 2020

- 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>LGPS</b>	7,120	7,908	133	6,698	1,653
<b>% of Membership</b>	30.67	33.34	0.56	28.33	6.99
<b>Change from last quarter</b>	+132	+63	-41	+38	+43

<b>Membership Category</b>	<b>At 31/3/20</b>	<b>+/- Change (%)</b>	<b>At 30/6/20</b>
Active	7,120	+132	7,252
Deferred	7,845	+63	7,908
Pensioner (incl spouse & dependant members)	6,660	+38	6,698
Undecided	174	-41	133
Frozen	1,610	+43	1,653
<b>Total</b>	<b>23,409</b>	<b>23,644</b>	<b>235</b>

### 3.2 Employers with active members at 30 June 2020.

<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
Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association)	London Enterprise Academy
Greenwich Leisure Limited	Letta Trust (Stebon and Bygrove Schools)
One Housing Group (formerly Island Homes)	Mulberry Academy
Swan Housing Association	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Tower Hamlets Community Housing Limited	Sir William Burrough
Vibrance (formerly Redbridge Community Housing Limited)	St. Pauls Way Community School
Wettons Cleaning Limited	Tower Hamlets Homes Limited
Mediquip	Tower Trust (Clara Grant and Stepney Green Schools)
	Wapping High School

### 3.3 Tasks completed and outstanding at 30 June 2020.

Task type	Tasks Outstanding at end of March 2020	New Tasks	Tasks Closed	Tasks Outstanding at End June 2020
Transfer in quotes	45	48	69	24
Transfer Out quotes	29	34	51	12
Employee estimates	44	64	92	16
Retirement quotes	30	72	90	12
Preserved benefits	75	92	139	28
Opt out	36	63	93	6
Refund Calculations	67	110	167	10
Refund Payments	5	98	97	6
Death in payment or in service	53	109	157	5
Actual Transfers In	19	16	18	17
Actual Transfers Out	19	19	23	15
Others	169	372	469	72
Starters	80	534	614	0
Leavers	150	230	334	46
<b>Total Case</b>	<b>821</b>	<b>1861</b>	<b>2413</b>	<b>269</b>

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

#### **4. EMPLOYER UPDATES**

- 4.1 During the quarter, the Council signed an updated management agreement with Tower Hamlets Homes (THH). Tower Hamlets Homes is wholly owned by the council and is a scheduled body in the scheme. The Council agrees to continue paying the Management Fee in expectation that THH is able to construct its expenditure plans to fully cover the costs arising from pension liabilities; specifically, there is no exceptional guarantee provided by the Council for this liability.

Should THH be wound up, or the management agreement terminated, the Council recognises that the majority of staff will TUPE back to LBTH along with any pension surplus or deficit. On dissolution of the Company any assets are vested in the HRA, therefore the Council will not take any action against the Company or its directors in respect of any deficit on the pension fund at the point of transfer. However the Council does expect any surplus to be returned to the HRA along with any other assets

#### **5. COVID -19 RESPONSE**

- 5.1 Consistent with the guidance provided by the Government, most members of the team are working remotely with a few choosing to come to the office for convenience.

External post is only sent where necessary and where necessary the sorting of post has been on a voluntary basis for a single officer to attend to sort, scan and post such items.

A letter was issued to all scheme employers and information to issue to their employees. This document was made available to on the Council's website.

## **6. LGPS UPDATES**

### **Valuation**

- 6.1 Following completion of the 2019 triennial valuation exercise, a Rates and Adjustments Certificate was issued by the Fund actuary, Hymans Robertson. The certificate confirms the revised employer contributions due for the period April 2020 to March 2023 and has been issued to all scheme employees.

### **6.2 End of Year/ Annual Returns**

Scheme employers are required to submit their 2019/20 annual return. This is the first stage in allowing the team to produce the Annual Benefit Statements which must be made available to all active and deferred members no later than 31 August 2020. At the time of writing this report, the Annual Benefit Statement for deferred number was nearing print stage.

### **6.3 Annual Pension Increase**

The annual pension increase of 1.7% on pension entitlements of both pensioner and deferred members, was successfully applied with effect from 6 April 2020 (prorate where appropriate).

### **6.4 Preparing for McCloud**

On March 25 202, the Minister of State made a statement regarding the progress in responding to the McCloud ruling. The statement confirmed that no qualifying scheme member will need to make a claim for the McCloud remedy to apply to them. The LGPS has only one CARE scheme with a final salary underpin for protected members and so no claim would be required unlike other Public Service Pensions like Teachers, Police and Fire.

It is still expected that the consultation on the McCloud remedy will be issued before Parliament's summer recess (21 July).

To facilitate successful delivery, the Fund will need to commence preliminary work to ensure successful processing implementation of McCloud i.e. identification of affected members, understanding the underpin, processing of

arrears and interest as well as adjusting of records of affected members once final legislation is received.

Preliminary work will include:

- Understanding of technical requirements
- Establish data which will be required and analyse membership in scope
- Engage with employers to ensure receipt of member data when required
- Identify scheme members who may be affected
- Establish delivery format
- Set up McCloud project plan and identify project team
- Identify stakeholders
- Member communication
- Identify workstream for McCloud
- Start planning early

## **6.5 2020 Cost Cap Valuation Data Requirements**

The Government Actuary's Department (GAD) issued a letter to all English & Welsh administering authorities on 9 June 2020, the 2019 exercise served as GAD's dry run for the next cost cap valuation of the E&W LGPS (assessed as at 31 March 2020). LGPS funds will need to submit membership data to GAD in Autumn 2020 as part of this valuation.

## **6.6 Corporate Insolvency & Governance Act 2020**

The Corporate Insolvency & Governance Act 2020 gained Royal Assent on 25 June 2020. The Act is intended to help companies that get into financial difficulty, by providing for a moratorium during which creditor activities will be restricted (amongst other measures). The changes have potential adverse implications for LGPS funds, including:

The changes highlight the importance of early and regular employer engagement and improved covenant information.

## **6.7 Ongoing transfer concern during COVID-19 restrictions**

As current lock down eases but economic uncertainties remain a concern, the risk remains that individuals desperate for cash could make poor decisions or fall victim of a scam. While TPR acknowledge neither they nor funds can prevent an individual pursuing their right to a statutory transfer, they have updated their guidance on pension scams. The Fund has incorporated this and updated procedures on transferring pension rights.

## **6.8 Supreme Court rules against the government in boycotts case**

The UK Supreme Court ruled a provision in the Secretary of State's 2016 guidance for LGPS, which stated that public pension schemes are prohibited

from pursuing investment policies contrary to UK foreign or defence policy, is unlawful. This government-mandated restriction would in some cases prevent the LGPS from disinvesting on ethical grounds.

## **Changes to the Tapered Annual Allowance**

- 6.9 In the Budget on 11 March, I was announced the tapered annual allowance will be amended such that it only applies to individuals with 'adjusted income' (broadly total taxable income from all sources plus the value of pension accrual) of over £240,000 (compared to the 2019/20 tax year where it applied to individuals with adjusted income over £150,000. The minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000, which will only impact people with an adjusted income in excess of £300,000. This means the tapered annual allowance is expected to affect fewer people than previously.
- In addition, as set out in the current legislation, the Lifetime Allowance (LTA) increased to £1,073,000 from 6 April 2020 (in line with the increase in CPI to September 2019 of 1.7%).

## **6. SCHEME UPDATES**

### **6.1 Annual Benefit Statement (ABS) 2019/20**

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.

### **6.2 i-Connect**

Although the Council is the pre-eminent employer within the Scheme, there are 34 employers in the scheme. The Fund commenced the use of i-Connect in April 2017. Majority of employers including the council continue to rely on pension fund staff to upload their monthly payroll data on the portal. A drive to get employers signed up and using the portal for data submission will commence in September.

## **7. EQUALITIES IMPLICATIONS**

- 7.1 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.

## **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 and updates on the LGPS generally.
- 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).
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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:**

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