


Non-Executive Report of the:  <b>Pensions Committee</b>  Thursday, 23 September 2021	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Kevin Bartle, Interim Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Pensions Administration and LGPS Quarterly Update – June 2021</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 as update on key LGPS issues and initiatives which impact the Fund.

### Recommendations:

The Pensions Committee is recommended to:

1. Note and comment on the contents of this report and appendix
2. Note the following admissions to the Tower Hamlets Pension Fund:
  - Age UK East London
  - Juniper Ventures Limited
  - Olive Dinning Limited
  - Cyril Jackson Academy, Boleyn Trust Academy and Age UK Limited.
3. Note admission of University School Trust (Multi Academy Trust MAT) is in respect of Cyril Jackson School.
4. Note the exit of Tower Trust Multi Academy Trust and move of Schools managed by the Trust - The Clara Grant Primary School to Boleyn MAT Newham and Stepney Green Mathematics and Computing College to Mulberry Academy Trust (MAT) Tower Hamlets.
5. Note that Clara Grant Primary School although moving under the management of Boleyn Trust Newham have requested to remain in the Tower Hamlets Pension Fund.

## 1. REASONS FOR THE DECISIONS

- 1.1 This Committee need to receive this report on a regular basis to discharge its duty.

## 2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options to this report.

## 3. DETAILS OF THE REPORT

### ADMINISTRATION UPDATE

- 3.1 Scheme Membership on 30 June 2021. A core part 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 figures reported in March 21 have slightly moved since reported due to the ongoing data cleansing work.

<b>Membership Numbers</b>	<b>Active</b>	<b>Deferred</b>	<b>Undecided</b>	<b>Pensioner</b>	<b>Frozen</b>
<b>LGPS</b>	7,283	7,986	315	6,754	1,826
<b>% of Membership</b>	30.16	33.07	1.30	27.79	7.50
<b>Change from last quarter</b>	16	-4	27	54	16

<b>Membership Category</b>	<b>At 31/03/20</b>	<b>+/- Change (%)</b>	<b>30/06/21</b>
Active	7,263	0.2	7,283
Deferred	7,992	-0.1	7,986
Pensioner (incl spouse & dependant members)	6,693	0.8	6,754
Undecided	306	9.4	315
Frozen	1,826	0.9	1,826
<b>Total</b>	<b>24,080</b>	<b>11</b>	<b>24,164</b>

3.2 The table below shows tasks completed and outstanding on 30 June 2021.

Task type	Tasks Outstanding 31/03/21	New Tasks	Tasks Closed	Tasks Outstanding 30/6/21
Transfer in quotes	12	56	57	11
Transfer Out quotes	21	30	40	11
Employee estimates	23	75	94	4
Retirement quotes	21	172	173	20
Preserved benefits	23	108	109	22
Opt out	6	92	95	3
Refund Calculations	22	138	157	3
Refund Payments	22	74	89	7
Death in payment or in service	45	152	181	16
Actual Transfers In	9	26	27	8
Actual Transfers Out	13	18	25	6
Others	55	334	367	22
Starters	82	152	201	33
Leavers	32	209	213	28
<b>Total Tasks</b>	<b>386</b>	<b>1636</b>	<b>1828</b>	<b>194</b>

3.3 The above tables excludes most tasks received via the 2 pensions in boxes which are currently actioned immediately without logging them to avoid further delay to existing backlog.

3.4 The setting up of workflows for tasks was included in the Pensions Administration remediation plan presented to Committee in June 2020. Since then, the team has engaged with Heywood, the pensions administration software provider to set up workflows for majority of tasks thereby enabling staff to follow the same processes, minimising errors and monitor performance.

3.5 The use of workflow system now enables the team to benchmark its tasks against CIPFA suggested targets. The table below shows performance of completed cases for newly set up workflows on 30 June 2021.

The Head of Pensions and Treasury meets with officers within the team weekly or fortnightly to review their tasks lists. This is expected to be passed on to the Pensions Admin Manager and Team Leaders once all posts have been recruited to.

3.6 Additional workflows to be set up include before December 2021 are:

- Optout
- Transfer in actual
- Transfer out actual
- Bank account change
- Bacs return

- AVC
- APC

3.7 The table below shows performance against CIPFA suggested timelines.

Description	Altair Workflow Ref	CIPFA Target (Days)	April	May	June
			% Within Target	% Within Target	% Within Target
<b>Retirements</b>					
Voluntary	AHEARLYA	15	80.0	50.0	92.3
Redundancy	AHREDUNA	15	100.0	100.0	100.0
Medical	AHIHRETA	15	-	100.0	100.0
Late	AHLATERA	15	75.0	80.0	100.0
Flexible	AHFLEXRA	15	-	100.0	100.0
Deferred into Payment	AHDBPAYA	15	47.4	70.6	53.3
<b>Transfers</b>					
Transfer In - Quotes	AHTVIQ	10	20.0	69.2	70.6
Transfer Out - Quotes	AHTVOQ	10	46.2	28.6	43.8
Transfer In - Actual	IFAIN03 & TVIN03	0	workflow to be developed		
Transfer Out - Actual	IFAOUT02 & TVOUT02	0	workflow to be developed		
<b>Refunds</b>					
Refund Calculations	AHRFNDF	10	53.2	83.3	91.5
Refund Payments	AHRFNDA	10	65.8	79.0	92.6
<b>Estimates</b>					
Voluntary	AHBENEST & AHEARLYQ	15	89.1	79.6	97.1
Redundancy	AHREDUNQ	15	100.0	75.0	92.3
Medical	AHIHRETQ	15	100.0	100.0	75.0
Late	AHLATERQ	15	50.0	100.0	71.4
Flexible	AHFLEXRQ	15	100.0	100.0	100.0
Deferred into Payment	AHDBPAYQ	15	57.1	44.4	97.2
<b>Deferred</b>					
Deferred Calculations	AHDEFLV	30	73.3	87.2	97.0
<b>Opt Out</b>					
Opt Out	OPTOUT	2	workflow to be developed		
<b>New Starters</b>					
New Starters	AHNEWST	40	100.0	100.0	100.0
<b>Nominations</b>					
Nomination Changes	AHNOMIN	10	100.0	75.0	50.0
<b>Address</b>					
Address Changes	AHADDRES	15	96.2	98.3	96.2
<b>Bank Account</b>					
Bank Account Change	BANK-01	0	workflow to be developed		
<b>General Enquiry</b>					
General Enquiry	AHMEMBER	10	77.1	64.7	73.0
<b>Deaths</b>					
Death Cases - General	AHDEATH	15	75.0	67.7	81.4
<b>Monthly Average</b>			<b>68.4</b>	<b>79.7</b>	<b>85.2</b>

## Annual Benefit Statement Update

- 3.8 Annual Benefit statements for deferred and actives have all been despatched for print. Statements have been posted to 6,634 active scheme members. Employers have also been informed.

Several active members will not receive their ABS statement on 31 August due to ongoing payroll data issues. These are:

- 129 members with date joined before 31 March 2021 without complete CARE pay records
- 128 members with incomplete or missing data

Scheme members who joined the scheme after 31 March 2021 will not receive a statement for the 2020/21 financial year.

All statements have been issued on the understanding that pay and scheme member data details provided by employer payroll or providers are correct.

## EMPLOYER UPDATES

- 3.9 Employers with active members on 30 June 2021.

<b>Administering Authority</b>	<b>Scheduled Bodies</b>
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
<b>Admitted Bodies</b>	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
Tower Hamlets Community Housing Limited	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Vibrance (formerly Redbridge Community Housing Limited)	Sir William Burrough
Wettons Cleaning Limited	St. Pauls Way Community School
Mediquip	Tower Hamlets Homes Limited
Atlantic Cleaning	Tower Trust (Clara Grant and Stepney Green Schools)
Purgo Supplies Services Ltd	Wapping High School
Juniper Ventures Ltd	
Olive Dining	

- 3.10 As at the time of writing of this report all data for June 2021, 3 employers (East London Arts & Music, Paradigm Trust and LEA maintained school Bowden House) have yet to upload data for June 2021.

The pensions team currently extract and upload monthly payroll data for the employers listed below. The team is currently working on reviewing data in readiness for Annual Benefit Statements due on 31 August 21.

The focus remains to get the following employers, LEA schools and their payroll provider to onboard the uploading of monthly employee payroll data to the i-Connect pensions portal.

The Pension Fund auditor Deloitte requested the Fund report this regulatory breach to the Pensions Regulator

- Mulberry Academy Trust
- Tower Hamlets Council
- Tower Trust
- St Pauls Way Trust
- Tower Hamlet Homes
- East End Homes
- Bowden House School
- Cayley School

#### Admission of New Employers

- 3.11 Age UK East London, Juniper Ventures Limited and Cyril Jackson Academy were admitted to the Fund. Cyril Jackson school joined University School Multi Academy Trust with start date 1 September 2021.

#### Cessation of Employers

- 3.12 Schools in Tower Trust Multi Academy Trust (The Clara Grant Primary School and Stepney Green Mathematics and Computing College) will be moving to Boleyn MAT in Newham and Mulberry Trust MAT in Tower Hamlets in September. The Clara Grant Primary School although joining the management of Boleyn Trust will remain in the Tower Hamlets Pension Fund.

### **LGPS UPDATES**

#### HMRC and Normal Minimum Pension Age (NMPA)

- 3.12 On 20 July 2021, Her Majesty's (HM) Treasury published their response to the Consultation on implementing the increase to the normal minimum pension age (NMPA). On the same day, HMRC published a policy paper and draft legislation. The draft legislation will be part of the next Finance Bill and will amend the Finance Act 2004. The legislation increases the NMPA from 55 to 57 on 6 April 2028 and provides for protected pension ages.

The changes will not affect members who:

- are retiring due to ill health
- have a protected pension age
- are members of the firefighters, police and armed forces public service schemes.

Though the Finance Act 2004 will provide for protected pension ages, it will be up to MHCLG and SPPA whether, in the Scheme's rules, to allow LGPS members to receive payment of benefits between 55 and 57.

If a member qualifies for a protected pension age in a pension scheme and transfers those benefits (not under a bulk transfer) into a different scheme which also contains a protected pension age (including individual and bulk transfers), the member will retain their protected pension age in the receiving scheme.

The retained protection will, however, not apply on other benefits the member has in the receiving scheme: the transferred-in benefits will need to be ringfenced. Bulk transfers were already covered in the original consultation and there will be a window to allow individuals to join pension schemes which offer a protected pension age lasting up to 5 April 2023.

#### McCloud Updates

- 3.13 The recently introduced Public Service Pensions and Judicial Offices Bill to Parliament makes provision to rectify the unlawful age discrimination identified by the McCloud judgement. For the LGPS, the Bill confirms which members will be in scope and what service is 'remediable'. This clarity will allow for LGPS legislation to be changed to implement the McCloud remedy. The Bill is now awaiting its second reading in the House of Lords on 7 September 2021.

The table below summarises the current status of the McCloud project plan last submitted to Committee in March. The delay in receipt of legislation affects project delivery.

This table summarises the Fund's McCloud implementation project.

<b>Summary McCloud Implementation Project Plan – Phase 1</b>		
<b>Task</b>	<b>Mar 21 Status</b>	<b>Current Status</b>
Start planning early	Oct-20	complete
Understanding of broad technical requirements	Feb-21	complete
Consider use of 3 <sup>rd</sup> party provider	April 21	complete
Identify stakeholders	May 21	Complete July 21
Identify workstream for McCloud*	May 21	n/a Heywood service
Locate historic data held inhouse	Jul-21	Outstanding
Receive LGPS regulations and guidance*	Jun-21	Expected Sep/Dec 21
Understand detailed technical requirements from LGPS Regulations and guidance*	Jul- 21	Expected Dec 21
Establish initial possible data set	May-21	Complete
Analyse data set for membership in scope*	Sep-21	Nov 21
Commence employer engagement to ensure receipt of member data when required	Jun-21	Sept 21
Attend Head Teachers meeting		Sept 21
Identify scheme members who may be affected	Nov-21	Expected Jan 22
Establish delivery format	Apr-21	Complete
Member communication	May 21 to Mar 22	On going
Analyse data received from employers and establish how to deal with non-compliance	July 21 – Jan 22	

\*Status dependent on LGPS legislation issued

#### Exit Credit Judgement

3.14 On 27 May 2021, a High Court judgement on exit credits found in favour of



MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive' and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'. The judgment included clarification over how this discretion may be applied and will set a precedent for other cases. The full judgment in relation to this case can be found online.

The revised Pension Fund Funding Strategy Statement presented to Committee in March 2021 was drafted in line with how the judgement has now been made i.e., that the ultimate discretion is with the Fund as to if any, exist credit is paid out.

#### Public Sector Exit Payments Update

- 3.15 On 2<sup>nd</sup> July 2021, MHCLG published a summary on exit payment data for 2019/20 and 2020/21. Further publication by MHCLG is to follow. The summary published outlines that the exit payment paid in 2020/21 averaged at around £26,000 across local authorities (including the pension strain). It is expected that this data will be considered as part of the wider review of the cap on exit payments.

#### Member Self Service (MSS) Roll Out

- 3.16 The implementation of Member Self Service (MSS), the pensions portal to enable scheme members access their records, update home address, nominations and telephone numbers has commenced.

The team commenced roll out via a phased roll out approach, starting with scheme members in Mulberry Place with email addresses on the pensions systems. This was followed by larger employers like Tower Hamlet Homes and St Pauls Way Trust School Academy.

Annual Benefit statements for 2020/21 will include a note to deferred and active scheme members informing them of MSS roll out, this will enable the team target scheme members whose employers do not provide email address details via monthly payroll upload.

#### Amendment to Scheme Pay rules

- 3.15 On 19 July the Public Service Pensions and Judicial Bill began its passage through Parliament. The Bill is intended to bring about changes to the Judicial schemes. Chapter 3 of Part 1 is relevant to the LGPS and, if enacted, would confirm the remedy as being from 1 April 2014 to 31 March 2022 and allow for benefits for that period to be paid as final salary benefits, for those members in scope. The Bill has passed the first stage in the House of Lords and is due for a second reading on 7 September.

## Disclosing climate risk (TCFD)

- 3.16 Since announcement of DWP's final regulations on mandatory TCFD reporting for private sector pension schemes, MHCLG is expecting to release its consultation on mandatory TCFD reporting for LGPS funds in October of this year. The requirements are expected to be similar to the DWP's final regulations, with funds required to report under the framework by the end of the 2022/23 financial year.

The Pensions Committee agreed in November 2020 to commence TCFD reporting. The first report is received by the Committee in September 2021.

## Shifting the UK's tax year

- 3.17 The Office of Tax Simplification (OTS) has published a document setting out the scope of a high-level review and analysis of the benefits, costs and wider implications of changing the date of the end of the UK tax year for individuals from the current 5 April. Options being considered include 31 March and 31 December.

While there would no doubt be significant disruption in making the adjustment to a quarter end, in the longer term it is expected any such simplification should be beneficial for both individuals and organisations. It is expected that the OTS report will be published later this year.

## Staffing Update

- 3.18 Three permanent pensions officers have been appointed. Two of which are existing agency staff. Work is undergoing to advertise for 3 senior pensions officers (2 x FTC and 1 Permanent) and 1 team leader.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 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.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory 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. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

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

## **7. COMMENTS OF LEGAL SERVICES**

7.1 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.

7.2 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**

<https://ri.lgpsboard.org/items>

### **Officer contact details for documents:**

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## Appendix 1

## Monthly Data Submission at June 2021 Position

Employer Name	Employer Code	Employer Type	Monthly Data Provided by	Data Submitted to Date
City Gateway	00025	Scheduled Body	Employer/payroll provider	30/06/2021
Canary Wharf College	00021	Scheduled Body	Employer/payroll provider	30/06/2021
East London Arts & Music	00030	Scheduled Body	Employer/payroll provider	31/03/2021
Paradigm Trust	00033	Scheduled Body	Employer/payroll provider	31/05/2021
Ian Mikardo Academy	00029	Scheduled Body	Employer/payroll provider	30/06/2021
LETTA Trust	00028	Scheduled Body	Employer/payroll provider	30/06/2021
London Enterprise Academy	00023	Scheduled Body	Employer/payroll provider	30/06/2021
Sir William Burrough Academy	00018	Scheduled Body	Employer/payroll provider	30/06/2021
Tower Trust	00031	Scheduled Body	Employer/payroll provider	31/05/2021
Wapping High School	00024	Scheduled Body	Employer/payroll provider	30/06/2021
Atlantic Cleaning Services	00131	Scheduled Body	Employer/payroll provider	30/06/2021
Compass Contract	00001	Admitted Body	Employer/payroll provider	30/06/2021
Gateway (Bethnal Green & Vic)	00007	Admitted Body	Employer/payroll provider	30/06/2021
Greenwich Leisure Limited	00029	Admitted Body	Employer/payroll provider	30/06/2021
Juniper Catering St Saviours	00040	Admitted Body	Employer/payroll provider	30/06/2021
Juniper Cleaning St Saviours	00041	Admitted Body	Employer/payroll provider	30/06/2021
Medequip	00035	Admitted Body	Employer/payroll provider	30/06/2021
Olive Dining	00043	Admitted Body	Employer/payroll provider	30/06/2021
One Housing (Toynbee Island)	00011	Admitted Body	Employer/payroll provider	30/06/2021
Purgo Supply Cyril Jackson	00039	Admitted Body	Employer/payroll provider	18/06/2021
Purgo Supply St Paul's	00042	Admitted Body	Employer/payroll provider	19/06/2021
REDBRIDGE CHL (Vibrance)	00004	Admitted Body	Employer/payroll provider	30/06/2021
THCH (Closed Scheme)	00003	Admitted Body	Employer/payroll provider	30/06/2021
THCH (Open Scheme)	00008	Admitted Body	Employer/payroll provider	30/06/2021
Wettons Cleaning Services Ltd	00034	Admitted Body	Employer/payroll provider	11/06/2021
Olga Primary School	00128	Administering Authority	Employer/payroll provider	30/06/2021
Bishop Challinor Catholic Federation of Schools	00129	Administering Authority	Employer/payroll provider	30/06/2021
Bowden House	00130	Administering Authority	Employer/payroll provider	31/03/2021
Cayley Primary School	00027	Administering Authority	Employer/payroll provider	30/06/2021
LEA Schools using payroll provider EPM	00010	Administering Authority	Employer/payroll provider	30/06/2021
<b>LBTH Internal Payroll</b>				
Tower Hamlets LBC	00001	Administering Authority	Extract by pensions team	30/06/2021
Itres (Fortnightly Payroll)	00001	Administering Authority	Extract by pensions team	04/07/2021
Central Foundation	00001	Administering Authority	Extract by pensions team	30/06/2021
East End Homes	00006	Admitted Body	Extract by pensions team	30/06/2021
Mulberry Academy	00026	Scheduled Body	Extract by pensions team	30/06/2021
St Pauls Way Trust Academy	00019	Scheduled Body	Extract by pensions team	30/06/2021
Tower Hamlets Homes	00013	Scheduled Body	Extract by pensions team	30/06/2021

