Non-Executive Report of the:

Pensions Committee

Monday, 25 September 2023

TOWER HAMLETS

Classification: unrestricted

Report of: Caroline Holland, Interim Corporate Director, Resources

Pensions Administration and LGPS Quarterly Update - June 2023

Originating Officer(s)	Miriam Adams
Wards affected	(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. Agree the admission of Nourish Catering

1. REASONS FOR THE DECISIONS

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

2. <u>ALTERNATIVE OPTIONS</u>

2.1 There are no alternative options to this report.

3. <u>DETAILS OF THE REPORT</u>

ADMINISTRATION UPDATE

Scheme Membership on 30 June 2023.

3.1 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. Task outstanding reported last quarter slightly moved since reported due to reopening of a few frozen and pensioner cases since quarter end report.

Membership Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,775	8,399	164	7,203	3,013
% of Membership	29.28%	31.63%	0.62%	27.13%	11.35%
Change from last quarter	(35)	7	116	64	123

Membership Category	At 31/03/23	+/- Change (%)	At 31/03/2023
Active	7,810	-0.4	7,810
Deferred	8,392	0.1	8,392
Undecided	48	241.7	164
Pensioner (incl spouse & dependant members)	7,139	0.9	7,203
Frozen	2,890	4.3	3,013
Total	26,279	1.0	26,554

3.2 The table below shows tasks completed and outstanding during the quarter.

			April				May-2	:3			Jun-23			
		Target	Cases at	New	Cases	Cases	Cases a		Cases	Cases	Cases at		Cases	Cases
Retirements	Altair Workflow	days	Start	Cases	Processed	Outstanding	Start	Cases	Processed	Outstanding	Start	Cases	Processed	Outstanding
Voluntary	AHEARLYA	15	10) 7	5	12	2 1	.2	4 6	10	10	6	6	10
Redundancy	AHREDUNA	15	1	. 0	0	1	1	1 .	4 2	! 3	3	4	5	2
Medical	AHIHRETA	15	2	. 2	1	. 3	3	3	2 2	! 3	3	0	2	1
Late	AHLATERA	15	4	10	2	12	2 1	2	3 10	10	10	6	10	6
Flexible	AHFLEXRA	15	1	. 0	1	. ()	0	4 3	1	1	. 1	1	1
Deferred into Payment	AHDBPAYA	15	22	17	17	22	2 2	2 2	2 13	31	31	. 27	34	24
•			40	36	26	50	5	0 4	4 36	58	58	44	58	44
Transfers			-											
Transfer In - Quotes	AHTVIQ	10	8	15	13	10) 1	.0 1	4 15	9	9	16	17	8
Transfer Out - Quotes	AHTVOQ	10	-					8 1						4
Transfer In - Actual	IFAIN03 & TVIN03		13						9 8					13
Transfer Out - Actual	IFAOUT02 & TVOUT02		10					7 1			11			18
Transfer Out - Actual	1FA00102 & 1V00102		38					7 4						43
Refunds														
Refund Calculations	AHRFNDF	10	10	81	70	2:	,	1 3	2 48	5	5	42	37	10
Refund Payments	AHRFNDA	10	-					8 4						16
Returna Payments	ARKINDA	10	25					19 8						26
Estimates			-											
Voluntary	AHBENEST & AHEARLYC	15	15	26	27	14	1 1	.4 2	9 26	17	17	39	30	26
Redundancy	AHREDUNQ	15	-						8 9		1			1
Medical		15	-) (1
	AHIHRETQ													
Late	AHLATERQ	15							3 1		2			2
Flexible	AHFLEXRQ	15							3 2		1			2
Deferred into Payment	AHDBPAYQ	15	28 51					.2 1						24 56
Deferred														
	AUDEFLY	30	21	20	20		, ,		4 2		22	25	20	22
Deferred Calculations	AHDEFLV	30	21	. 39	38	22	2	.2 2	4 23	23	23	25	26	22
Opt Out														
Opt Out	OPTOPRT2	2	29	39	55	13	3 1	.3 2	9 31	. 21	21	48	41	28
New Starters														
New Starters	AHNEWST	40	11	. 76	70	17	, ,	.7 6	7 76	5 8		67	73	2
new starters	Annewsi	40	11	. /6	70	1.	1	./ 0	, ,	0 0	8	07	/3	2
Nominations														
Nomination Changes	AHNOMIN	10	3	4	6	1	1	1	5 3	3	3	6	6	3
Address														
Address Changes	AHADDRES	15	9	37	35	1:	1 1	.1 3	9 29	21	21	. 27	43	5
	, iiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiii	10			33								.5	J
Bank Account														
Bank Accoun Change	BANKCHGE	0	4	6	8	1	2	2	7 4	5	5	12	6	11
General Enquiry														
General Enquiry	AHMEMBER	10	65	102	112	55	5 5	5 20	3 202	. 61	61	137	150	48
Deaths														
Death Cases - General	AHDEATH	15	62	33	33	62	2 6	52 4	3 32	. 73	73	45	31	87
TOTAL			358	569	596	328	3 32	8 64	9 630	357	357	628	610	375

- 3.3 The above tables exclude most tasks received via the pension team inbox and telephone queries. Most queries are currently actioned immediately without logging them to avoid further delay to existing workload. Some queries like refunds, opt outs, death notifications, leavers, retirement quotes are logged as tasks and allocated to members of the team to action.
- 3.4 The pensions email inbox response time lag is now down to 4 days. This is a significant improvement from 3 years ago when the back log to respond to emails was over 12 months in some instances and majority of cases over 6 months.

A dedicated agency employee cover has been assigned in the last 12 months to clear outstanding back log and ensure that queries are now attended or assigned to an officer promptly. It is anticipated that a permanent post will be created to cover this work stream at some point. The number of emails received via the inbox ranges between 35 to 55 each day.

The team aims to target a turnaround time of 24 hours to either action the query or raise tasks for a member of the team to action if complex.

Performance Against CIPFA Pensions Administration Suggested Targets

3.5 The table below shows performance against CIPFA suggested timelines between the period April to June 2023. Some tasks such as transfers in and out as well as processing of deaths and retirements require initial responses from 3rd parties, other pension funds, lawyers or scheme members which sometimes take time.

Due date on all cases are never amended or revised except in exceptional circumstances to enable officers effective monitor time taken to complete tasks and review process changes in the team which might be required.

Performance during the quarter was significantly impacted by staff annual leave and long term sickness.

			April	May	June
				·	%
		Target	% Within	% Within	Within
Retirements	Altair Workflow	days	Target	Target	Target
Voluntary	AHEARLYA	15	60	0	60
Redundancy	AHREDUNA	15	-	100	60
Medical	AHIHRETA	15	100	50	50
Late	AHLATERA	15	100	10	40
Flexible	AHFLEXRA	15	0	100	100
Deferred into Payment	AHDBPAYA	15	41.18	50	40
Transfers					
Transfer In - Quotes	AHTVIQ	10	61.54	73.33	52.94
Transfer Out - Quotes	AHTVOQ	10	81.25	57.14	87.5
Transfer In - Actual	IFAIN03 & TVIN03				
Transfer Out - Actual	IFAOUT02 & TVOUT02				
Refunds					
Refund Calculations	AHRFNDF	10	79.71	62.22	75.76
Refund Payments	AHRFNDA	10	59.09	83.33	53.85
Estimates					
Voluntary	AHBENEST & AHEARLY	15	81.48	95.83	86.21
Redundancy	AHREDUNQ	15	100	77.78	83.33
Medical	AHIHRETQ	15	33.33	_	-
Late	AHLATERQ	15	80	100	100
Flexible	AHFLEXRQ	15	100	100	
Deferred into Payment		15	54.5	80.95	78.57
Deferred					
Deferred Calculations	AHDEFLV	30	89.47	91.3	79.17
Opt Out					
Opt Out	OPTOPRT2	2	78.18	70.97	68.42
New Starters					
New Starters	AHNEWST	40	100	100	100
Nominations					
Nomination Changes	AHNOMIN	10	60	100	33.33
Address					
Address Changes	AHADDRES	15	85.71	89.66	77.5
Bank Account					
Bank Accoun Change	BANKCHGE	0	100	100	100
General Enquiry					
General Enquiry	AHMEMBER	10	73.87	83.9	79.59
Deaths					
Death Cases - General	AHDEATH	15	66.67	30.71	67.74
			73.30	74.22	72.78

EMPLOYER UPDATES

3.6 Employers with active members on 30 June 2023.

Administering Authority	Scheduled Bodies
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
Admitted Bodies	Boleyn Mult-Academy Trust
Age UK East London	Bishop Challoner
Atlantic Cleaning Services	Canary Wharf College
Compass Contract Services Limited	City Gateway
East End Homes	Cyril Jackson Academy
Greenwich Leisure Limited	East London Arts & Music
Juniper Ventures Ltd	Gateway (Bethnal Green & Vic)
	Letta Trust (Stebon and Bygrove
Mediquip	Schools)
Olive Dining	London Enterprise Academy
One Housing Group (formerly Island	
Homes)	Mulberry Academy
	Paradigm Trust (Culloden, Old Ford
Phoenix Trust – closed scheme	and Solebay Primary Schools)
Purgo Supplies Services Ltd	Sir William Burrough
Tower Hamlets Community Housing	
Limited	St. Pauls Way Community School
Taylor Shaw	Tower Hamlets Homes Limited
Vibrance (formerly Redbridge	
Community Housing Limited)	Wapping High School
Wettons Cleaning Limited	
Nourish Catering	

Employer Insourcing

3.7 The following insourcing arrangements is ongoing:
Leisure services insourcing - Tower Hamlets Council
Tower Homes (THH) - Tower Hamlets Council 1 November 2023

New Employer Admissions

3.8 Nourish Catering Ltd in respect of contracts with Thomas Baxter and John Scarr schools and Chisenhale and Old Palace.

Employer Data Quality

3.9 The Council's Payroll team has since commenced uploading monthly council employee payroll data to the pensions iconnect system in April 2023. This means that all employers in the scheme now upload employee payroll data.

Data extracted remain incomplete and inaccurate in some instances, the payroll/pensions working group chaired by the Director of Finance Procurement and Audit meets monthly to looking into payroll system issues which result in inaccurate data being provided to pensions.

Online payslip for pensioners

3.10 Tower Hamlets Council has launched the online payslips app for all employees, schools staff and pensioners. The app enables pensioners to access their payslips on a monthly basis and eventually save on annual costs of issuing paper P60 and annual payslips. Although take up for pensioners is expected to be low at the onset the team is working on communication and additional work to ensure pensioners provide the Fund with email addresses.

Employer Cessation

3.11 No reported employer cessations during the June 2023 quarter.

LGPS SCHEME and LEGISLATIVE UPDATES

2022 Scheme valuation report

- 3.12 On 10 August 2023, the LGPS Scheme Advisory Board published its 2022 Scheme valuation report. The report is compiled from data drawn from local fund valuation report. It shows:
 - the average funding level has improved from 98 per cent in 2019 to 107 per cent in 2022 (on local funding bases) – all fund valuation reports show an improvement since 2019
 - the average contribution rate to meet future service costs rose from 18.6 per cent of payroll in 2019 to 19.8 per cent of payroll in 2022
 - overall contribution rates fell from 22.9 per cent of payroll in 2019 to 21.1 per cent of payroll in 2022 – this reflects lower deficit contributions
 - employee contribution rates marginally increased from 6.5 per cent of pay to 6.6 per cent.

Scheme Advisory Surpluses Working Group

- 3.13 The SAB plans to set up a small working group to look at the issues presented by the improving funding position across the LGPS. The objective is to provide general advice for administering authorities and employers that are in surplus or are likely to become so. The kinds of issues this raises include:
 - What impact could / should being in surplus have on employer contributions?
 - When is it appropriate to set a negative secondary contribution rate?
 - What impact could / should being in surplus have on investment and funding strategies? While open defined benefit schemes may not need to de-risk, some:

- employers in the scheme might prefer such a strategy
- funds may be looking at a different strategy that enables them to realise more of their surplus.
- How to best communicate being in a surplus position to employers and member representatives? Are communications needed for:
 - admitted bodies which could exit and have received their international accounting standard 19 figures showing substantial surpluses
 - scheduled bodies which cannot exit but still have questions about the benefits of a surplus position.

Pensions dashboards

3.14 On 9 August 2023, DWP updated the deferred connection guidance and forms in readiness for pensions dashboard. The update reflects the changes made by the Pensions Dashboards (Amendment Regulations 2023), which came into force on 9 August 2023. The guidance is for trustees and managers of relevant occupational pensions schemes wishing to apply to defer connection beyond 31 October 2026. It sets out the rules, issues to consider, how to apply and how DWP will consider applications.

A revised staging date timetable will be set out in guidance and all schemes in scope will need to be connected by 31 October 2023. The stagging timetable will indicate when schemes are scheduled to connect, based on their size and type. Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance.

Additional Pension and Club transfers

3.15 The Cabinet Office has confirmed that additional pension bought by paying APC's should be transferred on Club terms when a Club transfer takes place.

Life Time Allowance

3.16 HMRC has issued draft legislation for removing the lifetime allowance (LTA) April 2024. The proposed legislation removes the structure of the LTA and the LTA charge from 6 April 2024 and includes lots of transitional provisions for people with existing LTA protections.

Economic Activity of Public Bodies (Overseas Matters) Bill

3.17 On 23 June 2023 the Government published a Bill which, if enacted, would prevent administering authorities from making investment decisions "influenced by political or moral disapproval of foreign sates", except where is required by formal Government legal sanctions, embargoes and restrictions. While private

sector pension funds have been excluded, the LGPS would be covered by the Bill. TPR would be responsible for overseeing compliance. The Bill will be considered by the House of Commons Public Bill Committee, which is expected to first sit on 5 September 2023. The Committee has issued a call for evidence and the SAB will be considering this further.

McCloud legislative Update

3.18 The process of data collection from employers is still ongoing templates were issued to employers. 30% of employers returned data. However, others are yet to return include Council.

Officers will require additional resources to focus fully on McCloud, contact with employers who have failed to return requested data as data correction as necessary. It is anticipated this would be a senior level resource at Grade K or above for a period of 12 to 18 months.

Completed Tasks	Responsible for
The following activities have been completed so	
far:	
 Kick off call/Employer survey (Fund/ 	 LBTH/Heywood
 Run reports and identify all in scope members 	Heywood
Employer contact details supplied	• LBTH
 Data issued to employers with deadline of 15th August 2022 	Heywood
 2nd chaser sent to employers 	 Heywood
 Deadline of 15th August. 25 employers have responded so far (30%) 	
Periodic checkpoint call held with Heywood Periodic checkpoint call held with Heywood	LBTH/Heywood
on way forward to discuss how to deal with	
employers who have not responded	
Slippage and remediation actions	
 Additional resources required by Fund to focus on McCloud and related employer bottlenecks. October 2023 	• LBTH
 Fund looking into possibility of extracting 	
data from historic payroll records in Resource Link payroll system and transferring over to datasheet. October 2023	Heywood /LBTH
	a LPTH/Hovayood
 Update implementation plan December 2023 	LBTH/Heywood
Risks	
 Review time scales and targets September 2023 	

Member Self Service (MSS) Roll Out

3.19 The role out of Member Self Service (MSS) continues although, take up remain low. Officers will be visiting school over the next few months to register LGPS members.

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. <u>COMMENTS OF THE CHIEF FINANCE OFFICER</u>

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 it 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 the 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).

Linked Reports, Appendices and Background Documents

Linked Report

NONE

Appendices

• Employer monthly data submission (Appendix 1)

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:

Miriam Adams – Interim Head of Pensions & Treasury 3rd Floor 160 Whitechapel Road, E1 1BJ Email: miriam.adams@towerhamlets.gov.uk

Monthly Data Submission on 30 June 2023 (Employer data submission is not a guarantee that correct data was submitted)

Employer Name	Employer Code	Employer Type	Data Submitted to
Age UK	00045	Admitted Body	30/06/2023
Atlantic Cleaning Services	00037	Admitted Body	31/07/2023
City Gateway	00025	Admitted Body	31/07/2023
Compass Contract	00027	Admitted Body	30/04/2023
Greenwich Leisure Limited	00007	Admitted Body	31/08/2023
Juniper Catering St Saviours	00040	Admitted Body	31/05/2022
Juniper Cleaning St Saviours	00041	Admitted Body	31/08/2023
Nourish Catering – Thomas Baxter/John Scarr	00053	Admitted Body	30/04/2023
Nourish Catering – Chisenhale/Old Palace	00054	Admitted Body	31/01/2022
Olive Dining	00043	Admitted Body	31/07/2023
One Housing (Toynbee Island)	00011	Admitted Body	31/03/2023
Phoenix Trust (Closed Scheme)	00051	Admitted Body	31/07/2023
Purgo Supply Cyril Jackson	00039	Admitted Body	14/07/2023
Purgo Supply St Paul's	00042	Admitted Body	15/07/2023
REDBRIDGE CHL (Vibrance)	00004	Admitted Body	31/07/2023
THCH (Closed Scheme)	00003	Admitted Body	31/07/2023
THCH (Open Scheme)	00008	Admitted Body	31/07/2023
Taylor Shaw - Catering	00036	Admitted Body	31/07/2023
Taylor Shaw - Stepney Green	00048	Admitted Body	31/05/2023
Wettons Cleaning Services Ltd	00034	Admitted Body	07/07/2023
Bowden House	00129	Main Scheme	31/08/2023
Cayley Primary School	00130	Main Scheme	30/06/2023
ТН ЕРМ МРР	00001	Main Scheme	31/07/2023
Bishop Challinor Catholic Federation of Schools	00131	Scheduled Body	31/08/2023
Canary Wharf College	00021	Scheduled Body	30/04/2023
Clara Grant - Boelyn Trust	00046	Scheduled Body	31/07/2023
Cyril Jackson Academy	00044	Scheduled Body	31/07/2023
East London Arts & Music	00030	Scheduled Body	31/07/2023
Ian Mikardo Academy	00029	Scheduled Body	31/07/2023
LETTA Trust	00028	Scheduled Body	31/07/2023
London Enterprise Academy	00023	Scheduled Body	31/05/2023
Mulberry Academy	00026	Scheduled Body	30/06/2023
Olga Primary School	00128	Scheduled Body	31/07/2023
Paradigm Trust	00033	Scheduled Body	31/05/2023
Sir William Burrough Academy	00018	Scheduled Body	31/07/2023
Stepney Green -Mulberry Trust	00047	Scheduled Body	31/03/2023
St Pauls Way Trust Academy	00019	Scheduled Body	31/07/2023
Wapping High School	00024	Scheduled Body	31/07/2023
Internal			
Tower Hamlets LBC	00001	Main Scheme	31/07/2023
Tower Hamlets Schools	00001	Main Scheme	31/07/2023
Central Foundation	00001	Main Scheme	31/07/2023
East End Homes	00006	Admitted Body	31/07/2023
Tower Hamlets Homes	00013	Scheduled Body	31/07/2023