

Pension Board 14 April 2021

Report title: Lambeth Pension Administration – Performance report for the period January 2021 to March 2021

Wards: All

Portfolio: Cabinet Member for Finance and Performance, Councillor Andrew Wilson

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Report summary

This is a performance report for the Pension Board as part of their remit to oversee the administration of the Lambeth Local Government Pension Scheme (LGPS). The report includes the agreed performance indicators, administrative updates, developments and projects.

Finance summary

There are no financial implications arising from the recommendations in this report.

Recommendations

1. To note the Pension Administration Service Performance update covering the January 2021 to March 2021.

1. **Context**

- 1.1 The Pension Board is required to review, provide feedback and question the performance of the pensions administration service. This report provides information on the performance of Lambeth Pensions in relation to all its members (active, deferred or pensioner).

Membership data

- 1.2 The table below sets out the key changes in the membership since the last report:

| Membership type | Totals at 31.12.20 | Totals at 31.03.21 |
|------------------------|---------------------------|---------------------------|
| Active | 4,985 | 5,016 |
| Deferred pensioner | 8,474 | 8,456 |
| Pensioner | 6,264 | 6,300 |
| Widow/dependant | 1,128 | 1,146 |

Key performance indicators

- 1.3 Lambeth Pensions measures the work processed using standard LGPS targets. The total number of pensions cases completed on the Altair system in the period January to March 2021 was 864. Cases are normally set to be completed within 5 or 10 working days depending on the nature of the case. Statistics on key performance indicators can be found in Appendix 1.
- 1.4 In the period January to March 2021 a total of 42 redundancy estimates and 11 actual redundancy calculations were processed. This compares to 23 estimated and 17 actual calculations for the same period last year, i.e. January 2020 to March 2020.

Communications

- 1.5 **Pensioner Newsletter:** The Pensions Team is currently preparing to issue the April 2021 pensioner newsletter to advise pensioner members of the annual pension uplift of 0.5% effective from 12 April 2021.

On-line Activity

- 1.6 **Member Self Service:** [Member Self-Service](#) (MSS) is an on-line platform to enable pension scheme members to access details about their LGPS pension rights. There are currently 2,868 registered users. The team encourages all pension scheme members to use MSS and links to the site are given in emails and other communications. Statistics on usage are shown in Appendix 1.
- 1.7 **Lambeth Pension Fund Website:** There is also a Lambeth Pension Fund [website](#) which houses general information about the LGPS in addition to specific information pertaining to the London Borough of Lambeth Pension Fund, for example:
- Information about the running of the Lambeth Pension Fund (e.g. who the Pension Board and Pension Committee members are)
 - scheme guides and forms

- valuation reports
- member newsletters
- various pension fund policies (e.g. Communications Policy) and
- annual reports. The final 2019/20 Annual Report has recently been uploaded onto the website.

1.8 Statistics on usage is shown in Appendix 1.

Complaints and compliments

1.9 Lambeth Pensions received four complaints in this period. Details are shown in Appendix 1.

Internal Dispute Resolution Procedure

1.10 There were no stage 1 appeals this quarter.

Risk register

1.11 The risk register was updated this quarter and presented to the Pensions Committee on 24 March 2021. Details are provided in a separate report.

Lambeth Pension Fund Discretions

1.12 There were no discretions exercised under the Lambeth Pension Fund's Discretionary Policy in this period.

Pensions Contract

1.13 Lambeth's contract with Aquila Heywood for the supply of the Altair pensions administration system which was due to end in March 2021 has been extended for a period of five years from 1 April 2021 to the 31 March 2026. This extension will ensure service continuity in fulfilling the Council's statutory responsibility for the proper administration of the Local Government Pensions Scheme (LGPS) and will also enable the Council to review the market and the capability and capacity of suppliers on the LGPS national framework and provide sufficient mobilisation time to transfer to any new arrangement if appropriate.

The Pension's Regulator (TPR) Public Service Governance and Administration Survey

1.14 In late January 2021 TPR released their annual governance and administration survey of public pension schemes. The survey is designed to determine how schemes are progressing on meeting the expected standards of governance and administration in order to focus on areas where they may need more support.

1.15 Since last year's survey some new questions were included to understand how the COVID-19 pandemic has affected the operation of public service pension schemes.

1.16 The response from the Lambeth Pension Fund was submitted on 26 February 2021.

Ongoing developments

1.17 **Guaranteed Minimum Pension (GMP) Reconciliation Update:** The third party provider (ITM) undertaking the GMP reconciliation service for Lambeth Pension Fund has now completed the GMP reconciliation. The project involved comparing the GMP records held by HMRC with those on Lambeth's pension administration system and reconciling any differences found. ITM has been assisting the Council with this work since 2017 and, after HMRC provided a final extract of their records in 2020, the project has been brought to a close with the final analysis of any remaining inconsistencies.

1.18 At the beginning of the GMP reconciliation project 46.9% of the Fund membership was classed as reconciled. With the completion of the final analysis, this has increased to 99.7%, representing a very high degree of success. It should be noted that there is a small number of cases requiring review; this work will be completed during April, at which point the reconciliation project will be formally closed.

1.19 **GMP Rectification:** Following the completion of the GMP reconciliation, initial rectification results have been provided to the Council. ITM applied corrected GMP values to all members where HMRC values were accepted or agreed with during the reconciliation phase of GMP work. ITM then projected the impact of this on members' benefits to determine the change to pensions in payment and the amount of any under or overpayments. There were c 4,700 pensioner and dependant members in scope, however, only around 8% of the population reviewed will require a correction to be made.

1.20 To provide some context around the results, ITM has provided the following summary:

Pensioners – 349 in scope for rectification

- 39 pensioners, with an average annual increase to pensions in payment of £117
- 40 pensioners, with an average amount of underpayment of £1,772
- 310 pensioners with an average annual decrease to pensions in payment of £146
- 309 pensioners with an average amount of overpayment of £1,618

Dependants – 26 in scope for rectification

- 6 dependants with an average annual increase to pensions in payment of £43
- 6 dependants with an average amount of underpayment of £355
- 20 dependants with an average annual decrease to pensions in payment of £86
- 20 dependants with an average amount of overpayment of £703

1.21 Live processing will take place during May, with member communications due to be issued in late May / early June. It is anticipated that corrected pensions will be paid from August 2021.

1.22 ITM has advised that the results presented to the Council are similar to those being presented to other funds.

- 1.23 **Exit Pay Reform:** On 12 February 2021, HM Treasury (HMT) published the Exit Payment Cap Directions 2021 which disapply the exit cap regulations until the actual exit cap regulations are revoked. This means the exit cap no longer applies to exits that take place on or after 12 February 2021. In the accompanying guidance, they confirmed that the cap may have had unintended consequences.
- 1.24 The Scheme Advisory Board sought legal advice on exits that occurred while the 2020 Regulations were in force (between 4 November 2020 to 11 February 2021) and based on that advice, the SAB recommends that administering authorities:
- may pay unreduced benefits to all members who left during this period due to redundancy or business efficiency at age 55 or over
 - should request the full strain cost of paying unreduced benefits from the Scheme employer, and
 - should not seek to adjust the unreduced benefits or the strain cost payable by the Scheme employer to reflect any cash alternative payment the employer has paid.
- 1.25 Fortunately, there were no Lambeth Pension Fund members aged 55 or over who were made redundant that exceeded the £95k exit pay cap and therefore no rectification is necessary.
- 1.26 Looking ahead, the Government confirmed in the Guidance that HM Treasury will bring forward proposals at pace to tackle unjustified exit payments, although this is not likely to be in the next few months due to the time it will take to consult and make changes to legislation.
- 1.27 It is understood that the Ministry of Housing, Communities and Local Government (MHCLG) plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay. MHCLG has confirmed that it will consult again on further reforms to exit payments before any changes are made.

2. Proposal and Reasons

- 2.1 It is proposed that the Pensions Board notes the performance of Lambeth Pensions as outlined in this report

3. FINANCE

- 3.1 There are no additional financial implications in relation to the items mentioned in this report.

4. LEGAL AND DEMOCRACY

- 4.1 There are no legal implications arising directly from the contents of this report.
- 4.2 There are no additional comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Where possible Lambeth Pensions shares ideas and working practices with other pension funds.
- 5.2 The Pension Committee and Pension Board Chairs have been consulted on Lambeth Pension Fund's response to the MHCLG Consultation.

6. RISK MANAGEMENT

- 6.1 Action has been taken to mitigate any risks in relation to the items mentioned in this report. The Risk Register highlights the appropriate control measures to mitigate potential risks.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 There are no equalities issues.

8. COMMUNITY SAFETY

- 8.1 There are no community safety issues.

9. ORGANISATIONAL IMPLICATIONS

9.1 Environmental

None for the purpose of this report.

9.2 Health

Not applicable.

9.3 Corporate Parenting

Not applicable.

9.4 Staffing and accommodation

None for the purpose of this report.

9.5 Responsible Procurement

None for the purpose of this report.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 Not applicable.

| Audit trail | | | | |
|--|---|------------------|--------------------------|------------------------------|
| Consultation | | | | |
| Name/Position | Lambeth directorate/ division or partner | Date Sent | Date Received | Comments in para: |
| Councillor Andrew Wilson | Cabinet Member for Finance and Performance | 22.03.2021 | 23.03.2021 | |
| Fiona McDermott, Strategic Director of Finance and Investments | Finance and Investment | 22.03.2021 | 23.03.2021 | |
| Christina Thompson, Director of Finance and Property | Finance and Investment / Finance and Property | 22.03.2021 | 30.03.2021 | |
| Nisar Visram, Assistant Director of Finance | Finance and Investment / Finance and Property | 22.03.2021 | 29.03.2021 | |
| Andrew Pavlou Legal Services | Legal and Governance | 22.03.2021 | 23.03.2021 | |
| Marianna Richie Democratic Services | Legal and Governance | 22.03.2021 | 22.03.2021 | |

| Report History | |
|---|------------------------|
| Original discussion with Cabinet Member | NA |
| Report deadline | 30.03.2021 |
| Date final report sent | 30.03.2021 |
| Part II Exempt from Disclosure/confidential accompanying report? | NA |
| Key decision report | No |
| Date first appeared on forward plan | N/A |
| Key decision reasons | N/A |
| Background information | N/A |
| Appendices | 1. Performance Report. |