



**Resources Department
Town Hall, Upper Street, London, N1 2UD**

AGENDA FOR THE PENSIONS BOARD

Members of the Pensions Board are summoned to attend a meeting which will be held via Zoom on **15 September 2020 at 6.00pm.**

Link to the Zoom meeting: <https://weareislington.zoom.us/j/98980632182>

Enquiries to : Mary Green
Telephone : (020) 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 7 September 2020

Membership

Employer representatives:

Maggie Elliott (Vice-Chair)
Councillor Paul Smith (Chair)
(vacancy)

Scheme member representatives:

Mike Calvert
Marion Oliver (+ vacancy for substitute)
George Sharkey

Independent member

Alan Begg

Quorum is 3, including at least one employer representative and one member representative



A. Formal matters

1. Apologies for absence
2. Declaration of interests

If you have a Disclosable Pecuniary Interest* in an item of business:

- if it is not yet on the council's register, you must declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may choose to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you must leave the room without participating in discussion of the item.

If you have a personal interest in an item of business and you intend to speak or vote on the item you must declare both the existence and details of it at the start of the meeting or when it becomes apparent but you may participate in the discussion and vote on the item.

- *(a)** Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.
- (b)** Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
- (c)** Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
- (d)** Land - Any beneficial interest in land which is within the council's area.
- (e)** Licences- Any licence to occupy land in the council's area for a month or longer.
- (f)** Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
- (g)** Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

3. Minutes of the previous meeting 1 - 4

B. Non-exempt items

1. Pension administration performance 5 - 10
2. LGPS McCloud consultation - amendment to statutory underpin 11 - 16
3. Forward Plan of business 17 - 26

C. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. Exclusion of press and public

To consider whether, in view of the nature of the remaining items on the agenda, any of them are likely to involve the disclosure of exempt or confidential information within the terms of Schedule 12A of the Local Government Act 1972 and, if so, whether to exclude the press and public during discussion thereof.

E. Confidential/exempt items

- | | | |
|----|--|---------|
| 1. | Forward Plan of business - exempt appendices | 27 - 36 |
|----|--|---------|

F. Urgent exempt items

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Pensions Board will be on 8 December 2020

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London Borough of Islington

Pensions Board - 30 June 2020

Minutes of the meeting of the Pensions Board held virtually via Zoom on 30 June 2020 at 6.00 pm.

Present: Alan Begg, Valerie Easmon-George, Maggie Elliott (Vice-Chair), George Sharkey and Councillor Paul Smith (Chair)

Observers: Councillors Paul Convery and Satnam Gill

Councillor Paul Smith in the Chair

87 APOLOGIES FOR ABSENCE (Item A2)

None.

88 DECLARATION OF SUBSTITUTE MEMBERS (Item)

None.

89 DECLARATION OF INTERESTS (Item A3)

None.

90 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 3 December 2019 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

91 PENSION ADMINISTRATION PERFORMANCE (Item B1)

The Deputy Pensions Manager reported that there had been a drop of 6.5% in overall performance from the 87.5% achieved in the last quarter. He also noted the overall increase of 16% of cases processed over the period, a number of which were Covid-19 related.

He pointed out that deferred annual benefit statements would be sent to former members of the pension scheme in July 2020. It was likely that annual benefit statements for active members would not be sent out by the statutory deadline of 31 August 2020. However, he was hopeful that the statements would be produced by 30 September 2020. The Pensions Regulator had confirmed that no breach of regulations would be caused provided statements were despatched by 30 November 2020.

With regard to the recruitment of new members to the Scheme, the Board agreed that the leaflet produced by the Pensions Team should be sent out to non-contributors to the scheme.

RESOLVED:

- (a) That the number of members auto-enrolled into the Local Government Pension Scheme from 1 February 2020 to 30 April 2020, as detailed in the report of the Corporate Director of Resources, be noted.
- (b) That the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints, also detailed in the report, be noted.
- (c) That it be noted that there may be a possible delay of one month in issuing the active benefit statements.
- (d) That the Deputy Pensions Manager arrange for the leaflet on the benefits of the Scheme to be sent to non-contributors, with a view to the recruitment of new members.

92 PENSION FUND - DRAFT 2019/2020 STATEMENT OF ACCOUNTS AND 2020/2021 ADMINISTRATION CASHFLOW FORECAST (Item B2)

Alan Begg highlighted a number of queries on the draft accounts, which were responded to by the Pension Fund Manager. However, he noted a particular discrepancy in paragraph 3.5 on page 12 of the report, by the adverse affect caused by a decrease in the Fund by £24m. The Pension Manager pointed out that the decrease was actually in market value and not in expenditure. Alan Begg suggested that this be clarified in the draft accounts.

RESOLVED:

- (a) That the 2020/21 annual cash flow forecast pension fund administration cost attached as Appendix 1 to the report of the Corporate Director of Resources be approved.
- (b) That, subject to an additional amendment to the appropriate page on the draft accounts to clarify that there has been a decrease in market value of £24.5m and not in expenditure, the 19/20 draft pension fund accounts attached as Appendix 2 to the report be approved, before it is audited by Grant Thornton, the Council's external auditors.

93 FORWARD PLAN (Item B3)

Members suggested that there could be more information on each of the following areas, caused by the Covid 19 virus, in order to plan mitigating actions:

- Risk tolerance- employer covenants, funding update and investment downside and impact on contributions.
- Business Continuity- disruption impact on pension administration, investment and critical projects
- Market opportunities- asset allocation, liquidity and planned strategic changes

Pensions Board - 30 June 2020

- Governance- unavailability of committee members, key individuals and ability to respond quickly
- External third parties cannot fulfil their obligations- examples include networks SAB, MHCLG
- Member communications-market volatility on investment valuations especially AVC

RESOLVED:

- (a) That the contents of Appendix A to the report of the Corporate Director of Resources, detailing proposed agenda items for future meetings, be approved.
- (b) That the Head of the Pension Fund report to the next meeting of the effect on Fund members of the six issues highlighted in the bullet points above.
- (c) That, if the Macleod judgement is sent out for consultation during July 2020, a report be submitted to the Board in September 2020 on the likely impact on the Fund and the Council.

The meeting ended at 6.40 pm

CHAIR

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Report of: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	15 September 2020		

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SUBJECT: PENSION ADMINISTRATION PERFORMANCE

1. Synopsis

- 1.1 This report provides the Board with information on the administration activities of the Pension Administration. The information is in respect of the period from 1 May 2020 to 31st July 2020 and includes the number of LGPS members auto-enrolled into the scheme for this period.
- 1.2 The report also provides information regarding the Internal Dispute Resolution Procedure, compliments and complaints.

2. Recommendations

- 2.1 To note the number of members' auto-enrolled into the Local Government Pension Scheme during the relevant period.
- 2.2 To note the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints.
- 2.3 To note the new working arrangements for the Pensions Office and the impact that the coronavirus is having on our services.
- 2.4 To note the imminent introduction of a public-sector exit payment cap by government.

3. Background – Statistics and key performance indicators

3.1 The membership profile at 30 April 2020 and 31 July 2020 is shown in the following table.

Category	Apr - 20	Jul - 20
Number of current active members	6,569	6,468
Number of preserved benefits	8,243	8,362
Number of Pensions in payment	5,906	5,968
Number of Spouses/dependants pensions in payment	968	987
Total	21,686	21,785

3.2. Key performance indicators from 1 May 2020 to 31 July 2020:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	43	95%	93.40%	5.70
Retirement benefits	5	62	95%	92.00%	6.50
Pension estimates	10	77	95%	85.00%	14.00
Preserved benefit calculations	15	60	95%	73.00%	16.00
Transfer-in quotation	10	15	95%	100.00%	9.00
Transfer-in actual	10	13	95%	100.00%	8.50
Transfer out actual	12.5	21	95%	87.00%	15.00
Transfer out quotation	15	28	95%	84.00%	17.00
Legacy Cases - Valuation	=		=	=	=
All processes	=	401		83.00%	

3.3 There has been an increase of 2% in overall performance from the 81.00% achieved in the last quarter in completed processes within the target days. There has also been an increase of just over 7% of total cases processed over this quarter in comparison with the last quarter.

3.4 Number of members auto-enrolled into the LGPS from May to July 2020:

Month	Starters No.	Opt Outs	Opt Outs %
May	28	0	0
June	19	1	5.26
July	19	0	0
Total	66	1	1.52

3.5 Since the June 2020 report to the board -14- communications have been received thanking Pension Administration staff for their service and -0- complaints.

3.6 There are no Internal Disputes to report.

4. Impact of coronavirus on Pensions Administration

- 4.1 Since the end of March the majority of staff have been working at home and accessing remotely most of our business applications successfully. There has been no drop off in productivity, in fact there has been a marginal improvement as detailed earlier and pension benefits have been paid on time. The Pensions Office receives a high volume of post and it has been necessary for staff to access the Office to scan the post twice a week on to our database for processing. This is now done on a rota basis and social distancing is practiced at all times.
- 4.2 We have not been able to move forward with filling all vacant posts and have had to delay the appointment of an apprentice Pensions Officer until April next year, following a decision by the Resources Management Team to instruct all budget holders to reduce their salary budget by 5%. Given the considerable work that will be involved in dealing with the implications of the McCloud Judgement it will be critical for us to access this resource in the new year.
- 4.3 There has been a 10% increase in deaths over this quarter in comparison with last year. The picture remains unclear as to whether this is a direct result of the novel coronavirus.

5. Cap on Public Sector Exit Payments

- 5.1 Appendix 1 summarises the draft legislation introduced by government to cap public sector exit payments and its implication for the Local Government Pension Scheme.

6. Implications

6.1 Financial Implications

- 6.1.1 The cost of administering the LGPS is chargeable to the Pension Fund.

6.2 Legal Implications

- 6.2.1 There are no specific legal implications in this report.

6.3 Resident impact assessment

- 6.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 6.3.2 In respect of this report, a Resident Impact Assessment is not being made because the contents of the report relate to processes that are strictly in accordance with the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972, and the Council has a statutory duty to comply with the LGPS Regulations.

6.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~//media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

7 Conclusion and reasons for recommendations

7.1 The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution. Appendix 1 attached, is a briefing on the government's draft legislation on exist payment cap.

Background papers:

None.

Final report clearance:

Signed by:

Corporate Director of Resources

Date

Received by:

Head of Democratic Services

Date

Report author : Patrick Fullerton
Tel : 0207 527 2588
Fax : 0207 527 2596
E-mail : patrick.fullerton@islington.gov.uk

APPENDIX 1: PUBLIC SECTOR EXIT PAYMENTS – LGPS

Background

In the summer of 2015, the government released proposals for a public-sector exit-payment cap. Action by government was repeatedly delayed on this topic and then on 10 April 2019, the government engaged in further consultation which closed on the 3rd July 2019. The LGA, Public Sector Employers and Trade Unions made detailed submissions and suggestions for amendments which are largely absent from the draft regulations published on the 22nd July 2020.

What now?

The Local Government Pension Scheme Advisory Board has produced a summary on the exit cap which is detailed below. This is based on the information available in August 2020 and may be subject to change as we await revised Treasury direction and guidance on the specificity of the implementation of the cap and the waiver process, in light of the detailed responses made in the consultation.

Who is covered?

The cap will apply to all public sector employers.

What's covered?

The exit payment cap is set at a total of £95,000 which won't be index-linked for now. Exit payments include

- redundancy payments (including statutory redundancy payments)
- severance payments
- pension strain costs that arise when an LGPS pension is paid unreduced before a member's normal pension age, and
- other payments made as a result of termination of employment.

The cap applies to all exit payments that arise within 28-days.

What isn't covered?

Payments related to death in service or ill health retirement, pay in lieu of holiday, payments complying with an order made by a court or tribunal and payments in lieu of notice that do not exceed a quarter of a person's salary are not exit payments for the purposes of these regulations. Although statutory redundancy is included as an exit payment it can't be reduced. If the cap is exceeded, other elements that make up the exit payment must be reduced to achieve an exit payment of £95,000 or less.

Will the cap be indexed?

Proposals for the cap were first published in 2015. If the cap had been indexed by CPI since then it would now be more than £110,000. There is however no intention to index the cap although the response states that this will be kept under review.

When will the cap come into force?

The cap should be in force for the end of the 2020 calendar year.

Applying the cap in the LGPS

The major impact of the regulations will be on LGPS members aged 55 or over who currently qualify for an unreduced pension because of redundancy or efficiency retirement as well as a severance payment under **The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006**. We understand that changes to those regulations will prevent the payment of severance in addition to a pension strain cost. Not only will a severance payment no longer be payable but if a pension strain payment cannot be made in full because of the cap, then the member would be faced with having to take a reduced pension. This raises serious questions around the inequity of lack of choice as well as the situation of different strain costs between LGPS funds resulting in different reductions being made for the same length of service and pay (currently strain cost is calculated at a local level based on the demographic make-up of the members in each fund). It also appears to be the intent to provide a facility for the member to buy out the reduction.

We understand that MHCLG is looking at options to introduce choice for members to take a deferred benefit rather than a reduced pension together with guidance on the calculation of standardised strain costs and the option to purchase the shortfall. Any changes to LGPS regulations would be subject to a further consultation.

Relaxing the cap

There are circumstances, as set out in draft HMT Directions, when the cap must be or may be relaxed by a minister or the authority. However, most are subject to consent by HM Treasury even if passed by full council. Employers are required to record and publish information about any decisions made to relax the cap.

Employee and employer responsibilities

A person who receives an exit payment must inform any other public body covered by the regulations that employs them about that payment. An employer must ensure that any exit payment does not exceed the cap (unless permitted by the relaxation directions) and, where a non-compliant payment is made, recover any overpayment subject to a value for money assessment.



Report of: Corporate Director of Finance

Meeting of:	Date	Agenda item	Ward(s)
Local Pensions Board	15 September 2020		n/a

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SUBJECT: LGPS McCLOUD CONSULTATION-AMENDMENT TO STATUTORY UNDERPIN

1. Synopsis

- 1.1 This consultation seeks views on changes to the Local Government Pension Scheme in England and Wales (LGPS). It outlines proposed changes to the LGPS statutory underpin protection to remove unlawful discrimination found by the Courts in relation to public service pension scheme 'transitional protection' arrangements. Specifically, it is proposed to remove the condition that required a member to have been within ten years of their normal pension age on 1st April 2012 to be eligible for underpin protection. In removing the discrimination, a number of supplementary changes are proposed to ensure the revised underpin works effectively and consistently for all members.

2. Recommendation

- 2.1 To note the consultation policy document via link <https://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin>
- 2.2 Consider the proposals being consulted on as summarised in para 3.1.1
- 2.3 To consider the questions in paragraph 3.1.2 and discuss responses to be submitted to MHCLG by the deadline of 8 October 2020
- 2.4 To also note the resource and planning that needs to be undertaken to effectively implement these changes

3. Background

3.1 The Ministry of Housing, Communities and Local Government (MHCLG) published its long awaited consultation on draft Regulations introducing amendments to the statutory underpin for the Local Government Pension Scheme (LGPS) in England and Wales on 16 July 2020. The proposals are designed to remedy the unlawful discrimination caused by the protection of older members when the scheme was reformed in April 2014. The consultation is estimated to affect around 1.2 million members of the LGPS by extending the underpin to all qualifying members, regardless of their age.

3.1.1 The key features of the remedy are set out below:

- The eligibility conditions for the final salary underpin will now exclude the age criterion but are still applied to members of the scheme at 31 March 2012 only.
- The underpin will, however, cease to apply for all members in respect of pensionable service from 1 April 2022.
- The underpin will now also apply to members leaving but not immediately drawing benefits, whereas it previously applied only on the sooner of retirement or reaching Normal Pension Age.
- Members benefits are not changed for the impact of the underpin until retirement (“the underpin crystallisation date”), but members need to be informed of the position should they leave pensionable service before retirement. In this situation, the underpin will then need to be re-tested at the point of retirement to allow for the impact of any early/late retirement factors that may be applied.
- There are differences in how the new underpin will operate (including as above) and the new approach will apply to all eligible members and retrospectively in replacement of the previous age-related underpin – even for those members previously covered by the underpin.
- The underpin will apply only where benefits are aggregated. As this could mean a loss of underpin for some existing members, there will be a 12-month election window where members can opt to retrospectively aggregate benefits thereby retaining the underpin across all service.
- Any increase in benefit due to the underpin will count for Annual Allowance purposes only in the year of the underpin crystallisation date.
- The underpin will have to be revisited for members who have died or transferred out since 2014 which will add complexity to the implementation
- MHCLG estimate the cost to LGPS employers of their proposals will be £2.5bn over the coming decades, as protected members retire and begin to receive their benefits. This equates to c0.8% of the total liabilities of the LGPS.

3.1.2 The summary of consultation questions are listed:

The consultation itself is extremely detailed and has 29 questions to respond on and included draft Regulations which will be retrospective to 1 April 2014

- **Question 1** – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?
- **Question 2** – Do you agree that the underpin period should end in March 2022?
- **Question 3** – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?
- **Question 4** – Do the draft regulations implement the revised underpin which we describe in this paper?
- **Question 5** – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?

- **Question 6** – Do you have other comments on technical matters related to the draft regulations?
- **Question 7** – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?
- **Question 8** – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?
- **Question 9** – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?
- **Question 10** – Do you agree with our proposal that certain active and deferred members should have an additional 12 month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?
- **Question 11** – Do you consider that the proposals outlined in paragraphs 50 to 52 would have 'significant adverse effects' in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?
- **Question 12** – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?
- **Question 13** – Do you agree with the two-stage underpin process proposed?
- **Question 14** – Do you have any comments regarding the proposed approaches outlined above?
- **Question 15** – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?
- **Question 16** – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?
- **Question 17** – Do you have any comments regarding how the underpin should be presented on annual benefit statements?
- **Question 18** – Do you have any comments on the potential issue identified in paragraph 110?
- **Question 19** – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?
- **Question 20** – Do you agree with our equalities impact assessment?
- **Question 21** - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?
- **Question 22** – Are there other comments or observations on equalities impacts you would wish to make?
- **Question 23** – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

- **Question 24** – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?
- **Question 25** – What principles should be adopted in determining how to prioritise cases?
- **Question 26** – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?
- **Question 27** – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?
- **Question 28** – On what matters should there be a consistent approach to implementation of the changes proposed?
- **Question 29** – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?

Resource and work

- 3.2
- There are many different aspects of work that will need to be carried out to implement the changes and to administer the changes once they take effect. These include:
 - ongoing administration changes – will we be ready to implement the new regulations by April 2022, process, and resources
 - benefits review for leavers - able to identify all qualifying members with 100% accuracy and need to collect the data needed to calculate the final salary underpin.
 - member communication - content and the delivery of communications, and additional queries from members affected by McCloud?
 - employer communication - content and the delivery of communications
 - data – how do we ensure that we have all the data needed to calculate the final salary underpin back to 1 April 2014 for those who qualify.
 - systems – capabilities to collect the McCloud data, carry out the retrospective review of benefits, administer the scheme going forward, and communicate with scheme members and employers.
- 3.3
- Members are asked to consider the full consultation document at the link as and discuss their views and responses to the questions listed in paragraph 3.1.2 for submission to MHCLH by the deadline of 8 October 2020. Members are also asked to note the administering resources required and to monitor progress on planning for this project McCloud.

4. Implications

4.1 Financial implications

None applicable to this report.

4.2 Legal Implications

None applicable to this report.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy

statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4 **Resident Impact Assessment:**

The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975."

4.4.1

An equalities impact assessment has not been conducted because this report is seeking opinions on a government policy document and therefore no specific equality implications arising from this report.

5. **Conclusion and reasons for recommendation**

- 5.1 Members are asked to consider the consultation document and responses to the questions and also note administering resources that will be required to implement the changes and the need to plan ahead of April 2022.

Background papers:

None

Final report clearance:

Signed by:

Received by: Corporate Director of Finance Date

Head of Democratic Services Date

Report Author: Joana Marfoh
Tel: (020) 7527 2382
Email: Joana.marfoh@islington.gov.uk



Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Board	15 September 2020		n/a

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Appendix B attached is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

SUBJECT: PENSIONS BOARD 2020/21– FORWARD WORK PLAN

1. Synopsis

- 1.1** The Appendix A to this report provides information for Members of the Board on agenda items for forthcoming meetings and training topics where required as per its work programme objectives.
- 1.2** Appendix B (private and confidential) is a checklist of issues that need to be considered on the possible impact of COVID-19 virus so mitigating actions can be considered.
- 1.3** Appendix C is current risk register to be reviewed with any impacts of Covid-19

2. Recommendation

- 2.1** To consider and note Appendix A attached and amend the forward plan where there is change in priorities
- 2.2** To consider Exempt Appendix B-checklist of issues and some actions plans to discuss
- 2.3** To review the risk register for Pensions and if required update with action plans agreed in para 2.2.
- 2.4** To agree to review the Pension risk register at the next September 2021 meeting

3. Background

3.1 The Public Services Pensions Act 2013 requires the establishment of local pension boards for each Local Government Pension Fund. Each administering authority must establish a pensions board no later than 1 April 2015.

3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Sub Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),
- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 The Pensions Sub- committee is the decision making body of the Fund and the Pension board can only advise or make recommendations to the Pensions -Sub Committee
The Pension Board should therefore be mindful;

- Its work plan should take account of the Fund's own work programme and seek to add value
- Servicing the Pension board will consume Fund management resources and time
- Senior Fund officers servicing the pension Board may on some fund performance issues be personally compromised and conflicted
- Some work items required may need the use of specialist external consultancy resources rather than using the officers servicing the Fund.

3.4 Based on the LGPS and The Pension Regulator's guidance on the role of the pension boards, the focus should include the following:

- A)Its own training, knowledge and understanding
- b) Avoiding any conflicts of interest
- c) Ensuring its own statutory compliance
- d) Checking fund governance
- e) Reviewing fund risks and internal systems and controls
- f) Checking fund external advisors/service providers and their internal controls
- g) Reviewing fund member record keeping
- h) Checking fund contributions
- i) Reviewing fund administration
- j) Benchmarking fund performance and Value for Money (VFM)
- k) Fraud prevention
- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

- 3.5 The Pension Board must also consider its Annual Report and the review of Pension Fund's draft Annual Report and audited accounts and triennial actuarial review.
- 3.6 Members agreed a work programme at the March meeting and this will be reviewed annually for progress and amendment if required. The objectives are as follows:
- To ensure accurate record keeping, data quality and improvements
 - To ensure Governance Compliance Statement sets out delegation, function and structure
 - To ensure Fund has the appropriate policies in place to safeguard the Fund's assets through appropriate methods of risk management
 - To ensure members have the necessary skills knowledge and understanding
 - The General Data Protection Regulation (GDRP is upheld
 - To ensure the effective and efficient governance and administration of the Scheme
 - That the Pension board are able to make recommendations on Statutory and non-statutory policies and strategies
 - Self-Assessment review of the effectiveness of the Board
- 3.7 Members need to consider their priorities for the next 12months and use that to formulate their agenda for forthcoming meetings. The draft plan attached as Appendix A is a guide for members to discuss and amend. It will be updated as necessary at each meeting, to reflect any changes in administration policy, new regulation and pension fund priorities after discussions with Members.
- 3.7.1 The COVID -19 virus has already had impact on people, lifestyles, business and financial matters. The impact on Funds will vary, and to different extents. The checklist previously shared in March is attached as Appendix B (private and confidential) prepared by Mercer(Fund actuary) to enable members to consider issues and begin to plan mitigating actions if required. The checklist will be a life document so it can continually be considered as situations evolve.
- As a life document some of the issues highlighted include:
- Risk tolerance- employer covenants, funding update and investment downside and impact on contributions.
 - Business Continuity- disruption impact on pension administration, investment and critical projects
 - Market Opportunities- asset allocation, liquidity and planned strategic changes
 - Governance- unavailability of committee members, key individuals and ability to respond quickly
 - External Third parties cannot fulfil their obligations- examples include networks SAB, MHCLG
 - Member communications-market volatility on investment valuations especially AVC
- Members are welcomed to discuss some of the issues and action commentaries that have been be taken to mitigate possible impacts.
- 3.8 A copy of the current risk register Appendix C is also attached for review and can be updated with any agreed actions from the Covid-19 checklist. Members are asked to agree to review the risk register in a years' time at the September 2021 meeting.

4. Implications

Financial implications

- 4.1 Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 Legal Implications

The Public Services Pensions Act 2013 requires the council to establish a local pension boards by 1 April 2015. The board must comply with the requirements of the relevant Legislation.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughislingtonpensionfundinvestmentstrategystatement.pdf> .

4.4 Resident Impact Assessment

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on a policy document and therefore no specific equality implications arising from this report.

5 Conclusion and reasons for recommendation

- 5.1 To advise Members of forthcoming items of business to the Pension Board and training topics. Consider the Covid-19 check -list and actions taken commentaries and agree any actions that can be incorporated into the current risk register. The risk register will be reviewed in September 2021.

Background papers:

None:

Final report clearance:

Signed by:

Date

Corporate Director of Resources

Received by:

Head of Democratic Services

Date

Report Author: Joana Marfoh
Tel: (020) 7527 2382
Email: Joana.marfoh@islington.gov.uk

APPENDIX A**Pensions Board Forward Plan for September 2020 to March 2021**

Date of meeting	Work programme objective	Reports
	To ensure the effective and efficient governance and administration of the Scheme	<u>Please note:</u> there will be a standing item to each meeting on: <ul style="list-style-type: none">• Admin Performance report• Forward work plan
15 September 2020		Risk register McCloud consultation
12 October 2020	AGM	Should this be deferred?
8 th December 2020		Draft Pension Annual Statement. Pension discretion policies review Governance Review
24 March 2021		Cashflow monitoring

Planned and Proposed Training on committee meeting dates

November 2018- pension sub cttee meeting	Training Actuarial Review update
September 2019 joint pension sub and board training	Funding strategy and actuarial valuation

Islington Council Pension Administration

Risk Register

Risk area 1 – Operations	Likelihood (1: least likely, 10: most likely)	Impact (1: minor impact, 10: major impact)	Score (likelihood x impact)	Control	Owner	Test	Next Review	Comment
Operational disaster (fire/flood etc)	2	8	16	Business continuity plan. Daily & Weekly backups kept offsite.	Pensions Manager/Deputy Manager	Annual	To be agreed.	
				Contracts with all suppliers are recorded on central database. Daily & Weekly backups kept off site.	Procurement & Legal Services		Sep-19	
Member data incomplete or inaccurate	3	7	21	Data Quality Audit.	Pensions Manager/Deputy Manager	Half Yearly	To be agreed.	
				'Not known at this address' returns from annual statements checked by DWP	Pension Admin Staff	Annual	To be agreed.	Data will be sent to DWP Letter Forward Service for tracing in Q3.
Risk area 2 – Financial	Likelihood (1: least likely, 10: most likely)	Impact (1: minor impact, 10: major impact)	Score (likelihood x impact)	Control	Owner	Test	Next Review	Comment
Fraud/Fraudulent behaviour	2	6	12	Conduct a monthly fraud monitoring process of incoming contributions payments against the schedule of contributions	Pension Admin Staff	Monthly	n/a	All contributions have been accounted for and have been paid in accordance with the schedule of contributions
				Check incoming and outgoing scheme funds against schemes forecast – reconciling all funds / Annual Audits by internal and external auditors	Financial Acct & Pensions Admin.	Monthly	n/a	Accounts forecast against actual checked and balance. Accounts for year end signed off by auditors without qualification.

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Risk Register

Risk area 3 – Funding	Likelihood (1: least likely, 10: most likely)	Impact (1: minor impact, 10: major impact)	Score (likelihood x impact)	Control	Owner	Test	Next Review	Comment
Employer failure to pay monthly contributions into scheme	2	10	20	Monthly monitoring of contribution payments by Treasury & Pension Admin Staff	Financial Accountant-Pension & Treasury	Monthly		
				Annual audit by external and internal auditors	Pensions Manager/Deputy Manager	Annual		
Loss of Investment returns	4	10	40	Clear investment strategy, quarterly monitoring of managers' performance and a diversified portfolio	Pensions Sub-Cttee /Officers	Ongoing		As long term investors, the primary objective is to be able to pay its pensioners and be fully funded over its recovery period .
Failure of non-public sector employers	4	3	12	Use of bonds and guarantees	Head of Legal / Head of Treasury & Pension Fund	Ongoing		Triennial valuation process of determining contributions consults with employers to agree affordability and sustainability of the Fund

Islington Council Pension Administration

Risk Register

Risk area 4 – Regulatory and compliance	Likelihood (1: least likely, 10: most likely)	Impact (1: minor impact, 10: major impact)	Score (likelihood x impact)	Control	Owner	Test	Next Review	Comment
Failure to interpret rules or legislation correctly	2	7	14	Update training log, showing completion of scheme-specific and The Pensions Regulator’s educational material	Head of Treasury & Pension Fund /Pensions Manager /Deputy Manager	Half -Yearly review and validation of training log		All relevant persons have completed educational material
				LGA Technical advice and updates	Pensions Manager/Deputy Manager	Half -Yearly review and validation of training log		Updates received from responsible authority, scheme advisory board and professional advisers; acted on.
Conflicts of interest	2	5	10	Pension board awareness of legal responsibilities	Pension Board Chair	As required		All pension board members have completed educational material and training is ongoing
				All pension board members to declare any conflicts and potential conflicts	Head of Treasury & Pension Fund /Democratic Services	Ongoing		Conflicts document signed by all pension board members, recorded in conflicts register. Reminder, and any changes or additional conflicts, will be minuted at each pension board meeting.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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