



**Report of: Corporate Director Resources**

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

<b>Delete as appropriate</b>		Non-exempt	
------------------------------	--	------------	--

## **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 31<sup>st</sup> 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](mailto: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 3<sup>rd</sup> 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 22<sup>nd</sup> 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.