



Report of: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	23 rd March 2021		

Delete as appropriate		Non-exempt	
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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 November 2020 to 31st January 2021 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 impact of the McCloud/Sargeant judgement on Local Government Pension Administration.
- 2.4 To note the revocation of the public-sector exit payment cap by HM Treasury.
- 2.5 To note High Court ruling on equalising past GMP transfers.
- 2.6 To note Government plans to increase the minimum pension age from 55 to 57.

3. Background – Statistics and key performance indicators

3.1 The membership profile at 1 November 2020 and 31 January 2021 is shown in the following table.

Category	Oct - 20	Jan - 21
Number of current active members	6,438	6,451
Number of preserved benefits	8,272	8,324
Number of Pensions in payment	6,013	6,131
Number of Spouses/dependants pensions in payment	995	987
Total	21,718	21,893

There have been modest increases in actives, preserved benefits and pensions in payment since the last quarter.

3.2. Key performance indicators from 1 November 2020 to 31 January 2021:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	40	95%	100.00%	5.00
Retirement benefits	5	51	95%	87.00%	7.00
Pension estimates	10	72	95%	83.00%	12.00
Preserved benefit calculations	15	30	95%	77.00%	18.00
Transfer-in quotation	10	35	95%	94.00%	11.00
Transfer-in actual	10	28	95%	100.00%	8.00
Transfer out actual	12.5	32	95%	100.00%	12.00
Transfer out quotation	15	38	95%	98.00%	16.00
Legacy Cases - Valuation	-		-	-	-
All processes	-	439		81.00%	

3.3 There has been a marginal drop of 3% in overall performance from the 84.00% achieved in the last quarter in completed processes within the target days. This is largely due to the Christmas holiday period, resourcing gaps which we hope to fill in the next quarter and an increase of approximately 1.5% in total cases.

3.4 Number of members auto-enrolled into the LGPS from November 2020 to January 2021:

Month	Starters No.	Opt Outs	Opt Outs %
November	47	3	6.4
December	34	1	2.9
January	46	0	0
Total	127	4	3.1

3.5 The Pensions Office have received 3 communications thanking Pension Administration staff for their service and 1 complaint in relation to claiming ill-health retirement benefits during this period.

3.6 There are no Internal Disputes to report.

4. Impact of McCloud/Sargeant Judgment

4.1 In July of last year the MHCLG published their consultation on removing age discrimination within the Local Government Pension Scheme (LGPS) in response to McCloud/Sargeant judgement.

4.2 The Court of Appeal in December 2018 found in the McCloud and Sargeant cases, unlawful age discrimination in transitional protection arrangements. This was in relation to the Judicial and Firefighters' Pension Schemes when they moved from a final salary scheme to a care scheme. This ruling applied to all public service pension schemes. In relation to the LGPS, the age discrimination operates in the different treatment that exists between two groups of LGPS members:

Group 1 were members in service on 31st March 2012 and were within ten years of Normal Pension Age (NPA) on 1st April 2012, therefore benefiting from underpin protection and 'better off' than Group 2.

Group 2 were members in service on 31st March 2012 and were more than ten years from NPA, were not eligible for underpin protection and therefore 'worse off' than the protected members (as they were not guaranteed a pension of at least the level they would have received in the final salary scheme).

4.3 The remedies MHCLG proposes are extending the underpin to younger scheme members. Both groups will be given underpin protection from 1st April 2014 to 31st March 2022 (or to the members' underpin date, where this is earlier). And the introduction of revised regulations which will apply retrospectively to 1st April 2014.

4.4 The additional work that will be required is immense as it will involve the revisiting of transfer payments, recalculating deferred pensions, pensions in payment and death benefits. There will be an absolute need for additional resources for the Pensions Office.

It is also going to be challenging for all our small employers to provide the relevant data required to calculate the underpin for eligible members. There will be a need to consult with the Council's actuary on the types of assumptions to be made on incomplete data extracts if we do not receive clear guidance from MHCLG.

The Pensions Board will receive in June an estimate of the scope of this exercise in terms of the number of transfers, actives, deferreds, pensioners and death benefits that will be the subject of this retrospective review.

5. Revocation of the Public Sector Exit Payments Cap

5.1 On the 12th February the government announced via HM Treasury the revocation of the Public Sector Exit Payment Cap, sighting their concern for the unintended consequences of the legislation. The government is still looking at the issue of capping exit payments and HM Treasury will be consulting on new proposals at some future date. All employees who were affected by the cap have been contacted and any reduction to their benefits will be paid as appropriate.

6. Defined Benefit schemes must equalise past GMP transfers

6.1 On the 20th November 2020, the High Court ruled that pension schemes must equalise a member's guaranteed minimum pension (GMP) benefits at the time of calculating a cash equivalent transfer value (CETV). MHCLG has confirmed that GAD will issue guidance on the impact of the ruling for public service pension schemes. What this may mean is that the Pension Fund will need to revisit transfers processed since 1990 to assess if any additional value is due resulting from GMP equalisation.

7. NMPA is set to increase from age 55 to 57

7.1 The normal minimum pension age (NMPA) is the age at which most members of registered pension schemes can draw down on their pensions without incurring a tax charge for unauthorised payments. The government has recently published a consultation on the implementation of increasing the minimum pension age from 55 to 57. The Government's rationale for this increase is the rise in life expectancy. The Government has embedded certain protections within these proposals to protect the existing scheme's rights of members of any registered pension scheme. What this means in effect is that a member who has a right under the LGPS scheme rules at the date of consultation to access their retirement benefits at age 55 will be protected and no age increase will apply. It should be noted that the proposed date for implementation is not until 2028 and a new Government may decide to do things differently. The Pensions Office will however communicate the Government's intention to its member in guidance notes provided with the annual pension statements this year.

8. Implications

8.1 Financial Implications

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

8.2 Legal Implications

8.2.1 There are no specific legal implications in this report.

8.3 Resident impact assessment

8.3.1 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.

8.3.2 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.

8.4 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>

9 Conclusion and reasons for recommendations

9.1 The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution. Members are to note resource implications of McCloud and the changes in regulation for the 95k cap, GMP and the consultation to increase the minimum age to 57.

Background papers:

None.

Final report clearance:

Signed by:



Corporate Director of Resources

Date 15 March 2021

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