 <b>Brent</b>	<b>Pension Board</b> 05 August 2020
	<b>Report from the Director of Finance</b>
<b>Pensions Administration Update</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	1. Breaches policy 2. Internal Audit Report – Pension Fund
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst

## 1.0 Purpose of the Report

- 1.1 This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

## 2.0 Recommendation(s)

The board is recommended to:

- 2.1 Note the overall report;
- 2.2 Note the position in relation to annual benefit statements and that the scheme manager may consider actions against employers who do not comply with the Pensions Administration Strategy.

## 3.0 Pensions Administration Performance Report

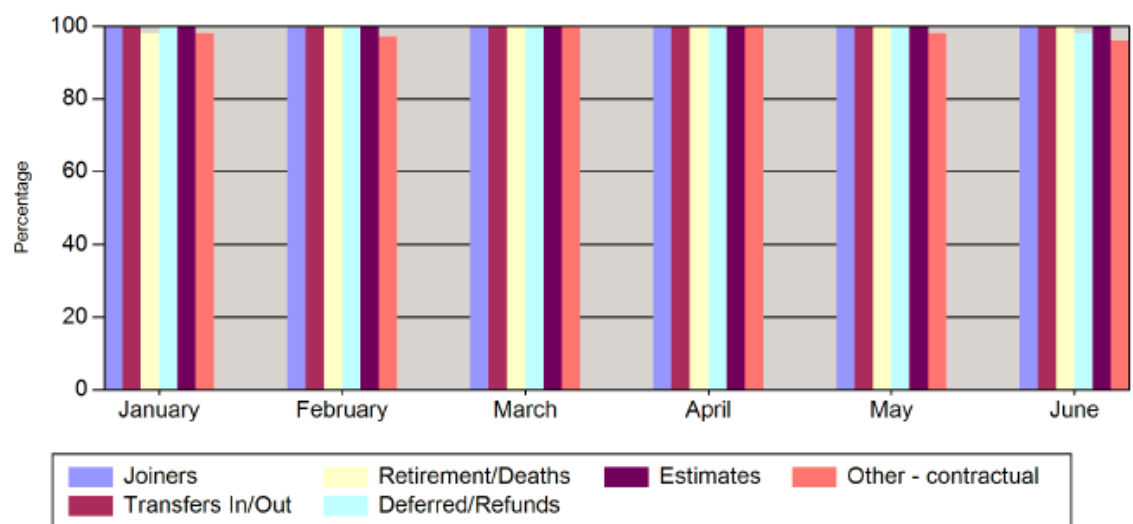
- 3.1 The administration of the Brent Pension scheme was transferred to LPP on 1 October 2018. This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during June 2020.

- 3.2 The Pensions administration team are holding monthly meetings with LPP to monitor the performance of the contract looking at both the individual month and trends across months.
- 3.3 As of 30 June 2020, the Brent Pension Fund had 6,974 active members, 7,010 pensioners (including dependants), and 7,882 deferred pensioners.
- 3.4 Table 1 shows contract statistics for cases that have been processed, grouped by category. This includes cases bought forward, received, completed, completed on time and carried forward. Chart 1 below shows progress by month for the last 6 months.

Table 1:

Description	B/fwd	Rec'd	Complete	On Time	% OT	C/fwd	Average Completed Time	Average Elapsed Time
Joiners	30	63	39	39	100.00	54	45	80
Transfers In/Out	236	76	78	78	100.00	234	20	44
Retirement/Deaths	657	96	89	89	100.00	660	17	29
Deferred/Refunds	315	68	53	52	98.11	330	52	76
Estimates	35	28	32	32	100.00	31	2	8
Other - contractual	139	143	60	58	96.67	222	7	12
Total	1412	474	351	348	99.15	1531		

Chart 1:



- 3.5 In detail, the percentage of cases completed on time has remained high with an average of 99.1% of cases being completed on time in June. In 4 categories, all cases were completed on time.

- 3.6 The amount of overall cases carried forward has decreased since January. This is due to large reductions in cases carried forward in the Deferred/Refunds category and Transfers In/Out. There were increases recorded in the Retirement/Deaths and Other categories.
- 3.7 Table 2 provides detail on the number of cases that have been completed early. Overall 85% of the 348 cases completed on time were completed early.

Description	1 Day Early	2 Days Early	3 Days Early	4+ Days Early
Joiners	0	16	13	10
Transfers In/Out	2	28	34	14
Retirement/Deaths	8	16	23	4
Deferred/Refunds	0	24	21	7
Estimates	2	5	11	7
Other - contractual	13	22	14	2
	25	111	116	44

- 3.8 Since January 2020, 5 new complaint cases have been received. Of the 6 cases that were outstanding in August, 5 cases were resolved. Brent and LPP are taking action to ensure that these cases are resolved swiftly however the complex nature of some cases means that this is not always possible. In addition, following the completion of each case, a process is undertaken to ensure any lessons learned are reviewed and consequently, if necessary, processes and procedures will be updated.

## 4.0 Coronavirus Update

- 4.1 The outbreak of COVID-19 has led to all members of the Pensions Team, both Brent and LPP working from home. Both parties have successfully adapted their working processes to the new environment and are continuing with this arrangement.
- 4.2 In line with government guidance, the pension administration team are considered key workers as they are 'delivering essential public services such as the payment of benefits'.
- 4.3 Volumes dropped significantly across all channels (post/calls/emails) at the start of the lockdown period however, they have picked up since mid-April and returned to more normal levels. Members and employers have been encouraged to use web-based channels and email where possible if their query is not urgent.
- 4.4 The Pensions Regulator (TPR) issued guidance to all pension funds which recommended that administrators focus their activities on making sure they deliver critical processes. For the LGPS, it was recommended to prioritise:
- paying existing pensioners
  - processing new pensions benefit cases
  - dealing with bereavement cases

- 4.5 Performance relating to cases is provided in section 3 of this report and the Fund has continued to process and pay member benefits as normal.
- 4.6 The Fund has seen an increase in the amount of pensioner deaths over recent weeks, although data on how many deaths are directly related to Covid-19 is not available, further detail is provided in a separate report on this agenda.

## **5.0 Annual Benefit Statements**

- 5.1 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.
- 5.2 Scheme employers are required to submit an end of year return in order to be able to produce an ABS. Following submission of the return, employers may be required to respond to queries to clarify any data on the return before an ABS can be produced.
- 5.3 Overall, the timeliness of year-end returns from employers has been disappointing. Many returns were not received by the 30<sup>th</sup> April deadline; this may be due to changes in working arrangements related to Covid-19.
- 5.4 The Fund and LPP are closely monitoring submission of returns and outstanding queries and many employers have since submitted their return. At the time of dispatch of this report, eight employers which represent 6% of active members in the Fund had not submitted their end of year return. Officers have contacted senior management at these employers to ensure that these returns are received promptly.
- 5.5 The Pensions Administration Strategy allows the scheme manager to take action against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to requests for information.
- 5.6 As part of The Pensions Regulators Code of Practice, employers and other individuals involved in running a pension scheme have a legal duty to report a breach of the law where it is likely to be of material significance to the regulator. This occurred in 2018 following the late delivery of 2016 and 2017 annual benefit statements.
- 5.7 The scheme manager will also consider reporting non-compliant employers to The Pensions Regulator. In order to clarify the decision making process with regards to reporting breaches, a breaches policy for the Brent Pension Fund was produced and agreed by the Pension Board in July 2018. This is attached as Appendix 1 for reference. At this stage, it is not considered that a material breach will need to be reported to TPR. Officers are in communication with these employers, and their payroll providers, to ensure an end of year return is completed as soon as possible.

## **6.0 Data Cleanse and GAD Valuation**

- 6.1 Following the transition to LPP on 1 October 2018, regular monthly contract performance meetings have been arranged where performance against agreed service level agreements has been discussed.
- 6.2 In addition, a separate project was commissioned to review, cleanse and fix any errors identified in member data. This was to ensure that the Fund's data scores were compliant with The Pensions Regulator's expectations (for common and conditional data) and that the 2019 valuation was as accurate as possible.
- 6.3 The first phase of the project was completed ahead of submission of membership data for the 2019 triennial valuation.
- 6.4 The Fund submitted this data to the Government Actuary's Department (GAD) in October 2019 and GAD require the Fund to submit data again in September this year, but as at 31 March 2020 to carry out the 2020 cost cap assessment.
- 6.5 The Fund has recently received analysis of the initial exercise from GAD and the Fund has engaged with LPP and Hymans to understand that the main discrepancies relate to records that are historical unprocessed leavers. The Fund was already aware of this issue following the feedback received from Hymans during the valuation process and the Fund had been working to address this issue prior to the GAD analysis. Assumptions were made during the valuation which included marking a record as deferred where no recent contributions were recorded to ensure the valuation was materially correct.
- 6.6 Ahead of the September 2020 submission, the Fund is carrying out a focussed exercise with a view to clearing a large proportion of the backlog. Brent has responded to all of the queries raised and LPP are in the process of reviewing these responses.
- 6.7 The process for clearing the leavers will depend on the case. Options include: using data available through previous end of year returns, an aggregation of member records in line with the scheme regulations or contacting the employer to resolve the query. The majority of records relate to very old suspected leavers from employers that were not Brent and where the payroll provider may have changed multiple times. A further verbal update will be provided at the board meeting.
- 6.8 The Fund's Record Keeping Plan (RKP) formally documents the actions being taken to review and address the data issues facing the Fund. The RKP has been previously presented to the Pension Board. The RKP is being updated to reflect phase two of the data cleanse project incorporating new activities that are being undertaken. These include actions in relation to requirements of the GAD data collection exercise and the tracing of pensioner addresses. The new RKP will be presented to the board at the next meeting.

## **7.0 Internal Audit of Pension Fund Investments**

- 7.1 An audit of the Pension Fund's investment arrangements was carried out in Q1 2020.
- 7.2 The objective of the audit was to provide assurance on the effectiveness and robustness of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with MHCLG regulations. The full audit report is attached in Appendix 2.
- 7.3 During the audit, internal audit identified a number of examples of good practice including:
- The comprehensive governance compliance statement is included within the Brent Pension Fund Annual report and accounts 2018/19;
  - The Fund has clear investment beliefs and funding principles embedded into the consideration of new investments;
  - Asset diversification is a consideration for the sub-committee and investment advisors to ensure that not 'all eggs are in one basket'.
  - There is a comprehensive Pension Fund risk register in place, which included nine overarching risks. The 'risk register' is a standing item on the Pension Board's agenda.
- 7.4 No high risk issues were identified during the audit. There were two medium and two low risk issues identified which are summarised below.

Medium risk:

- Terms of Reference for the Pension Fund Sub Committee and vacant posts within the two governing bodies;
- Absence of a skills matrix for members of both Pension Fund Sub Committee and Pension Board;

Low risk:

- Insufficient Monitoring arrangements to oversee the administration of LCIV;
- Absence of investments in passive trackers that exclusively follow Environmental, Social and Governance (ESG) indexes.

- 7.5 Overall, the scheme manager is pleased with the outcome of this audit and actions have been taken to address some of the issues identified. A decision to invest in a low carbon passive tracker fund was taken at the Pension Fund Sub Committee on 16 July and the Fund maintains regular contact with London CIV to enable sufficient monitoring of the organisation. The scheme manager is working to address the remaining issues identified.

## **8.0 Financial Implications**

- 8.1 There are no direct financial implications from this report.

## **9.0 Legal Implications**

9.1 Not applicable.

## **10.0 Equality Implications**

10.1 Not applicable.

## **11.0 Consultation with Ward Members and Stakeholders**

11.1 Not applicable.

## **12.0 Human Resources**

12.1 Not applicable.

**Report sign off:**

***Minesh Patel***  
Director of Finance