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|  | Pension Board 13 March 2019 |
| | Report from the Chief Finance Officer |
| Pensions Administration Update | |

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| Wards Affected: | ALL |
| Key or Non-Key Decision: | Non-Key |
| Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | OPEN |
| No. of Appendices: | 0 |
| Background Papers: | N/A |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance |

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. This includes the outcome of the statutory re-enrolment process, the upcoming triennial valuation of the fund, annual benefit statements for 2019 and an update on the engagement with The Pensions Regulator.

2.0 Recommendation(s)

2.1 The board is recommended to note the report.

3.0 Re-enrolment

3.1 Every three years all employers have a legal duty to assess and re-enrol staff who have left the workplace pension scheme. This is known as 're-enrolment'. Each employer must then submit a re-declaration of compliance to The Pensions Regulator informing them that our legal duties have been met, even if there are no staff to re-enrol. The re-enrolment date for the Brent Pension Fund was selected to be 1 February 2019.

3.2 On that date:

- 156 staff were enrolled into an eligible pension scheme;
- Of these, 150 staff were enrolled into the LGPS, 2 staff were enrolled into the NHS pension scheme and 4 staff were enrolled into the Teachers' pension scheme;
- A total of 71 opt-outs have been received across the LGPS and NHS schemes, these were split between 70 opt-outs of the LGPS and 1 opt-out for the NHS pension scheme.
- 16 members in the 50:50 section of the scheme were informed they would be transferred to the main scheme unless they made a fresh election. 10 members of staff made a new election and 6 were moved to the main scheme;
- A further 4 new elections to the 50:50 scheme were received;
- Returns were provided by 34 out of 36 community maintained schools, covering both LGPS and Teachers Pensions staff. The remaining 2 schools have informed the fund that they will be confirming details of their re-enrolment shortly.
- Communications were sent to each re-enrolled member either electronically or via post.

4.0 Employer training

- 4.1 As part of the scheme manager's commitment to improve engagement with employers, a number of tailored training programmes have been arranged in March 2019 following feedback from employers. This training will cover a number of strategic topics, such as the legal responsibilities of employers and the consequences of non-compliance (referred to in the Pensions Administration Strategy) as well as operational topics, such as the process for the production of year end returns in order to produce accurate annual benefits statements on time.
- 4.2 These sessions will be delivered through four sessions split over two days. One session will be held on 25th March with one further date to be confirmed.

5.0 Triennial Valuation

- 5.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement.

- 5.2 The valuation results are calculated in the following way:

1. LPP on behalf of the scheme manager provide finance and membership data to our actuary, Hymans Robertson who uses it as a basis for the valuation.
2. This data is combined with a number of economic and demographic assumptions with consideration to the Brent Pension Fund Funding Strategy Statement to create a common employer's contribution rate.

3. This common rate is used as a basis for the individual employer results, with adjustments made to take into account a number of different criteria; including membership profile, past service deficit, current funding position and funding category.
- 5.3 All employers will receive a Rates & Adjustments certificate from the actuary in March 2020 which confirms the minimum employer contributions required for the following three years, commencing from 1 April 2020.
- 5.4 In line with the Regulations, the Fund will also review its Funding Strategy Statement (FSS) as part of the valuation. The FSS sets out the underlying assumptions and principles that are to be adopted when valuing the Fund's liabilities and setting contribution rates.
- 5.5 In preparation for the triennial valuation, the Fund's actuary, Hymans Robertson, will be commencing early modelling on contribution rates. This aims to consider the appropriateness of the current contribution strategy and some other potential strategies.
- 5.6 Different projections of how contributions may increase or decrease over time will be modelled. This modelling will allow the Fund to understand the long term impact on the Fund of different contribution rates and allows employers more time to reflect any changes in contribution rates into their budgets.
- 5.7 At this stage, analysis will be performed on the whole Fund rather than for each individual employer. It is considered that will be the most effective approach because the Council, along with the academy schools who all have contributions set in line with the Council, have the majority of the liability within the Fund. The results of this exercise will be reported to the next Pension Board meeting.
- 5.8 At present it is expected that work on the valuation will commence from July 2019, following the completion of the data cleanse project by LPP. The results are expected around the final quarter of 2019, following which a programme of employer liaison will commence, including a formal consultation on the draft FSS.

6.0 Annual Benefit Statements

- 6.1 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.
- 6.1 In relation to active members, the scheme manager has historically had a number of issues with regards to the production of ABS. These issues have included missing data on year-end returns, queries from year-end returns not being resolved on time and not being notified of starters and leavers.
- 6.2 The scheme manager has set a deadline of 30 April 2019 for year-end returns to be submitted to LPP to ensure there is sufficient time to resolve any queries and ensure production of ABS in the required timeframe. As mentioned in section four, a dedicated training session has been arranged to support employers through this

process. In addition, the scheme manager and LPP will be closely monitoring this project as part of its monthly performance meetings.

- 6.3 Looking forward, one of the benefits of transitioning to LPP is that an online portal will be made available for all employers whereby data will be submitted on a monthly basis rather than an annual basis via year end returns. It is expected that this will have a positive impact on not only the production of ABS but also raise the quality of data more generally by allowing easier detection of incorrect or missing data. This is anticipated to go live from 1 April 2019.

7.0 Audit follow-up

- 7.1 As previously reported to the Pension Board, an internal audit of the pensions administration service was carried out in 2017. The audit identified a number of serious issues including:

- Whether incorrect final salary information was being used by Capita;
- Concerns around changes to standing data;
- Exceptions noted in EOY report;
- Contract management.

- 7.2 A follow up audit was carried out in late 2018, which concluded that all of the recommendations were successfully implemented and that the service is no longer a cause for concern. The scheme manager is pleased with the outcome of this follow up audit and that the issues previously raised have been addressed and measures put in place to ensure they do not re-occur.

8.0 The Pensions Regulator

- 8.1 The Pensions Regulator wrote to the scheme manager in August 2018, informing them that they will be conducting in depth engagement to discuss governance and administration of the scheme.

- 8.2 TPR are focusing on Local Government Pension Schemes because their recent public service governance and administration survey found that some of the improvements the schemes had been making have stalled and they would like to explore this further.

- 8.3 The aim of these meetings is to get a wider understanding of the scheme in more depth and ask a range of questions in relation to the scheme's wider governance and administration. The aim is not to seek out breaches of the law, however if they become aware of areas of concern they will investigate further to consider whether regulatory action is appropriate.

- 8.4 At the date of despatch of this report, five meetings have held and a wrap up meeting is planned to be held at the end of March 2019. Detailed feedback on various topics has been received from four of these meetings and as a result the scheme manager has agreed to a number of actions with regards to improving the governance of the scheme. Some of these actions include:

- Preparing and implementing a policy on reviewing member data;
- Preparing and implementing an improved Members Communication Strategy, which will be published online by the end of March 2019 and is intended to replace the existing Communications Strategy in the Pension Fund Annual Report;
- Implementing a log to record day-do-day decisions which are taken between Pension Board Meetings;
- An updated training plan for the Pensions Board;
- An improved website with better access to information and clearer links including IDRPs guidance now being available.

9.0 Financial Implications

9.1 There are no direct financial implications from this report.

10.0 Legal Implications

10.1 Not applicable.

11.0 Equality Implications

11.1 Not applicable.

12.0 Consultation with Ward Members and Stakeholders

12.1 Not applicable.

13.0 Human Resources

13.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer