

## London Borough of Enfield

### Local Pension Board

**Meeting Date: 08.09.2021**

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**Subject: Pension Team Update Report**

**Cabinet Member: Cllr Maquire**

**Executive Director: Fay Hammond**

**Key Decision: n/a**

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### Purpose of Report

1. The purpose of this report is to provide the Local Pension Board with an update on current pension issues, developments and performance in accordance with the Local Government Pension Scheme (LGPS)

### Proposal

2. The Local Pension Board is recommended to note the contents of this update.

### Reason for Proposal

3. The Local Pension Board is responsible for ensuring that the Enfield Administering Authority complies with LGPS regulations and associated legislation as well as adhering to requirements as set out by The Pensions Regulator.
4. To assist members of the Local Pension Board with their role and responsibilities, the Pension Team are required to provide regular updates.

### Updates

5. Annual Benefit statements

This year's annual pension statements for deferred and active members were issued in July and August. Please refer to details in attached background papers.

6. Prudential Annual Benefit statements.

Following ongoing concern relating to the performance of the Fund's AVC provider, Prudential, we requested an update on the issuing of their AVC

statements, due to be issued to our Members by 31<sup>st</sup> August. We received the following statement from Prudential;

*'Unfortunately, there is an impact upon the timing of the production of the annual scheme revision information and Annual Benefit Statements. These are expected to be at least 8 weeks later than usual, moving towards the end of Q3.*

*We know this information will be unwelcome and are sure, will cause additional concern to you as a client of Prudential.*

*I understand that this is disappointing and may not meet your deadlines. We will of course ensure that we do all that we can to try and expedite the production of your statements when we can.*

*Prudential continue to keep the Pensions Regulator informed of the delays and challenges you and your members continue to experience whilst we work towards a recovery position.*

Prudential have been added to the Fund's Risk Register due to on-going national concerns as a result of poor service delivery. We will continue to monitor performance in respect of individual members who encounter issues and have requested to be kept fully updated on the issue of annual statements.

We will inform members affected by the delay by email (*if members have provided us with an email address*) and will add a message to the Pension website and the automated telephone messaging service.

#### 7. Member Death Reporting

As previously advised, following a request from the Scheme Advisory Board (SAB), the Pension Team have been assisting with the collection of data relating to fund member deaths to help understand the impact of the COVID-19 on the LGPS. With effect from April 2021 SAB no longer required this information.

#### 8. McCloud Update

On the 19 July the Public Service Pensions and Judicial Offices Bill began its passage through Parliament. The Bill is intended to bring about changes to the Judicial schemes and to introduce the framework under which the McCloud remedy will be applied across all public service schemes.

Chapter 3 of Part 1 is relevant to the LGPS and, if enacted, would confirm the remedy period as being from 1 April 2014 to 31 March 2022 and allow for benefits for that period to be paid as final salary benefits, for those members in scope. The Bill has passed the first stage in the House of Lords and is due for a second reading on 7 September.

#### 9. Scheme Pays (amendment proposal)

HMT is consulting on changes that would extend the time limit for mandatory 'Scheme Pays' when a member retrospectively acquires an

annual allowance tax charge. The change is designed to accommodate tax charges triggered by retrospective McCloud adjustments but is not restricted to McCloud cases.

The draft legislation proposes that members would be able to use retrospective mandatory Scheme Pays to cover the last 6 tax years, which wouldn't cover the whole of the McCloud remedy period. There is also a proposal to amend the deadline by which the administrator must report and pay the charge to HMRC for all Scheme Pays cases, not just those triggered by a McCloud remedy. Please refer to appendix 1 for more information.

10. Consultation response, policy paper and draft legislation on increasing NMPA (normal minimal pension age) published

On 20 July 2021, HM Treasury published their response to the consultation on implementing the increase to the normal minimum pension age (NMPA). On the same day, HMRC published a policy paper and draft legislation. The draft legislation will be part of the next Finance Bill and will amend the Finance Act 2004. The legislation increases the NMPA from 55 to 57 on 6 April 2028 and provides for protected pension ages.

The changes will not affect members who:

- are retiring due to ill health
- have a protected pension age
- are members of the firefighters, police and armed forces public service schemes.

Though the Finance Act 2004 will provide for protected pension ages, it will be up to MHCLG whether, in the Scheme's rules, to allow LGPS members to receive payment of benefits between 55 and 57. The LGA have raised this issue with MHCLG.

The response confirms two changes to the position set out in the original consultation:

1. If a member qualifies for a protected pension age in a pension scheme and transfers those benefits (not under a bulk transfer) into a different scheme which also contains a protected pension age (including individual and bulk transfers), the member will retain their protected pension age in the receiving scheme. The retained protection will, however, not apply on other benefits the member has in the receiving scheme: the transferred-in benefits will need to be ringfenced. Bulk transfers were already covered in the original consultation.
2. If there is an unqualified right to take a benefit at age 55 then that will be protected for members who had that right via the Scheme Rules on 11 February 2021 (the date the consultation started)

This will apply to anyone who becomes a member before 6 April 2023 (so joiners after 5 April 2023 won't be protected)

It will apply to all past and future service, and, will be protected on bulk and individual transfers.

These transitional elements relating to protected pension ages means that schemes, including the LGPS, will need to consider whether changes are required to the scheme rules.

Please refer to Appendix 2 for more information.

#### 11. Pensions Dashboard Programme update

The Pensions Dashboard Programme (PDP) has announced the successful recruitment of seven major pension organisations to its initial Alpha test phase of pensions dashboards. Several pension software providers, including Enfield's, insurers and third-party administrators, listed below will work with the Programme and the successful central digital architecture supplier in the key develop and test phase of the programme.

Participating providers:

- Aquila Heywood
- Aviva
- Capita
- ITM
- Legal and General
- Mercer
- Phoenix Group

These seven volunteers represent a potential combined provider coverage of over 30 million pensions, which will eventually be accessible to consumers via dashboards.

Please refer to Appendix 3 for more information.

#### 12. Women's State Pension Age changes

The Parliamentary and Health Service Ombudsman has concluded that DWP maladministration (grounded in its failure to live up to expectations established by various governmental codes, charters and policies) resulted in a delay of at least 28 months in writing directly to women affected by changes to the State Pension age. The next stage of the investigation will consider the extent of the injustice and what action should be taken to address the issue.

The DWP has responded to a petition that is calling for the age to be lowered to 60. The DWP is not keen on the idea and suggests that 'reducing it to 60 is neither affordable nor fair to tax-payers and future generations.

Please refer to Appendix 4 for more information.

#### 13. Special Severance Payments - MHCLG consultation on Local Authority guidance in England

HM Treasury published its Guidance on Public Sector Exit Payments: Use of Special Severance Payments.

On 2 July the Ministry for Housing, Communities and Local Government (MHCLG) published its draft Statutory Guidance on the making and disclosure of Special Severance Payments by local authorities, alongside an explanatory covering letter.

The statutory guidance is intended to be part of the existing "Best Value" regime, noting the Best Value duty set out in section 3 of the Local Government Act 1999. The guidance states that statutory and contractual redundancy payments do not constitute Special Severance Payments and nor do redundancy payments made in line with the requirements of the Local Government (Early Termination of Employer) (Discretionary Compensation) (England and Wales) Regulation 2006 nor payments made to compensate for ill-health, injury or death.

However, pay or compensation in lieu of notice and pension strain payments arising from employer discretions to enhance standard pension benefits **may** constitute Special Severance Payments. The guidance doesn't explicitly say so, but an assumption is that where LGPS members are entitled to immediate benefits on redundancy/efficiency early retirement, such payments would arise due to a statutory right and so would not be covered by the guidance. That may of course change if the LGPS Regulations are amended in future.

The guidance does cover other examples in the LGPS where employers make use of discretions to waive early retirement reductions for an employee on voluntary retirement (e.g. on compassionate grounds) or to allow rule of 85 protections to apply to a member's benefits on voluntary retirement, so that some or all of the early retirement reduction would not apply. These cases result in strain payments but do not constitute a statutory or contractual right, so they possibly would fall under the definition above.

The guidance requires that local authorities should demonstrate the economic rationale behind proposed Special Severance Payments, including consideration of lower cost alternatives, public perception of the payment, the setting of possible precedents and evidence that the outgoing worker would not have been willing to leave with their statutory and contractual benefits alone.

Local authorities should also consider the impact of Special Severance Payments on efficiency and effectiveness, including:

- seeking legal advice on the prospects of defending a claim at employment tribunal;

- ensuring payments aren't made to avoid management action or unwelcome publicity;
- whether to align with less generous private sector practice; and
- the need to manage conflicts of interest.

Please refer to Appendix 5 for more information

14. Governance and Administration Survey 2020–21 results

TPR published the results from the Public Service Pension Scheme Governance and Administration Survey 2020-21 on 1 July 2021.

The survey was conducted online between January and March 2021 and aims to track governance and administration practices among public service pension schemes. The 2020-21 survey also included new questions on response to the pandemic, pensions dashboards and, for LGPS respondents, action taken in relation to climate-related risks and opportunities.

The survey found little change since 2019 for the key processes that TPR monitors as indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme
- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law.

The results also show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time.

Implementing the McCloud remedy was highlighted by most schemes as a significant risk. Governance has generally stood up well given the unique challenges the last year has presented.

Please refer to Appendix 6 for more information

15. Stronger nudge to pensions guidance consultation

On 9 July 2021, DWP launched a consultation on draft regulations that will require occupational pension schemes, in most situations, to nudge

members aged 50 or above applying to access, or to transfer out for the purposes of accessing, their benefits.

The regulations will require pension schemes to explain the nature and purpose of Pension Wise guidance and facilitate the booking of a Pension Wise appointment as part of the application process.

The regulations will also require the member to have confirmed that they have received the guidance or opted out of receiving it before the scheme can action the application. It appears that the draft regulations will apply to LGPS members with AVCs.

Please refer to Appendix 7 for more information

16. The Pensions Regulator – Single code of Practice

The Consultation on the Single Code of Practice ended on 26 May 2021. The new single code will have implications across a broad spectrum of areas, including investment, administration, communications, alongside evolving governance areas, such as own risk assessment, cyber risk and diversity and inclusion. Whilst much of the Code is a consolidation of previous codes, there are some new requirements and potential implications to consider. The code is due to be completed later this year.

17. Annual Allowance Project

The Pension Team will start the Annual Allowance Project following the issuing of annual benefit statements.

Annual allowance is the most someone can save in their pension pot in a tax year (6 April to 5 April) before they have to pay tax. The Team will undertake checks to identify members, who may have exceeded or are nearing the annual allowance limit.

Pension savings statements will be issued to members affected. The statements are designed to help members keep track of their pension savings together with advising them of a possible tax charge that may be due.

It is a member's responsibility to obtain financial advice as the annual allowance check will only cover their pension in the Enfield fund and will not include other pensions members may have.

This project will be completed by 6<sup>th</sup> October 2021

18. Pensioner online Self-Service

The Team continue to roll out self-service to Fund members.

During the next couple of months an invitation, with guidance will be sent to all pensioner members encouraging them to register to access their record on-line.

This will complete the on-boarding of the self-service portal to all members – actives, deferred and pensioners.

Further work to encourage members to self-serve is planned together with the implication of additional functionality to the portal which include:

- making the rebranded annual benefit statements available on-line in order to reduce paper and printing costs
- uploading / downloading documents by members
- enable members to update their records and track workflows
- the use of the portal as the main communication channel, shifting away from emails, post as more secure option.

19. Fund Valuation Preparation

In preparation for next year's triennial fund valuation, the team are planning a provisional extract of scheme data which will be submitted to our scheme actuaries, Aon to review. Aon will analysis the data so any data issues can be identified and resolved in advance for the actual data extract in the new financial year.

20. Key performance Indicator (KPI's)

Please refer to attached background papers

### **Safeguarding Implications**

21. No Safeguarding implications arising from the report.

### **Public Health Implications**

22. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the Borough

### **Equalities Impact of the Proposal**

23. The Enfield Pension Fund is committed to fairness for all to apply throughout all work and decisions made. The Administration Authority serves all members of the Enfield Pension Fund and employees who are eligible to join the scheme fairly, tackling inequality through the provision of excellent services for all.

### **Environmental and Climate Change Considerations**

24. There are no environmental and climate change considerations arising

from the report

**Risks that may arise if the proposed decision and related work is not taken**

25. The Pension Team risk register is attached to this report

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

26. The Pension Team risk register is attached to this report

**Financial Implications**

27. There are no financial implication to report

**Legal Implications**

28. The amended Admissions Policy drafted by the Council's actuaries Aon adhere to the LGPS Regulations 2013.

**Workforce Implications**

29. There are no workforce implications to report

**Property Implications**

30. There are no property implications arising from this report

**Other Implications – None**

**Options Considered – none**

**Conclusions – None**

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**Appendices**

## **Appendix 1**

Scheme Pays (amendment proposal)

<https://www.gov.uk/government/publications/pension-scheme-pays-reporting-information-and-notice-deadlines/pension-scheme-pays-reporting-information-and-notice-deadlines>

## **Appendix 2**

Increase to normal minimum pension age to go ahead

<https://www.gov.uk/government/consultations/increasing-the-normal-minimum-pension-age-consultation-on-implementation>

## **Appendix 3**

The Pensions Dashboard Programme PDP update

<https://www.pensionsdashboardsprogramme.org.uk/2021/07/28/seven-data-providers-initial-dashboards-testing/>

## **Appendix 4**

Women's state pension age

<https://www.ombudsman.org.uk/news-and-blog/news/womens-state-pension-age-communications-inadequate-ombudsman-finds>

<https://petition.parliament.uk/petitions/581736>

[https://www.ombudsman.org.uk/sites/default/files/Women%E2%80%99s\\_State\\_Pension\\_age\\_-\\_our\\_findings\\_on\\_the\\_Department\\_for\\_Work\\_and\\_Pensions\\_communication\\_of\\_changes\\_Final.pdf](https://www.ombudsman.org.uk/sites/default/files/Women%E2%80%99s_State_Pension_age_-_our_findings_on_the_Department_for_Work_and_Pensions_communication_of_changes_Final.pdf)

## **Appendix 5**

Special Severance Payments - MHCLG consultation on local authority guidance in England

[https://lgpslibrary.org/assets/cons/lgpsew/20210702\\_CL.pdf](https://lgpslibrary.org/assets/cons/lgpsew/20210702_CL.pdf)

[https://lgpslibrary.org/assets/cons/lgpsew/20210702\\_DSG.pdf](https://lgpslibrary.org/assets/cons/lgpsew/20210702_DSG.pdf)

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## **Appendix 6**

Governance and Administration Survey 2020–21 results

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2021.ashx>

## **Appendix 7**

Stronger nudge to pensions guidance consultation

<https://www.gov.uk/government/consultations/stronger-nudge-to-pensions-guidance>

### **Background Papers**

- Key Performance Indicators report (01.04.2021 - 30.06.2021)
- Risk Register
- Annual Pension Statements – active and deferred - 2021