

Committee(s) Local Government Pensions Board	Dated: 19 January 2024
Subject: Pensions Scheme – Administrator’s Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Discussion
Report author: Graham Newman – Chamberlain’s Department	

Summary

The City of London Corporation established a Pensions Committee (the Committee) in April 2022 and its first meeting was held on 11 July 2022. Meetings are held quarterly, with the most recent held on 21 November 2023. The Committee is responsible for all functions and responsibilities relating to the City of London Pension Fund including arrangements for the investments, administration and management of the fund

The Local Government Pensions Board has responsibility for assisting the Pensions Committee to ensure the effective and efficient governance and administration of the scheme. The role is one of providing oversight of assurance in the governance of the scheme administration and not in decision making.

The following table shows the scheme administration details that have reported to the Pensions Committee since the last Local Government Pensions Board meeting on 25 September 2023.

Item	Update
Annual schedule of events for the administration of the Pensions Scheme	Appendix A provides details of the events / dates that form the main diary of the Scheme administration.
Information of Scheme Record Keeping	<p>As the Scheme’s administrating authority, the City is responsible for making sure the scheme has good records.</p> <p>The City is required to ensure it has accurate, complete and up-to-date records and should have controls and processes in place to maintain these standards.</p> <p>Failure to maintain complete and accurate records can risk not meeting legal obligations as set by the Pensions Regulator which could lead to fines and/or enforcement action being taken.</p> <p>The City’s scheme data is measured once a year and the data scores are submitted to the Pensions Regulator (tPR) in the annual scheme return – the next return is due to be submitted on 25 January 2024.</p>

Complaints or disputes under the Scheme's Internal Disputes Resolution Process (IDRP)	None to report.
Public Service Pensions Reporting Breaches of Pension Law	None to report.
Any audit reports relating to the administration of the Scheme	None to report.
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	<p>A requirement has been placed upon all UK Pension Schemes by the Department for Work and Pensions (DWP) and the Pensions Regulator (tPR) to ensure scheme data is accurate and this includes Guaranteed Minimum Pensions (GMP) data which is jointly held by each scheme and by HMRC.</p> <p>GMP reconciliation in the Local Government Pension Scheme (LGPS) involves ensuring that pension benefits provided by the LGPS are in compliance with the GMP requirements as outlined by HM Revenue and Customs (HMRC) in the context of contracted-out pension schemes.</p> <p>These are the key points for the GMP reconciliation currently being carried out:</p> <ol style="list-style-type: none"> 1. <i>Data Collection</i>: Collect pension scheme data, including member records, contributions, and service history, to review compliance with GMP regulations. 2. <i>Identification of GMPs</i>: Identify members who have GMP rights within the LGPS. These are individuals who were contracted out of the State Earnings-Related Pension Scheme (SERPS) or the State Second Pension (S2P) while they were LGPS members. 3. <i>HMRC Reconciliation</i>: Compare pension records with those held by HMRC to ensure that GMP entitlements are accurately recorded. This may involve reviewing past National Insurance contributions and contracted-out service. 4. <i>Rectification of Discrepancies</i>: If discrepancies or inaccuracies are found, take steps to rectify them. This could involve updating

	<p>member records, adjusting pension benefits, or providing members with additional GMP benefits.</p> <p>5. <i>Communication</i>: Inform affected scheme members of any changes to their GMP entitlements and pension benefits resulting from the reconciliation process.</p> <p>GMP reconciliation in the LGPS is essential to ensure that scheme members receive their correct pension entitlements and that the scheme remains compliant with legal requirements.</p> <p>Mercers (formally JLT) have been commissioned to facilitate this project and are currently working through Stage 3 of this process map, comparing the City's data with that held by HMRC. Central government have made several adjustments to the reporting requirements since the project started have caused the end dates to slip, but it is hoped that we will move to Stage 4 shortly.</p> <p>Stage 4 of the process map may require decisions to be made by the Pensions Committee. Depending upon the data provided at Stage 3, the Committee may need to set certain parameters in respect of any discrepancies and how they should be dealt with – for example, setting a threshold amount for overpaid pensions that need to be reclaimed with any amount below the threshold being written off.</p> <p>Once Stage 3 has been completed and the details have been provided, a report will be taken to the Pensions Committee.</p>
<p>Pension Administration System</p>	<p>The Pensions Office is currently in the process of implementing the Member Self-Service system. This system has the potential to allow members to access their pension record, make amendments to selected personal data (i.e. name, partnership status, death grant nominees) and to run their own retirement estimates. It will also provide a platform for providing annual benefit statements and other bulk mailings.</p> <p>In-house User Acceptance Testing of the system has been finalised and the system has been delivered (handed over) to the Pensions Office. The Pensions Office is now starting the process of rolling the system out to small test groups of the active scheme membership. It is expected that the test roll-out will be completed in February 2024 – once it has been concluded satisfactorily the full roll-out date for active scheme members will begin, with the roll-out for deferred and pensioner members following on later.</p>
<p>Public Sector Pensions Legal Challenge</p>	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to reforms that changed the way benefits were accrued and the date from which they would become payable.</p> <p>However, the legality of these reforms was successfully challenged, and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as 'McCloud'.</p> <p>The government consulted on what method of 'Remedy' should be used to remove the discrimination and on 10 March 2022 the Public</p>

	<p>Service Pensions and Judicial Offices Act 2022 received Royal Assent.</p> <p>The main purpose of the Act was to set out the intention of the 'McCloud Remedy' and implement it in the public service pension schemes.</p> <p>Further consultation determined the form the Remedy would take in respect of the LGPS, and the regulations were formally laid and then implemented with effect from 1 October 2023.</p> <p>For active scheme members retiring after the implementation date, their McCloud eligibility is assessed by the Pensions Office and if appropriate their benefits are based upon the terms of the Remedy. In addition, from September 2025 onwards, all Annual Benefit Statements must include details in respect of the Remedy and how it affects the individual member.</p> <p>With regards to retired members, all retirements since the introduction of the career average scheme in April 2014 will need to be assessed for eligibility for the McCloud Remedy. For those deemed to be eligible, their benefits in payment will need to be recalculated under the terms of the Remedy and any appropriate adjustments made and arrears paid. This process will also apply for the pensions being paid to the survivors/dependants of an eligible member who passed away before the Remedy was implemented.</p> <p>The Pensions Office, in conjunction with each individual Scheme employer, is currently compiling the details of all retirements since April 2014 to begin the process of assessing eligibility. However, the Government has indicated that further guidance will be provided in this respect and the full assessments will not begin until this has been received.</p> <p>To ensure 'active' scheme members are aware of the changes that have been made to the Scheme, the Pensions Office has posted an article in respect of McCloud to the CoL intranet. The same article has been passed to individual Scheme employers to pass to their Scheme members.</p> <p>For 'deferred' and 'pensioner' members, the Pensions Office has written to them / emailed them directly to confirm what has happened and what will happen next.</p> <p>In addition, the article has been posted to the City of London's external pensions webpage: https://www.cityoflondonpensions.org/resources .</p>
<p>Pension Board Training</p>	<p>All Members of the Board are asked to check their TPR online training and continue to complete any outstanding modules they may have.</p> <p>The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes</p> <p>Details in respect of training modules completed by each Member are included on the non-public agenda (Appendix B).</p>

	<p>Barnett Waddingham have set up a new online LGPS training hub (Enlighten!) which is specifically directed at LGPS Committees, Boards and officers. There are currently three courses available, and each course contains several bitesize videos, followed by a quiz.</p> <p>Board Members will be asked to complete this course once it has been rolled out to them.</p> <p>The Pensions Manager will be reviewing topics for training to cover in the coming year.</p>
<p>Pensions Dashboards</p>	<p>Introduced by the Department for Work and Pensions (DWP), Pensions Dashboards have been designed to provide an online platform that will allow individuals to access details of their accrued pension benefits from multiple sources in one place. The intention is to support better planning for retirement, and help individuals reconnect with any pension pots they may have lost over time.</p> <p>In respect of Public Sector Pension Schemes, the initial expectation was that schemes would be required to connect to the online dashboard infrastructure by 30 September 2024.</p> <p>However, a written Ministerial Statement made on 2 March 2023 stated that delays setting up the dashboard programme has meant that the original timetables have been re-considered. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based upon their size and type.</p> <p>The Pensions Regulator (TPR) updated its 'Failing to comply with dashboards duties' guidance in June 2023: (https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties). The purpose of the guidance is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable that will be set out in the connection guidance.</p> <p>TPR expectations of schemes to show they 'have regards to the connection guidance' includes:</p> <ul style="list-style-type: none"> • Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR. • A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach. • Although the timelines in the guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. • A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity

	<p>constraints and means savers can realise the benefits of dashboards as early as possible.</p> <ul style="list-style-type: none"> Continuing to prepare for dashboards by engaging with those who will support them and their dashboard duties. <p>The Pensions Dashboards Programme (PDP) has updated their FAQs to reflect the new connection deadline announcement https://www.pensionsdashboardsprogramme.org.uk/faqs/</p>
Communications	<p>All communications issued by the Pensions Office are reviewed by the Pensions Committee.</p> <p>The Committee was provided with a copy of all standard correspondence at its inception in 2022 and it was decided that going forward they would annually review those documents that have been updated / amended in the intervening year. The last such review took place at the Committee meeting of 21 November 2023.</p> <p>Appendices C1 – C3 are those documents that were provided to the Committee.</p> <p>At their meeting, the Committee Members made the following comments:</p> <p>In respect of <i>Appendix C1</i> – Members requested that the wording relating to taxable earnings for the purposes of annual allowance calculations made it clear that it included all income including investment income or from letting a property. Members also suggested that the paragraphs may need to be moved around to ensure that all important information stays together and does not get orphaned if the statement crosses onto another page. As requested, the wording will be adjusted accordingly for the 2024 Annual Benefit Statement accompanying notes.</p> <p>In respect of <i>Appendix C3</i> - Members also commented on the spelling of the word “judgment”; whilst the spelling used is not incorrect, it has been changed to “judgement” which is the standard British spelling of the word.</p>

Recommendation

The Board is recommended to consider the information provided in the following reports and provide any comments in relation to this information.

Appendices:

Appendix A – Annual Schedule of Events (Administration)

Appendix B – Member Training (NON-PUBLIC)

Appendix C1 – Communications: 2023 Annual Benefit Statement notes

Appendix C2 – Communications: 2023 Annual Allowance Statement

Appendix C3 – Communications: provisional paragraphs to be added to letters in respect of McCloud

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