

<b>Committee:</b>	<b>Date:</b>
Local Government Pensions Board	5 October 2020
<b>Subject:</b> The City Corporation's Pensions Scheme - Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Matt Mott – Chamberlain's Department	

### Summary

At the Board's meeting on 20 October 2016, it was agreed that information regarding a range of topics in relation to the Corporation's Local Government Pensions Scheme (the Scheme) would be provided at each meeting. Members have indicated that information regarding communications be provided on an annual basis and all of the other items of information will be provided at each meeting except for when there is no updated information since the previous meeting

<b>Item</b>	<b>Update</b>
Annual schedule of events for the Pensions Scheme	Update provided ( <b>Appendix A</b> )
Data Protection Act 2018 (DP18) – Data Retention Policy	<p>The Data Retention Policy has been reviewed. There has been no amendment to the policy this year.</p> <p>The Policy has been shared with our scheme employers and they have been asked to provide a copy of their retention policy.</p>
Documentation of communications which are circulated to Members	<p>Deferred Annual Benefit Statement &amp; notes (DABS) (<b>Appendix B (i)</b>) new or amended text highlighted</p> <p>Active Annual Benefit Statement &amp; notes (ABS) (<b>Appendix B (ii)</b>) new or amended text highlighted</p> <p>Covid 19 Email auto reply &amp; voice mails (<b>Appendix B (iii)</b>)</p> <p>Website Covid 19 Message (<b>Appendix B (iv)</b>)</p>
Information of Scheme Record Keeping	No amendments since the last Board meeting.
A record of any complaints or disputes under the Scheme's complaints procedure	None to report
Public Service Pensions Reporting Breaches of Pension Law	None to report

Any audit reports relating to the Pensions Fund	<p>An internal audit covering Pension Fund investments was undertaken in March 2020. The outcome of this audit was reported to Audit and Risk Management Committee (A&amp;RMC) on 14 July in the Internal Audit Update Report.</p> <p>In this report the substantial assurance rating for the Pension Fund investments Fund was green.</p> <p>This means there is a sound control environment with risks to system objectives being reasonably managed.</p>
Annual Benefit Statements (ABS)	<p>There is a statutory requirement to provide an ABS to scheme members by 31 August each year.</p> <p>ABS for active members (ie employees) were produced following completion of the Year End process, the process by which member records are updated with pay and membership details to 31 March.</p> <p>These ABS were produced and distributed on 25 August to the scheme members home address.</p> <p>ABS for deferred members were sent to APS to print and distributed on 22 June 2020.</p>
Guaranteed Minimum Pensions (GMP) Reconciliation	<p>Pension data is continuing to be analysed and JLT are liaising with HMRC.</p> <p>The last data cut has been completed and the report by HMRC received by JLT. The Pensions Office are in discussion with JLT regarding next steps and outcomes.</p> <p>The process has been delayed due to COVID 19, however, it is still the intention to bring a report to the Board once the reconciliation has been completed.</p>
Covid 19	<p>Due to Covid 19 the Pensions Office continue to work from home and have done since 18 March 2020</p> <p>The Pensions Regulator (TPR), Local Government Association (LGA) and the Scheme Advisory Board (SAB) have not amended their guidance and still expect 3 key services to be retained at all times and they are:</p>

	<ul style="list-style-type: none"> <li>• Continued payment of pension benefits to existing pension members.</li> <li>• Commencement of pension benefits to new retirees.</li> <li>• Ceasing of pension payments due to notification of death.</li> </ul> <p>The Pensions Office has continued to maintain all services to scheme members. Some officers have been into Guildhall to assess post and undertake some tasks.</p> <p>The post is being sorted, urgent post removed and dealt with as necessary and the remainder will be scanned/imaged to member records once there is a formal and regular return to working from the office.</p> <p>The intention is that staff will continue in their voluntary visits to the office, only one or two staff at a time and only on one or two days a week.</p> <p>Where we have not managed to communicate with scheme members, or have not heard from them, we will consider sending letters etc by post. However, this will only be deemed necessary where other forms of communication have not succeeded.</p> <p>Communication by email and telephone has been so successful for the vast majority of scheme members that this should be considered as a permanent step towards using digital communication, such as scheme member access to their pension data online.</p>
Procurement of Pension Administration System	<p>The current contract for the Pension Administration System has been extended for two years ending in October 2021 and the procurement process has commenced.</p> <p>As part of the process consideration is being given as to what is required from a modern pension administration and how services to scheme members should be provided, now and in the future.</p> <p>Initial thoughts were the services must be less reliant on paper, be more flexible with online access to pension information for scheme members and pensions staff in their</p>

	<p>working environment. There should be better work flows and also improved reporting. This has been brought into focus due to the current working arrangements due to Covid 19.</p> <p>The Procurement Team have been contacted, permission to proceed granted by the Chamberlain. Other departments have also been notified as their support in this process is necessary, such as IT, HR and Comptrollers.</p> <p>The discussions to date have centred on the best way to procure this IT service, for example a full Open OJEU (Official Journal of the European Union) procurement exercise. However, on 27 April 2020 a pensions systems framework went live. This Public Service framework managed by Norfolk County Council was created for the exact purpose of LGPS systems procurement.</p> <p>Public service pensions schemes IT provision is a niche market with few providers. However, 3 providers that may meet the needs of the Corporation's pension administration are included in this framework. This has provided the Corporation with an excellent opportunity to procure the best system possible without the need to go through a lengthy and often more expensive route of the full OJEU process.</p> <p>We have joined the framework and have received the tender pack which includes system details and technical data.</p> <p>To be able to go out to tender in October and award the contract by 31 January 2021 requires the approval from both the Digital Services Sub Committee &amp; the Procurement Sub Committee.</p> <p>Copy of the papers submitted to the Digital Services Sub (DSS) Committee are included in the non-public paper.</p> <p>Further details of the process will be brought to the next Board meeting in January 2021</p>
Automatic data transfer	<p>The Corporation is currently considering introducing software to enable automated transfer of data from the payroll system to the</p>

	<p>pension scheme administrators they have to provide data to. These are the Teachers Pensions Scheme, London Councils and the Pensions Office.</p> <p>Currently Payroll provide data to the Pensions Office by spreadsheets, reports, interfaces and paper forms. This requires a great deal of manual intervention by the Pensions Office and the Payroll Team particularly as part of the Year End process.</p> <p>For the Pensions Office to benefit from this automation, it would require further software that reads the data files, validates the accuracy and automatically updates the Pension system Altair, even creating workflows automatically. This would save time, reduce the risk of data error or data breach and improve data quality.</p> <p>As the automation of data transfer would be monthly, the Year End process would also be greatly reduced.</p> <p>For the Local Government Pension Fund, automation and data accuracy will assist in all aspects of the administration and compliment the development of the administration system in line with the procurement exercise.</p> <p>Should the Corporation introduce this automated data migration software and the Pensions Office believe it to be beneficial to their processes to introduce software too, further information will be brought to the Board at the next meeting.</p>
Pension Fund Website	<p>The Pension Fund website has been maintained by the London Pension Partnership (LPP) formerly known as the London Pension Fund Authority (LPFA) for many years.</p> <p>The LPP has given notice that they will cease this contract, and all their other third party websites, with effect from the 1 October 2020.</p> <p>The Pension Office sought quotes from four website providers as well as the Corporation's in house team with regard to providing and maintaining the Fund's website similar to that provided by the LPP.</p>

	<p>The Corporation's in house team was unable to provide this service and recommended the continued provision of this site by a third party.</p> <p>Hyman Robertson will now be the Fund's website provider; they have many years' experience in providing websites to other LGPS administering authorities.</p> <p>Hymans Robertson will manage 80% of the content and maintain all necessary statutory and regulatory scheme information. The Pensions Office will maintain 20% of the content such as Fund level information, adding and amending forms and writing news updates.</p> <p>The new website address is <a href="http://www.Cityoflondonpensions.org">www.Cityoflondonpensions.org</a></p>
Year End Data Collection Process	<p>Scheme employers including the Corporation have submitted the necessary scheme member data to the Pensions Office, such as pensionable pay, pension contributions, working hours etc.</p> <p>The Pensions Office has applied this data to scheme member records in the pensions software system, Altair and completed necessary data checks in doing so.</p> <p>The data is necessary to provide scheme members with accurate pension benefit values in their annual benefit statements.</p>
City Print contract	<p>APS have now successfully completed 5 mailings, including the annual benefit statements (ABS). The statements for deferred scheme members were sent to the APS for print and distribution on 22 June 2020 and the active ABS's were distributed on 25 August well within the statutory deadline of 31 August.</p> <p>APS have to date printed and distributed approximately 15,000 items in 2020.</p> <p>The service provided by APS will continue to be monitored both by the Pensions Office and the Corporation.</p>
Public Sector Pensions Legal Challenge Update	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p>

	<p>We are aware that Government departments together MHCLG and LGA are working together with scheme advisers such as actuaries, legal professionals and unions to resolve the issue of age discrimination.</p> <p>No further information has been provided to date. We are aware that discussions are underway at a national level and we are expecting further details later in the year or early 2021.</p>
Exit Payment Cap	<p>The Exit Payment Cap is legislation initially introduced in the Enterprise Act 2015 but as yet does not have a commencement date. However, it now appears the intention is that the cap will be in force by the end of the 2020 calendar year.</p> <p>The purpose of the legislation is to stop or reduce large amounts of money leaving Public Service by way of payment to employees as they exit employment. This can includes pension strain cost paid by the employer to the Pension Fund.</p> <p>The legislation will restrict the amount an employee may receive as an exit payment to a maximum of £95,000, the legislation is sometimes referred to as the 95K cap.</p> <p>For the legislation to be applied correctly and fairly the LGPS regulations must be amended, so that in the event that total statutory costs exceed £95,000, pension administrators and the scheme employers are able to comply with the legislation.</p> <p>The expectation is that the LGPS regulations will be amended. However, the details of these amendments have not been confirmed but are expected by the time the cap comes into force.</p>
Flexible Retirement Opportunity	<p>The City Corporation has offered their employees aged 60 and over by a certain date, an opportunity to elect for Flexible Retirement and is considering extending this offer to their employees aged 55-59 (by a certain date).</p> <p>Flexible Retirement allows a scheme member to reduce their contractual working hours (or reduce their grade of employment)</p>

	<p>and receive payment of their pension benefits with their employer's consent.</p> <p>Usually if the scheme member is aged 55 or over but is under normal pension age, and wishes to retire, the value of their pension benefits would be actuarially reduced for early payment of their pension benefits.</p> <p>The opportunity offered by the City Corporation allows their employees to receive the value of their pension benefits on the date of flexible retirement without the actuarial reduction being applied. The pension is, therefore, paid unreduced.</p> <p>In such circumstances the employer must reimburse the Pension Fund for the unforeseen extra costs of paying the benefits early and unreduced. This is known as the strain on the fund. The cost to the Fund is, therefore, neutral.</p> <p>The first of the Flexible Retirements for those aged 60 or over will commence from October 2020 and further flexible retirements will be agreed and processed over the next 6 months. A decision on whether to extend this offer to those aged 55-59 will be made in October.</p> <p>The opportunity has been co-ordinated by the Town Clerks Department (HR).</p> <p>Due to the volume of work involved to provide data, indicative values, liaise with HR and process payments, the Town Clerk has agreed to meet any additional Pension Office overheads. Again the cost to the fund is neutral.</p> <p>The Officers have considered the effect of increased numbers of retirements in the short term including the payment of lump sums and a potential reduction in active members and scheme contributions.</p> <p>This is not a cause for concern due to the payment of the strain costs to the Fund, but the situation will continue to be monitored. An update will be provided at the next Board meeting</p>
Pension Board Training	Board members have continued to progress the completion of the TPR online training

	<p>tool. All Members of the Board are asked to check their training and complete outstanding modules if they have any.</p> <p>Training at Board meetings has not continued as anticipated in 2020, largely due to COVID 19. Training at Board meetings is not essential, however, is recommended. It is proposed McCloud and the £95k cap are topics for training, depending on available information, at future Board meetings.</p>
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### **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

Appendix B (i) - Deferred Annual Benefit Statement & notes (DABS)

Appendix B(ii) – Active Annual Benefit Statement & notes (ABS)

Appendix B (iii) – Email automatic reply & voice message for COVID 19

Appendix B (iv) – Website COVID 19 Message

### **Contact:**

**Matt Mott**

Pensions Manager | Chamberlain's Department

T: 020 7332 1133

E: [matt.mott@cityoflondon.gov.uk](mailto:matt.mott@cityoflondon.gov.uk)