

Report for: Pensions Committee and Board – 20 January 2020

Title: Pensions Administration Report

Report authorised by : Jon Warlow, Director of Finance

Lead Officer: Janet Richards – Pensions Manager,
020 8489 3824
janet.richards@haringey.gov.uk

Ward(s) affected: Not applicable

**Report for Key/
Non Key Decision:** Not applicable

1. Describe the issue under consideration

1.1 The report gives updates regarding:

- The amount of visits made to the Haringey pension fund website.
- The McCloud ruling and the implications for Haringey.
- An employers forum meeting held in December to discuss the draft valuation and employers' contribution results.

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations that members:

- 3.1 Note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.
- 3.2 Note the update regarding the McCloud case and implications for Haringey.
- 3.3 Note the information provided regarding the employers' forum.

4 Reason for decision

4.1 Not applicable

5 Alternative options considered

5.1 Not applicable

6 Background information:

6.1 The visits to the Haringey website www.haringeypensionfund.co.uk for the last 4 months are as follows (presented with prior year comparator figures):

	users	Page views
November 2019	315	536
November 2018	374	1538
October 2019	478	1504
October 2018	419	1754
September 2019	503	1949
September 2018	408	1757
August 2019	478	1840
August 2018	338	1623

6.2 From August 2019 to November 2019 the average amount of users per month to the pension website is 443 and they view on average 1457 pages, just over 3 pages for each user.

6.3 McCloud update

6.4 The Pensions Committee and Board has previously been advised of a pensions legal case, McCloud which will impact the Local Government Pension Scheme (LGPS) in the future. The case relates to a protection (known as the underpin) which was granted to certain members of public service pensions schemes who were within 10 years or retirement when the schemes changed from being final salary to career average, earlier in the decade. The underpin was challenged in the courts as being discriminatory as it favoured those closer to retirement, this challenge was successful, and the Government has withdrawn their appeal.

6.5 The Scheme Advisory Board (SAB) has a McCloud page on its website www.lgpsboard.org with its understanding of the latest position. The website provides background information on the McCloud judgment as well as a Q&A for administering authorities.

6.6 The SAB has advised that the LGPS may be treated separately from the rest of the public sector in respect of the McCloud remedy.

6.7 It is likely that the remedy will involve the extension of some form of underpin to members who are not currently offered this protection. A possible remedy in response to the McCloud ruling may mean that funds need to collect part time hours history and service break information from April 2014 onwards for members in scope of that remedy. Therefore, a full history of part time hour changes and service break

information from 1 April 2014 will be needed in order to recreate final salary service. The SAB have recommended that administering authorities make Scheme employers aware of this.

6.8 It is also likely that, in order to ensure reverse discrimination does not occur, all leavers since 2014 will need to be checked against a new underpin.

6.9 SAB don't expect to see any remedy implemented before the end of financial year 2020/21.

6.10 The SAB state that they do not underestimate the challenges and concerns around administration and scheme complexity. However, decisions on the scope, extent and nature of the remedy will be largely driven by the views of government lawyers. They will seek to ensure that any agreed remedy removes, as far as possible, the risk of challenge.

6.11 The pension administration team have continued to collect the hours history from employers and their payroll providers since the change of the scheme to career average in 2014, so this information is already held by the fund, but the team have taken this opportunity to remind employers and that this information is required.

6.12 Employers' Forum Meeting

6.13 An employers' meeting was held on 11 December 2019. All employers with current members in the pension scheme were invited to attend the meeting. Six employer representatives attended.

6.14 The scheme actuary gave a presentation relating to the valuation and was available to respond to questions. The Head of Pensions, Treasury and Chief Accountant also gave a presentation, and spoke to the attendees about the vacant employer representative on the Pensions Committee and Board.

6.15 The Pensions Manager reminded employers that they should have a discretionary policy in place and regularly review it. They were also informed that the 2020 Annual Benefit Statement (ABS) for all current members of the scheme would be available online and that those members would need to register on the website to access it. Scheme members could opt to receive a paper copy of the ABS if they requested it in writing. Employers were also advised that an interface between their payroll systems and the pension administration system would shortly be rolled out for payroll providers to provide accurate and up to date information.

7 Contribution to strategic outcomes

Not applicable

8 Statutory Officers' comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Chief Finance Officer

8.1 This report provides an update on various matters regarding pensions administration. While the visits to the website have no direct financial impact, it is positive to see an increasing trend.

8.2 The McCloud case has the potential to be a significant piece of work for the fund, which will potentially involve revisiting many calculations of benefits that have taken place since 2014, depending on precisely how the courts determine the remedy to McCloud. Key to this will be working with the fund's administration software providers to write reports which generate exceptions lists where the underpin should apply, and a recalculation of benefits is required. McCloud has been added to the fund's risk register. As the precise remedy to McCloud is yet unknown, it has not been possible to include this in the calculation of employer contribution rates as part of the 2019 Valuation exercise, however, the fund has reviewed the likelihood of achieving fully funded probabilities in the 2019 Valuation modelling to allow for this uncertainty.

8.3 There is no direct financial impact from the employers' forum meeting, however it is noticeable that the employer turnout to the meeting was low at 6 attendees, given there are approximately 70 employers. Employer forums are a key method utilise to engage with employers, providing an opportunity for dialogue with fund officers and the actuary.

Assistant Director of Corporate Governance

8.2 In *Lord Chancellor and Secretary of State for Justice and another v McCloud and others; Secretary of State for the Home Department and others v Sargeant and others* the Court of Appeal found that in both the judges' and firefighters' cases the manner in which the transitional provisions have been implemented has given rise to unlawful direct age discrimination. In neither case could the admitted direct age discrimination be justified. The case has been remitted to the Employment Tribunal for the determination of remedy. Members should note that the decision on remedy has not as yet been made.

9. Use of Appendices

Not Applicable

10. Local Government (Access to Information) Act 1985

Not Applicable