

**REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES**

**Annual Benefits Statements, Pensions Savings Statements and Guaranteed Minimum Pension Update**

**Pensions Committee  
23<sup>rd</sup> November 2021**

Classification  
**PUBLIC**

Ward(s) affected

**ALL**

Enclosure

None

**AGENDA ITEM NO.**

**10**

**1. INTRODUCTION**

- 1.1 This report provides an update on the 2020/21 Annual Benefit Statement (ABS) exercise, Pensions Savings Statement (PSS) exercise and the progress of the Guaranteed Minimum Pension (GMP) reconciliation project.

**2. RECOMMENDATIONS**

**2.1 The Pensions Committee is recommended to:**

- **Note the report.**

**3. RELATED DECISIONS**

- Pensions Committee 30<sup>th</sup> September 2021 – Quarterly Update (Annual Benefit Statements and GMP Reconciliation)
- Pensions Committee 14<sup>th</sup> January 2021 – GMP reconciliation update and approval of underpayment/overpayment policy
- Pensions Committee 18th December 2019 – GMP reconciliation – Update and Urgency Delegation.
- Pension Committee 10th September 2019 – GMP reconciliation exercise
- Pension Committee 20th March 2019 – GMP reconciliation exercise
- Pension Committee 21st March 2018 – GMP reconciliation exercise
- Pension Committee 29th March 2017 – GMP reconciliation exercise
- Pension Board 20th March 2017 – GMP Reconciliations
- Pension Board 26th January 2016 – GMP Reconciliations – Update and Training

**4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE**

## **RESOURCES**

- 4.1 The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of around £1.9bn worth of assets and for ensuring the effective and efficient running of the Fund.
- 4.2 This report provides an update on this year's (2020/21) annual benefit statement exercise, Pensions Savings Statement exercise and the GMP reconciliation exercise for the Committee's information in their capacity as scheme manager.

## **5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, including the Local Government Pension Scheme (LGPS) Regulations 2013.
- 5.2 It is sensible against this background, and consistent with good administration and governance, for the Committee to keep up-to-date on the progress of projects to ensure that legislative requirements are met.

## **6. BACKGROUND TO THE REPORT**

- 6.1 The London Borough of Hackney is the Administering Authority for the Pension Fund; delegated powers under the Council Constitution have been given to the Pensions Committee to oversee its management. This includes ensuring compliance with all relevant legislation and guidance.

## **7. ANNUAL BENEFIT STATEMENTS**

- 7.1 At the meeting on 30<sup>th</sup> September 2021, the Committee was provided with an update on the issuing of the Annual Benefit Statements, which confirmed that 853 active member statements and all of the deferred member statements had not been issued by the regulatory deadline of 31<sup>st</sup> August 2021. As at the date of the Committee meeting, 291 active statements and all the deferred statements were still outstanding.
- 7.2 The outstanding 291 active statements have now all been issued or have been found not to be required:
- Statements issued 27<sup>th</sup> October 2021: 240
  - Statements issued 31<sup>st</sup> October 2021: 3
  - Statements no longer required (e.g. member has left): 48
- 7.3 The outstanding deferred statements have now been issued as follows:
- Statements issued 30<sup>th</sup> September 2021: 6,420
  - Statements issued by 8<sup>th</sup> October 2021: 883
  - Statements issued 22<sup>nd</sup> October: 36
  - Statements no longer required/cannot be issued due to lack of address verification: 282
- 7.4 A further batch of 1,027 members had already been excluded from the deferred

statement process due to an address not being held or having already failed address verification checks. This batch, plus those identified above as lacking address verification, will be reviewed again in the next stages of the address tracing project.

- 7.5 The failure to issue the deferred statements and some of the active statements by the regulatory deadline was reported to The Pensions Regulator, which indicated that it would not take any further action as long as all the statements that it was possible to issue were issued by the end of October, which they have been. TPR will be updated accordingly.

## 8. PENSIONS SAVINGS STATEMENTS

- 8.1 The Finance Act 2006 sets out that individuals can only save up to £40,000 each year in their pension funds (a lower amount applies for some of the very highest earners). For a defined benefit scheme such as the LGPS, this is calculated as the overall growth in their benefits over the year. The Pension Fund is required to send a Pensions Savings Statement to notify any member whose benefits within the Hackney Pension Fund have exceeded £40,000. These statements must be issued by 6<sup>th</sup> October in respect of the previous financial year.

- 8.2 23 Pension Savings Statements were issued in respect of 2020/2021, and all were issued by the deadline. This is comparable to last year when 20 statements were issued in respect of 2019/2020.

- 8.3 However, following this year's exercise a problem has been identified with the Pensions Savings Statements issued in October 2020, in respect of the 2019/2020 financial year. It appears that while the calculations were carried out correctly the information provided on the statements sent to members was incorrect.

- 8.4 At the time of writing this report, officers are liaising with Equiniti, who issue the PSS on behalf of the Fund, regarding the cause of the error and how this is to be rectified. A verbal update will be provided to the Committee meeting.

## 9. GMP RECONCILIATION EXERCISE

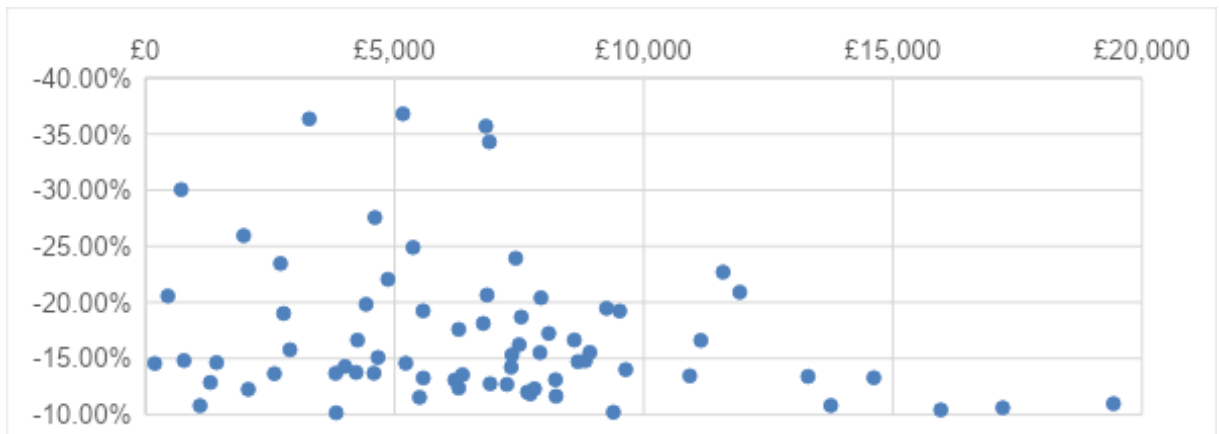
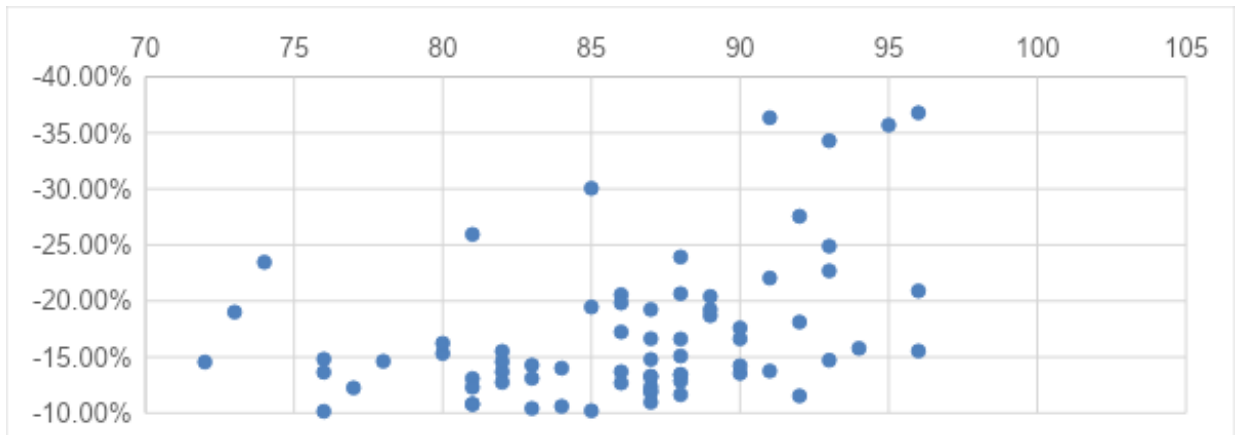
- 9.1 At the meeting on 30<sup>th</sup> September 2021, the Committee was provided with an update on the GMP reconciliation exercise, which confirmed that the underpaid pensioners would have their pensions corrected (and the arrears paid) in the October pensioner payroll, and overpaid pensioners would see their pensions decreased from the November pensioner payroll.

- 9.2 The final numbers of pensioners affected and the amounts of arrears to be paid and overpayments to be written off has now been confirmed as follows:

Item	Number
Underpayment cases	71
Overpayment cases	414
Arrears for underpayment cases to 31 October 2021	£61,362
Interest due on arrears as at 30 September 2021	£7,778
Write-off on overpayment cases to 30 November 2021	£1,837,470

Change in pensioner payroll (increases)	£6,418
Change in pensioner payroll (reductions)	-£175,913
Net change to pensioner payroll	-£169,495

- 9.3 The Committee should note that the latest interest figures available are up to 30<sup>th</sup> September 2021. The final amount of interest payable will be slightly higher than this due to the one-month delay in correcting underpaid pensions and paying arrears.
- 9.4 The Committee should note that the numbers in the table above do not include the group of members who became entitled to their GMP before reaching their State Pension Age and therefore required more complex calculations and checks. In previous Committee updates it was indicated that this group included around 380 members. It has now been confirmed that there are only 48 members in this group. The numbers in the table above also exclude survivor pensioners, who were also identified as requiring additional investigations and checks. This group consists of around 240 members for whom ongoing reviews are being carried out separately.
- 9.5 Letters regarding the underpayments and overpayments were issued to affected members on 24<sup>th</sup> September and following this approximately 25 calls were received on 28<sup>th</sup> September in relation to the GMP letters received. Most of these calls were from pensioners who were upset regarding the overpayments and subsequent reduction to their pensions and wanted more detailed explanations and breakdowns of calculations. These initial enquiries were either answered at first point of contact (e.g. with a further explanation of what a GMP is) or instructed to put their query in writing. As a result of the relatively high number of calls, an automated message was added to Equiniti's phone line which asked members to send their queries by email or letter if it related to their GMP rectification letter. This process allowed Equiniti to collate the queries that came in. As of 11 November, a total of 13 queries had been received in writing or by email, almost all of which were requesting a more detailed breakdown of the pension reduction and/or overpayment. As of 11 November, three of the queries received have been resolved with a further four to be resolved imminently. The remaining queries are being investigated by the appropriate team at Equiniti and are expected to be resolved shortly.
- 9.6 The Committee has previously raised concerns around the size of some pension reductions and the detrimental effect the reductions could have on the members who are worst affected. Based on the latest data provided by Equiniti, it has been determined that there are 71 members whose pension will be reduced by more than 10%. The first scatter chart below shows the spread of these members based on the percentage reduction and the members' current age. The chart indicates that the members with the highest percentage reduction are among the oldest members affected, which is to be expected given that these pensions are likely to have been in payment for the longest period. The second scatter chart shows the spread of the same 71 members based on the percentage reduction and the amount of pension the members were in receipt of prior to the reduction. This chart indicates that the members with the highest percentage reductions are in receipt of relatively small pensions.



9.7 Further updates on the numbers of queries and complaints received and on the progress of rectifying pensions for the two groups mentioned in section 8.4 will be provided to the Committee at future meetings.

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