

Meeting: **Local Pension Board**

Date/Time: **Thursday, 16 June 2016 at 9.30 am**

Location: **Executive Committee Room, County Hall, Glenfield.**

Contact: **Matthew Hand (0116 305 6038)**

Email: **matthew.hand@leics.gov.uk**

AGENDA

| <u>Item</u> | <u>Report by</u> | |
|---|---------------------------------|-----------------|
| 1. Election of Chairman. | | |
| 2. Election of Vice Chairman. | | |
| 3. Minutes of the meeting held on 4 March 2016. | | (Pages 3 - 6) |
| 4. Question Time. | | |
| 5. Questions asked by members under Standing Order 7(3) and 7(5). | | |
| 6. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda. | | |
| 7. Declarations of interest in respect of items on the agenda. | | |
| 8. Pension Fund Administration Report - January to March 2016 Quarter. | Director of Corporate Resources | (Pages 7 - 12) |
| 9. Annual Benefit Statements. | Director of Corporate Resources | (Pages 13 - 16) |
| 10. Internal Audit Arrangements (Including Internal Audit Work Conducted During 2015-16 and the Internal Audit Plan 2016-17), | Director of Corporate Resources | (Pages 17 - 24) |



- | | | |
|---|---------------------------------------|-----------------|
| 11. Additional Voluntary Contributions. | Director of Corporate Resources | (Pages 25 - 36) |
| 12. Pension Increase and Guaranteed Minimum Pensions. | Director of Corporate Resources | (Pages 37 - 40) |
| 13. Requests for Admission Body Status. | Director of Corporate Resources | (Pages 41 - 50) |
| 14. Any other items which the Chairman has decided to take as urgent. | | |

TO:

Employer representatives

Mr. D. Jennings CC
Mr. A. M. Kershaw CC
Cllr D. Alfonso

Employee representatives

Ms. D Haller
Ms. A. Severn Morrell
Mrs. D. Stobbs



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Friday, 4 March 2016.

PRESENT

Mr. D. Jennings CC (in the Chair)

Cllr. D. Alfonso

Ms. D. Haller

Mr. A. M. Kershaw CC

Ms. A. Severn - Morrell

Ms. D. Stobbs

33. Minutes of the previous meeting.

The minutes of the meeting held on 14 December 2015 were taken as read, confirmed and signed.

34. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

35. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

36. Urgent items.

There were no items for consideration.

37. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. No declarations were made.

38. Pension Fund Administration Report - October to December 2015 Quarter.

The Board considered a report of the Director of Corporate Resources, regarding the performance of the Pension Section against its performance indicators. A copy of the report, marked '6', is filed with these minutes.

The Director confirmed that legislation concerning the aggregation and interfund transfers of Local Government Pension Scheme members' pension benefits, as a result of the introduction of the Career Average Revalued Earnings (CARE) scheme, had been issued and the Pension Section had begun working through the significant backlog of cases.

Members noted that the Pension Section's performance for the period October to December 2015 had been encouraging. Whilst some of the response rates remained

below the overall target, the time taken to produce pension payments and death benefits had reduced since the last quarter.

RESOLVED:

That the report be noted.

39. Knowledge and Understanding - Training Update.

The Director of Corporate Resources presented a report which provided an update concerning training sessions which had been provided to members of the Local Pension Board and any future planned events.

Arising from discussion, the following points were noted;

- The majority of Board members had already attended several training sessions which had focused on a range of key areas identified within the training needs analysis form;
- As previously acknowledged by the Board, members would benefit from completing the Public Service online toolkit alongside attending officer led training sessions;
- New employer/employee representatives who were elected to the Board would have access to the full training programme as set out in the Training Needs analysis form;
- As members had previously had difficulties attending training sessions due to other commitments it was proposed to arrange sessions to coincide with dates of Board meetings wherever possible.

RESOLVED:

- a) That the report be noted;
- b) That officers be requested to ensure where possible that future training sessions coincide with meetings of the Board.

40. Joint Administration and Communication Strategy.

The Board received a report by the Director of Corporate Resources, the purpose of which was to inform the Board of the Pension Section's draft Joint Administration and Communication Strategy. A copy of the report, marked '8', is filed with these minutes.

The Director reported that the Strategy, which would act as a service level agreement between the County Council Pension Section and scheme employers, had been consulted upon and would be published in April 2016.

Members welcomed the Strategy which detailed the responsibilities of both Scheme administrators and its employer members. In response to a question concerning the short timeframe between the end of the financial year and the deadline for employers to provide year end information, the Director confirmed that employers had received the

year – end template and guidance. Following the implementation of a new system, certain employers would be encouraged to provide information required for valuation on a monthly basis rather than wait until year end.

RESOLVED:

That the report be noted.

41. Annual Benefit Statements.

The Board considered a report of the Director of Corporate Resources, which provided an update concerning the Pension Section's production of annual benefit statements. A copy of the report, marked '9', is filed with these minutes.

Members supported the Pension Section's approach to managing those employers who did not meet the 2015/16 year end deadlines as outlined in the report. It was noted that if further action was required to manage employers who were not expected to meet the deadline of the 31 August 2016, a meeting of the Board could be convened in order for members to be updated.

RESOLVED:

That the report be noted.

9.30 - 10.35 am
04 March 2016

CHAIRMAN

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LOCAL PENSION BOARD

16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**PENSION FUND ADMINISTRATION REPORT – JANUARY TO MARCH 2016
QUARTER**

Purpose of the Report

1. To inform the Board of relevant issues in the administration of Fund benefits, including the performance of the Pensions Section against its Performance Indicators.

Background

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme benefits of the Leicestershire Pension Fund's 83,000+ members.

Performance Indicators

3. Attached as an Appendix to this report are the performance indicators for the Pensions Section, which form part of the Section's Service Plan and have been agreed by the Director of Finance. These indicators are split into 2 broad categories – how quickly processes are carried out and how customers feel they have been kept informed and treated by staff.

Performance of Pensions Section

4. The results for the January to March 2016 quarter are detailed in the Appendix. Customer satisfaction remains very high and generally all areas are similar to the previous quarter. The overall performance figures remain positive during a challenging period.

Administration

Annual Benefit Statements

5. The Board is asked to consider a separate report on the agenda concerning annual benefit statements.

Valuation

The Pension Section has to provide data to the Scheme Actuary by the 31 July 2016. In preparation of the valuation the Pension Section has been working on the 3 main backlog areas; preserved benefits, aggregation (combining or keeping previous benefits separate) and interfunds in (transfers in from other Local Government Pension Funds).

Between 1 January 2016 and 31 March 2016 the workload numbers in these three areas are as follows;

| Area | Cases as at 1 Jan 2016 | New cases in the period | Cases completed in the period | Cases remaining as at 31 March 2016 |
|--------------------|-------------------------------|--------------------------------|--------------------------------------|--|
| Preserved benefits | 1,577 | 543 | 862 | 1,258 |
| Aggregation | 1,036 | 834 | 892 | 978 |
| Interfunds in | 251 | 243 | 201 | 293 |
| Totals | 2,864 | 1,620 | 1,955 | 2,529 |

Numbers of new interfunds in are unusually high. This is because nationally Funds are now able to work on most cases following clarity on the rules. Therefore, all Funds are experiencing an unusually large increase in numbers that built up whilst cases were stock piled. These delays do not impact on the overall benefit members receive.

Collating, balancing and loading year-end data is now the highest priority for year-end so three members of the Benefit Team have moved to the System Team to work on this. Resource on new aggregation cases is now limited given the pressure of year-end so it's predicted these will increase in number over coming months.

As mentioned in the last quarters report aggregation and interfunds in are areas of work that have increased in complexity since the introduction of the career average revalued earnings (CARE) scheme.

Tender for a new system for monthly posting of contributions

In order to make the statutory deadline for annual benefit statements more achievable the Pension Section intends to move from annually posting contributions to monthly posting. In order to do this a tendering exercise for a new monthly posting system has been completed. The successful bidder was IConnect and the Pension Section is now working with the company on the implementation of the new system.

Consultation – Local Government Pension Scheme Regulations

Department for Communities and Local Government have issued a set of draft regulations amending the Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. The proposed changes provide clarifications that improve the operation of the regulations.

Revised Factors

The Government Actuary has issued revised factors used in the calculation of additional pension contributions and non-club transfers following the budget on 16 March 2016.

The administration system needs to be amended to incorporate the revised factors. This is expected to take place in July which is currently impacting on the process for non-club transfers, including a number of interfund transfers and transfer calculations for divorce.

Approximately 70 additional pension contribution (APC) cases will require recalculation using the revised factors and these members will be written to.

Recommendation

6. The Board is asked to note this report.

Equal Opportunities Implications

None specific

Appendix

Appendix – Quarterly Results – January to March 2016

Officers to Contact

Ian Howe – Pensions Manager - telephone (0116) 305 6945

Chris Tambini – Director of Finance - telephone (0116) 305 6199

APPENDIX

| Quarter - Jan to March 2016 | | | | | | | | | |
|--|--------|--------------|------------------|---------------------------------|--|--------------|------------------|---|------|
| Business Process Perspective | Target | This Quarter | Previous quarter | Customer Perspective - Feedback | Target | This Quarter | Previous Quarter | | |
| Retirement Benefits notified to members within 10 working days of paperwork received | 92% | 96% | ▲ | 99% | Establish members understanding of info provided - rated at least mainly ok or clear | 95% | 100% | ▲ | 97% |
| Pension payments made within 5 working days of receiving election | 92% | 84% | ▼ | 83% | Experience of dealing with Section - rated at least good or excellent | 92% | 93% | ▲ | 96% |
| Death benefits/payments sent to dependant within 10 working days of notification | 90% | 82% | ▼ | 87% | Establish members thoughts on the amount of info provided - rated as about right | 92% | 98% | ▲ | 96% |
| | | | | | Establish the way members are treated - rated as polite or extremely polite | 97% | 100% | ▲ | 100% |
| | | | | | Email response - understandable | 95% | 93% | ▶ | 93% |
| Good or better than target | ▲ | | | | Email response - content detail | 92% | 93% | ▲ | 94% |
| Close to target | ▶ | | | | Email response - timeliness | 92% | 93% | ▲ | 95% |
| Below target | ▼ | | | | | | | | |
| | | | | | ▼ Comments | | | | |

All KPIs are similar to last quarter, most of which are above target. Pension payments within 5 days and death benefits/payments within 10 working days remain below target.

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LOCAL PENSION BOARD

16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ANNUAL BENEFIT STATEMENTS

Purpose of the Report

1. To provide the Board with a progress update on the 2015/16 year-end process for the production of annual benefit statements by 31 August 2016.

Background

2. At the Local Pension Board meeting on 4 March 2016 a report was presented on annual benefit statements that included a summary of the 2015/16 timeline for the production of annual benefit statements. The position is continually changing as the Pension Section works through the employer year-end returns but the report reflects the position as at 24 May 2016;
3. As part of the year-end employer pack, the Leicestershire Pension Section issued the 2015/16 year-end layout to employers in December 2015. This followed communication concerning the governance changes and the importance of the year-end data from the Pension Manager and Director of Finance in 2015.
4. In early March 2016 employers were able to provide the Pension Section with an "early" year-end file. Obviously this did not include March 2016 data but it allowed employers to ensure the reports were working correctly and for the Section to start looking for data queries on missing starters or leavers in the period April 2015 to February 2016.
5. 30 April 2016 was the deadline for employers to provide their year-end returns with a signed off reconciliation form. **The position as at 30 April 2016 deadline was;**
 - 138 employers had provided Pensions with their year-end return.
 - 10 employers advised Pensions they were having issues extracting data from their payroll systems and would not be able to meet the deadline.
 - 40 employers sent incomplete data.
 - 13 employers did not contact Pensions and sent no data at all. Pensions sent reminder letters to those 13.

6. For employer returns received the Pension Section is carrying out a “reasonableness” check. Data queries are being returned back to employers already and working to the original year-end timeline, this will continue until the 11 July 2016.
7. **Following the reminders and the ongoing reasonableness checks, the position as at the 24 May 2016 was;**
 - 39 employers had been fully completed and annual benefit statements are ready to be run and issued.
 - 130 employers had provided their year-end data which appeared reasonable.
 - 30 employers had provided data but there are ongoing issues with the content and quality of the information provided.
 - 2 employers had still not provided their year-end data but both had advised that the data would be sent by 31 May 2016 and they were working hard to resolve this.
8. Employers will have to resolve the data queries by 31 July 2016.
9. The Pension Section will input the pension data to scheme member’s records from 31 July 2016.
10. Any employer that has failed to resolve any data queries by the 31 July 2016 will have the original data they provided loaded and used in the calculation of their members statements.
11. The Section will provide on-line statements to scheme members by the 31 August 2016 and paper versions to those members who have still opted for that service.
12. If an employer fails to provide a year-end return by 11 July 2016 Pensions will write to the employer informing them their scheme member statements will not be completed by the 31 August 2016 so they will cause a breach of legislation. The Local Pension Board and The Pension Regulator will be informed.

Recommendation

13. It is recommended that the Board notes the report.

Equal Opportunities Implications

14. None specific

Officers to Contact

Ian Howe – Pensions Manager
Chris Tambini – Director of Finance

Tel. (0116) 305 6945
Tel. (0116) 305 6199

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LOCAL PENSION BOARD – 16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS (INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2015-16 AND THE INTERNAL AUDIT PLAN 2016-17),

Purpose of the Report

1. To inform the Local Pension Board (the Board) about the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund).
2. To summarise the outcomes of audits conducted during 2015-16 and outline the internal audit plan for 2016-17.

Background

3. The Terms of Reference for the Leicestershire Local Pension Board (the Board) record that it shall, '*...assist (Leicestershire) County Council (the Council), as administering authority, in ensuring the effective and efficient governance and administration of the (Local Government Pension) Scheme*'.
4. The Council is required to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Council's Chief Financial Officer (CFO) who undertakes the role and responsibilities and of the Fund's Treasurer (the Treasurer).
5. The Council's Financial Procedure Rules apply to the administration of the Fund, and specifically rule 4F (15) which places responsibility on the CFO for arranging a continuous internal audit of the County Council's financial management arrangements. This responsibility is derived from the Local Government Act 1972 and the Accounts and Audit Regulations 2015. Leicestershire County Council Internal Audit Service (LCCIAS) managed by the Head of Internal Audit Service (HoIAS), provides the internal audit function to the Fund.
6. The Board's constituted responsibility for ensuring effective and efficient governance, allows for reporting plans for and the results of internal audit activity to the Fund's designated governing body.

The Internal Audit Function

7. The Public Sector Internal Audit Standards (PSIAS) 2013 define internal audit as: - 'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
8. LCCIAS has adopted the principles of the PSIAS. These are explained in more detail in the Leicestershire County Council Internal Audit Charter. The methodologies and approaches defined in the Charter will be applied to all audits conducted on County Council (including Pensions) audits.
9. The PSIAS require that after the closure of the audit year, the HoIAS provides an annual report to those charged with governance (the Board), containing an internal audit opinion on the overall adequacy and effectiveness of the Fund's control environment; a summary of the audit work from which the opinion is derived and a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function.
10. The PSIAS also require that at the beginning of the audit year, an annual plan of audits should be agreed with the Treasurer and noted by the Board.
11. Most planned audits are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Unplanned 'investigation' type audits may be required.
12. For each audit, Terms of Engagement are agreed with the Treasurer or his representative. After the audit, the Treasurer receives a report containing any findings and recommendations for control improvements and an 'opinion' on what level of assurance can be given that risks are being managed. There are four assurance levels: full; substantial; partial; and little. If any recommendations are graded high importance (HI) i.e. denoting either an absence of a key control or evidence that a key control is not being operated and as such the system is open to material risk exposure, this would normally mean that the opinion would be graded as only 'partial' assurance. HI recommendations would be reported to the Local Pensions Committee and would remain in that Committee's domain until the HoIAS was satisfied that corrective action had been implemented. Additionally, because of the County Council's statutory duty to administer the Fund, HI recommendations will continue to be tabled at meetings of the Corporate Governance Committee.
13. The Board may choose to ask the HoIAS to explain HI recommendations and especially any slippage beyond agreed dates in implementing actions.

Internal Audit Work Conducted During 2015-16

14. Appendix 1 contains a brief summary of the work conducted by LCCIAS during 2015-16. Seven assurance audits were undertaken and the assurance grading was overall positive. There were no HI recommendations. Of the seven audits undertaken, four were shared with the Fund's External Auditor (KPMG LLP) in order to form their audit risk assessment in preparation for their annual audit of the Fund's accounts.
15. Using a data-matching tool, LCCIAS gained the Pensions Service some efficiency in routine administration. LCCIAS also co-ordinated the County Council's requirements for the biannual National Fraud Initiative counter fraud data matching exercise.
16. LCCIAS commented on the combined pensions and investments risk register.
17. Based on a combination of the results (opinions) of internal audits undertaken (see appendix 1), experience and knowledge of the governance arrangements, the approach to risk management and knowledge of the County Council's core financial systems, the HoIAS' is reporting reasonable assurance that the Fund's control environment (the frameworks for governance, risk management and internal control) is adequate and effective.
18. The table below shows planned against actual performance both in terms of number of audits and days allocated.

Table 1 : Overall performance against 2015-16 internal audit plan

| | <u>Audits</u> | <u>Complete @ 3/6</u> | <u>Incomplete @ 3/6</u> | <u>Plan days</u> | <u>Actual days</u> | <u>Diff</u> |
|-------------------|----------------------|----------------------------------|------------------------------------|-----------------------------|-------------------------------|--------------------|
| B/fwd from 14-15 | 2 | 2 | 0 | 3.0 | 9.4 | +6.4 |
| Follow up HI recs | - | - | - | - | - | - |
| Planned | 9 | 8 | 1 | 58.0 | 38.6 | -19.4 |
| Client management | - | - | - | 4.0 | 20.5 | +16.5 |
| Total | 11 | 10 | 1 | 65.0 | 68.5 | +3.5 |

19. The one job 'incomplete' at 4 June was a planned job that was undertaken by the External Auditor. The extra days incurred were due to the change in External Auditor, review of the combined risk register and assistance with changes to employer data submission. The total cost to the Fund for all work undertaken during 2015-16 was £19,180.

The Internal Audit Plan 2016-17

20. Appendix 2 contains a brief summary of audits planned during 2016-17. To compile the plan, the HoIAS held discussions with the Fund Treasurer, the Pensions Manager and the Investments Manager. An assumption has been made that in their audit of the Fund's accounts, the new External Auditors will continue to utilise LCCIAS' work in their audit risk assessment.
21. There is a small allocation for completing audits that were not concluded last year.

22. Pension's creation (i.e. the robustness of the calculations process) is normally audited bi-annually. However, there are now significantly more cases containing Career Average Revalued Earnings calculations, and so it is considered prudent to audit the risk again this year.
23. LCCIAS will comment on both information and system security for a proposed development to receive data direct from employers.
24. The final part of the plan is client management and includes the HoIAS duties of planning, reporting and attending the Board.
25. The cost of the planned 65 days of internal audit work is charged to the administration costs of the Fund and is likely to be in the region of £19,000.

Recommendation

26. The Board is asked to note the report.

Equality and Human Rights Implications

None specific

Background Papers

The Internal Audit Charter -

[http://cexmodgov1/Published/C00000434/M00003852/AI00040093/\\$IAppendix1TheInternalAuditCharter.docxA.ps.pdf](http://cexmodgov1/Published/C00000434/M00003852/AI00040093/$IAppendix1TheInternalAuditCharter.docxA.ps.pdf)

Appendices

- Appendix 1 - Internal Audit Work Conducted in 2015-16
Appendix 2 - Internal Audit Plan 2016-17

Officers to Contact

Neil Jones (Head of Internal Audit Service) neil.jones@leics.gov.uk (0116) 305 7629
Chris Tambini (Fund Treasurer) Chris.tambini@leics.gov.uk (0116) 305 6199)

| Audit Title | KPMG | Audit objective...to ensure... | Opinion |
|------------------------------|-------------|---|------------------------------------|
| Governance and Investments | | Conclude work in progress at the end of March 2015 | Substantial |
| Contribution Banding Changes | Yes | Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from 1st April 2015. | Substantial |
| Pension Increase | Yes | The validity and accuracy of the annual Pensions Increase. | Substantial |
| Contribution Calculations | Yes | Contributions to the pension fund have been correctly applied from April 2015 from the following: o Leicestershire County Council (LCC) o Other Employing Bodies, where LCC administers the payroll on their behalf | Full |
| Investment Accounting | Yes | Reconciliations on the Pension Fund bank accounts and GL adjustment accounts are being promptly and accurately undertaken and that the Summary Valuation reports are being completed in accordance with supporting documentation. | Work completed by External Auditor |
| Pension Transfers | Yes | Transfers in/out of the scheme - undertaken bi-annually | Full |
| Investments | Yes | Adequate controls are in place for: i) the payment of investment management fees, and ii) access to bank accounts operated solely for the Pension Fund. Other investment jobs completed on a rolling programme include the following: - Committees/Governance - Performance of Fund Managers - Asset/Property portfolio | Substantial |

Internal Audit Work Conducted in 2015-16**Appendix 1**

| | | | |
|-----------------------------------|--|--|-------------|
| Pensions Creation | | Calculations are compliant with regulations, accurate and consistent. Will include CARE cases. | Substantial |
| Employers' direct data submission | | ICT auditor consulting role to ensure that risks have been identified and controls have been considered and built in to the development specifications. | Complete |
| NFI | | National Fraud Initiative (NFI), an exercise that matches data within and between public and private sector bodies in order to prevent and detect fraud. Includes co-ordination of data download, monitoring/progressing findings, investigating queries from other authorities and updating NFI website accordingly. The Pension's Manager is responsible for investigating matches and reporting on their conclusion | Complete |
| IDEA Work | | Internal Audit Service has software which can quickly match and sort large amounts of data. Tasks commissioned by the Pensions Manager lead to Pensions Section efficiencies | Complete |
| Client management | | To include: - <ul style="list-style-type: none">• research, annual planning and reporting• HoIAS attendance at the Local Pension Board• advice to the Fund Treasurer including, if it occurs during 2015-16, assistance with/commentary on the approach to the Local Pension Board review of its performance• providing internal audit resource to assist with pensions administration tasks (IDEA) | Complete |

Internal Audit Plan 2016-17

Appendix 2

| Audit Title | Audit objective...to ensure... | Days |
|---|--|-------------|
| Pension Transfers | Conclude work in progress at the end of March 2016 | 2 |
| Contribution Banding Changes ¹ | Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from 1st April 2016 | 6 |
| Contribution Calculations ¹ | Contributions to the pension fund have been correctly applied from April 2016 from the following: <ul style="list-style-type: none"> o Leicestershire County Council (LCC) o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf | 7 |
| Investments ¹ | An area to be chosen from the rolling programme of audits | 10 |
| Pensions Creation ¹ | Calculations are compliant with regulations, accurate and consistent. Will include CARE cases. | 10 |
| Re-structure of LGPS | Governance arrangements around the 'pooling' of investments. | 5 |
| Pension Valuations ¹ | Valuations are correct and the system for submission of pension valuations is robust and secure. | 10 |
| Automated data upload system | ICT auditor consulting role to ensure that risks have been identified and controls have been considered and built in to the development specifications. Includes attendance at Project Board meetings | 2 |
| NFI | Monitoring that any pensions matches (normally continuing payments after death) are investigated | 3 |
| Client management | To include: - <ul style="list-style-type: none"> • research and any advice to the Fund's officers • Annual planning and reporting including attendance at the Local Pension Board • providing internal audit resource to assist with pensions administration tasks (IDEA) | 4 |
| Contingency | Potential work required by External Audit | 6 |
| Total days | | 65 |

¹ These audits are used by the External Auditor (KPMG LLP) to inform their audit risk assessment.

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LOCAL PENSION BOARD

16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Purpose of the Report

1. To inform the Board about changes to the Additional Voluntary Contribution (AVC) fund choices.

Background

2. The Leicestershire Local Government Pension Scheme is required to provide an Additional Voluntary Contribution (AVC) scheme. Active contributors may opt to pay extra pension contributions, known as AVCs, to the Prudential who provide the Leicestershire Fund's AVCs.
3. AVCs are invested by the Prudential into the scheme member's fund choices. When a scheme member retires the AVCs is used to increase their pension benefits.
4. There are currently 1,270 active contributors paying Prudential AVCs and 1,418 pensioners who have additional LGPS benefits as a result of previous Prudential AVCs.
5. There are 14 different fund choices. 13 are Non-Lifestyle Fund choices that vary from higher risk to minimal risk investments and 1 is a Lifestyle Fund choice. In the Lifestyle Fund, investments are moved into lower risk funds automatically as a scheme member approaches their chosen retirement age. This is known as "de-risking". The de-risking terms for the Lifestyle Fund choice is either six, eight or ten years.
6. The Pension Section has not reviewed the AVC fund choices for some years.
7. Administration charges slightly vary between the 14 funds depending on whether the fund is actively or passively managed. Actively managed funds have a higher charge because they require extra investment management resources to generate enhanced investment returns.

The details of the 14 fund choices are listed in the table below.

| Fund Name (Non-lifestyle) | Investment Risk | Asset Class | Active or Passive | Charge each year % |
|----------------------------------|------------------------|--------------------|--------------------------|---------------------------|
| UK Equity Fund | Higher | Equities | Active | 0.75 |
| UK Equity Passive Fund | Higher | Equities | Passive | 0.65 |
| Socially Responsible Fund | Higher | Equities | Active | 0.75 |
| International Equity Fund | Medium/Higher | Equities | Active | 0.75 |
| Global Equity Fund | Medium/Higher | Equities | Active | 0.75 |
| Fixed Interest Fund | Medium | Bond | Active | 0.75 |
| Index Linked Fund | Medium | Bond | Active | 0.75 |
| Discretionary Fund | Medium | Multi Asset | Active | 0.75 |
| Property Fund | Medium | Property | Active | 0.75 |
| Retirement Protection Fund | Medium | Bond | Passive | 0.65 |
| With Profits Fund | Lower/Medium | Multi Asset | Active | 0.8* |
| Prudential Cash Fund | Minimal | Deposits | Active | 0.75 |
| Deposit Fund | Minimal | N/A | Active | N/A** |

| Fund Name (Lifestyle) | Investment Risk | Asset Class | Active or Passive | Charge each year % |
|------------------------------|------------------------|--------------------|--------------------------|---------------------------|
| Lifestyle Option~ | Higher/Medium | Equities/Bonds | Active/Passive | 0.65 |

*The With-Profits Fund management charge depends on the performance of the Fund, in particular the investment return and expenses. Based on a current assumption that future investment returns from the With-Profits Fund will be 5% per year the charge is expected to be 0.8% per annum.

** The Deposit Fund interest rate is set on the first of each month in line with the Bank of England base rate. There are no explicit charges.

~ Three Lifestyle de-risking terms; six years, eight years and ten years.

8. There are a number of factors why the Pension Fund is reviewing its AVC Fund options which are detailed below;
- More investment options should be offered at lower risk.
 - To ensure it is fit for purpose for member investment needs.
 - A change in risk ratings of some government and corporate bond funds from low to medium risk means that the current Lifestyle option no longer provides a low risk option. This increases the risk of a sudden fall in value just before benefits are taken.

- To ensure that members have access to new style funds such as Dynamic Growth Funds.
9. To provide more opportunity for scheme members and to increase the lower risk fund options the Director of Finance and Pension Manager have agreed the following fund changes;
- Close the Lifestyle Option to new contributors. The 69 people already in the Lifestyle Option will be offered the chance to move funds if they wish.
 - Offer a new Lifestyle Option, the PDG Lifestyle – Targeting 100% Cash. This has a de-risking term of 10 years.

The PDG Lifestyle – Targeting 100% Cash is made up of three fund options;

- Prudential Dynamic Growth II (new)
- Prudential Dynamic Growth IV (new)
- Prudential Cash Fund (already available)

These three Fund choices will also be available to scheme members not in the PDG Lifestyle – targeting 100% Cash.

- Introduce three new Fund Choices.
 - Prudential Dynamic Growth I
 - Prudential Dynamic Growth III
 - Prudential Dynamic Growth V

Details of the new Fund choices are in the table below;

| Fund Name (Non-lifestyle) | Investment Risk | Asset Class | Active or Passive | Charge each year % |
|----------------------------------|------------------------|--------------------|--------------------------|---------------------------|
| Prudential Dynamic Growth I | Lower/Medium | Multi-asset | Active/Passive | 0.72 |
| Prudential Dynamic Growth II | Lower/Medium | Multi-asset | Active/Passive | 0.72 |
| Prudential Dynamic Growth III | Lower/Medium | Multi-asset | Active/Passive | 0.72 |
| Prudential Dynamic Growth IV | Medium | Multi-asset | Active/Passive | 0.72 |
| Prudential Dynamic Growth V | Medium | Multi-asset | Active/Passive | 0.72 |

| Fund Name (Lifestyle) | Investment Risk | Asset Class | Active or Passive | Charge each year % |
|-------------------------------------|------------------------|----------------------------|--------------------------|---------------------------|
| PDG Lifestyle – Targeting 100% Cash | Medium moving to Lower | Multi Asset moving to Cash | Active/ Passive | 0.72 (PDG) / 0.75 (Cash) |

10. All active AVC contributors will be informed of the new Fund choices. Members of the Board are reminded that the choice fund is down to the individual pension fund member, who may seek suitable external financial advice if they feel it necessary. The Pension Fund cannot provide any financial advice to members.

Recommendation

11. Members of the Board note the report.

Equal Opportunities Implications

None specific

Appendix

Appendix A – Prudential Lifestyling Options and Funds

Officers to Contact

Ian Howe – Pensions Manager Tel. (0116) 305 6945
Chris Tambini – Director of Finance Tel. (0116) 305 6199



New Prudential Lifestyling Options and Funds

Investment innovation in a new pensions landscape

At Prudential we have adapted our investment proposition to meet your clients and our customer needs in a new and flexible retirement environment – by launching new lifestyling options and a range of risk managed multi-asset funds.

New lifestyling options - the Prudential Dynamic Growth Lifestyle Options

The majority of pension scheme members now have a choice around what they can do with their accumulated pension pot. These new pensions freedoms mean that for many schemes the traditional lifestyle end points that were designed on the basis that a member was buying an annuity, now may not match their goals. Furthermore, traditionally there has been a low member engagement with their retirement investment choices – with many members not knowing what retirement options they will take and of course varying levels of investment knowledge.

Following the launch of our new range of risk managed multi-asset funds – the Prudential Dynamic Growth funds. We developed a range of lifestyle strategies – The Prudential Dynamic Growth Lifestyle Options – these options are designed to effectively complement a members chosen post-retirement product, as well as being a suitable and ideal default option for the majority of members that do not elect their own accumulation investments.

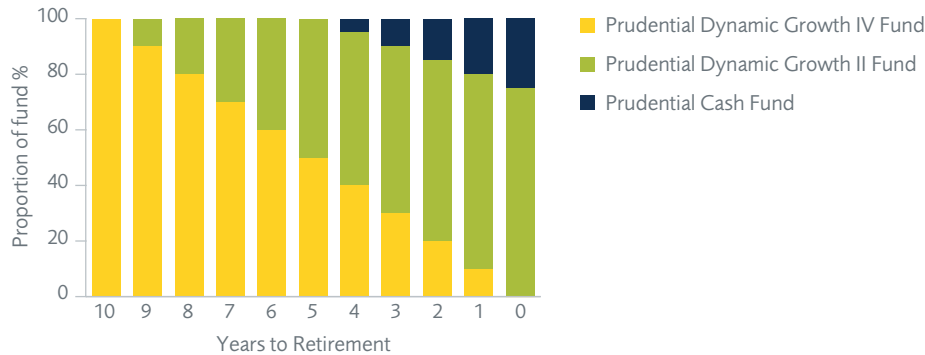
Benefits for EBCs and DC pension schemes and their members:

- › A range of high quality off-the-shelf lifestyle strategies that meet varying member decumulation requirements.
- › Access to the multi-asset management capability of the Prudential Portfolio Management Group (PPMG) through investment in selected Prudential Dynamic Growth Funds. PPMG are entrusted to manage £155bn* of our customers money. They have the experience of managing a multi-asset portfolio over £95 billion* by utilising the expertise of 500 investment professionals around the world.
- › A choice of risk profiles and end points. These would be available to schemes selecting the scheme default and to members who wish to opt out of the default but do not want to manage their own portfolio.
- › A charge cap compliant default option.

* December 2014

The Prudential Dynamic Growth Lifestyle Options

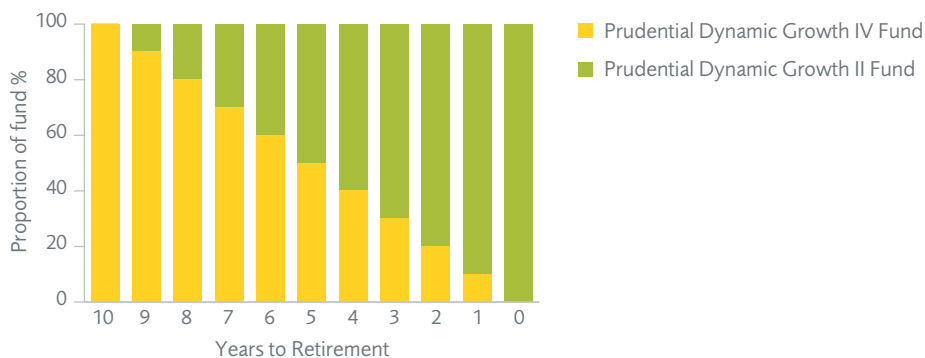
PDG Lifestyle – targeting Retirement Options



Member decumulation requirement: Flexi-Drawdown, Annuity, Full Withdrawal and/or Uncrystallised Funds Pension Lump Sum (UFPLS).

The PDG Lifestyle – targeting Retirement Options is designed to offer an investment solution for all members, whatever their end retirement goals may be. The lifestyle de-risks into Prudential Dynamic Growth II Fund (PDGII) and Cash 10 years from the members selected retirement date. PDGII is a low volatility fund which may provide some protection against fluctuations in capital value as the member approaches retirement. 3 risk profiles may be selected for the accumulation phase.

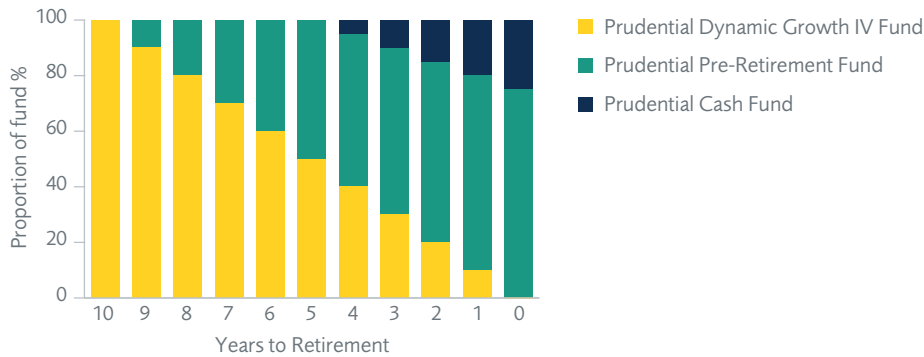
PDG Lifestyle – targeting Drawdown



Member decumulation requirement: Flexi-Drawdown or Uncrystallised Funds Pension Lump Sum (UFPLS).

PDG Lifestyle – targeting Drawdown is designed for members wishing to remain fully invested at the start of their retirement. Through derisking into a lower risk multi-asset fund, Prudential Dynamic Growth II, members remain invested in a lower risk multi-asset fund, so they do not need to fully sell out of equities only to have to buy back into market at retirement. 3 risk profiles may be selected for the accumulation phase.

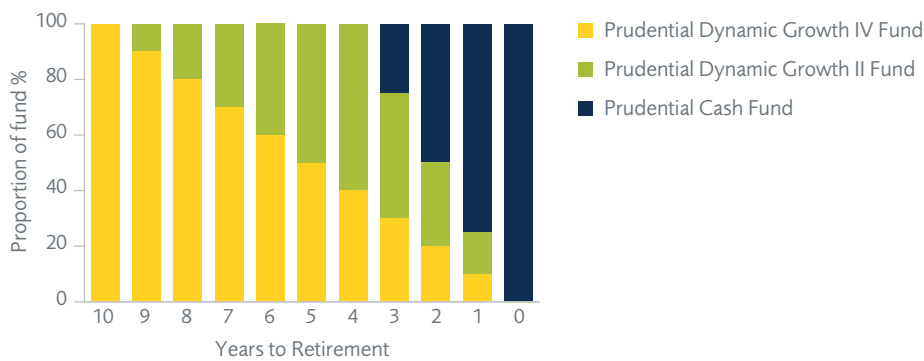
PDG Lifestyle – targeting an Annuity



Member decumulation requirement: Annuity.

PDG Lifestyle – targeting an Annuity Option offers members protection against volatility by derisking into the Prudential Pre-Retirement fund and in the later stages the Prudential Cash fund. The Pre-Retirement fund invests in long-dated bonds split equally between passively managed British government gilts and actively managed sterling corporate bonds. It is a lower risk fund and will typically hold 50% fixed interest assets which will provide an element of hedging against movements in annuity rates. Further more to also protect capital against fluctuation nearer to the members selected retirement date. 3 risk profiles may be selected for the accumulation phase.

PDG Lifestyle – targeting 100% Cash



Member decumulation requirement: Full Withdrawal and/or Uncrystallised Funds Pension Lump Sum (UFPLS).

The PDG Lifestyle – targeting 100% Cash Option provides a solution to target cash withdrawals at retirement. PDG Lifestyle – targeting 100% Cash begins to de-risk at 10 years from the members selected retirement date, switching through Prudential Dynamic Growth II into Prudential Cash Fund. PDGII is a low volatility multi-asset fund that may provide some protection against fluctuations in capital value as the member approaches retirement. 3 risk profiles may be selected for the accumulation phase.

The Risk Profiles

There are 3 risk profiles to select from for the accumulation stage across all of the Dynamic Growth Lifestyling Options :

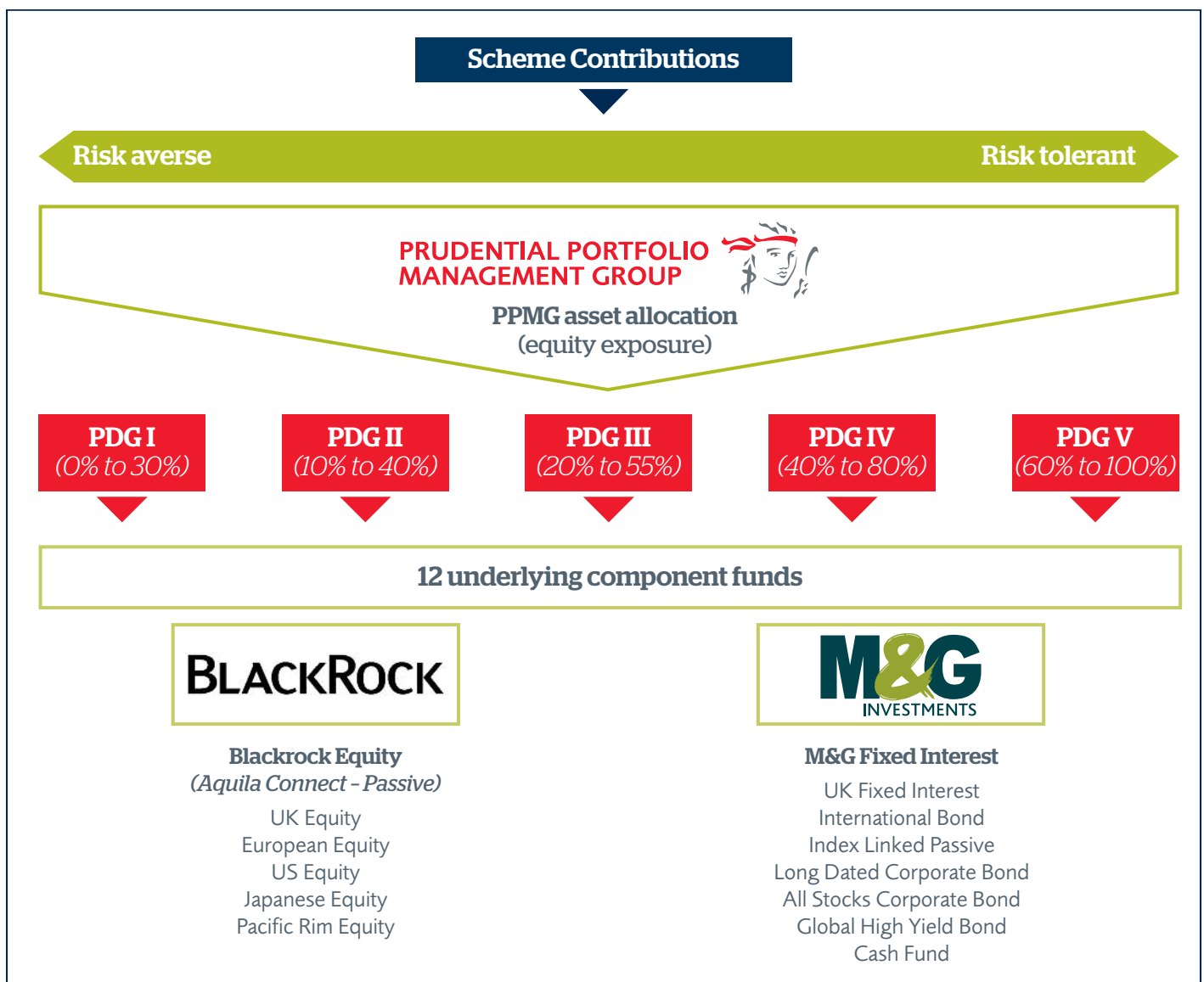
- › Prudential Dynamic Growth IV – Default Option
- › Prudential Dynamic Growth III
- › Prudential Dynamic Growth V

These profiles offer growth potential through equity exposure in the later accumulation stages, but through a risk-managed diversified fund.

Please speak to your Client Manager for more information.

The Prudential Dynamic Growth Funds

A range of five multi-asset funds, with dynamic asset allocation and varying equity weights for different risk appetites, which aim to deliver long-term growth through investing in a diversified range of assets both in the UK and globally.



PDG Funds - effective investment proposition

- › **Diversification** – members see one fund (either as part of the default or by self-selecting) which offers diversification and active asset allocation.
- › **Quality** – built using Prudential's asset allocation expertise, M&G's active fixed interest investment capabilities and BlackRock equity trackers.
- › **Expert management** – PPMG effectively manage the risk and the assets.
- › **Value** – cost effective through use of both active fixed interest and passive regional equity strategies – priced to sit between active and passive investments.
- › **Expert multi-asset and risk management** – by Prudential's Portfolio Management Group (PPMG). dynamically manage each Dynamic Growth fund within each fund objective and parameters – through different market conditions to control risk and return opportunities.

| Fund | Equity allocation | Risk Rating |
|---|-------------------|-----------------|
| Prudential Dynamic Growth I (PDG I) | 0% to 30% | Lower to Medium |
| Prudential Dynamic Growth II (PDG II) | 10% to 40% | Lower to Medium |
| Prudential Dynamic Growth III (PDG III) | 20% to 55% | Lower to Medium |
| Prudential Dynamic Growth IV (PDG IV) | 40% to 80% | Medium |
| Prudential Dynamic Growth V (PDG V) | 60% – 100% | Medium |

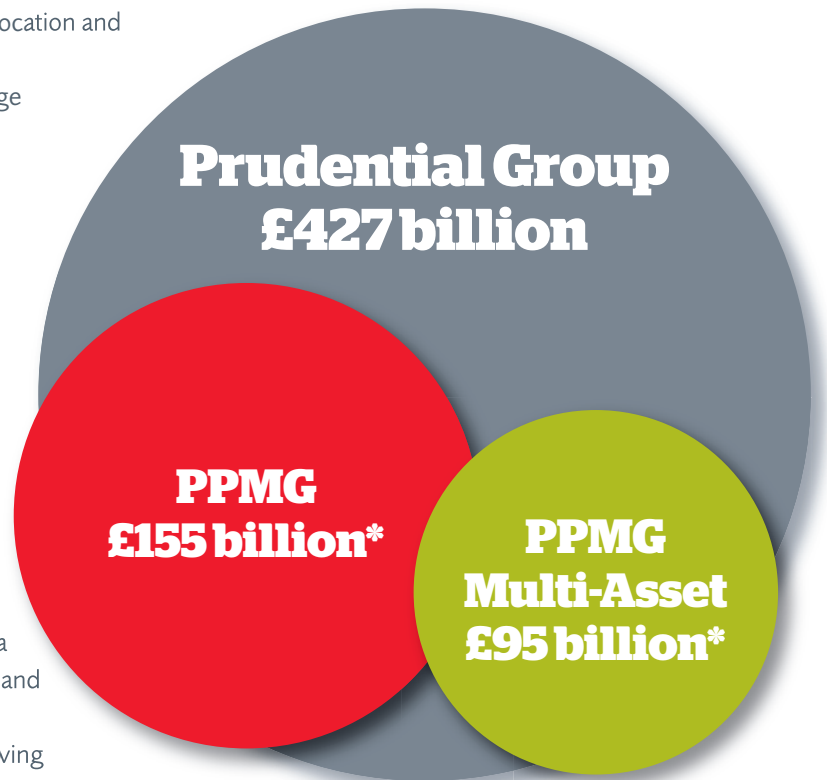
The Prudential Dynamic Growth Funds - benefits for schemes and members

- › **Simplicity** – members see one fund (either as part of the default or by self-selecting) which offers diversification and active asset allocation.
- › **Choice** – to both schemes and members, through offering five different risk ratings for different risk appetites.
- › **Flexibility** – the funds are components that can be selected for use in accumulation, to provide flexible lifestyle profiles and to provide Pensions Freedom investment solutions for partial withdrawals and drawdown.
- › **Value** – cost effective through use of both active fixed interest and passive regional equity strategies – priced to sit between active and passive investments, with the use of the funds for lifestyling minimising transaction costs.
- › **Compliance** – the pricing supports charge cap compliance and the funds have been designed with flexibility and choice in mind to facilitate Pensions Freedom.

About the expert PDG managers - PPMG

These funds are managed by Prudential's Portfolio Management Group (PPMG). PPMG are experts in active asset allocation and risk management. PPMG are an integral part of the Prudential's UK business and are entrusted to manage over £155 billion of Prudential's customers' money (December 2014), of which £95 billion is invested in multi-asset funds.

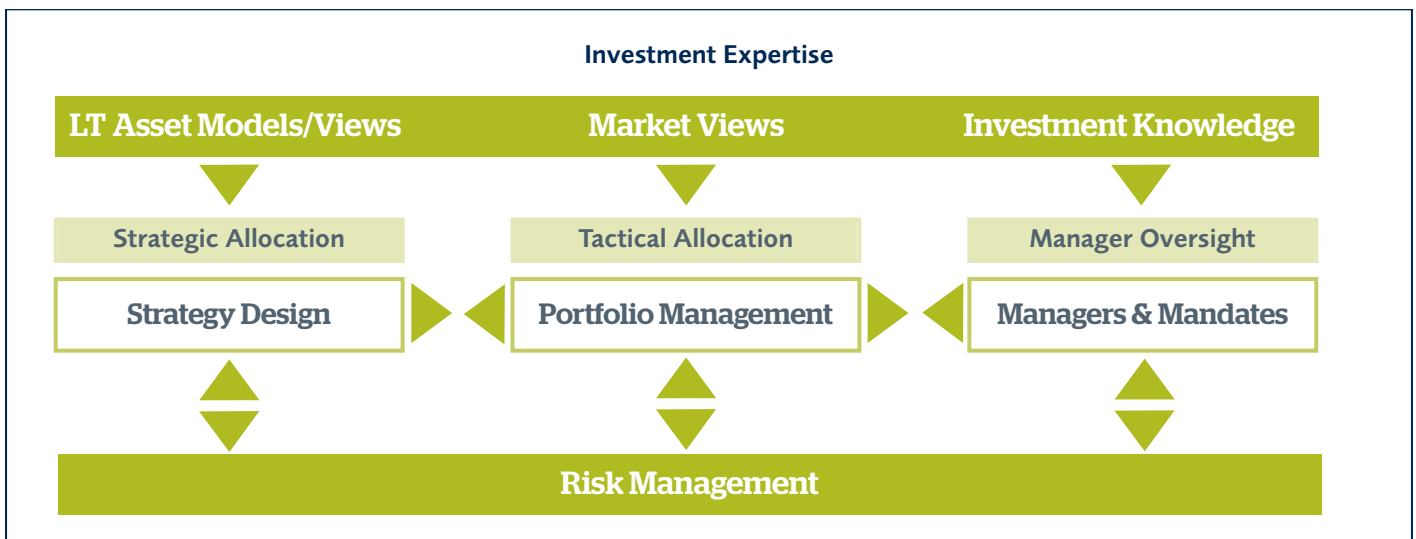
Prudential has a long established tradition in employing innovative asset allocation techniques. This activity has been a core part of our multi-asset fund management services since the mid 1980's. Our willingness to make meaningful asset allocation policy changes, rather than a series of smaller tactical shifts in policy is the single most important differentiator which sets us apart from other multi asset teams. Responsibility for asset allocation lies with Prudential's Portfolio Management Group (PPMG), a team consisting of economists, strategists, actuaries and derivative specialists and portfolio managers. Our investment process starts with this team, whether giving advice on strategic asset allocation decisions or making recommendations and implementing tactical asset allocation decisions. This team is based in London and draws upon the expertise and resources of M&G and Prudential's global network.



* December 2014

PPMG's core functions include:

- › Recommending the strategic allocation between different asset classes
- › Adding value through tactical overlays
- › Management and oversight of Asset Manager stock selection mandates



What differentiates PPMG?

They have always believed that asset allocation should be treated as a separate asset class with dedicated specialist resources. With dedicated resource, the PPMG, has been in place since 1987. Importantly, the PPMG is physically separate and independent from all the other fund management divisions of M&G. This structure is very different from the typical asset allocation decision making processes of many of our competitors where there is wider peripheral involvement and time consuming, view-diluting structures of meetings and committees.

In addition to their resources, the key source of competitive advantage is their investment philosophy and process. This defines our view creation approach, our view of the opportunity set, performance target and risk control.

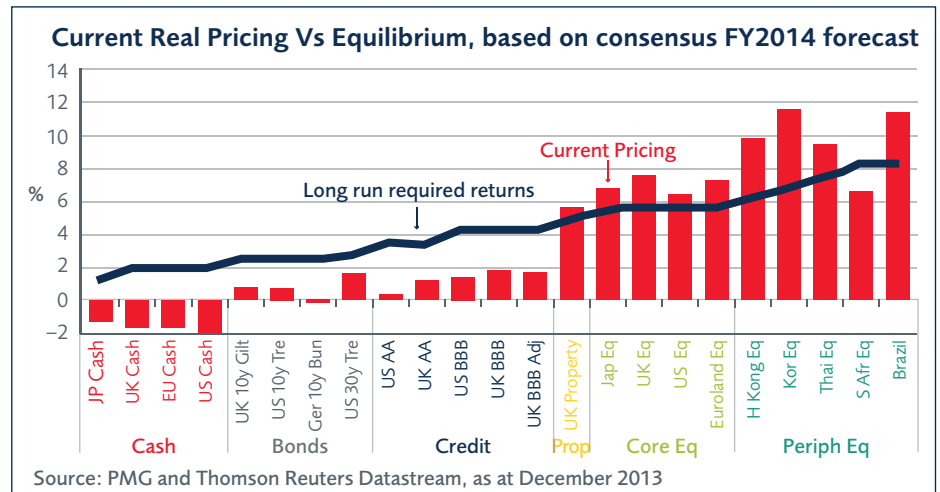
This philosophy of understanding of price and potential return are also at the core of our stock selection processes.

PPMG's asset allocation philosophy

The philosophy for asset allocation is one very much focused on the attempt to understand market pricing. Whereas many managers have a starting point which attempts to forecast the future for key economic variables, PPMG take the view that even in the unlikely event that we could systematically out-forecast our competitors on these economic variables, it wouldn't necessarily follow that market indices would behave rationally relative to that news.

Therefore, PPMG focus on their measures of what they believe markets are priced to deliver – based, for example, on equity earnings yields using market consensus earnings forecasts rather than our own.

Markets generally, on this kind of measure, appear to be overpaying or under-paying relative to measures that may be considered "normal" and at these times PPMG attempt to understand the factors that may have given rise to such an anomaly. If they discover that the prime drivers are emotions and human behaviours, they are likely to look at the anomaly as a mis-pricing and adjust portfolio shapes accordingly. The views they arrive at in this way are consistently applied (subject to mandate) across all our managed portfolios. Below is an historic example of PPMGs long-term views.



Fundamental to this approach is the belief that a lot of the headlines and "hot stories" which seem to get latched onto in extreme market moves will, with hindsight, turn out to be noise. PPMG believe it is easier to understand whether markets look fundamentally attractive or unattractive on a long-term view, than trying to second guess and "game" tomorrow's newspaper headlines.

The impact of excess price volatility and the role of behavioural finances informs our process of determining prices. In looking for asset allocation opportunities, PPMG seek to identify episodes and instances where market pricing has moved temporarily from what they regard as fundamental value, driven by investors inconsistency and variability in their perceptions about risk and short-term price dynamics.

The value-adding opportunities that PPMG aim to exploit typically fall into two categories.

- 1) Structural Economic Dynamics – variables such as inflation, real profits growth, real interest rates and asset risk premia,
- 2) Price Volatility – industry structure, differential investor time horizons and human behaviour exacerbate price volatility and create independent price dynamics.

Critically, neither of these involve a heavy reliance on short-term macroeconomic forecasting, where PPMG believe that maintaining an edge is problematic.



www.pru.co.uk



LOCAL PENSION BOARD

16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION INCREASE AND GUARANTEED MINIMUM PENSIONS

Purpose of the Report

1. To inform the Board of changes to the payment of pension increase and the national Guaranteed Minimum Pension reconciliation exercise.

Background

2. Prior to April 2016 when a pensioner reached State Pension Age (SPA) the pensions increase (PI) the pensioner was due on their Local Government Pension was split between the Pension Fund and the State. The split of PI is from the element of the pension known as the guaranteed minimum pension (GMP).

Because of changes to the state pension from April 2016 PI will now be paid in full by the Fund from April 2016 for pensioners and their spouse reaching SPA, up to December 2018. At this stage no decision has been made for pensioners and their spouses who reach SPA from December 2018.

For retirements before April 2016, in order for the PI to be paid correctly HMRC require Pension Funds to reconcile their GMP data to the state GMP data. This is a national exercise that will continue until December 2018.

Failure to have reconciled GMP data correctly could result in either over or under paid pensions.

Given the complexity and size of this exercise nationally a working group has been set up to look at this. Following the working groups recommendation HM Treasury have written to Department for Communities and Local Government allowing minor discrepancies between HMRC GMP data and Pension Fund data. This includes a £2 per week tolerance in the GMP amounts.

Split of PI on the GMP

3. Prior to April 2016 PI would have been paid as follows;

If a member retired before their state pension age (SPA) they received full PI on their pension from the LGPS.

4. When they reached SPA the GMP then “comes into effect” and PI would then be split between the Fund and the State.

5. The GMP is split into two values by HMRC;

GMP between 6/4/1978 and 5/4/1988 (known as the Pre 88 GMP)

GMP between 6/4/1988 and 5/4/1997 (known as the Post 88 GMP)

6. After SPA the LGPS does not pay PI on the Pre 88 GMP (this is paid by the state) so the member’s future LG pension paid by the LGPS increases at a reduced rate.

The LGPS only pays PI up to 3% on the Post 88 GMP (any excess over 3% is paid by the state). In times of low inflation, as currently when inflation is lower than 3%, PI does not change on the member’s LG pension on the Post 88 GMP element. In previous years (e.g. when PI was 5.2%) the pension scheme paid PI up to 3% on the Post 88 GMP and the state paid 2.2%.

7. However, for pensioners who reach their SPA from April 2016 the Fund pays the full PI.

8. Example where a member reaches their state pension age before April 2016;

a. Members original pension £10,000 at retirement

PI (20%) = 1.20

£10,000 x 1.20 = **£12,000** current value of pension paid by the LGPS

b. After state pension age before April 2016

GMP received from DWP = £52 per week

£52 x 52 weeks = £2,704 GMP per year (the pre and post 88 GMP figures are the same in this example)

Pre 88 GMP per year £1,352

Post 88 GMP per year £1,352

£12,000 - £2,704 = £9,296 (excess over GMP increases with full PI)

Pre 88 GMP = £1,352 (no PI paid by the scheme)

Post 88 GMP = £1,352 (only increases up to 3% paid by the scheme)

Total = **£12,000** value of pension paid by the LGPS

Therefore future PI paid by the LGPS is reduced by elements of the GMP.

9. Example where a member reaches their state pension age after April 2016;

a. Members original pension £10,000 at retirement
 PI (20%) = 1.20
 $£10,000 \times 1.20 = \mathbf{£12,000}$ current value of pension paid by the LGPS

b. At state pension age after April 2016
 PI (20%) = 1.20
 $£10,000 \times 1.20 = \mathbf{£12,000}$ value of pension paid by the LGPS remains with full PI paid on all elements of the GMP.

10. Reconciliation

Following national guidance changes above the £2 per week tolerance will be implemented and the pensions amended. Should pensions have been underpaid arrears will be calculated and paid. Given the complexity of the calculation and the amounts involved, it's extremely unlikely pensioners will have any knowledge their pension may have been incorrectly paid so it is unlikely overpayments will be collected.

HMRC have provided 46,681 member records for the Leicestershire Fund.

The Leicestershire Fund has an exact match on 34,038 records.

The remaining 12,643 records require investigation by the Pension Section to see how many of these are within the £2 per week tolerance limit. Any remaining cases will then require further investigation.

11. It is intended that from July 2016 one member of the Pension Team will be working 3 days per week on the GMP reconciliation exercise supported part time by another colleague.

12. Recommendation

The Board is asked to note this report.

13. Equal Opportunities Implications

None specific

14. Financial Implications

From April 2016 to December 2018 scheme members who reach state pension age and their spouse will have pension increase paid in full by the Pension Fund.

15. Appendix

None

Officers to Contact

Ian Howe – Pensions Manager - telephone (0116) 305 6945

Chris Tambini – Director of Finance - telephone (0116) 305 6199



LOCAL PENSION BOARD

16 JUNE 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

REQUESTS FOR ADMISSION BODY STATUS

Purpose of the Report

1. To inform the Board about a number of staff transfers to Chartwells (part of the Compass Group UK and Ireland).

Background

2. If an employer in the Local Government Pension Scheme (LGPS) outsources its services to a private company the new employer has to protect the pension benefits of the employed people that transfer. To do so, the new employer has to either; offer a broadly comparable pension arrangement or apply for admission body status in the Leicestershire Fund.

Most private companies do not offer a broadly comparable pension scheme so apply for admission body status.

There are a number of requirements that must be completed to become an admission body in the Leicestershire Pension Fund; including completion of an admission agreement, arranging a guarantor and/or setting up a bond and having any actuarial work completed by the Funds Actuary. These are standard practise and all legal issues are expected to be complete before the transfer of staff can take place. This process has been followed in all cases prior to now without incident.

In the Leicestershire Fund there are already 16 companies that have admission body status.

3. Chartwells who are part of the Compass Group UK and Ireland have taken over four separate catering contracts from various Schools and Academies in the Leicestershire Fund. Legislation requires each separate transfer must have a separate admission agreement.

The four transfers are detailed in the table below;

| Previous employer | Date staff transferred to Chartwells | Date of completion - admission agreement and bond |
|--|---|--|
| Ravenhurst School | 1 September 2015 | 3 May 2016 |
| Bringham School (part of the David Ross Education Trust) | 1 September 2015 | Not complete |
| Charnwood College (part of the David Ross Education Trust) | 4 January 2016 | Not complete |
| Winstanley Community Academy | 3 May 2016 | Not complete |

Despite the Pension Section working speedily and efficiently to try and conclude these matters three of the four cases remain outstanding.

4. In all cases the intention of the admission agreement is they are backdated to the date of transfer of staff so the individuals retain continuous service within the LGPS. However, there are a number of potential issues the delays cause, most obviously the possible death in service occurring of any of the people who transferred between the date of the staff transfer and the admission agreement being completed.
5. Given the significant concern the Director of Finance has written to the Pensions Manager at the Compass Group and The Pensions Regulator. The Pensions Manager has also written to the Pensions Manager at the Compass Group stating the deadlines for completion of the transfers, otherwise the members will be informed of the situation. These letters are attached as an appendix.

Recommendation

6. Members of the Board note the report.

Equal Opportunities Implications

None specific

Appendix

Appendix –Letters sent from Leicestershire County Council to the Pensions Manager at the Compass Group and the Pensions Regulator.

Officers to Contact

Ian Howe – Pensions Manager
Chris Tambini – Director of Finance

Tel. (0116) 305 6945
Tel. (0116) 305 6199

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Mr N Corney
Pensions Manager
Compass Group UK and Ireland
HR Shared Services
Parklands Court
24 Parklands
Birmingham Great Park
Birmingham
B45 9PZ

Date: 05 May 2016
 My Ref: PEN/CT
 Your Ref:
 Contact: Chris Tambini
 Phone: 0116 305 6199
 Email: chris.tambini@leics.gov.uk

Dear Mr Corney

Leicestershire County Council – Chartwells Admission Agreement

Following the ongoing exchange of e-mails with my colleagues, I feel I have to write in regard the issue of the TUPE transfer of staff that were formerly employed by Leicestershire County Council in the School Meals Service, and the admission agreement that will allow them to remain within the Local Government Pension Scheme (LGPS). This issue remains a great concern to me and I feel it necessary to formally register this concern.

The staff previously working at Ravenhurst and Bringhurst were transferred to your employment on 1st September 2015. One of these admission agreements is still outstanding, whilst the other one has only just been completed. This eight month delay is totally unacceptable and shows a lack of regard for the moral duty of care that I believe you owe to your staff.

The intention of the admission agreements is that they are backdated to the date of the transfer, so that the individuals concerned retain continuous service within the LGPS. The biggest issue is that the significant delay brings risks that cannot be mitigated – most obviously the possibility of death in service occurring in the period between staff transfer and the admission agreement being completed. If this were to happen, it is not altogether clear what the legal position of the benefits due would be. It would certainly be a difficult situation to explain to any beneficiary.

My understanding is that you have deducted employee contributions from your staff and that these have been retained by yourselves, as you have no admission agreement in place. The delay in respect of the admission agreements is almost entirely outside the control of the Fund, who have acted speedily and efficiently to try to conclude the matters as quickly as possible. Given the time taken, I do not feel that I can allow this matter to pass without informing the Pensions Regulator of the situation and a separate letter will be sent to them.

Leicestershire County Council Pensions Section
 County Hall, Glenfield, Leicestershire LE3 8RB
 Email: pensions@leics.gov.uk
 Web: www.leics.gov.uk/pensions

Brian Roberts, CPFA, Director of Corporate Resources
 Roderick O'Connell, Assistant Director Customer Services and Operations





I am also aware that there are other outstanding admission agreements that will be required with your company, namely Charwood and Winstanley, and I would encourage you to ensure that these are dealt with as quickly as is possible in order to avoid similar issues occurring. This includes using all your available influence to ensure that academies process the admission agreements in a timely manner.

This is the first time that the Fund has felt it necessary to express concern over the completion of an admission agreement, as they are normally implemented smoothly. I hope that this will be the case for other admission agreements with yourselves, but I do not feel that it is acceptable for me to simply sit back and not express my extreme concern on this matter.

Yours sincerely

Chris Tambini
Director of Finance





**The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW**

Date: 05 May 2016
My Ref: PEN/CT
Your Ref:
Contact: Chris Tambini
Phone: 0116 305 6199
Email: chris.tambini@leics.gov.uk

Dear Sir

Leicestershire County Council – Chartwells (Compass Group) Admission Agreement

I feel that I must draw your attention to an issue that is causing me great concern, in respect of the late completion of admission agreements for an employer to join the Local Government Pension Scheme (LGPS). There may have been no breach of the Pensions Act, but the lack of regard that the employer seems to have shown to the staff in question is very disappointing.

On 1st September 2015 a number of staff that were previously employed by Leicestershire County Council as part of the School Meals Service (a traded service with Local Education schools and academies) were subject to TUPE transfers to Chartwells (part of the Compass Group). These contracts were awarded by the schools/academies themselves.

As soon as the transfer details were known, admission agreements were sent to Compass – this was more than a month before the transfer of the staff. There were two separate contracts, and hence two admission agreements. One of these agreements has just been completed (eight months after the transfer) and one remains outstanding.

The intention of the admission agreements is that they are backdated to the date of the transfer, so that the individuals concerned retain continuous service within the LGPS. The biggest issue is that the significant delay brings risks that cannot be mitigated – most obviously the possibility of death in service occurring in the period between staff transfer and the admission agreement being completed. If this were to happen, it is not altogether clear what the legal position of the benefits due would be. It would certainly be a difficult situation to explain to any beneficiary.

My understanding is that Chartwells have deducted employee contributions from the staff and that these have been retained by them, as they have no admission agreement in place. The delay in respect of the admission agreements is almost entirely outside the control of the Fund, who have acted speedily and efficiently to

Leicestershire County Council Pensions Section
County Hall, Glenfield, Leicestershire LE3 8RB
Email: pensions@leics.gov.uk
Web: www.leics.gov.uk/pensions

Brian Roberts, CPFA, Director of Corporate Resources
Roderick O'Connell, Assistant Director Customer Services and Operations





try to conclude the matter. I do not believe that Chartwells have acted in a reasonable manner in terms of the time taken.

Chartwells have subsequently won further catering contracts and there are other admission agreements required, although none of these has yet been outstanding for a period of time that is so far of concern to me. It does appear, however, that they have no obvious concern about the well-being of their staff from a pensions perspective and I find this extremely disappointing.

Given the Pensions Regulator's role in term of not just ensuring compliance with law, but also in safeguarding the pension position of individuals, I feel that this might be a matter that you would expect me to draw to your attention.

Yours faithfully

Chris Tambini
Director of Finance



**Mr N Corney
Pensions Manager
Compass Group UK and Ireland
HR Shared Services
Parklands Court
24 Parklands
Birmingham Great Park
Birmingham
B45 9PZ**

Date: 16 May 2016
My Ref: PEN/IH
Your Ref:
Contact: Ian Howe
Phone: 0116 305 6945
Email: ian.howe@leics.gov.uk

Dear Mr Corney

Leicestershire County Council – Chartwells Admission Agreements

Following the ongoing correspondence regarding the transfer of contracts to Chartwells, I write to detail the current position and when each of these must be fully completed.

Brighthurst Catering (David Ross Education Trust)

- Staff transferred to Chartwells 1 September 2015
- Actuarial work completed as part of the Ravenhurst transfer
- Various versions of admission agreement and bond previously provided for consideration. Latest version of admission agreement and bond provided 11 May 2016
- Completion of the admission agreement and bond with the bond in place, must be complete by the **31 May 2016**

Charnwood College Catering (David Ross Education Trust)

- Staff transferred to Chartwells 4 January 2016
- Staff details received from Chartwells 11 May 2016. Actuarial work started 16 May 2016 that normally takes 6 weeks to complete
- Various versions of admission agreement and bond previously provided for consideration. Latest version of admission agreement and bond provided 13 May 2016
- Everything must be prepared by the 31 May 2016. Completion of the admission agreement and bond with the bond in place, must be complete by the **8 July 2016**

Winstanley Community College Catering

- Staff transferred to Chartwells 3 May 2016
- Actuarial work is being completed by Hymans. This is expected within 3 weeks.
- Various versions of admission agreement and bond provided for consideration. Latest version of admission agreement and bond provided 13 May 2016
- Everything must be prepared by the 31 May 2016. Completion of the admission agreement and bond with the bond in place, must be completed by the **17 June 2016**

If all the pension requirements are not fully complete for each transfer by the deadline we will write to the members that transferred informing them about the outstanding issue with their pension benefits.

Your urgent attention in bringing this situation to a satisfactory conclusion is appreciated.

Yours sincerely



Ian Howe
Pensions Manager