

Meeting: **Local Pension Board**

Date/Time: **Monday, 12 June 2017 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 13 March 2017.		(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 2017 Quarter.	Director of Corporate Resources	(Pages 7 - 12)
9. Internal Audit Arrangements.	Director of Corporate Resources	(Pages 13 - 20)
10. Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 21 - 22)



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| 11. Pension Fund Administration Charges 2017-18. | Director of Corporate Resources | (Pages 23 - 26) |
| 12. Year End and Statutory Deadlines. | Director of Corporate Resources | (Pages 27 - 28) |
| 13. Annual Allowance. | Director of Corporate Resources | (Pages 29 - 32) |
| 14. Employer Requests for Admission Body Status. | Director of Corporate Resources | (Pages 33 - 36) |
| 15. Any other items which the Chairman has decided to take as urgent. | | |
| 16. Date of next meeting | | |
- Monday 18 September 2017 – 9.30am

TO:

Employer representatives

Mr. D. Jennings CC
Mr. P. Bedford
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 Monday, 13 March 2017.

PRESENT

Mr. D. Jennings CC (in the Chair)

Cllr. D. Alfonso
Ms. D. Haller

Mr. A. M. Kershaw CC
Ms. A. Severn-Morrell

84. Minutes of the previous meeting.

The minutes of the meeting held on the 8 December 2016 were taken as read, confirmed and signed.

85. Question Time.

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

86. Questions asked by members.

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

87. Urgent items.

There were no items for consideration.

88. 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.

89. Pension Fund Administration Report - October to December 2016 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 reported that the publication of revised regulations following consultation on the Local Government Pension Scheme Regulations continued to be delayed. As a result there remained an issue concerning the pension arrangements of active members of the Fund whose employment had been transferred to a new company before its admission body status to the Leicestershire Pension Fund had been formally approved.

The Director added that despite the lack of revised regulations, the Pension Section was working hard to resolve any outstanding admission body status issues and a more

detailed update on the matter had been provided to the Board under item 8 on the agenda titled 'Employer Requests for Admission Body Status'.

RESOLVED:

That the report be noted.

90. Risk Management and Internal Controls.

The Board considered a report of the Director of Corporate Resources which detailed the requirement for the Board to consider identified risks/concerns associated with the Leicestershire Pension Fund at each of its meetings, a stipulation set out within the Pension Regulator's Code of Practice. A copy of the report marked '7' is filed with these minutes.

The Director reported that there were no identified risks.

RESOLVED:

That the report be noted.

91. Employer Requests For Admission Body Status.

The Board considered a report of the Director of Corporate Resources concerning the applications from three employers to be given admission body status within the Leicestershire Pension Fund. A copy of the report marked '8' is filed with these minutes.

The Director reported that whilst the employees being transferred had been advised that their pension arrangements would not be affected, the admission agreements and bonds relating to the three employers had not formally been agreed and until such arrangements were made the employees who had been transferred were not active contributors to the Fund. He added that whilst the new companies were now working with the Pension Section to resolve the issue, there remained a risk until the documents were completed.

RESOLVED:

That the report be noted.

92. Reporting of Cottesmore Primary to the Pensions Regulator.

The Board considered a report of the Director of Corporate Resources which detailed the reasoning behind the Authority's decision to report an employer (Cottesmore Primary School) to the Pensions Regulator as a result of several late contribution payments to the Leicestershire Pension Fund. A copy of the report marked '9' is filed with these minutes.

Following questions from members, the Director confirmed that the last two contribution payments made by the School had been received on time and the Authority was hopeful that the issue would not arise in future. It was therefore expected that the Pension Regulator would view the breach as low risk and recommend that the Pension Section continued to monitor the situation.

RESOLVED:

That the report be noted.

93. Date of next meeting.

It was noted that the next meeting of the Board would be held on 12 June 2017 at 9.30am.

09.30 – 09.55am

CHAIRMAN

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LOCAL PENSION BOARD

12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**PENSION FUND ADMINISTRATION REPORT – JANUARY TO MARCH 2017
QUARTER**

Purpose of the Report

1. The purpose of this report is 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 85,000+ 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 2017 quarter are detailed within the Appendix. Customer satisfaction remains very high and overall performance figures remain positive in the quarter.

The appendix also includes the performance indicator results for the full year April 2016 to March 2017.

Administration

Consultation – Local Government Pension Scheme Regulations

5. In the report to the Local Pension Board dated 3 October 2016, it stated the Pension Section has replied to the consultation on the Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. In the report it also stated that the final regulations were expected shortly.
6. Unfortunately there remains no progress in this area and at the time of writing this report and the Pension Manager believes the Election and Brexit negotiations could further delay any progress on these regulation changes.

General Workloads

7. The tables show the position in five key work areas in January to March.

January 2017

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Target Maximum - cases at the end of the period
Preserved benefits	97	622	750
Aggregations	58	239	250
Interfunds in	50	182	100
Retirements	291	497	500
Deaths	51	106	100

February 2017

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Target Maximum - cases at the end of the period
Preserved benefits	148	632	750
Aggregations	73	298	250
Interfunds in	33	178	100
Retirements	251	526	500
Deaths	81	96	100

March 2017

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Target Maximum - cases at the end of the period
Preserved benefits	250	538	750
Aggregations	87	342	250
Interfunds in	23	183	100
Retirements	345	587	500
Deaths	62	108	100

8. As in previous years, the remaining aggregation cases are starting to increase. This is due to resource being moved onto the statutory year-end work, between February and August/September. Numbers will continue to be monitored but it is expected this work area will continue to increase over this period. Its predicted remaining preserved benefits will also increase during the year-end period. Given this happens every year the Pensions Manager will look at developing a flexible KPI target reflecting the changes in workloads throughout a financial year.
9. Following the review of interfunds in, all cases are being actioned and are at various stages throughout the process of completion. After reviewing these for a number of months, alongside the customer feedback, the Director of Finance has agreed to increase the KPI target from 100 to 150 from April 2017.

Year-End 2016/17

10. Preparation for year-end 2016/17 was completed and all employers received correspondence detailing their responsibilities and the deadlines. A further report on today's agenda will provide details of the year-end position.

Scheme Advisory Board Survey

11. Chair of the Local Pension Board in conjunction with the Pensions Manager has replied to the Scheme Advisory Board's survey of LGPS Local Pension Boards.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix - Quarterly Results – January to March 2017 and Yearly Results – April 2016 to March 2017

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 2017									
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%	99%	▲	98%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲	100%
Pension payments made within 10 working days of receiving election	95%	94%	▶	94%	Experience of dealing with Section - rated at least good or excellent	95%	97%	▲	90%
Death benefits/payments sent to dependant within 10 working days of notification	90%	87%	▼	93%	Establish members thoughts on the amount of info provided - rated as about right	92%	98%	▲	95%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	99%
					Email response - understandable	95%	99%	▲	95%
Good or better than target	▲				Email response - content detail	92%	99%	▲	97%
Close to target	▶				Email response - timeliness	92%	98%	▲	99%
Below target	▼								

April 2016 to March 2017							
Business Process Perspective	Target			Customer Perspective - Feedback	Target		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	98%	▲	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲
Pension payments made within 10 working days of receiving election	95%	94%	▶	Experience of dealing with Section - rated at least good or excellent	95%	94%	▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	86%	▼	Establish members thoughts on the amount of info provided - rated as about right	92%	96%	▲
				Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲
Good or better than target	▲			Email response - understandable	95%	96%	▲
Close to target	▶			Email response - content detail	92%	97%	▲
Below target	▼			Email response - timeliness	92%	98%	▲

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LOCAL PENSION BOARD – 12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS (INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2016-17 AND THE INTERNAL AUDIT PLAN 2017-18)

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (the Board) about the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund) and to summarise the outcomes of audits conducted during 2016-17 and outline the internal audit plan for 2017-18.

Background

2. 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*'.
3. 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 Director of Finance who undertakes the role and responsibilities and of the Fund's Treasurer (the Treasurer).
4. The Council's Financial Procedure Rules apply to the administration of the Fund, and specifically rule 4F (15) which places responsibility on the Director of Finance 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.
5. 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

6. The Public Sector Internal Audit Standards (PSIAS) 2016 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'.
7. LCCIAS has adopted the principles of the PSIAS. These are explained in more detail in the Leicestershire County Council Internal Audit Charter (revised November 2016). The methodologies and approaches defined in the Charter will be applied to all audits conducted on County Council (including Pensions) audits.
8. The PSIAS require that after the closure of the audit year, the nominated Head of Internal Audit Service ((HoIAS) at the County Council the Head of Assurance Services undertakes this role) reports to those charged with governance (the Board), on work conducted during the year containing a summary of findings, recommendations and opinions. 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.
9. 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 also be required.
10. 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 Head of Internal Assurance Services 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.
11. 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 2016-17

12. Appendix 1 contains a brief summary of the work conducted by LCCIAS during 2016-17. Five assurance audits were undertaken and the assurance grading was overall positive. There were no HI recommendations. Of the six 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. One consulting audit in relation to the automated data upload system was also undertaken.
13. 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.
15. The table below shows planned against actual performance both in terms of number of audits and days allocated.

Table 1 : Overall performance against 2016-17 internal audit plan

	<u>Audits</u>	<u>Complete @ 24/5</u>	<u>Incomplete @ 24/5</u>	<u>Plan days</u>	<u>Actual days</u>	<u>Diff</u>
B/fwd from 15-16	1	1	0	2.0	3.0	+1.0
Planned	7	6	1	48.0	46.0	-2.0
Planned not started	2	0	2	11.0	0.0	-11.0
Client management	1	1	0	4.0	4.0	0
Total	11	8	1	65.0	53	-12.0

16. One of the jobs planned and not started was in relation to the re-structure and the governance arrangements around the 'pooling' of investments. This was because there was insufficient auditable areas in the 16/17 year. The second planned job, was input as a contingency should additional work be required by the External Auditor. However, this was not required during the year.
17. The total cost to the Fund for all work undertaken during 2016/17 was £15,635.

The Internal Audit Plan 2017-18

18. Appendix 2 contains a brief summary of audits planned during 2017-18. 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 External Auditors will continue to utilise LCCIAS' work in their audit risk assessment.
19. There is a small allocation for completing audits that were not concluded last year.

20. LCCIAS will comment on both information and system security for a replacement pensions administrative system.
21. The final part of the plan is client management and includes the HoIAS duties of planning, reporting and attending the Board.
22. 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

23. The Board is asked to note the report.

Equality and Human Rights Implications

None specific

Appendices

- Appendix 1 - Internal Audit Work Conducted in 2016-17
- Appendix 2 - Internal Audit Plan 2017-18

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)

Internal Audit Plan 2016-17

Appendix 1

Audit Title	Audit objective...to ensure...	Opinion
Pension Transfers	Work in progress at the end of March 2016 concluded	Full
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from 1st April 2016.	Full
Contribution Calculations ¹	Contributions to the pension fund have been correctly applied from April 2016 from the following: o Leicestershire County Council (LCC) o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf	Full
Investments ¹	Correct processes have been followed with regard to the appointment and termination of Fund Managers	Ongoing
Pensions Creation ¹	Calculations are compliant with regulations, accurate and consistent. Will include CARE cases.	Full
Re-structure of LGPS	Governance arrangements around the 'pooling' of investments.	Not done
Pension Valuations ¹	Valuations are correct and the system for submission of pension valuations is robust and secure.	Full
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.	Ongoing
NFI	Monitoring that any pensions matches (normally continuing payments after death) are investigated.	Ongoing
Contingency	Potential additional work required by External Audit	Not done
Client management	To include: - • 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)	Ongoing

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

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Internal Audit Plan 2017- 18**Appendix 2**

Audit Title	Audit objective...to ensure...	Days
Investments	Work in progress at the end of March 2016 concluded as follows: Correct processes have been followed with regard to the appointment and termination of Fund Managers.	7
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from 1st April 2017	6
Contribution Calculations ¹	Contributions to the pension fund have been correctly applied from April 2017 from the following: 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 Transfers ¹	Undertaken bi-annually	10
Re-structure of LGPS	Governance arrangements around the 'pooling' of investments.	5
Pension Increase ¹	The validity and accuracy of the annual Pensions Increase.	6
Replacement Pensions Administrative System	Auditor consulting role, including specialist ICT advice, 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	4
Guaranteed Minimum Pension	Reconciliation of our data to HMRC data in preparation of 2018 when we take on responsibility for GMPs.	3
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
Total days		65

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

LOCAL PENSION BOARD**12 JUNE 2017****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT AND INTERNAL CONTROLS****Purpose of the Report**

1. The Purpose of this report is to inform the Board of any issues concerning risk management and internal controls. There is a requirement for such matters to be considered by the Pension Board as stipulated in the Pension Regulator's Code of Practice.

Background

2. In April 2015 The Pension Regulator (TPR) published its Code of Practise on governance and administration of public service pension schemes. This introduced a number of areas pension administrators need to record and Pension Board members should be aware of.
3. One area within the code is risk, more specifically 'risk management and internal controls', which the code states should be a standing item on each Pension Board and Pension Committee agenda.
4. The Leicestershire Fund already manages risk and has a risk register in place that is regularly reviewed by officers and presented to the Local Pension Board annually. Internal and external audit also consider risks within Pensions and highlight any risk concerns.

Identified Risks

5. There are currently no identified risks.

Recommendation

6. The Board is asked to note the report.

Equality and Human Rights Implications

7. None specific

Officers to Contact

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

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LOCAL PENSION BOARD

12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION CHARGES 2017-18

Purpose of the Report

1. The purpose of this report is to inform the Board of the Pension Fund administration charges for 2017-18.

Background

2. The charges are split between two pension administration areas, divorce and estimates.
3. The charges are only intended to cover the Pension Section additional administration costs associated with these duties and not designed to make a profit.
4. The charges are included within the Appendix.

Divorce

5. If a scheme member has a divorce, at no charge the Pension Section provides a cash equivalent transfer value (CETV) often to the member's Solicitor, for use in splitting the couple's assets.
6. There can be occasion when a further CETV or additional information is required and these elements are chargeable within the Investment Regulations.

Estimates

7. A member receives an on-line annual benefit statement by the 31 August each year and can model future retirement scenarios using the online modeller. Some members who are unable to use the on-line solution continue to receive a paper annual statement.
8. In addition to the annual statement, the Pension Section will provide a further estimate each year at no charge.

9. However, there are occasions where a member requests further written estimates within the same year, beyond what the Pension Section has to provide.
10. The Pension Regulator Code of Practice 14 Governance and Administration of Public Service Pension Schemes proposes that it is permissible, under the Disclosure Regulations, that additional information can be made available at a charge.
11. In these instances the Pension Section levies a charge of £100 plus VAT per estimate, to cover the administration time spent on these cases. The charge is designed to guide members to the free on-line facility where members can run endless different retirement estimates, at no charge.
12. After using the on-line facility if a member then wants a written estimate, within 12 months of their retirement date, the Pension Section provides this at no charge.
13. The Pension Section regularly reviews the Pension Funds administration and communication strategy. This will be updated to reflect the charges.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix - Pension Section Administration Charges 2017-18

Background Papers

None

Officers to Contact

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

APPENDIX

Work Item	Charge
Divorce – Additional CETV within 12 months	As required, charged at £150 plus VAT
Divorce – Provision of other information	As required, charged between £150 and £725 plus VAT
Divorce – Receipt of pension sharing order or consent order and to establish a new or prospective pensioner record	As required, charged at £475 plus VAT
Divorce – Assuming all documents are in place, settle a transfer out	As required, charged at £250 plus VAT
Estimate - Additional Member Initiated Estimate (within 12 months)	<p>Annual Benefit Statement – no charge</p> <p>One additional written estimate within 12 months – no charge</p> <p>On-line estimates – no charge</p> <p>Additional estimates charged at £100 each plus VAT</p>

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LOCAL PENSION BOARD

12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

YEAR-END AND STATUTORY DEADLINES

Purpose of the Report

1. The purpose of this report is to provide the Board with a progress update on the 2016/17 year-end process for the production of annual benefit statements required by the deadline of the 31 August 2017.

Background

2. The Pension Section has statutory requirements to produce member's annual benefit statements by the 31 August 2017 and pension saving statements for members who have breached the Annual Allowance by the 6 October 2017.
3. Both deadlines are extremely challenging as the Pension Section relies on accurate and timely data from the Fund's 188 employers to achieve this.
4. As part of the preparation for year-end, the Leicestershire Pension Section issued an employer bulletin detailing employers' duties; the year-end layout and the timeline to all employers on 25 January 2017.
5. 30 April 2017 was the deadline for employers to provide their year-end returns with a signed off reconciliation form. **The position as at 26 May 2017 was;**
 - 186 employers had provided Pensions with their year-end return.
 - Of the 186 received, 12 employers provided data that was either incomplete, incorrect or could not be reconciled. As a result the data has been returned back to employers for resolution.
 - 2 employers; North West Leicestershire District Council and Kirby Muxloe Parish Council have not provided a year-end return.
 - North West Leicestershire District Council is having significant difficulties extracting data from their payroll system and has been regularly liaising with the Pension Section about this.
 - Kirby Muxloe Parish Council did not contact Pensions and sent no data. The Pension Section chased them and has been promised the return in due course.

6. For those 174 employer returns received, the Pension Section has already started uploading member data to their pension administration system. This highlights various member data issues and these are already being returned to employers for investigation and resolution. This will continue until the 12 August 2017.
7. Employers will have to resolve the data queries by 16 August 2017. It is expected however, the vast majority of member queries will be resolved by the 31 July 2017.
8. Any employer that has failed to resolve any data queries by the 16 August 2017 will have the original data they provided loaded and used in the calculation of their members statements.
9. The Pension Section will provide on-line statements to scheme members by the 31 August 2017 and paper versions to those members who have still opted for that service.
10. If any of the remaining 14 employers, fail to provide a complete, accurate and reconciled year-end return by 10 July 2017, the Pension Section will write to the employer informing them their scheme member statements will not be completed by the 31 August 2017. This is a breach of legislation so the Local Pension Board and The Pension Regulator will be informed.

Recommendation

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

Equal Opportunities Implications

12. None specific

Officers to Contact

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



LOCAL PENSION BOARD

12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ANNUAL ALLOWANCE

Purpose of the Report

1. The purpose of this report is to inform the Board about changes to the annual allowance.

Background

2. The annual allowance is the annual limit on pension savings that a scheme member can make in each year which will receive tax relief. If the value of pension benefit grows by more than this allowance, then the excess amount may become subject to a tax charge. The annual allowance is £40,000.
3. The Pension Section has a statutory duty to write to scheme members who breach the annual allowance by the 6 October each year, e.g. 2016/17 breaches will be written to by the 6 October 2017.

Annual Allowance - Mandatory Scheme Pays

4. Scheme members who breach the annual allowance have options to pay the tax charge under the mandatory scheme pays rules;
 - Make payment of the tax directly to HMRC, or,
 - For tax charges over £2,000 opt for mandatory scheme pay. This means the Pension Fund pays the tax on the member's behalf but then reduces the member's future pension benefits. This is known as the "annual allowance debit".
 - For tax charges under £2,000 the member has to make payment to HMRC directly.

Taper Annual Allowance – Voluntary Scheme Pays

5. In tax year 2016/17 HMRC introduced a new annual allowance, this is known as the tapered annual allowance.

6. The taper annual allowance is aimed at the higher earners. Scheme members with annual income above £150,000 have their Annual Allowance reduced by £1 for each £2 they earn above £150,000. The maximum reduction is £30,000, which means that people with annual income of £210,000 or above have an Annual Allowance reduced from £40,000 to only £10,000.
7. Scheme members who breach the tapered annual allowance have options to pay the tax charge under the voluntary scheme pays rules;
 - Make payment of the tax directly to HMRC, or,
 - Opt for mandatory scheme pays for the non-tapered breach
 - But the member cannot request voluntary scheme pays on the tapered breach unless the Pension Fund administrator allows this.
8. This change has added additional complexity to an already complex area of pension taxation.
9. To try and simplify the process and to assist scheme members with a tapered annual allowance breach, the Leicestershire Pension Fund has decided to allow voluntary scheme pays but only in the circumstances shown below;
 - If the total tax charge is over £2,000. If the total tax charge is under £2,000 the member will have to pay the tax to HMRC directly (as they do under mandatory scheme pays).
 - If the tapered breach is from the member's own Leicestershire Fund Local Government Pension Scheme benefits. If the tax charge is due to other pension benefits the member has elsewhere, then voluntary scheme pays is not available.
10. If the Leicestershire Pension Fund did not allow voluntary scheme pays, some higher earners in with a tapered annual allowance breach could incur significant tax charges that would have to pay directly to HMRC.

Timeline

11. HMRC have also introduced different timelines for payment of the tax charges between mandatory and voluntary scheme pays. This adds further complexity so the Leicestershire Fund has decided to deal with all breaches using the earlier of the two deadlines, this being the voluntary scheme pays.

Recommendation

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

Equality and Human Rights Implications

None specific

Officers to Contact

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

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LOCAL PENSION BOARD

12 JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EMPLOYER REQUESTS FOR ADMISSION BODY STATUS

Purpose of the Report

1. To update the Board about three new employers joining the Leicestershire Fund, as initially detailed in the report to the Pension Board dated 13 March 2017.

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 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.
3. Most private companies do not offer a broadly comparable pension scheme so apply for admission body status.
4. 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. This is standard practise and all legal issues are expected to be complete before the transfer of staff can take place.
5. As detailed in the previous report, there were three transfers that have taken place before the admission agreement and bonds were in place. Until the entire pension documents are signed by all parties, the staff that transferred over are not active contributors to the Local Government Pension Scheme. Whilst the outsourcing employers and the new companies are working with the Pension Section to resolve this, there remains a risk until the documents are completed.

6. Details of the three cases are detailed in the table below;

Outsourcing Employer	New Employer	Date staff transferred	Number of pensionable staff	Position as at 31 May 2017
South Leicester College (part of North Warwickshire and Hinckley College)	Solo Service Group	01/08/2016	9	Legal documents require signature
Heath Lane (Midlands Academy Trust) (part of the North Warwickshire and Hinckley College)	Solo Service Group	01/08/2016	2	Legal documents require signature
Brooke Hill Academy	Servest	26/8/2016	1	Complete

7. The Pension Section and colleagues from Leicestershire County Council Legal Services have been working very hard to positively resolve the two outstanding cases. In both of these cases, the documents have been agreed by all parties and are now with the relevant parties for signature. The delay has been caused by North Warwickshire and Hinckley College. Solo has engaged with the Pension Section throughout the process and have been equally keen to resolve these.
8. The Pension Manager has assurance from North Warwickshire and Hinckley College that these will now be completed in a matter of days.
9. Once the Pension Section receives fully completed admission agreements and bonds the pensionable service will be backdated for all the staff that transferred. The staff will then gain continuous pensionable service, covering the period of transfer between the employers.

Recommendation

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

Equality and Human Rights Implications

None specific

Officers to Contact

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