



Mr J Patel
Public Service Pensions Regulations Team
The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Date: 12 November 2015
 My Ref: PEN/IH
 Your Ref:
 Contact: Ian Howe
 Phone: 0116 305 6945
 Email: ian.howe@leics.gov.uk

Dear Mr Patel

Leicestershire Local Government Pension Fund – Annual Benefit Statements

I write in reply to your letter to Mr Jeff Houston Head of Pensions at the Local Government Association.

Since the introduction of career average revalued earnings (CARE) to the Local Government Pension Scheme in April 2014 whilst still retaining the final salary link and protection to pre April 2014 benefits, the complexity of the administration of the Local Government Pension Scheme increased dramatically. The Pension Section effectively now do 3 calculations for each scheme members with different accrual rates and different retirement dates for the three tranches of service.

In addition, other changes have also impacted on administration the major one being the increasing numbers of employers as schools convert to Academies.

However, one of the largest and most significant issues has been the problems employers have had in extracting pay data from their payroll systems and often having to manually calculate assumed pensionable pay where a scheme member has been off, often sickness or maternity related.

In preparation of CARE we wrote to all of our 200 plus employers making them aware of the changes in advance, changed our scheme literature, tested the pension changes on the administration system, provided employers with the new scheme rules and the requirements they would need to make to their payroll systems.

In preparation of year end we also provided employers with the new year-end layouts, visited employers who were struggling to set the changes in their payroll systems and have been liaising on a daily basis with employers since April 2015 on their data.

Whilst a number of the employers have managed to provide us with accurate year-end information this has taken much longer than in previous years and a number found this especially challenging. We are continuing to work with these employers to resolve the remaining pay queries they have on their returns.

This has inevitably delayed us completing the year-end process and whilst some of the employers members statements were completed by the 31 August 2015, others will be completed by 30 November 2015, with the remainder completed by the 31 December 2015.

As the administering authority for the Leicestershire Fund we take our responsibilities extremely seriously and we always strive to deliver good outcomes for our scheme members. It is because of this we have made a clear decision to ensure the data provided by the employers is accurate before we run annual benefit statements. We do not want to provide statements with data we have not checked. The checking process highlighted errors on some employer returns which were returned to the employer to resolve. This has also contributed to the delay in producing this year's statements.

Since April 2014 we have continued to provide estimates to all members who have requested them and we also provide an on-line facility for scheme members to view information on-line and to run their own on-line estimates should they wish to.

As a further commitment to our scheme members, because the statements include CARE benefits for the first time, we have produced both paper and on-line statements this year to give all our scheme members the best opportunity to view their benefits and run their own estimates should they wish to. Whilst this has added further time to the process, we believe this additional time is beneficial. We also believe ensuring accuracy now and resolving queries now, reduces risk of complaints and appeals in future.

The Local Pension Board meeting in October 2015 considered a report on reporting breaches of the law to The Pension Regulator. At the same meeting it also heard about the delay with this year's annual pension statements. A further update will be provided at the December 2015 meeting, including your letter dated 9 October and this reply. Statements should have been produced by the 31 August 2015 which has not been achieved for the reasons detailed, but we do not feel the breach in the law is of a material significance.

Future Year Statements

Employers who have struggled to provide the accurate information this year will be much better placed to do so next year. The payroll reports developed this year can be used again next year so employers will provide the information much more quickly and accurately.

The Pension Manager has developed an administration and communication strategy that was approved at the Local Pension Board meeting in October 2015 and employers will be consulted on this as per the regulation requirements. The strategy is only voluntary but we hope all employers will engage and sign up to this. It details all timescales both employers and the pension section will achieve in all areas of administration. It includes the deadlines for receipt of accurate data from employers in order to produce annual benefit statements by the deadline.

We are working with the system provider to enhance the on-line facility to include more information for our scheme members.

We have completed a company soft market test to find a system solution to provide an opportunity for all our employers to submit monthly or quarterly returns to the pension section. We believe receiving accurate data monthly or quarterly from employers will reduce the time spent at year-end "spreading" the work throughout the year, making statements by 31 August 2016 more achievable. The full market tender is being worked on currently.

A review of the pension section structure has been completed and 4 additional staff has been recruited. Resource in the pension section will continue to be monitored closely.

All the employers receive regular newsletters and they will be sent a copy of your letter dated 9 October, my reply and the administration and communication strategy. This will make it very clear their responsibilities, the timeline for providing accurate and timely data.

Timeline for the Production of 2015/16 statements

The summary timeline for the 2015/16 statements is set out below.

- Pensions will issue the year-end layout in December 2015. This will be the same layout used in 2014/15.
- In early March 2016 employers may choose to provide Pensions with an "early" year-end file. Obviously this will not include March 2016 data but it will allow employers to ensure the reports are working correctly and for Pensions to start looking for data queries on missing starters or leavers in the period April 2015 to February 2016.
- Employers provide year-end information required by Leicestershire Pension Section in the agreed format by 30 April 2016 with the signed off reconciliation form.
- If a year-end return has not been received by the 30 April 2016 a reminder will be sent to the employer.

- Pensions will complete a "reasonableness" check on the data between 30 April and 11 July 2016. Data queries will be returned back to employers no later than the 11 July 2016.
- Employers will have to resolve the data queries by 31 July 2016.
- Pensions will load the pension data to scheme member's records from 31 July 2016.
- 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.
- Pensions will provide on-line statements to scheme members by the 31 August 2016 and paper versions to those members who have still opted for paper.
- 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.

The Pension Section understands its responsibilities and we continue to strive to deliver the best outcomes for our scheme members but we feel The Pension Regulator needs to support us in achieving this with employers. The majority of employers work extremely hard and positively with us to achieve the best outcome for their employees, but the move to CARE this year has caused significant issues for employers.

I expect that we will deliver the statements within the statutory timescale next year as a result of the steps set out above. The Leicestershire County Council Pension Fund will continue to work with employers to help them but we ultimately have to rely on them providing us with accurate and timely year-end information.

Yours sincerely



Ian Howe
Pensions Manager