



LOCAL PENSION BOARD

16 SEPTEMBER 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT – APRIL TO JUNE 2019 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 98,000 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 Corporate Resources. These indicators are split into two 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 April to June 2019 quarter are detailed within Appendix A. Customer satisfaction remains good with Key Performance Indicator (KPI) results near or above target. There were expected falls in the business process results as resource was reallocated to work on valuation and year-end.

Administration5. **General Workloads**

The tables show the position in five key work areas, April to June 2019.

April 2019

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Maximum - cases at the end of the period
Preserved benefits	206	1,193	750
Aggregations	253	1,144	250
Interfunds in	32	220	200
Retirements	585	808	500
Deaths	62	103	100

May 2019

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Maximum - cases at the end of the period
Preserved benefits	234	1,076	800
Aggregations	30	1,135	450
Interfunds in	42	224	200
Retirements	403	609	500
Deaths	61	103	100

June 2019

Area	Cases completed in the period	Remaining cases at the end of the period	KPI Maximum - cases at the end of the period
Preserved benefits	196	976	850
Aggregations	37	1,123	450
Interfunds in	47	217	200
Retirements	423	741	500
Deaths	91	94	100

The main points to note are;

- As at 16 August 2019, there were 463 pre-April 2019 remaining preserved benefits cases of which 225 were at the checking stage. The Pension Section has been working extremely hard with Fund employers to clear the pre-April 2019 preserved benefit leavers in preparation for the triennial valuation.

- There were 19 aggregations outstanding that involve non-stabilized employers and the actuary will be informed of these separately when the valuation data is submitted.
- Aggregations remain high. This means scheme members have not yet received an option form from the Pension Section, to either combine or keep separate, their previous pension benefits in the Leicestershire Fund. This delay has no determinantal impact on members' final pension benefits. Officers are developing a plan to tackle the backlog of aggregations over the coming months.

6. GMP reconciliation

HMRC has closed its window on any new submissions from Funds.

As at the 8 August 2019 the Fund position was;

- HMRC have 1,110 cases to reply back on.
- The Fund has 3,875 pensioner and preserved cases to update on the pension administration system.
- The Fund has 7,522 active cases to update on the pension administration system.
- The Fund has completed 79,927 cases.
- There are 122 stalemate cases where HMRC and the Pension Section cannot agree the figures.

Whilst the GMP project is now "closed" from an HMRC perspective, (other than the 1,110 cases that need to be returned), the work in the Pension Section continues, updating the pensions administration system.

In practical terms, the Pension Section has incorporated the final GMP work into the final data reconciliation checks, as part of the earlier migration of pensioner payroll from Oracle to Altair.

One member of staff will be assigned to this work full time from September 2019.

7. System Implementation

Following the completion of the system tender in partnership with Derbyshire County Council and the subsequent phases of the system implementation, the Pension Section went live with the new Altair pensioner payroll system in January. There have been approximately 30,000 pensioners paid each month through the new payroll system since January 2019.

The Altair Member Self-Service (MSS) went live in January and the continued phased implementation for members is now complete. As at the 31 July 2019

there were 20,056 members signed up to the new MSS system, with 812 of these joining in July.

Immediate payments will be implemented as part of the final phase of the systems implementation. Immediate payments provide the scope for the Pension Section to make single one-off payments through the Altair system e.g. lump sums, death grants, refunds, transfers etc. The project had to pause during year-end valuation, but a scoping exercise will commence in September with implementation planned for November or December 2019. Practically the Pension Manager wishes to complete this final stage, so all system changes are completed by the end of the year. This will assist the Pensions Manager when looking at the efficiency of processes as part of a post system review of the Section.

Governance Items

8. Internal Dispute Resolution Procedure (IDRP)

If a scheme member has a complaint that cannot be resolved informally, they can take this through the formal complaints process, the internal dispute resolution procedure (IDRP). There are two stages to IDRP, and if the complaint remains unresolved the scheme member can pursue it with the Pension Ombudsman who will ultimately determine the decision.

In the period April to June 2019 there were two new IDRP stage 2 appeals.

In case one; The scheme member has a complaint against their employer's decision on eligibility of public service pension scheme. The Stage 2 decision concurs with the Stage 1 decision. The Member may choose to take their appeal to the Pensions Ombudsman.

In case two; The scheme member, who has retired, has complained about the reduction to their pension benefits. The member's previous employer has rejected their appeal at Stage 1, the case is at Stage 2 for review.

9. Outstanding Transfer of Undertakings Protection of Employment (TUPE)

The table below details the two outstanding TUPE transfers (pre-1 April 2019) as at 12 August 2019.

The Fund employers are regularly reminded to contact the Pensions Manager as quickly as possible if they are considering TUPE transfers out and are made aware all pension issues should be resolved before the staff transfer.

Outsourcing Employer	Receiving Employer	Date of Transfer	Number of staff transferred	Current Position	Staff written to
Merzenfeld Academy	MCS Cleaning and Maintenance Ltd (MCS)	4/1/18	0 Members, 2 Non-members	There has been considerable delay caused by one of the parties, but this is now resolved. All parties are now actively working on completing the admission agreement. There were no active members transferred.	No
Avanti Schools	Govindas (catering staff)	1/11/18	9 Members	This case has made very little progress, regardless of the attempts made by Officers.	Yes

At its last meeting the Pension Board recommended that the nine members affected by the Avanti Schools and Govinda's bond dispute be written to make them aware of the situation.

The Pensions Manager wrote to both parties in August 2019, detailing concerns and confirming that it would be reported to the Local Pension Board as a breach.

The breach is due to three reasons;

1. The unsigned legal admission agreement and no bond in place.
2. Failure by the Pension Section to provide pensions information to the Fund Actuary for Govindas for the Fund valuation, caused by the fact the Pension Section has no data, because no legal admission is in place.
3. Failure by the Pension Section to provide annual benefit statements to the staff that transferred over by the statutory deadline of 31 August 2019, for the same reason detailed in point two. The Pension Section has written to the nine members to inform them of this.

Since the last report to the Local Pension Board the following cases have been completed and legal admission agreements signed;

Tudor Grange to Ridgecrest (cleaning)
 Melton Borough Council to AXIS
 Lutterworth College to Aspens (catering)

10. Reducing Employer Risk

Employers joining the Pension Fund via admission agreements prior to 1 April 2019 usually required a full bond to be in place. This allowed the Pension Fund to claim the bond value from the bond provider should the contractor fail to make payment of their pension costs to the Pension Fund.

Since 1 April 2019 with the introduction of pass-through, the need for a full bond has been negated because much of the pension liability would return to the outsourcing employer (the letting employer) at the end of the contract. This has significantly reduced the bond value needed by the Fund as security, as there is now only a requirement for a capital cost bond to cover the pension strain for members aged 55 or over if they are made redundant. This is because the regulations provide entitlement to members of immediate unreduced pension benefits in this circumstance.

Officers monitor the bond values and the contract dates, working closely with the employers to maintain the required security. However some employers do not maintain the bonds and allow these to lapse. Officers continue to work hard to reintroduce bonds as part of the overall employer risk scoring for the valuation.

As at 6 August 2019 there are nine pre-pass-through cases identified where Officers are working with employers on increasing or reintroducing the required bonds.

11. Implementation of monthly posting

The Pension Section continues a phased implementation of monthly postings as part of the Leicestershire Fund's data improvement plan.

The position as at August 2019 is attached in Appendix B, 34 Fund employers are providing monthly postings every month, covering 13,350 active scheme contributors.

In the quarter, Countesthorpe and Leysland, Long Field Academy, The Mead Educational Trust and Learn Academy Trust have gone live.

Year-end work delayed the implementation of the four groups detailed below, but the intention remains for these to go live in the following quarter and all be back dated to the 1 April 2019.

- Leicester City Council
- All Academies paid through East Midlands Shared Services
- De Montfort University
- Chief Constable and the Office of the Police and Crime Commissioner

12. Year-End

The position as at 16 August 2019 is;

All employers have submitted their year-end returns apart from Govindas as detailed previously in the report.

Employer year-end queries have been resolved other than the following;

- 31 final pay queries for Melton Borough Council whose payroll is provided by Leicester City Council
- 459 queries from Leicester City Council, of which 445 of these are final pay queries.

Excluding Govindas, should any of the remaining queries not be resolved in time for running of annual benefits by 31 August 2019, a second batch of statements will be produced in November.

Any annual benefit statements not provided by the 31 August are a breach and will be recorded on the breaches log. Officers do not consider the remaining queries are a material breach because, statements have been provided in previous years and Leicester City Council officers are working hard to resolve these outstanding queries, although they are likely to be resolved after the deadline.

Over 32,000 active member annual benefit statements will be produced by the 31 August 2019 statutory deadline.

In addition, 29,000 preserved members will receive details of the current value of their preserved benefit by the 31 August 2019 statutory deadline.

The year-end data has been submitted to the Fund Actuary by the required deadline, for the Fund valuation to commence the calculation of employer rates, applicable from April 2020. Initial results are expected from the actuary in October 2019.

Recommendation

13. It is recommended that the Board:
- a) reports the breach by Avanti and Govindas to The Pensions Regulator.
 - b) notes all other areas of the report.

Equality and Human Rights Implications

None specific

Appendices

Appendix A - Quarterly Results – April to June 2019

Appendix B – Monthly posting position as at August 2019

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