



LOCAL PENSION BOARD

2 DECEMBER 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**PENSION FUND ADMINISTRATION REPORT – JULY TO SEPTEMBER 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 July to September 2019 quarter are detailed within Appendix A. Customer satisfaction remains generally positive and there have been improvements in the business processes.

Administration

5. **General Workloads**

The tables show the position in five key work areas, July to September 2019.

July 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	225	920	900
Aggregations	69	1128	450
Interfunds in	8	218	200
Retirements	531	683	500
Deaths	80	108	100

August 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	127	988	950
Aggregations	151	999	450
Interfunds in	30	188	200
Retirements	415	698	600
Deaths	75	91	100

September 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	89	1172	1000
Aggregations	175	875	800
Interfunds in	43	186	200
Retirements	452	630	500
Deaths	70	114	100

The main point to note;

During valuation, resource was redirected from main work areas to valuation. Valuation data was completed in August and resource has since moved back. Aggregations are reducing well, but the 2019/20 aggregations will be run shortly so this area will increase again shortly.

The Pension Section has commenced a recruitment exercise for four temporary Pension Assistants to help deal with the increasing volumes of work.

6. Guaranteed Minimum Pension (GMP) reconciliation

The reconciliation is now complete and HMRC will shortly provide the Leicestershire Pension Fund with final GMP figures for all members affected by the GMP reconciliation. This effectively closes the GMP/CEP reconciliation exercise for the Fund.

The Pension Section is now working through the results on the remaining 1,357 GMP pensioner, deferred and active cases to ensure these are updated on the pension administration system. This will allow accurate payment of future Pensions Increase to these members.

A further national exercise is due on GMPs, known as GMP equalisation. This is a process to equalise GMPs for both men and women following the High Court ruling on the 26 October 2018, effectively neutralising previously differing retirement ages for men and women.

7. Member Self-Service (MSS)

Following the move to Heywood's Member Self-Service (MSS) system in January 2019 there are now 22,193 members live on the system. The system provides an instant picture of the member's pension account as it links directly to their pension record.

There is an improved benefit projector for active members who can now produce their own pension estimates for deferment, retirement and redundancy.

Deferred members can also access a projector which can allow them to view the value of their pension, should they wish to claim it from 55 onwards.

Pensioners can access a fully HMRC compatible, printable P60 and their pension payslips each month.

There is potential for the system to be used for secure document exchange in the future, which could improve the speed of certain processes, e.g. retirements. It also adds greater security on the transfer of documents.

As requested at the last Pension Board meeting, a presentation of the Heywood MSS system will follow the conclusion of this meeting.

Governance Items

8. Year End

Over 61,000 members annual benefit statements were produced and sent by the statutory deadline of the 31 August 2019.

490 active members have not received their statements because their employer did not resolve their year-end pay queries in time for the deadline. These cases are not deemed to be material breaches as the members received statements last year, they can run their own estimates via the on-line member self-service system and the Pension Section will produce an individual estimate for any of these members if required.

The remaining 490 cases should be completed by the end of 2019.

All the known annual allowance pension taxation statements were calculated and produced by the 6 October 2019 statutory deadline.

9. 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 July to September 2019 there were three new IDRP stage 2 appeals.

In case one; The scheme member has a complaint against their previous employer's decision on the pensionable pay used in the calculation of benefits. The case is at the Stage 2 review.

In case two; The scheme member has complained about the ill health tier they were granted by their previous employer. The case is at the Stage 2 review.

In case three; The scheme member has complained that their previous employer did not grant them ill health retirement. The employer decision has been upheld at Stage 2, so the previous member may decide to proceed to the Ombudsman.

10. 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 13 November 2019 is attached in Appendix B.

Since the 16 September 2019 Board report, Academies paid through East Midlands Shared Services and the Chief Constable and the Office of the Police and Crime Commissioner have gone live. This has increased the number of Fund employers monthly posting from 34 to 103. This has increased the active members who are now being monthly posted from 13,350 to 20,900. This is major improvement and concludes a large area of the project.

The next large employers pending go live are;

- Leicester City Council (8,600 members)
- De Montfort University (1,650 members):

The Pension Section has received very good initial reports from both City and DMU. Both require only minor changes and the Pension Section has provided positive feedback. The Section is now waiting for both employers to provide an amended report prior to go live with.

The Pension Section anticipates both employers will go live in early 2020.

11. Breaches Log

The Pension Manager retains the breaches log. Each breach is reviewed to decide if the breach is material or not. Only material breaches are reported to The Pensions Regulator. There are currently no material breaches. The November 2019 breaches log is attached as Appendix C

12. Reducing Employer Risk and Outstanding Transfer of Undertakings Protection of Employment (TUPE)

As part of the valuation the Pension Manager has been assessing the ongoing employer risk to the Fund.

The Pension Fund usually required a full bond to be in place for TUPE transfers that took place prior to 1 April 2019. This allows 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 the 1 April 2019 with the introduction of pass-through, the need for a full bond has been negated because much of the pension liability moves back 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 only now a requirement for a capital cost bond to cover the pension strain for the members age 55 or over, if they are made redundant and entitled to immediate payment of their pension. In some pass-through cases no bond is required.

Officers monitor the bond values and the contract dates, working closely with the employers to maintain the required security, but unfortunately 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 and to protect the Fund.

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

As at the 19 November 2019 there are seven cases where bonds are outstanding and five cases where the admission agreement is outstanding.

As requested by the Local Pension Board the tables below show the outstanding cases.

Bonds Outstanding

Pre April 2019 or pass-through	Letting employer	Contractor	Full or Capital Cost Bond	Bond value and provisional end date	Comments
Pre April 2019	County Council	Rushcliffe Care	Capital Cost	£27,000 – 31/3/2021	At the initial stages (from valuation exercise)
Pre April 2019	Harborough DC	Seven Locks (waterloo Group) - CAB	Capital Cost	£87,200 – 31/3/2020	Bond ready for signature
Pre April 2019	Blaby DC	East Midlands Housing (Three Oaks)	Capital Cost	£200,000 – 31/3/2023	At the initial stages (from valuation exercise)

Pre April 2019	City Council	Aspens (Crown Hills)	Full	£160,000 – 31/12/2023	Bond ready for signature
Pre April 2019	Various	Chartwells	Full	£97,000 – tbc	At the initial stages (from valuation exercise)
Pre April 2019	Mowbray Education Trust	Caterlink	Full	£59,600 – 31/7/2021	Bond ready for signature
Pass-through	WQE and Regent College	Caterlink	Capital Cost	£13,000 – 31/7/2023	Bond ready for signature

Admission Agreement Outstanding (some also have bonds)

Pre April 2019 or pass-through	Letting employer	Contractor	Full or Capital Cost Bond	Bond value and end date	Comments
Pass-through	Beacon Academy	Cleantec	Capital Cost	£33,000 – 25/8/2020	Admission agreement and bond outstanding since August 2019
Pass-through	Beacon Academy	Mellors catering	Capital Cost	£22,000 – 25/8/2020	Admission agreement and bond outstanding since August 2019
Pass-through	South Leicester College	Churchill	n/a	n/a	Admission agreement outstanding since August 2019

Pass-through	Melton Vale (NOVA)	Aspens	n/a	n/a	Admission agreement outstanding since August 2019
Pass-through	City Council	Guardian	Capital Cost	£40,000 – 31/10/2022	Admission agreement and bond outstanding since 1 November 2019

Officers are in regular contact with the employers to ensure all outstanding agreements and bonds are completed as quickly as possible. This continues to be regularly monitored.

Recommendation

13. It is recommended the Board notes all areas of the report.

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators July to September 2019

Appendix B – Monthly posting position as at November 2019

Appendix C – The Fund's Breaches Log as at November 2019

Officers to Contact

Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

Declan Keegan
Assistant Director of Strategic Finance and Property
Telephone: (0116) 305 6199
Email: Declan.Keegan@leics.gov.uk

APPENDIX A

Quarter - July 2019 to Sept 2019									
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%	95%	▲	95%	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%	89%	▼	87%	Experience of dealing with Section - rated at least good or excellent	95%	90%	▼	90%
Death benefits/payments sent to dependant within 10 working days of notification	90%	98%	▲	87%	Establish members thoughts on the amount of info provided - rated as about right	92%	91%	▶	94%
					Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲	100%
Good or better than target	▲				Email response - understandable	95%	90%	▼	90%
Close to target	▶				Email response - content detail	92%	89%	▶	92%
Below target	▼				Email response - timeliness	92%	97%	▲	94%

This page is intentionally left blank