



**LOCAL PENSION BOARD - 3 FEBRUARY 2020**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PENSION FUND ADMINISTRATION REPORT – OCTOBER TO DECEMBER  
2019 QUARTER**

**Purpose of the Report**

1. The purpose of this report is to:
  - a) inform the Board of relevant issues in the administration of Fund benefits, including the performance of the Pensions Section against its Performance Indicators.
  - b) Approve the revised Administration and Communication Strategy.

**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 Appendix A 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 October to December 2019 quarter are detailed within Appendix A.
5. Most results remain positive, but it remains challenging. Following a review of the feedback received from scheme members over a period of 12 months, officers have identified some areas of the retirement process that need reviewing. These improvements will hopefully feed into improved customer

experience. Officers are also reviewing the resource on death notifications within 10 working days.

### **Administration**

#### **General Workloads**

6. The tables show the position in five key work areas, October to December 2019.

#### **October 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 | 304                           | 1050                                     | 900  |
| Aggregations       | 219                           | 679                                      | 1000   |
| Interfunds in      | 86                            | 118                                      | 200  |
| Retirements        | 440                           | 569                                      | 500  |
| Deaths             | 83                            | 114                                      | 100  |

#### **November 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 | 149                           | 1163                                     | 800  |
| Aggregations       | 89                            | 854                                      | 650  |
| Interfunds in      | 49                            | 142                                      | 200  |
| Retirements        | 369                           | 548                                      | 500  |
| Deaths             | 67                            | 124                                      | 100  |

#### **December 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 | 292                           | 1054                                     | 750  |
| Aggregations       | 80                            | 1452                                     | 450  |
| Interfunds in      | 72                            | 117                                      | 200  |
| Retirements        | 395                           | 442                                      | 600  |
| Deaths             | 65                            | 126                                      | 100  |

7. The main point to note is that aggregations are increasing as the new starters are completed. This is expected to continue to increase for the coming months. Recruitment for four new temporary Pensions Assistants is progressing. This additional resource will help work on aggregations.

McCloud and Sargeant

8. Following the McCloud/Sargeant rulings, it is expected Funds will need to review and potentially revise leaver benefit calculations for members with final salary benefits who have left the scheme since April 2012.
9. In order for the Pension Section to do this, employers will have to provide hour changes from April 2014 (hours relating to the period April 2012 to March 2014 were previously provided at that time) and these will need to be loaded onto the administration system. Leaver benefits will then be re-run to determine if higher benefits are due. If they are, revised benefits and arrears will be paid, and the members will be written to.
10. Currently the Pensions Manager is following the LGA's advice and has written to the Fund's employers making them aware they may need to provide all hour changes from April 2014. No hours since April 2014 have been requested at this time.
11. The Pension Section is reviewing its structure to deal with several new administrative items moving forward. Depending on the final national decision on how McCloud/Sargeant should be remedied, the administrative impact could be very significant.

Valuation – Consultations FSS and ISS

12. Consultations on the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) ended on the 31 December 2019. Officers received a small number of replies from the Fund's employers. Both documents are being reviewed by Officer and the Fund's actuary taking into consideration the replies received. The Local Pension Committee will be asked to approve the Final FSS and ISS documents on the 28 February 2020 ready for the final employer results to be issued to the Fund's employers.

**Governance Items**Year End 2019/20

13. The 2019 year-end process worked very well with all employers providing their year-end return by the 30 April deadline.
14. Officers have agreed the same approach for the 2020 year-end process. Two of the Fund's largest employers, Leicester City Council and DMU implemented IConnect monthly posting in December 2019, back dating entry to April 2019.
15. Due to the size of these employers, there are a large number of initial data discrepancies that need to be resolved before year-end. This takes considerable resource and could impact on these employer's year-end. Whilst Officers and the employers are working positively to negate year-end

delays, this has been added to the Fund's risk register as it could create statutory failings, late annual benefit statements or taxation statements.

16. All the Fund's employers will be written to in February 2020 with the Fund's 2019/20 year-end specification.

#### Internal Dispute Resolution Procedure (IDRP)

17. 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.
18. In the period October to December 2019 there were no new IDRP stage 2 appeals.
19. One of the previous cases from an earlier quarter; where a scheme member had appealed against their previous employer's decision on the pensionable pay used in the calculation of benefits, was upheld at Stage 2. The member's benefits have been revised and arrears of pension paid.

#### Administration and Communication Strategy

20. The Leicestershire Pension Fund has an administration and communication strategy. This is a legislative requirement and the Pensions Manager reviews the strategy at least every two years and brings changes to the Pension Board. Significant changes are consulted on with the Fund's employers.
21. The last review of the strategy was in September 2018 and was taken to the Pension Board for approval.
22. Following a review in January 2020, The Pensions Manager has made four minor changes to the strategy. These are not deemed material so employers have not been consulted with, however those employers that are affected by the change to the IConnect deadline, have been informed.
23. In line with the Pension Regulators Code of Practice 14 Governance and Administration of Public Service the Pensions Manager has introduced a charge of £475 plus VAT per case. where the Pension Section is requested to provide information to a member, alternative pension arrangement or independent financial advisor, detailing the loss of benefits a member may have suffered when transferring their benefits out to an alternative pension arrangement. Charges are only intended to cover the Pension Section additional administration costs associated with these duties and not designed to make a profit.. Previously in the 1990's similar cases were referred to as Securities and Investments Board (SIB) reviews and were charged at £250 plus VAT per case.

The four changes are;

- To assist employers; the deadline for them to start submitting monthly IConnect data has been extended from the 31 March 2020 to the 31 March 2021 – see page 32 of the strategy
  - To assist employers; the wording for the transition to monthly pensions returns, has changed;
    - *It was;* Provide administering authority with a monthly pension return using the secure online facility IConnect.
    - *It has changed to;* Provide administering authority with a monthly pension return. - see page 31 of the strategy.
  - Reinstatement of Benefits (and/or associated work) – Where a member has transferred out to another Pension arrangement and work is requested to determine any potential loss of benefits, a charge of £475 plus VAT has been included. – see page 17 of the strategy
  - Correction to the Section of “Policy on Communication with Union Representatives” to refer to “Employee Representatives”.
24. The revised administration and communication strategy is attached as Appendix B. Subject to approval from the Board, the changes will be implemented from the 1 March 2020 and all employers will be written to.

#### Implementation of monthly posting

25. The Pension Section continues a phased implementation of monthly postings using IConnect, as part of the Leicestershire Fund’s data improvement plan.
26. The position as at 17 January 2020 is attached in Appendix C.
27. Since the 2 December 2019 Board report, another 8 employers have gone live including De Montfort University and Leicester City Council. There are now over 85% of active members live on IConnect. The next large employers phasing in IConnect in 2020/21 are;
- Leicester College (600 members)
  - St Thomas Aquinas CMAT (580 members)
  - Employers paid through EPM payroll (550 members)
    - Brooke Hill Academy
    - Beauchamp (Lionheart)
    - Casterton B&EC Academy Trust
    - Rutland CC
    - Lady Jane Grey Primary
    - LEAD Academy Trust
    - Rutland Learning Trust
    - St Gilbert of Sempringham/St Therese of Lisieux
    - Uppingham CC

- Tudor Grange

28. The remaining time for 2019/20 will be spent getting the live employers prepared for year-end.

#### Breaches Log

29. 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 January 2020 breaches log is attached as Appendix D.

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

30. As part of the valuation the Pension Manager has been assessing the ongoing employer risk to the Fund.
31. 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.
32. 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.
33. 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.
34. 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.

35. As at the 17 January 2020, cases outstanding are detailed in the tables below.

### 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                 | Blaby DC                | East Midlands Housing (Three Oaks) | Capital Cost              | £200,000 – 31/3/2023                | This could become negated if it moves to pass-through. All parties are actively engaged. |
| Pre April 2019                 | City Council            | Aspens (Crown Hills)               | Full                      | £160,000 – 31/12/2023               | Bond awaiting signature as at November 2019  |
| Pre April 2019                 | Various                 | Chartwells                         | Full                      | £97,000 – tbc                       | Work ongoing following the valuation   |
| Pre April 2019                 | Mowbray Education Trust | Caterlink                          | Full                      | £59,600 – 31/7/2021                 | Bond awaiting signature  |

**Admission Agreement Outstanding (some also have bonds)**

| <b>Pre April 2019 or pass-through</b>            | <b>Letting employer</b> | <b>Contractor</b> | <b>Full or Capital Cost Bond</b> | <b>Bond value and end date</b> | <b>Employees informed of the delay</b> | <b>Comments</b>  |
|--|-------------------------|-------------------|----------------------------------|--------------------------------|--|--|
| Pass-through – date of transfer 1 September 2019 | Beacon Academy          | Cleantec          | Capital Cost                     | £33,000 – 25/8/2020            | Yes                                    | Admission agreement and bond outstanding since August 2019<br><br>Cleantec are unable to secure a bond due to delays with bond provider/s – updated Jan 2020 |
| Pass-through – date of transfer 1 September 2019 | Beacon Academy          | Mellors catering  | Capital Cost                     | £22,000 – 25/8/2020            | No – but under close review            | Admission agreement and bond outstanding since August 2019<br><br>Mellors investigating the delay – Jan 2020   |
| Pass-through – date of transfer 27 August 2019   | Melton Vale (NOVA)      | Aspens            | n/a                              | n/a                            | No – but being reviewed                | Admission agreement outstanding since August 2019 - all parties actively working to complete   |
| Pass-through – date of transfer 1 August 2019    | WQE and Regent College  | Caterlink         | Capital Cost                     | £13,000 – 31/7/2023            | No – but being reviewed                | Admission agreement and bond outstanding since August 2019 – all parties actively working to complete  |
| Pass-through – date of transfer 1 November 2019  | City Council            | Guardian          | Capital Cost                     | £40,000 – 31/10/2022           | No – but being reviewed                | Admission agreement and bond outstanding.<br><br>All parties actively engaged on completion (expected to do so within two weeks)                             |



37. Cases that have been completed since the last report to the Pension Board on 2 December 2019 are as follows;
- Harborough – Seven Locks (waterloo Group) Bond for £87,200 in place to 31/3/2023
  - Admission agreement for South Leicestershire College to Churchill completed.
38. 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**

39. It is recommended that the Board
- a) notes all areas of the report.
  - b) approves the revised Administration and Communication Strategy.

### **Equality and Human Rights Implications**

None specific

### **Appendix**

Appendix A – Key Performance Indicators October to December 2019  
Appendix B – Revised Administration and Communication Strategy January 2020  
Appendix C – Monthly posting position as at January 2020  
Appendix D – The Fund's Breaches Log as at January 2020

### **Officers to Contact**

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## APPENDIX A

| Quarter - October to December 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%    | 93%          | ▲                | 95%   | Establish members understanding of info provided - rated at least mainly ok or clear | 95%          | 98%              | ▲   | 99% |
| Pension payments made within 10 working days of receiving election                   | 95%    | 90%          | ▼                | 89%   | Experience of dealing with Section - rated at least good or excellent                | 95%          | 89%              | ▼   | 90% |
| Death benefits/payments sent to dependant within 10 working days of notification     | 90%    | 85%          | ▼                | 98%   | Establish members thoughts on the amount of info provided - rated as about right     | 92%          | 97%              | ▲   | 91% |
|  |        |              |                  | Establish the way members are treated - rated as polite or extremely polite | 97%  | 100%         | ▲                | 99% |     |
|  |        |              |                  | Email response - understandable   | 95%  | 90%          | ▼                | 90% |     |
| Good or better than target   | ▲      |              |                  | Email response - content detail   | 92%  | 95%          | ▲                | 89% |     |
| Close to target  | ▶      |              |                  | Email response - timeliness   | 92%  | 97%          | ▲                | 97% |     |
| Below target   | ▼      |              |                  |   |  |              |                  |     |     |