



LOCAL PENSION BOARD - 26 OCTOBER 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**PENSION FUND ADMINISTRATION REPORT
JULY TO SEPTEMBER 2020 - QUARTER TWO**

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 2020 quarter are detailed within Appendix A. Whilst the Section continues to work from home, the Pensions Manager is pleased with the overall results.

Administration

General Workloads

5. The tables show the position in the key work areas, July to September 2020.

July 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	48	922	900
Aggregations	8	1,154	450
Interfunds in	18	132	200
Retirements	385	415	500
Deaths	106	128	100
Transfers Out (excluding interfunds)	35	28	100
Refunds	76	222	400

August 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	9	1,110	950
Aggregations	120	1,094	450
Interfunds in	28	141	200
Retirements	300	509	600
Deaths	76	134	100
Transfers Out (excluding interfunds)	25	35	100
Refunds	51	221	400

September 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	133	1,080	1,000
Aggregations	345	838	800
Interfunds in	8	154	200
Retirements	312	557	500
Deaths	53	149	100
Transfers Out (excluding interfunds)	11	57	100
Refunds	84	197	400

6. The main points to note;
Year-end was completed in August so in September resource was moved back to preserved benefits and aggregations.

7. Transfers out and refunds remain stable and the Section has not seen the anticipated rise in cases since the Covid-19 pandemic, which is currently positive.

Year-End 2019/20

8. Annual benefits were provided to 64,844 active and preserved members by the statutory deadline of the 31 August 2020.
9. 11 employees at Cleantec and Mellors did not receive their active benefit statements because their previous employer Beacon Academy, who outsourced their staff, and Cleantec and Mellors have still not signed the legal admission agreement, permitting these members to remain active members in the Leicestershire Fund.
10. The Pension Section wrote to these members to explain why they had not received an annual benefit statement. Once the legal agreements are signed the Pension Section will then provide statements to these members.
11. The Pension Manager is pleased to report to the Board there were no material breaches with this years' annual benefit statements.
12. The Pension Section completed the statutory HMRC Taxation Pension Saving Statements by the 6 October 2020 deadline. 70 statements were provided.

McCloud/Sargeant and the Cost Cap

13. When the Local Government Pension Scheme (LGPS) changed from a final salary to a career average (CARE) pension scheme in April 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes.
14. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes were discriminated against because the protections did not apply to them.
15. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud/Sargeant judgment'.
16. The Government is considering exactly what changes need to be made to remove the discrimination from the LGPS and a consultation exercise is taking place. However, it is already known scheme members hour changes and breaks in service will be needed from April 2014 as part of the remedy.
17. Members benefits will be reassessed to see if the final salary benefits are higher than the CARE benefits. If so, revised benefits will be paid.

18. The Pensions Manager has written to all the Fund's employers to make them aware of the remedy and has provided a national template and notes to assist employers provide the missing data.
19. The Local Pension Committee approved the Fund's consultation reply in September 2020 and this is included as Appendix B.

Reforming Local Government Exit Pay (known as the £95,000 Exit Cap)

20. On the 7 September 2020 Government published their consultation on reforming Local Government Exit Pay. This followed several consultations in this area going back four years.
21. Proposals were principally aimed at senior managers, and sought to limit exit packages to £95,000, however there are further measures included that are far more reaching.
22. On the 30 September 2020 the House of Commons approved the Exit Cap changes and we understand these were then signed by Government officials on the 1 October 2020. On the 21 October 2020, or very soon afterwards, these changes became law.
23. This law change has created an issue for employers and the Pension Fund as the Exit Cap Regulations and the LGPS Regulations currently do not align. The Pensions Manager believes the intention is that the LGPS Regulations will be amended to align these with the Exit Cap Regulations in future and should be backdated.
24. Currently under the LGPS Regulations; when a scheme member retires on either redundancy or efficiency grounds age 55 or over in the LGPS this creates a pension strain cost, paid by the employer to the Pension Fund, requiring the scheme member benefits to be paid unreduced.
25. The Exit Cap changes require the Pension Fund to reduce the pension strain by the redundancy payment, so the scheme member receives an element of their pension reduced. There are other options for scheme members including preserving their pension benefit. This option means the members pension will not be paid until a date in future when the member chooses to claim payment. Actuarial reductions will be applied if this is paid before their normal retirement age.
26. MHCLG are aware of the discrepancy between the Exit Cap Regulations and the LGPS Regulations and plan to provide guidance to Funds on how to proceed.
27. In Pensions Bulletin 14, The Pensions Manager has written to all the Funds employers making them aware of the change, informing them they must need to contact any staff impacted. This is included as Appendix C

28. Hymans, the Leicestershire Fund Actuary has produced a useful document covering how the proposals would impact on employers, scheme members and the Fund. This is included as Appendix D.
29. The Pension Fund and Leicestershire County Council (as the employer) plan to send separate replies to the consultation.

Governance Items

Complaints – Internal Disputes Resolution Procedure

30. The Pension Section deals with complaints through the Local Government Pension Scheme's formal Internal Dispute Resolution Procedure (IDRP). However, complaints are usually resolved informally, avoiding the need for the IDRP to commence. Initial complaints are often caused by misunderstandings or human error and can quickly be resolved.
31. In the period July to September 2020 there were no new IDRP stage 2 appeals.
32. There was development on one Stage 2 case;
 - Following receipt of new medical evidence, the member's previous employer reconsidered their previous decision made at Stage 1 and decided to amend their earlier decision, granting a higher level of benefits to the member.

Implementation of monthly posting

33. The Pension Section continues a phased implementation of monthly postings using I-Connect, as part of the Leicestershire Fund's data improvement plan.
34. Having completed the year end work and ensured the Fund's largest employers have up-to-date information posted, Officers have been able to turn their attention to the outstanding employers waiting to go live. The main developments in recent months include:
 - Two employers from the priority 1 list have gone live and been handed over: Rawlins Academy and WQE and Regent College Group.
 - DMU is due to be handed over at the end of October. Given its size, after the handover, Officers will continue to monitor and give greater support to this employer.
 - Leicestershire Firefighters and Fire Civilians have moved payroll providers from East Midland Shared Services to Warwickshire County Council (WCC). Resources have been required to communicate the i-Connect requirements and WCC is generating a new draft report for checking. Due to the change in payroll provider, there are likely to be delays in uploading the monthly data.

- Training has been carried out with two colleagues to assist with onboarding priority 2 and 3 employers.
- The Pension Section is continuing to upload the following employers reports to control the timing and ensure the quality of data: Leicester City Council, Leicestershire County Council and LCC Academies.

35. As at the 14 October 2020, 111 of the 191 employers are using i-Connect covering 32,250 active members.
36. Going forward the focus remains getting priority 1 employers live on i-Connect, as these account for over 75% of the outstanding members due to go live (approx. 3,250 of 4,250 members outstanding).
37. The Fund's position as at October 2020 is attached as Appendix E.

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

38. Officers continue to monitor employer risks. This has greater emphasis following the Regulation change from September 2020, details of which are included in a separate report.
39. 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.
40. 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.
41. 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.
42. 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.
43. As at the 14 October 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	City Council	Aspens (Crown Hills)	Full	£160,000 – 31/12/2023	Document signed by Aspens and the Bank. Sent to City for completion on 9/9/20
Pre April 2019	Mowbray Education Trust	Caterlink	Full	£59,600 – 31/7/2021	Document signed by MET. Awaiting confirmation of signature from Caterlink and the Bank. On 1/10/20 Caterlink confirmed they will complete this asap
Pre April 2019 (contract extended to 31/3/2022)	Tudor Grange (Samworth)	CSE Ltd	Full	£58,000 – 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	Bond agreement sent to Tudor Grange and CSE Ltd October 2020
Pre April 2019 (contract extended to 31/3/2022)	Tudor Grange (Robert Smyth)	CSE Ltd	Full	£50,000 – 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	Bond agreement sent to Tudor Grange and CSE Ltd October 2020

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	Employee informed of the delay	Comments
Pass-through – date of transfer 1 September 2019	Beacon Academy	Cleantec	Capital Cost	£33,000 – to the end of the contract on 31 March 2021	Yes	Document has been signed electronically but LCC Legal Services require “wet signatures”. This is being resolved by legal colleagues.

Pass-through – date of transfer 1 September 2019	Beacon Academy	Mellors catering	Capital Cost	£22,000 to the end of the contract. The Fund is awaiting clarity of the contract end date from Beacon Academy	Yes	Mellors remain unable or unwilling to co- operate with Fund Officers. A warning letter has been issued by the Pensions Manager and Chair of the Local Pension Board to Mellors in September 2020.
Pass through 1 May 2020	Mowbray Education Trust	Aspens	N/A	Contract end date 31 July 2021 – no bond required	No but under review	Document signed by LCC and MET. Currently awaiting confirmation from Aspens.
Pass through 1 January 2020	Hinckley & JCC Academy	Caterlink	Capital Cost	Not known at this stage	No but under review	Academy have been reluctant to provide the Fund with details and initially hinted the contract would not transfer. The Fund has now established it has transferred and has requested details from both parties to establish the type of transfer (pass-through or not). Officers have chased for the pass-through form again in September 2020.

Pass through 4 April 2020	David Ross Education Trust	Caterlink	Capital Cost	£12,000 (3- year contract with an additional 2 years optional)	No but under review	This is a second stage transfer from Chartwells. Fund Officers have chased the David Ross ET for the pass-through form again in September 2020
Pass through 1 August 2020	Tudor Grange	Caterlink	N/A	Contract end date August 2023 – no bond required	No (recent transfer)	Documents have been signed electronically but LCC legal require a wet signature. September 2020
Pass through 17 September 2020	Police	MITIE	Capital Cost	£190,000 to the end of the contract	No (recent transfer)	Bond has yet to be approved by the Bank. Documents are to be issued shortly, just awaiting final clarification on the scheme employer (Police and Crime Commissioner and Chief Constable of Leicestershire Police have different functions)

One case was completed in the quarter is listed below;

- Ashby Hill Top Primary School to Coombes Catering

44. 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

45. 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 2020

Appendix B – Fund’s reply to the consultation on McCloud

Appendix C – The Funds Bulletin to Employers on the £95K Exit Cap

Appendix D – Hymans document – on the £95K Exit Cap

Appendix E – Fund’s position on the role out of monthly postings (October 2020)

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