



LOCAL PENSION BOARD - 8 FEBRUARY 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
OCTOBER TO DECEMBER 2020 - QUARTER THREE

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 October to December 2020 quarter are detailed within Appendix A.

Administration

General Workloads

5. The tables show the position in the key work areas, October to December 2020.

October 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	97	1,131	900
Aggregations	245	869	1000
Interfunds in	23	160	200
Retirements	429	541	500
Deaths	80	133	100
Transfers Out (excluding interfunds)	11	57	100
Refunds	51	197	400

November 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	147	1,211	800
Aggregations	250	841	650
Interfunds in	19	182	200
Retirements	333	615	500
Deaths	89	139	100
Transfers Out (excluding interfunds)	22	44	100
Refunds	43	151	400

December 2020

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	35	1,271	750
Aggregations	119	804	450
Interfunds in	8	192	200
Retirements	343	559	600
Deaths	64	154	100
Transfers Out (excluding interfunds)	23	44	100
Refunds	85	173	400

6. The main points to note;

- Preserved benefits and aggregations remain higher than target and new resource will move into these areas in January.

- The Pension Section is starting to see a gradual increase in deaths. It is slightly to early to say if this is linked to the latest Covid rises but it is expected to be linked.

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

7. On the 27 November 2020 the Local Pension Committee approved the Fund's position on the £95,000 Exit Cap. The Fund's policy on how to deal with cases is detailed as follows;

For Cases that Breach the £95,000 Cap -The Pension Fund will offer either

- a. Fully reduced benefits, or
 - b. Preserved benefit
 - i. It is fully anticipated this will generate appeals and it is likely a case will be fast tracked to the Ombudsman.
8. The Fund suggests to employers not to make payment of a "cash alternative" as this creates an additional unnecessary risk and is designed to avoid overpayments or the need to reclaim amounts from scheme members. If an employer makes payment of the cash alternative and then the ultimate regulatory position requires payment of a pension strain cost, the cash alternative will then need to be reclaimed (in full or in part) from the member. Employers will need to have a legal agreement in place with the scheme member to enforce repayment of the cash alternative, should this become necessary.

For Cases that Do Not Breach the £95,000 Cap

9. The Pension Section has amended its processes and letters and informed the Fund's employers of these changes. The Pensions Manager will continue to produce estimates for people retiring on redundancy and efficiency grounds who are under the £95,000 Cap, up to and including a retirement date of the 30 June 2021, based on the current scheme rules.
10. This means members will continue to receive fully unreduced benefits. This is on the understanding the employee and the employer have entered into an agreement to terminate before the LGPS Regulations come into force and the members retirement date falls within the 6 months protection period (which is broadly estimated to be 6 months from the 1 January 2021).
11. When the LGPS Regulation change is made, and the transitional arrangements are finalised, the Pensions Section will adjust its processes to reflect this.
12. For cases that take place from the point when the LGPS Regulations change, (unless the employer has entered into an agreement with the employee and

the employee's termination date is within six months of the Regulation change) require the Pension Fund to reduce the pension strain by the redundancy payment, so the scheme member receives an element of their pension reduced. This is likely to be cases where members retire from the 1 July 2021 onwards, or before this date, without the employee and employer having entered into an agreement.

13. The Pension Section has added a new caveat to estimate letters for cases impacted based on the dates detailed in the report.

New Pensions Structure and Fire Pensions Administration

14. On the 31 December 2020 the Pension Section ceased providing pension administration services to Nottinghamshire, Derbyshire and Leicestershire Fire Authorities. The administration was transferred over to West Yorkshire following a successfully tender carried out by the three Fire Authorities.
15. On the 1 January 2021 the Pension Manager implemented a new office structure to assist the Section deal with the current administrative issues.
16. The new structure has five teams with their own Team Manager who report directly to the Pensions Manager. The new teams and the Managers are as follows;

Stuart Wells – Continued Improvements and Systems
 Sue Hodson – Payments and Taxation
 Elena Johnson – Early Leavers
 Dean Campbell – Employers and IConnect
 Gary Featherstone – McCloud Project (temporary team)

17. Due to the increasing workloads, the Section has increased by four temporary Pensions Assistants, initially on 12 monthly contracts.

Governance Items

Complaints – Internal Disputes Resolution Procedure

18. 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.
19. In the period October to December 2020 there were no new IDRP stage 2 appeals. There was progress on two existing Stage 2 cases;
 - One case was referred back to the member's previous employer to reconsider their original Stage 1 decision.

- One case was completed, following an earlier referral back to the member's previous employer. The employer reviewed their original Stage 1 decision and have now successfully resolved the complaint.

Implementation of monthly posting

20. The Pension Section continues a phased implementation of monthly postings using i-Connect, as part of the Leicestershire Fund's data improvement plan. The main developments in the October to December quarter:
- The following employers went live on i-Connect: Community Inclusive Trust - Foxfield Academy, The Priory Academy Trust - Belvoir Academy, East Midlands Housing Group, Voluntary Action Leicester and Syston Parish Council.
 - Work has continued with a strong focus to go live with the following priority 1 employers in 2020/21: Rutland County Council, Leicester College and Embrace Academy Trust.
 - Several priority 2 & 3 employers have been progressing well and are expected to go live between January and March 2021: Queensmead Primary Academy, South Leicester College, Midlands Academy Trust, MCS Cleaning and Whetstone Parish Council.
 - St Thomas Aquinas (priority 1 ER) has confirmed they will not be able to generate the i-Connect reports as required in the time available and have therefore moved their go-live date back to April 2021.
 - EPM payroll and The Vines Academy Trust (priority 1 ER's) have not provided a suitable i-Connect report or replied to progress queries in recent months. Officers still hope they will go-live from April 2021 if this issue is resolved. EPM employers include LEAD Academy, Rutland County Council (paid by EPM), St Therese of Lisieux / St Gilbert of Sempringham, The Rutland Learning Trust, Tudor Grange Academies Trust and Uppingham College.
 - Fire Civilians have moved payroll providers from East Midland Shared Services to Warwickshire County Council (WCC). Fire Civilians will continue to post data via i-Connect but WCC are currently working on the report generation, as a result the uploads are currently on hold.
 - Leicestershire County Council's Fit For The Future project has progressed and 14 Academy employers have moved from Oracle payroll to the new Fusion payroll system. The payroll move has added an extra layer of initial work in the i-Connect process, causing some minor delays. The new Fusion i-Connect report is in progress with East Midlands Shared Services and Officers plan to have the new reports before year-end.
 - De Montfort University (DMU) i-Connect implementation was fully handed over to the employer, the training took several weeks to complete. Officers are monitoring the uploads closely and offer support where needed to prevent

issues at year-end. Currently DMU is confident the relevant data will be processed by year-end.

- The Pension Section is continuing to upload the following employers i-Connect reports to control the timing and ensure the quality of data: Leicestershire County Council, LCC Academies (Oracle and Fusion), Leicester City Council, Melton Borough Council, Harborough District Council and Broughton Astley Parish Council.
21. As at the 15 January 2021, 115 out of 192 employers are using i-Connect covering over 30,000 active members.
 22. The focus over the next four months is to get as many employers live as possible in time for year-end, particularly the outstanding priority 1 employers. The Fund's position as at 15 January 2021 is attached as Appendix B.

Breaches Log

23. The Pension Manager retains the Fund's 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.
24. The only current active breach is due to the delays at the Fund's in-house AVC provider, The Prudential. The delays are causing the Fund to be unable to process retirements for scheme members with AVCs, in a timely manner. The Pension Manager has escalated this issue within the Prudential, had a meeting with Prudential's Senior Managers, and is keeping Scheme Members informed.
25. The January 2021 breaches log is attached as Appendix C.

Administration and Communication Strategy

27. 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
28. The last review of the strategy was in January 2020 and was taken to the Pension Board for noting.
29. Following a review in January 2021, The Pensions Manager has made two 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 as this is designed to assist them with the transition to monthly posting of data.

The two changes are;

- The deadline for employers to start submitting monthly IConnect data has been extended from the 31 March 2021 to the 31 March 2022. Of the Fund's 192 employers with active scheme members, there are 115 submitting monthly data already with 77 employers remaining.
 - Refreshed wording in respect of governance of the Fund following the Independent Governance Review and revised Terms of Reference of the Local Pension Committee and Board.
30. The January 2021 version is attached as Appendix D. This will be taken to the Local Pension Committee on the 28th February 2021 for final approval.

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

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 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 continue to monitor employer risks including the bond values and the contract dates, working closely with the employers to maintain the required security. Unfortunately, some employers do not maintain the bonds and allow these to lapse.
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 15 January 2021, cases outstanding are detailed in the tables below.

Bonds Outstanding

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value and End Date	Comments
Pre April 2019 (contract extended to	Tudor Grange (Samworth)	Full. £58,000 to 31/3/2022	Bond agreement sent to Tudor Grange and CSE Ltd October 2020 Bank had completed and signed a

31/3/2022)	to CSE Ltd	(previous bond lapsed on 31/3/2020 when original contract was due to end)	bond extension not realising that bond had expired. Bond agreement back with CSE for signing December 2020
Pre April 2019 (contract extended to 31/3/2022)	Tudor Grange (Robert Smyth) to CSE Ltd	Full. £50,000 to 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 Bank had completed and signed a bond extension not realising that bond had expired. Bond agreement back with CSE for signing December 2020
Pre April 19 (contract extended to 31/8/2021)	South Charnwood High School to MCS Cleaning	Full. £11,000 to 31/08/2021 (previous bond lapsed on 31/8/2020 when original contract was due to end)	Officers were notified in November 2020 that the contract had been extended to December 2020. Given the timescale it would have not been possible to get a bond extension in place before the contract ended so the Pensions Manager decided to proceed without bond. Officers were notified in January 2021 that the contract has been extended further to August 2021. Bond agreement sent to South Charnwood and MCS January 2021

Admission Agreement Outstanding (some also have bonds)

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value and End Date	Comments
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Pass through 1 January 2020	Hinckley Academy and John Cleveland Sixth Form Centre to Caterlink	Capital Cost Bond. Bond value and end date not yet established due to uncertainty over the staff that transferred.	The Fund established in April 2020 via the contractor that transfer had taken place. The Fund has been trying to establish from the Academy the type of transfer (pass-through or not). Officers have chased for confirmation again in July 2020, September 2020, October 2020 and in January 2021. This was escalated in January 2021 given the lack of response. The staff will be informed once it is confirmed who they are.
Pass through 4 April 2020	David Ross Education Trust to Caterlink	Capital Cost bond of £12,000 (3-year contract with an additional 2 years optional)	This is a second stage transfer from Chartwells. The Fund found out about this on the 17 July 2020. Officers have chased the David Ross ET for the pass-through form again in September 2020 Draft bond and admission agreement circulated October 2020 Officers have chased up both the admission agreement and bond December 2020. The staff have been informed of the delay.
Pass through 17 September 2020	Police to MITIE	Capital Cost bond. £190,000 to the end of the contract	This is a second stage transfer from G4S. Discussions are ongoing, due to Bond Companies restrictions to the terms of the Fund's Bond document. Discussions took place, considering a Parent Company

			<p>Guarantee, but the Fund decided a Bond is still required.</p> <p>All parties are actively engaged in resolving this issue quickly.</p> <p>The staff have not been informed at this early stage.</p>
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36. The seven case were completed in the quarter are listed below;

- Beacon Academy to Cleantec
- Beacon Academy to Mellors catering
- Mowbray Educational Trust (Sherard PS) to Aspens
- Tudor Grange to Caterlink
- City Council (Soar Valley) to Atalian Servest Food
- Mowbray Educational Trust (John Ferneley College) to Caterlink (updated bond)
- City Council (Crown Hills) to Aspens (updated bond)

37. Given the increased activity and risk with employers in this area of pensions, the Pension Structure was amended in January 2021 to have greater emphasis with employers. Officers are in regular contact with the employers to ensure all outstanding agreements and bonds are completed as quickly as possible.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators October to December 2020

Appendix B – Fund’s position on the role out of monthly postings (January 2021)

Appendix C – Fund’s breaches log (January 2021)

Appendix D – Administration and Communication Strategy (January 2021)

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APPENDIX A

Quarter - October to December 2020									
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%	100%	▲	100%
Pension payments made within 10 working days of receiving election	95%	93%	▶	95%	Experience of dealing with Section - rated at least good or excellent	95%	96%	▲	97%
Death benefits/payments sent to dependant within 10 working days of notification	90%	88%	▶	86%	Establish members thoughts on the amount of info provided - rated as about right	92%	94%	▲	99%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	100%
Good or better than target	▲				Email response - understandable	95%	93%	▶	93%
Close to target	▶				Email response - content detail	92%	93%	▲	92%
Below target	▼				Email response - timeliness	92%	97%	▲	97%

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