



LOCAL PENSION BOARD - 24 MAY 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JANUARY TO MARCH 2021 - QUARTER FOUR

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the quarter. The report covers governance areas including administration of Fund benefits, including the performance of the Pensions Section against its Performance Indicators. The Board is recommended to raise any areas of concern to be reported to the Local Pension Committee.

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 January to March 2021 quarter are detailed, as are the results for the full year April 2020 to March 2021. These are included as Appendix A
5. A Pensions Officer has temporarily moved from the Improvements Team to the Payments and Taxation Team for three months April to June 2021. This is designed to increase the resource dealing with deaths and payments following

a fall in these KPIs. If this delivers the improvement the Pensions Manager will develop a more permanent solution.

6. The Pensions Manager is pleased with the overall KPI results throughout the full year with all being close or above target.

Governance – Service Delivery

General Workloads

7. The tables show the position in the key work areas, January to March 2021.

January 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	165	1185	750
Aggregations	118	804	300
Interfunds in	27	219	200
Retirements	390	550	500
Deaths	84	187	100
Transfers Out (excluding interfunds)	37	34	100
Refunds	63	201	400

February 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	317	996	750
Aggregations	104	906	250
Interfunds in	48	245	200
Retirements	304	557	500
Deaths	86	224	100
Transfers Out (excluding interfunds)	22	46	100
Refunds	48	199	400

March 2021

8. To align with the annual report the headings from March 2021 have been changed as follows. Future months will detail these areas.

Area	Cases completed in	Remaining cases at the end	Maximum Number of Cases at Month End
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	the period	of the period	
Preserved benefits	119	996	750
Retirements	341	591	600
Deaths	118	249	100
Refunds	73	237	400
Pension Estimates	118	139	250
Transfers in	63	216	200
Transfers out (excluding interfunds out)*	55	33	100
Aggregations	131	876	250
New starters set up on the pension system	330**	n/a	n/a

*Interfunds out are excluded from the figures as Regulations allow one year for members to decide whether to transfer.

**New starters are set up from IConnect interfaces load files provided by the employers.

9. The main points to note;
- Extra resource was directed to checking of preserved benefits in February 2021.
 - The Pension Section normally aims to reduce aggregations to 250 in March, prior to the start of the new financial year, but this has not been possible given other work pressures. Therefore, aggregations remain higher than target. Some of the new starters are being trained on aggregations to help clear some of the easier cases. Work is also targeting some of the older cases.
 - Deaths remain high, but the number of new deaths is now at pre Covid levels, so the Pensions Manager expects to see a reduction in death numbers over coming months.

Complaints – Internal Disputes Resolution

10. 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.
11. In the period January to March 2021 there was one new IDRP stage 2 appeal.

There was progress on two existing Stage 2 case;

- One case was referred back to the member's previous employer to reconsider their original Stage 1 decision.
- The second case, which was already with the Pensions Ombudsman for final determination, was made in favour of the Administering Authority.

Data Improvement

12. 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 January to March 2021 quarter were:
- A total of 9 employers have gone live, including the priority one employers Leicester College, Wigston Academy Trust and Embrace.
 - Fire Civilians new payroll provider have generated the i-Connect report and is now uploading the information to i-Connect. No delays are expected at Year End.
 - Monthly monitoring of data submitted by employers has improved. The process has become more automated saving time and Officers can now identify employer rate discrepancies to react more quickly to employer changes.
 - Rutland County Council was aiming to go-live but due to issues with their report, this has been pushed back to 2021/22.
 - Year End information and documents are being provided by employers; the deadline is the 30 April 2021.
 - 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.
13. As at 30th April 2021, a total of 122 out of 190 employers are live on i-Connect which is 64% of employers and approximately 32,325 active members are live on i-Connect which is 92% of members.

Plan for 2021/22

14. To help Officers achieve the deadline of getting all the remaining 68 employers onboarded to i-Connect by 31/3/2022, the employers will be split into 3 groups and target each group at a set date:
- Phase 1: This will consist of the remaining priority 1 employers and some priority 2 & 3 employers who we expect can be processed quickly. Correspondence to these employers went out at the end of March requesting that the April 2021 report is sent to us by 15th May.
 - Phase 2: This will consist of the remaining priority 2 employers and some priority 3 employers.

Correspondence to these employers will go out at the start of June requesting that the April 2021 report is sent to us by 15th July.

- Phase 3: This will consist of the remaining priority 3 employers, who have fewer than a dozen members each.
Correspondence to these employers will go out at the start of August requesting that the April 2021 report is sent to us by 15th September.
15. The dates are flexible and if resources allow Officers can target phase 2 or phase 3 employers before the dates specified above. In case any of the priority 3 employers are struggling to extract and upload spreadsheets into i-Connect as an alternative, Officers will allow the employer to use the facility of entering the data manually through i-Connect. In the event an employer cannot go live in 2021/22, they will be moved to 'phase 4' and will be dealt with after the other employers have gone live.

Fusion

16. East Midlands Shared Services (EMSS) are moving some of the employers they provide the payroll service, from the Oracle payroll system to the new Fusion payroll system. There are now 16 employers live on i-Connect employing a total of approximately 1,750 scheme members, that have not had data posted from October 2020 onwards due to the challenges of extracting data from the new payroll system into the i-Connect format.
17. Completion of the data for these employers into the i-Connect format is critical for year-end and to achieve statutory deadlines, therefore work is progressing in this area. The report totals now balance and the next key points needed in the report are;
- Full-Time Equivalent pays / Dates of leaving / Dates joined fund / Dates of birth / Mandatory address information / Missing members
18. Officers provided feedback to EMSS on these points on the 27 April 2021. Once these are resolved, EMSS will be required to sign to confirm the report is accurate, enabling Pension Officers to load the data into the Pension administration system. The deadline for the completion of the report is the 21 May 2021.
19. Fund Officers are aware, as failure to complete year-end and produce annual benefit statements and/or taxation statements will cause a breach of pensions law and will require notification to The Pensions Regulator.
20. The monthly posting position as at 30 April 2021 is attached as Appendix B

Breaches Log

21. 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.

22. As agreed with the Chair of the Local Pension Board, there is one active material breach. This regards the late payment of members pension benefits with Prudential Additional Voluntary Contributions (AVCs). Because of the Prudential's current failings, their delays are impacting on the time taken for the Pension Section to make payment of members pension benefits. This is detailed in a separate report to the Board.

Year-End

23. The Pension Section started preparing for 2020/21 year-end in January 2021. The employers received the year-end layouts and completion details.
24. The deadline for submission of the year-end information was the 30 April 2021.
25. The position at 30 April 2021 was;
- 118 employers have provided their year-end data.
 - 77 employers have not provided their year-end data. These employers have been reminded.

 - Of those that have provided the data, 53 have been reconciled and the Pension Section is working through and data queries prior to sending these to employers for resolution. The remaining cases are being worked through.
26. By the 31 July 2021 all data queries must be resolved and sent back to the Pension Section.
27. The Pension Section will then update members records with the relevant data, prior to running member's annual benefit statements by the statutory deadline of the 31 August 2021.

Governance – Audit

28. During the quarter January to March 2021, the Pension Fund received an Internal Audit report on Governance and Risk.
29. There were a small number of recommendations made regarding assessing and managing employer risk. Officers are working through these and the Pensions Manager has developed a Fund Policy on employer risk that is included within a separate report to the Board.
30. Officers have been asked to report to the Board the findings of the recent cyber security exercise. This is detailed in a separate report to the Board.

Governance - Regulation Changes

31. During the quarter January to March 2021, Government disapplied the Public Sector Exit Cap that was reported to the Board at the February 2021 meeting.
32. The law change had created an issue for employers and the Pension Fund as the Exit Cap Regulations and the LGPS Regulations did not align. In response, following appropriate legal advice the Committee on 27 November 2020 agreed a proposed solution for those cases where members retired from 4 November 2020.
33. Disapplying the exit cap has reversed this and reintroduces the LGPS Regulations prior to the 4 November 2020.
34. Fund Officers liaised closely with the Fund's employers during the period of change, and the Pensions Manager is pleased to confirm the Leicestershire Fund has no scheme members that breached the £95,000 cap and then subsequently retired, so there are no retrospective benefits to be calculated.
35. Fund Officers have worked through several administrative changes required to reintroduce the position prior to the 4 November 2020, this included informing all the Fund's employers.
36. Whilst Government issued the direction disapplying the exit payment cap on the 12 February 2021, HM Treasury also issued guidance on the same day. The guidance states: It is still vital that exit payments deliver value for the taxpayer and employers should always consider whether exit payments are fair and proportionate. HM Treasury will bring forward proposals at pace to tackle unjustified exit payments. It is therefore expected further changes will follow and the Pension Manager understands these are likely to be in 2021.

Governance – National

37. The Pensions Regulator (TPR) has announced that it intends to amalgamate its current 15 codes into a single code of practice. A consultation will take place later this year with the intention of the new single code being in place towards the end of 2021. Officers understand much of the current information will remain, but it will include new areas, cyber security and potentially some investments.

Governance – Fund Policies

38. During the quarter January to March 2021, the Fund consultation on changes to the Fund's Funding Strategy Statement on employer risks and exits ended. A separate report to the Board details this.
39. The Pensions Manager has developed a Fund Policy on employer risk that is detailed in the separate report.

Governance – Actuarial

40. In the period, Officers completed the actuarial tender. Hymans Robertson, the Fund's existing Actuary were successful and will remain the Fund Actuary for the following five years, with a possible extension of five further years. Hymans will attend the Pension Board meeting in August to present to the Board on the following items;
- The role of the Actuary and how it links with the Leicestershire Fund
 - The Fund's valuation process
 - Assumptions used in the valuation
 - A mid-valuation position (the current valuation period is 1 April 2020 to 31 March 2023)
 - Government Actuary Department's (GAD) separate valuation process and any potential impact

Governance – Employer Risk

41. 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.
42. 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.
43. 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.
44. 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.
45. As at the 30 April 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

<p>Pre April 2019</p> <p>(contract extended to 31/3/2022)</p>	<p>Tudor Grange (Samworth)</p> <p>to CSE Ltd</p>	<p>Full.</p> <p>£58,000 to 31/3/2022</p> <p>(previous bond lapsed on 31/3/2020 when original contract was due to end)</p>	<p>The terms of the bond have now been agreed.</p> <p>It is expected this will be completed very shortly.</p>
<p>Pre April 2019</p> <p>(contract extended to 31/3/2022)</p>	<p>Tudor Grange (Robert Smyth)</p> <p>to CSE Ltd</p>	<p>Full.</p> <p>£50,000 to 31/3/2022</p> <p>(previous bond lapsed on 31/3/2020 when original contract was due to end)</p>	<p>The terms of the bond have now been agreed.</p> <p>It is expected this will be completed very shortly.</p>
<p>Pre April 19</p> <p>(contract extended to 31/8/2021)</p>	<p>South Charnwood High School</p> <p>to MCS Cleaning</p>	<p>Full.</p> <p>£11,000 to 31/08/2021</p> <p>(previous bond lapsed on 31/8/2020 when original contract was due to end)</p>	<p>Officers were notified in November 2020 that the contract had been extended to December 2020.</p> <p>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.</p> <p>Officers were notified in January 2021 that the contract has been extended further to August 2021.</p> <p>Bond agreement sent to South Charnwood and MCS January 2021</p> <p>Officers are waiting for MCS to confirm that they will sign a new document. April 2021.</p>

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
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)	<p>This is a second stage transfer from Chartwells.</p> <p>The Fund found out about this on the 17 July 2020.</p> <p>Officers have chased the David Ross ET for the pass-through form again in September 2020</p> <p>Draft bond and admission agreement circulated October 2020</p> <p>Officers have chased up both the admission agreement and bond December 2020.</p> <p>The staff have been informed of the delay.</p> <p>Final versions of the admission agreement and bond issued 1 April 2021 and awaiting signature.</p>
Pass through 1 January 2021	Beacon Academy to Hutchinson Catering	Capital Cost bond of £13,000 (5-year contract with an additional 2 years optional)	<p>The Fund received the pass through form on 14 December 2020</p> <p>Draft bond and admission agreement circulated January 2021</p> <p>Received email on 18 January 2021 from Beacon stating that the TUPE date on the pass through form of 13/2/2021 was incorrect and should be 1/1/2021.</p> <p>Revised admission agreement sent 21 January 2021</p> <p>Officers have chased up both the</p>

			admission agreement and bond February 2021 The admission agreement has been agreed but the bond still needs to be finalised. Officers are liaising with the contractor and bank to get this completed.
Pass through 12 February 2021	City Council (City of Leicester College) to Atalian Servest	Capital Cost bond of £86,000 3 year contract	The Fund received the pass through form and list of members on 25 January 2021 Draft bond and admission agreement circulated 9 February 2021 Bond has been agreed by guarantor and Atalian. April 2021.
Pass through 12 April 2021	City Council (Shaftesbury School) to Compass	No Bond is required at this time 3 Year contract	The Fund received the pass through form and list of members on 10 March 2021 Draft bond and admission agreement circulated 1 April 2021

46. As part of the Fund Employer risk policy, officers are currently reviewing the historic bonds. Officers have identified the following Transferee Admission Bodies where a bond is needed. Previously it was either considered a bond was not required or the bond had lapsed. This work will be ongoing until all the cases have been reviewed.

Employer Bond Review

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value / Start Date / length of bond	Comments
Pre April 2019	Leicestershire County Council to Rushcliffe CARE	Capital Cost bond of £61,000 March 2021 3 years	Officers issued the bond for agreement in April 2021

Pre April 2019	City Council to G4S	Capital Cost bond of £57,000 May 2021 3 years	Officers issued the bond for agreement in April 2021
Pass through	Blaby DC (2019 contract) to SLM	Capital Cost bond of £31,000 March 2021 3 years	Member at the employer turned 55 Officers issued the bond for agreement, but the bank have asked for amendments to be made. Officers are looking into the amendments before reissuing. April 2021

47. Officers have also identified six cases where bonds are currently in place, but the value potentially needs increasing or the length of the bond extending.
48. The two case were completed in the quarter are listed below;
- Hinckley Academy and John Cleveland Sixth Form College to Caterlink
 - Police to Mitie

Governance – Knowledge and Understanding

49. Members of both the Local Pension Board and Committee should demonstrate a suitable level of knowledge and understanding. A Training Policy was approved November 2019 by the Committee which set out the Fund's approach to delivery, assessment and recording plans. Officers have reviewed this policy and do not propose any changes at this time.
50. Board and Committee Members were asked to provide Officers with an update of their knowledge and understanding. Anonymised results are attached as Appendix C. Following this, Officers are providing a training session to Members on the 26 May 2021. Future training sessions will be organised around future agenda items, topical issues, key areas of importance, member feedback and specific requests for training. Members are also encouraged to complete The Pension Regulator's free online learning programme called the Public Service toolkit
<https://education.thepensionsregulator.gov.uk/login/index.php>
51. Members individual training plans are retained by Officers and this is collated and included in the Fund's Annual Report.

Governance – Fraud Initiative and Scams

52. The Pension Manager is keen to protect the Fund's scheme members from transfer scams, and the Pension Section has signed the [Pension Regulator's scam pledge](#). The Section has check lists that Officers complete for transfers out, both within the UK and overseas.
53. If this highlights a possible scam, the case is escalated to a Team Manager to investigate and who will speak to the scheme member.
54. Additional colleagues on the Pensions Payment and Taxation Team have attended The Pension Regulators tutorial on scams.

Pension Board and Committee Workplan

55. Appendix D sets out the general workplan of topics that are to be considered throughout the year and their frequency for the Board and Committee. The plan divides topics by Governance, Funding, Investment and Administration headers to ensure the Board and Committee are focused on their roles and responsibilities as set out in the respective Terms of References.
56. The Plan is by no means exhaustive and items will be added onto the agenda as required and topics arise.

Recommendation

57. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee.

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators January to March 2021

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

Appendix C – Training Assessments Board and Committee

Appendix D – Pension Fund Work Plan

Officers to Contact

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APPENDIX A

Quarter - January to March 2021									
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%	89%	▶	93%	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%	90%	▼	93%	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	96%
Death benefits/payments sent to dependant within 10 working days of notification	90%	75%	▼	88%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	94%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	100%
Good or better than target	▲				Email response - understandable	95%	89%	▼	93%
Close to target	▶				Email response - content detail	92%	90%	▶	93%
Below target	▼				Email response - timeliness	92%	92%	▲	97%

Full Year - 1 April 2020 to 31 March 2021								
Business Process Perspective	Target			Customer Perspective - Feedback	Target			
Retirement Benefits notified to members within 10 working days of paperwork received	92%		93%	▲	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲
Pension payments made within 10 working days of receiving election	95%		93%	▶	Experience of dealing with Section - rated at least good or excellent	95%	95%	▲
Death benefits/payments sent to dependant within 10 working days of notification	90%		86%	▶	Establish members thoughts on the amount of info provided - rated as about right	92%	97%	▲
					Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲
Good or better than target	▲				Email response - understandable	95%	92%	▶
Close to target	▶				Email response - content detail	92%	93%	▲
Below target	▼				Email response - timeliness	92%	96%	▲

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