



**LOCAL PENSIONS COMMITTEE - 4 JUNE 2021**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**REVIEW OF ADMINISTRATION 2020-21**

**Purpose of the Report**

1. The purpose of this report to inform Committee of the relevant issues in the administration and governance of the Fund, including performance of the Pension Section against its Performance Indicators during 2020/21.

**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 and results for the Pensions Section, which form part of the Section's Service Plan and were agreed by the Director of Corporate Resources and cover the period 1 April 2020 to 31 March 2021.
4. They are split into two broad categories – how quickly processes are carried out and how customers feel they have been kept informed and treated by Fund Officers.
5. Throughout the year, the majority of the Pension Service was completed by colleagues working from home. Only two colleagues remained in County Hall.

**Implementation of a New Structure**

6. 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.
7. On the 1 January 2021 the Pension Manager implemented a new office structure to assist the Section deal with administration.
8. The new structure has 5 teams each, with its own Team Manager, who report directly to the Pensions Manager. The new teams and the Team 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)
9. The Section increased by four temporary Pension Assistants to help deal with the increasing volumes and complexity of work.
  10. The Pension Section implemented a new Helpdesk phone system and made further improvements to Member Self-Service, allowing members to view securely their own personal pension benefits, and run their own estimates.

### **McCloud/Sargeant and the Cost Cap**

11. 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.
12. 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.
13. The Government 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' judgment'.
14. The Government is considering exactly what changes need to be made to remove the discrimination from the LGPS.
15. It is widely understood scheme members hour changes and breaks in service will be needed from April 2014, as part of the remedy, so as part of the new office structure a temporary McCloud team was established. Fund Officers are working with Fund employers on collecting the missing data (back from April 2014) and updating the administration system.
16. Members benefits will then be reassessed to see if the final salary benefits are higher than the CARE benefits. If so, revised benefits will be paid. The increased McCloud costs also impact on the cost cap.
17. When the cost cap breach took place in 2016 it was on the "low" side, so members benefits expected to improve. Then McCloud "overtook" the cost cap work, and it paused. The Pensions Manager understands with the McCloud costs included in the "member costs", the previous breach (on the low side) has been reversed. Officers are awaiting formal confirmation and how this may influence members benefits.

18. The Final McCloud remedy for the LGPS is currently expected in 2022 with the Local Government Pension Regulations changing in April 2023, but retrospectively back to April 2014.

### **Projects**

19. The Continued Improvement and System Team worked on various projects, designed to improve efficiency, reduce risk and improvement customer service and experience.

20. The projects worked on in 2020/21 include;

- Focus on the online 'Member Self Service' facility and an exploration of the functionality available to scheme members who have registered for this service, including secure transfer of documentation, allowing for documents to be sent to members safely, including retirement letters and options. Scheme members are also able to send documentation back to Pensions in this manner.
- The introduction of Helpdesk functionality, with the installation of the 'Anywhere 365' contact centre in January 2021. This allows the team to manage calls more efficiently (whilst working flexibly from home) and make use of the reporting functionality available within the system. The Pension Section is currently receiving and managing approximately 100 calls per day.
- Development of new processes and forms for employers in respect of scheme members who are being considered for retirement on redundancy grounds.
- Installation of an 'Immediate Payments' facility that allows all Pensions related payments, e.g. Lump Sum Retiring Allowances, Transfer payments, to be made through Pensions Payroll.
- Working with the Pensions Manager on a Tender process to appoint the Fund's Actuary.

### **Governance - Regulatory Change**

#### **Reforming Local Government Exit Pay (referred to as the £95,000 Public Sector Exit Cap)**

21. In November 2020 Government introduced changes to members exit pay, under the Exit Cap Regulations. The law change created an issue for employers and the Pension Fund as the Exit Cap Regulations and the LGPS Regulations did not align.

22. There followed several judicial reviews brought against Government, and on the 12 February 2021 Government disapplied the Public Sector Exit Cap. Disapplying the exit cap reintroduced the LGPS Regulations prior to the 4 November 2020.

23. The Pensions Manager is pleased to report no cases were paid by the Fund during the period of the change, that required subsequent recalculation.

24. 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 – Service Delivery**

#### **General Workloads**

25. The table shows the cases completed in the period 1 April 2020 to 31 March 2021.

| <b>Area</b>   | <b>Cases completed in the period</b> |
|---|--------------------------------------|
| Preserved benefits  | 1,250                                |
| Retirements paid  | 2,028                                |
| Deaths  | 1,009                                |
| Refunds paid  | 964                                  |
| Pension Estimates   | 745                                  |
| Transfers in  | 271                                  |
| Transfers out   | 329                                  |
| Aggregations (members combining or keeping benefits separate) | 1,790                                |
| New starters set up on the pension system                     | 5,662                                |

26. In addition, the Fund met its statutory deadlines by producing 34,643 active annual benefit statements and providing 30,201 preserved members with the current value of their benefits, by the 31 August 2020 deadline. The Fund also produced all pension saving statements (annual allowance tax statements) by the statutory deadline of the 6 October 2020.

27. The Scheme membership totals as at 31 March 2021 are as follows;

|                           | Position at 31/3/20 | Position at 31/3/21 | Difference |
|---------------------------|---------------------|---------------------|------------|
| actives                   | 35,779              | 36,666              | +887       |
| reserved Members          | 30,586              | 30,363              | -223       |
| pensioners and Dependents | 29,036              | 30,057              | +1,021     |
| total                     | 95,401              | 97,086              | +1,685     |

### **Governance Complaints – Internal Disputes Resolution**

28. The Pension Section has a complaints policy. Usually complaints are resolved informally, but on occasion where this is not possible, complaints proceed through the Local Government Pension Scheme's formal Internal Dispute Resolution Procedure (IDRP).

29. In the year April 2020 to March 2021 there were six IDRPs stage 2 appeals. Three of these were resolved, two remain outstanding, and one case is with the Ombudsman pending a decision.
30. There were several cases that reached stage 1 of the IDRPs process, but these were resolved at this stage.
31. One scheme member appeal that started prior to 2020/21, reached the Pensions Ombudsman. The Ombudsman did not uphold the members appeal, deciding in favour of the Fund.

### **Governance - Data Improvement**

32. The Pension Section has a data improvement plan. The main focus of the plan in 2021/21 was the ongoing role out of monthly posting of member data from the employers, via the system I-Connect.
33. Monthly posting provides the fund with more accurate and timely information which benefits in a number of ways;
  - Scheme members can review their most recent pension information securely on-line, and use it to run their own estimates,
  - More accurate annual benefit statements, estimates and retirements,
  - The Actuary has accurate data when assessing employer rates,
  - The Pension Regulators data quality scores.
34. A total of 122 out of 190 employers are live on I-Connect which is 64% of employers and covers approximately 32,325 active scheme members that make up 92% of the total.

### **Governance - Breaches Log**

35. The Pension Manager retains the Fund's breaches log. Significant breaches are reviewed to decide if the breach is deemed material or not. Only material breaches are reported to the Pensions Regulator. The breaches log is attached as Appendix B
36. 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.
37. The Prudential plan to meet with the Local Pension Board in June 2021 to discuss the issues and present an improvement plan. The breach has been reported to The Pensions Regulator by the Pensions Manager and a further update will be provided by the 30 June 2021 if the situation has not improved.

### **Governance – Audit**

38. During the year the Pension Section was audited in several areas as detailed in the Fund's internal Audit plan. Where there were recommendations made, Officers have worked through these. Internal Audit colleagues presented their findings to the Pension Board at its meeting on the 24 May 2021 and also provided their plan for 2021/22. An update to the Committee is included separately on the Agenda.

### **Governance – National**

#### **Code of Practice**

39. The Pensions Regulator (TPR) has announced that it intends to amalgamate its current 15 codes into one single code of practice. A consultation will take place in 2021 later this year with the intention of the new single code being in place towards the end of 2021.

40. The Scheme Advisory Board approved the Phase 3 governance recommendations that Funds should follow. The recommendations are now with MHCLG for consideration and to produce statutory guidance. The details of the Phase 3 recommendations and how the Fund is dealing with these were considered by the Pension Board at its 24 May 2021 meeting. These can be found on the link to the Board report.

#### **Good Governance Phase 3**

41. The Scheme Advisory Board published its final [‘Phase 3’ Good Governance Report](#). The Fund's current position with regards to implementing the proposals can be found under Appendix E which was presented to the Local Pensions Board in May. Once actions are completed in respect of the requirements, regular reviews will be scheduled in as appropriate.

### **Governance – Fund Policies**

42. During the year the Fund consulted on changes to the Fund's Funding Strategy Statement on employer risks and exits credits. A separate report to the Committee details this and Fund Policy on employer risk.

43. The Fund consulted with the employers on changes to the Fund's administration and communication strategy which was agreed by the Committee at its February 2021 meeting.

### **Governance – Actuarial**

44. During 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 Local Pension Committee meeting in September to present to the Committee:-

- 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 – Knowledge and Understanding**

45. 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.
46. During 2020/21 Board and Committee Members were asked to provide Officers with an update of their knowledge and understanding gained from training by Officers and external training Members have completed. Anonymised results are attached as Appendix C.
47. Following this, Officers provided a training session to Members on the 26 May 2021. In addition, Committee and Board Members will receive access to Hymans on-line training to support their knowledge and understanding.
48. Future training sessions will be organised around future agenda items and key areas of importance.
49. Members individual training plans are retained by Officers and this is collated and included in the Fund's Annual Report.

### **Governance – Work Plan**

50. To try and improve governance for both Committee and Board Members, Officers have developed a work plan for 2021/22. This was not done in 2020/21, but with the increasing number of governance items, Officers feel this will benefit Members.
51. The plan covers the reports the Committee and Board are likely to receive during 2021/22. This is attached as Appendix D.

### **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 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. Additional colleagues on the

Pensions Payment and Taxation Team have attended The Pension Regulators tutorial on scams.

### **Governance – Data Security**

54. An information security risk assessment review was completed in October 2020, which focussed on the Pensions database, Altair. This was conducted with LCC's Technical Security Officer (TSO) who also consulted the Fund's software suppliers Aquila Heywood (AH) as part of the process. The TSO stated that there was nothing of concern. He recommended regular checks with AH to ensure that they keep up to date with their relevant accreditations and penetration testing exercises, whilst Pension Officers should ensure that access permissions to Altair for Pension staff is regularly reviewed. The next review is due in October 2021.
55. In addition to the above exercise, in February 2021 the Internal Audit section recently conducted their Governance and Risk Audit and concluded that "Personal Data and Assets are adequately protected."

### **Governance – Business Continuity**

56. The annual review of the Pensions Business Continuity (BC) plan was conducted by Leicestershire County Council's BC team during November and December 2020.
57. The BC team accepted the plan, though amendments were made as part of the review to factor in that staff are no longer reliant on office working. A further review is due in November 2021.

### **Recommendation**

It is recommended the Committee notes the report.

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

None specific

### **Appendices**

Appendix A – Key Performance Indicators April 2020 to March 2021

Appendix B – Fund's Breaches Log

Appendix C – Members knowledge and understanding

Appendix D – Work plan for Committee and Board 2021/22

Appendix E – Progress towards Good Governance Phase 3.

### **Background Reports**

[Local Pension Board – 24 May – Internal Audit Arrangements](#)



[Local Pension Board- 24 May – Good Governance Phase 3 Progress Report.](#)

[Local Pension Committee – 22 February – Pension Fund Policies Update](#)

**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

| Full Year - 1 April 2020 to 31 March 2021  |        |     |                                 |  |     |     |   |
|--|--------|-----|---------------------------------|--|-----|-----|---|
| Business Process Perspective   |        |     | Customer Perspective - Feedback |  |     |     |   |
|  | Target |     |                                 | 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% | ▲ |