



LOCAL PENSION BOARD – 8 NOVEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT JULY TO SEPTEMBER 2021 - QUARTER TWO

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 Pensions 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 July to September 2021 quarter are included as Appendix A
5. The Pension Section continues to deal with a large volume of work and the situation remains challenging, especially in business processes. Workloads are reviewed and managed daily with resource moved to deal with the most pressing areas.

Governance – Service Delivery

General Workloads

6. The tables show the position in the key work areas, July to September 2021.

July 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	57	1,170	900
Retirement Options	184	262	250
Retirements Paid	153	339	250
Deaths	95	186	100
Refunds	100	169	400
Pension Estimates	95	174	250
Transfers in	26	225	200
Transfers out (excluding interfunds out)*	47	38	100
Aggregations	69	693	450
New starters set up on the pension system	353	n/a	n/a

August 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	93	1,264	950
Retirement Options	191	321	300
Retirements Paid	128	346	300
Deaths	84	189	100
Refunds	50	254	400
Pension Estimates	56	206	250
Transfers in	35	237	200
Transfers out (excluding interfunds out)*	28	37	100
Aggregations	90	825	450
New starters set up on the pension system	225	n/a	n/a

September 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	141	1,337	1,000
Retirement Options	291	292	250
Retirements Paid	189	395	250
Deaths	100	199	100
Refunds	77	304	400
Pension Estimates	132	174	250
Transfers in	63	218	200
Transfers out (excluding interfunds out)*	33	37	100
Aggregations	128	704	800
New starters set up on the pension system	549	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.

7. The main points to note;
- Preserved benefits. During the quarter, stabilised employer preserved benefits were targeted in preparation for the valuation exercise. The emphasis has now moved to larger Further Education establishments.
 - Workloads in almost all areas of the Section are high. There is an expected increase in preserved benefits, retirements and aggregations in August/September, through into quarter three, following the completion of year-end work in August, and the end of the academic year.

Complaints – Internal Disputes Resolution

8. 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.
9. In the period July to September 2021 there was one new IDRP Stage 2 appeal.

- This case was concluded by the employer at Stage two.
10. There was progress on three existing Stage 2 cases;
 - Two of the cases were referred back to the member's previous employers to reconsider their original Stage 1 decisions.
 - One case had further supporting information sent by Officers to the Ombudsman, to support the decision made by the Administering Authority. The Ombudsman is now expected to make their decision.
 11. Officers have received a small number of claims brought by Claims Management Companies (CMCs), against the Administering Authority.
 12. These relate to scheme member's who transferred out their LG pension benefits to alternative arrangements many years ago, that have now been identified as bad advice or scams. The CMCs claim Officers did not follow the necessary checks before making payment.
 13. The CMCs are often "no win no fee" arrangements that take a percentage from any payment the Fund may make in compensation. Some of the claims include an IDRPs Stage 1 application.
 14. The Pensions Manager has taken external Legal Advice regarding this situation. This has also been discussed nationally as several Local Government Funds are being targeted by CMC's.

Data Improvement

15. The Pension Section continues a three phased implementation of monthly postings using i-Connect, as part of the Leicestershire Fund's data improvement plan. Broadly, the largest employers are in Phase 1, medium sized employers in Phase 2 and the smallest employers in Phase 3. The main developments since the last Pension Board meeting relate to the following;
 - A total of 8 employers have gone live, including the following Phase 1 employers: The Vines Academy Trust, Beacon Academy MAT & Nova Education Trust.
 - Large outstanding Phase 1 employers in progress include St Thomas Aquinas CMAT, Rutland County Council and EPM who administer the payroll for several employers. Officers have provided several versions of feedback and are waiting for replies to queries and/or amended reports. These employers remain top priority for go-live.
 - Officers have written to 24 employers under Phase 3 to provide details about the online return method of submitting data via i-Connect. This is primarily aimed at employers with smaller numbers of staff because details are posted directly by the employers online, rather than using an uploaded report, however the same security and valuation remains.

Officers believe this is quicker and easier for smaller employers. Officers plan to have a meeting with these employers later this year.

- 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 and Melton Borough Council.

Fusion Employers

16. For the 16 Academies Employers on the Oracle payroll system, data has been posted up to the end of June 2021. These employers will transfer to Fusion payroll towards the end of this year and at this time the i-Connect reports will need in-depth data checks to ensure the data will post correctly to the records.
17. Leicestershire County Council moved to Fusion payroll in April 2021. The Fusion i-Connect report took Fund Officers significant time to complete data checks to ensure the data synchronised with the pension records. The data has been submitted up to the end of June 2021.
18. Data checks have been carried out for April and May Fusion Academy i-Connect reports. Technical issues with i-Connect software caused a delay with the reports, but April 2021 data has been processed.
19. Fund Officers have identified that the quality of the data extracted from the new Fusion system is not of the same standard as the Oracle data, so additional checking is required causing processing time to take longer. Many of the original issues identified are now rectified.

Overview of Monthly Posting via i-Connect

As at 15 October 2021	Employers	Active Members (approx.)
Total Fund	190	35,730
Live on i-Connect monthly posting	136	33,230
Not live on i-Connect (annual posting)	54	2,500
Percentage monthly posting	72%	93%

20. A full list of all the employer monthly posting positions are 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. There were no new or open breaches in the quarter.

Year-End

23. The Pension Section completed the 2020/21 year-end by the statutory deadline of the 31 August 2021.
24. 34,480 active members annual benefit statements were produced and made available via the online member self-service system. 441 members opted for, and received, paper versions.
25. 14 members did not receive their annual benefit statement. These members work for 2 new admission bodies, where the legal admission agreements have not been completed, but started prior to March 2021. These members were written to, detailing why they have not received their annual statement. On completion of the outstanding admissions, these members will be issued with their statements.
26. As the 14 members received annual statements last year, and the delay this year has been caused by the outstanding admissions that parties are actively working at resolving, the failure to provide the statements by the 31 August 2021 is not deemed a material breach by the Pensions Manager.
27. 29,659 preserved members online accounts were updated to reflect the 2021 Pensions Increase. This was completed by the 31 August 2021 statutory deadline.

Governance – Audit

28. During the quarter July to September 2021, there was one Internal Audit report received. This related to the annual Pensions Increase applied to pensioners. There were no recommendations made in the report.

Governance - Regulations

29. There were no Pension regulation changes in the period.
30. Ministry for Housing, Communities and Local Government (MHCLG) has changed its name to the Department for Levelling Up, Housing and Communities (DLUHC).

31. The Pensions Manager attending a meeting with representatives from Funds and DLUHC. Funds were keen to know if there was any update on the regulations and timeline for the reintroduction of the exit cap. DLUHC was not able to provide an update, so the changes and implementation date remain uncertain.

Cost Cap

31. In October 2021, HM Treasury issued its response to the consultation on the cost control mechanism. This is for the 2020 exercise and future cost caps.
32. HM Treasury has decided to proceed with all three of the suggested changes for the 2020 cost cap exercise and for future exercises;
- a. Only considering service in the reformed schemes
 - b. Widening the “breach corridor” from plus/minus 2% to plus/minus 3%
 - c. Economic sense checks for breaches linked to long term Gross Domestic Product (GDP) expectations
33. These changes are expected to make the cost cap results more stable and less perverse, thereby avoiding situations where a breach on the low side leads to benefit improvement despite costs rising for employers due to a lower discount rate (which happened at the last round of valuations in the unfunded schemes).
34. The 2016 cost cap is not covered by these changes. The 2016 cost cap was breached on the low side, thereby requiring improvements to scheme members benefits. These improvements were not implemented because McCloud was pending and the remedy outstanding. It is now expected that the 2016 cost cap exercise will have the estimated McCloud costs included, so the breach will be reversed. The 2016 cost cap valuation is still subject to legal challenge from the unions.

Governance – National

35. In addition to the change of name to DLUHC, the Minister with the responsibility has changed from Luke Hall to Kemi Badenoch. The new Minister will consider what progress is required for moving forward the Good Governance Project.
36. The Fund’s Annual Report, elsewhere on today’s agenda, sets out in detail the Fund’s Governance Compliance in relation to national regulations and best practice arising from the Scheme Advisory’s Good Governance Reports.

Governance – Fund Policies

37. Officers have reviewed the Fund’s policies and a separate report is enclosed at the 8 November 2021 Board meeting. The policies will be taken to a future Pension Committee meeting for approval.

Governance – Actuarial

Valuation Preparation

38. During the period July to September, Fund Officers worked on preparing the pensions data for the stabilised employers in preparation for the valuation for these employers.
39. Hymans are expected to provide Officers with the indicative Funding position for these employers by March 2022.
40. Officers are now concentrating on the largest Further Education employers.

Full Transfer Outs

41. Officers are experiencing an increase in enquiries from Academies to transfer all their pension fund assets and liabilities to neighbouring Funds, where they form part of a wider Academy Trust. These transfers apply to active, preserved and pensioner members, and are commonly referred to as “full clear out transfers”.
42. There is considerable work associated with full clear out transfers, for both Officers and the Fund Actuary Hymans. This is an administrative task and does not impact on members LGPS benefits. In the period, one transfer was completed to the Lincolnshire Fund for Foxfields Academy, that joined the Community Inclusive Trust in Lincolnshire.
43. Officers are currently working on two further full clear out transfers.

Governance – Employer Risk

44. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
45. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve. The Pensions Manager has decided to present these to the Board differently in this report.
46. In the table below, the outstanding cases are now listed in risk order, highest to lowest. The highest risk cases are the longest unsigned admission agreements. Unsigned admission agreements mean, the staff that have transferred to the new employer are currently not active LGPS members. Once the admission agreement is legally signed, the pension start date for the staff will be backdated to the date of transfer, so the staff do not lose any scheme membership.
47. Medium or lower risk cases tend to be where bonds are outstanding. The risk level is assessed by either bond value or the type of employer that provided the outsourcing and their ability to act as guarantor to the Fund.

48. When scheme members reach age 55 the risk increases because if those members are made redundant or retire on interests of efficiency, they qualify for unreduced pension benefits. A strain cost is generated that must be paid in full by the employer.

49. At the time of writing the report (21 October 2021) there are several cases outstanding, but internal Legal colleagues are confident that some of these will be complete by the Board meeting on the 8 November 2021.

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments (position at October 2021)	Fund Risk Level
Beacon Academy to Hutchinson Catering	Admission agreement and bond	Pass through 1 January 2021	Capital Cost bond of £13,000 (5-year contract with an additional 2 years optional)	Both the admission agreement and bond have been agreed and are with all parties to complete Officers have been informed that the commercial agreement has not been signed and until this has been done parties are unable to sign the admission agreement and bond.	High
City Council (City of Leicester College) to Atalian Servest	Admission agreement and bond	Pass through 12 February 2021	Capital Cost bond of £86,000 3-year contract	Both the admission agreement and bond have been agreed and are with all parties to complete. Officers have been informed that City Council have signed the admission agreement but it is still outstanding from Atalian.	High
LIFE MAT to Total Swim	Admission agreement and bond	Pass through 7 June 2021	Capital Cost Bond of £4,000	Draft bond and admission agreement circulated May 2021 Officers have been informed that the admission agreement has been agreed but are waiting for the bond to be agreed before documents are circulated for signature Officers have contacted	High

				both parties to pursue signature of the admission agreement, while the bond is still being agreed	
MEAD Educational Trust to Taylor Shaw (Elior)	Admission agreement and bond	Pass through 1 August 2021	Capital Costs of £12,000	Draft bond and admission agreement circulated in October.	Medium/High
City Council (Glebelands) to Compass Services	Admission Agreement	Pass through 8 August 2021	N/A	Draft admission agreement circulated July 2021 Officers chasing all parties.	Medium/High
City Council (Marriott) to Compass Services	Admission agreement and bond	Pass through 23 August 2021	Capital Costs of £36,000	Draft bond and admission agreement circulated July 2021 Employer contacted officers asking for the admission agreement to be amended August 2021 Officers have been informed that the City Council have agreed to sign the admission agreement but are waiting for Compass to agree.	Medium/High
South Charnwood High School to MCS Cleaning (2021 Contract)	Admission agreement and bond	Pass through 1 September 2021	Capital Costs of £10,000	Draft bond and admission agreement circulated October 2021	Medium/High
The MEAD Educational Trust (Secondary schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £160,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond Officers have established contact with the outsourcing employer and all parties are working on this to get rectified	Medium
The MEAD Educational Trust (Primary Schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £158,000 to 31/7/2022 (previous bond lapsed	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond.	Medium

			on 31/7/2021 when original contract was due to end)	Officers have established contact with the outsourcing employer and all parties are working on this to get rectified	
Leicestershire County Council to Rushcliffe CARE	Bond (previously not required but member is age 55)	Pre April 2019	Capital Cost bond of £61,000 March 2021 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond is with the bank for approval.	Medium/Low
Tudor Grange (Samworth) to CSE Ltd	Bond	Pre April 2019 (contract extended to 31/3/2022)	Full. £58,000 to 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	CSE have agreed terms with the bond provider and all parties are now working to complete. The bank has requested amendments to the bond agreement and officers are working on this	Medium/Low
City Council to G4S	Bond	Pre April 2019	Capital Cost bond of £57,000 May 2021 for 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond has been agreed with the bank and that G4S are ok to sign and that City are close to agreeing to it	Low
Blaby DC (2019 contract) to SLM	Bond (previously not required but member age 55)	Pass through	Capital Cost bond of £31,000 March 2021 3 years	Officers issued the bond for agreement, but the bank have asked for amendments to be made. Officers made suggested amendments and this is back with the bank for approval. Officers been informed that SLM are in agreement with the bond and are chasing the bank for an update.	Low

City Council to East West Community Centre Ltd	Bond (previously not required but member age 55)	Pre April 2019	Capital Cost bond of £16,000 March 2021 3 years	Officers issued the bond for agreement	Low
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50. The case completed in the quarter is listed below;

- SLM (Oadby & Wigston) – bond extension

Governance – Knowledge and Understanding

51. Board and Committee Members have access to the Fund Actuaries online LGPS training.

52. The training is in manageable sections and covers a wide range of topics. The Pensions Manager receives a monthly update, detailing which areas of the training Members have attended. Officers believe this is a valuable tool, individually detailing which topics will be useful to assist Member's knowledge and understanding.

53. The Board and Committee's training is recorded and reported annually as part of the Fund's Annual Report to evidence the Knowledge and Understanding of those involved with the Fund.

Recommendation

54. 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 July to September 2021

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

Officers to Contact

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APPENDIX A

Quarter - July to Sept 2021									
Business Process Perspective				Customer Perspective - Feedback					
	Target	This Quarter	Previous quarter		Target	This Quarter	Previous Quarter		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	87%	▶	89%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲	100%
Pension payments made within 10 working days of receiving election	95%	96%	▲	92%	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	92%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	81%	Establish members thoughts on the amount of info provided - rated as about right	92%	92%	▲	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%	96%	▲	87%
Close to target	▶				Email response - content detail	92%	97%	▲	91%
Below target	▼				Email response - timeliness	92%	95%	▲	87%