



LOCAL PENSION BOARD

16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND CONTINUOUS IMPROVEMENTS REPORT

Purpose of the Report

1. To provide a regular update to the board regarding progress in respect of areas of identified improvement within the Pensions Section.

Background

2. The Continued Improvements and Systems team has been created to assess and improve existing processes, maximising the use of technology, whilst exploring other areas including tenders, new legislation, governance and data quality. An appendix has been provided to cover the areas of improvement to be addressed, but the key developments since last quarter are provided in more detail below.

Member Self Service (MSS)

3. Pensions provide a Member Self Service facility through the website for scheme members and encouraging them to sign up is a key aim. All scheme members have the opportunity to register for an MSS account which allows them instant access to their pension details. It allows members to see the current value of their pension benefits as well as the ability to transfer documents securely to and from the pensions section. Active and deferred members are able to perform their own pension calculations, whilst pensioner members are able to download and print off payslips and P60s. A demonstration of the system was most recently provided to the Board following the meeting on 8th February 2021
4. The latest figures, provided in Appendix A continue to show a steady increase in the number of members registering for MSS, with Leicestershire Police now having over half of their members either partially or fully registered.

Improvements to Starter Process

5. Officers have begun work on amendments to the current process with regards to the initial documentation that is issued to new scheme joiners.
6. Currently, a letter welcoming members to the scheme is issued along with a Membership Form, which contains information regarding the LGPS as well as the opportunity to declare any previous public sector membership for possible transfer. The letter also advises that the member can tell the Fund about beneficiaries that they would wish to receive all or part of a Death Grant in the event of their death. As well as requires that the member submit copies of their birth certificate, plus marriage certificate where applicable.
7. The new approach is intended to direct scheme members to the website where they can refer to information about the scheme and register for MSS (where they can complete a Death Grant Expression of Wish form and also to download a Transfer form where required). The requirement to submit certificates at this stage of the process would be removed, instead this would be requested upon leaving. Members who do not have access to the internet would be asked to contact the section to obtain a paper 'Starter Pack'.
8. There are two main aims of this approach. Firstly, to encourage more users to register for MSS and secondly, to reduce the amount of paper coming into the office.
9. It is intended to launch this approach from April, as this will coincide with an amendment to the letters that refer to the auto enrolment process that are issued by employers to members when their employment commences. A bulletin will be issued to employers in late February.

Insights Reporting Tool

10. The Insights Reporting Tool, referred to in the November 2021 report, which is part of the Heywood suite of products, has now been purchased. Three initial training sessions have taken place for officers who will be responsible for developing reports. The intention is now for those officers to develop reports of their own and several reports have been earmarked for internal development.
11. In addition, Heywood are assisting Fund officers on two reports specifically for the Leicestershire Fund:
12. The first report is to provide a reconciliation between the admin and the payroll elements of the Altair system. The intention is that this will automatically notify Officers in the Payments and Taxation Team of discrepancies via an email, giving them the opportunity to investigate the issue highlighted. An initial early version has been produced and is with officers for testing. Once the report has been signed off, then an initial

exercise of working through any cases will be undertaken with a view to having the new report working from April.

13. The second report is to assist officers with checking deferred benefits calculated in bulk. This will automatically run comparisons between CARE pay and pension contributions (and provide allowances for a small variance between the figures) to ensure that the figures look reasonable. It will also highlight any significant fluctuations in pay by comparing the annual figures submitted at the end of each tax year. A tolerance level can be set by the Officer running the report.
14. The bulk calculations will be mainly performed on cases where the data has been submitted through iConnect and the report will help give officers assurance that the data provided is reasonable. This will also strengthen the intention to remove the requirement for ePen3 leaver forms for this category of cases. This report is expected to be ready for sign off by the end of February 2022.

Customer Satisfaction Surveys

15. As stated in the previous Continuous Improvement report, Customer Satisfaction Surveys are now being issued electronically on a monthly basis to members who have registered for MSS and were provided with their documentation through the online portal. I am able to report an increase in return rates this quarter, although the figures are still relatively low, i.e.:
 - October: 28 (22.05% of members contacted)
 - November: 22 (16.3%)
 - December: 23 (13.61%)
16. Figures do not include paper forms issued and returned. Rates continue to be monitored.

Cyber Security

17. An annual review of the Pensions Information Security Risk Assessment was conducted by Leicestershire County Council's Information Governance team in October 2021. The Fund is pleased to report that no issues were identified and the process was signed off on October 29th 2021.

Changes to Pensions Transfer Legislation

18. The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were introduced with effect from 30th November 2021. These regulations introduced legal restrictions to the scheme member's statutory right to transfer. The regulations give Funds tools to act where suspicions about the circumstances that have prompted the transfer request are identified. It will no longer be the case that the member can insist on a statutory transfer taking place in such circumstances. Note that this legislation does not apply to cash transfer sums, i.e. where a member with an

- entitlement to a frozen refund (where membership of the scheme is under two years) elects to transfer out.
19. The changes to the legislation mean that officers must ensure specific checks are made before complying with a member's request to transfer their pension. This forms part of the due diligence process for transfer requests.
 20. The checks will determine whether the request meets the conditions to enable a statutory right to transfer, including whether a member is required to have guidance from 'Money Helper', a government backed organisation that provides financial information. Officers must take a risk-based approach to the decision making based on the information obtained from the process.
 21. Whilst most transfer requests are likely to be straightforward and will be completed before the statutory six month deadline, a minority of cases will require more investigation.
 22. There are some receiving schemes to which a transfer can proceed with no further checks. If the receiving scheme is not one of these, further assessments will need to be carried out before officers can confirm that a transfer can be paid.
 23. Other than when a transfer is to a public service scheme, master trust or collective money purchase schemes, funds must decide if there are 'red flags' or 'amber flags' present. **If there are red flags, the transfer must not be paid.** If there are amber flags the transfer must be paused until the member can provide evidence that they have received pension scams guidance from Money Helper. This guidance is **in addition** to the appropriate independent advice that the member must take for cases where the value of the transfer is £30,000 and above, which must be taken at their own cost.

Due Diligence Process

24. During the transfer process the following checks must be carried out to determine which conditions apply to the transfer and whether it is possible to proceed with a statutory transfer.
25. It is important to note that no single piece of basic due diligence can definitively rule out the risk of a pension scam and Officers must make a decision using evidence from all the checks carried out.
26. Officers should also be aware of member vulnerability. People can become vulnerable at any time and some members may need more support to avoid being scammed. There are examples of factors used to identify vulnerability in the PSIG guide (Appendix E).
27. Broadly there are two conditions that need to be assessed in order to establish if a transfer can proceed.

28. Firstly, Officers must check if the scheme is either a Public Sector Scheme, an Authorised Master Trust or a Collective Defined Contribution Scheme. If this condition is satisfied, then the transfer can be paid.
29. Secondly, Officers must check for an employment link (where the transfer is to an occupational scheme), overseas residency (where the transfer is to an overseas scheme) and red and amber flags.
30. Following this check, Officers must decide whether the transfer is able to proceed, be paused due to the presence of Amber Flags or stopped due to the presence of Red Flags.

Red and Amber Flags

31. Where, during the due diligence process it is established that one or more of the following scenarios apply, known as 'Red Flags', then Officers will need to stop the transfer:
32. Where, during the due diligence process it is established that one or more of the following scenarios apply, known as 'Amber Flags', then Officers must direct the scheme member to 'Money Helper' for further advice. The meeting must be for the scheme member themselves, not someone acting on their behalf. The scheme member will also need to provide evidence that the appointment took place.

Money Helper

33. Money Helper is an independent body set up by the government, the purpose of which is to help identify common risks involved in transfers, highlight the dangers of scams and allow the member to consider whether to proceed with their transfer. This service does not replace the due diligence that Funds will still need to undertake.
34. Sessions must be booked and attended by the scheme member, not someone acting on their behalf. This would be required even if the member has already received financial advice from an approved financial adviser.
35. It is considered good practice to ask the member to confirm once they have booked the appointment. Once they have attended, they will be provided with a unique reference number, which must be forwarded to the Fund. If they do not, this is considered a Red Flag and will be considered grounds for stopping the transfer.
36. Where a member, having received the Money Helper guidance decides to proceed with the transfer, this will need to be recorded on his pension record and then the transfer can be paid. If they decide not to proceed then Officers will need to consider whether to report the transfer as a potential scam.

Clean List

37. Funds may wish to keep 'Clean Lists'. A clean list is a record of low risk occupational and personal pension schemes. These records allow you to maintain a smooth transfer process where your due diligence analysis shows little or no risk. This list should be reviewed regularly to make sure that schemes continue to present low risk.
38. Officers are currently considering how to put this into practice, starting initially with a review of schemes that transfers have been paid to previously. Where there were no issues it is likely that they will be added to the list. The bank details of the scheme will also be included on the list and before any future payments are made, these will be checked to ensure that this hasn't changed. The Local Government Association has been asked about the possibility of a national clean list but at the time of writing there has been no real indication if this is likely to happen.

Changes to Process

39. To comply with the new legislation, Officers are currently taking steps to update our processes.
40. To help with this, there are two key documents available to refer to as part of the planning. The Local Government Association (LGA) have produced a [Non Club Transfer Guide](#) which has been updated to reflect the new requirements. In addition, the Pension Scams Industry Group, 'PSIG' have updated their guide '[Combating Pension Scams – A Code of Good Practice](#)', and both documents have been taken into account when establishing the changes that need to be made. In addition, guidance has also been published on [The Pension Regulator website](#).
41. The key changes to be made to the existing process are:
- Ensure that the initial letter that is sent to members following their initial request is updated to advise that their transfer request could be refused;
 - The existing transfer quotation letters are updated to reflect the changes in the requirements;
 - Update due diligence checks following receipt of requests for the transfer to proceed to ensure checks around Red and Amber Flag issues are covered;
 - Update process notes for colleagues and provide training.
42. The LGA produce transfer documentation which is available on their website for Funds to use. Since the changes they have produced a new template of an acknowledgement letter for use in transfer cases. This letter is designed to be issued to scheme members following receipt of a request for a 'statement

of entitlement' i.e. a transfer quotation and Officers have incorporated the content into our own letter to ensure this is now compliant with the new changes.

43. In addition, the LGA have stated that work has begun on the creation of a 'transfer pack' which is designed to replace their existing forms currently in use. The introduction of the transfer pack is also intended to simplify the process to a degree. However, it is likely to be up to six months before the pack is ready for use.
44. Until the transfer pack is circulated to Funds then existing letters will need to be amended to ensure that they are compliant with the legislative changes and at the time of writing Officers are working through these.
45. The regulations stated that the changes must be in place made for all transfer requests received within one month of 30th November 2021, i.e. the implementation date. To comply with this, a short term change was made to the initial acknowledgement letter that was sent out, prior to the change made following the production of the LGA template, in order to ensure that the initial stage of the process was compliant.
46. Officers will monitor all transfers received from 1st January 2022 to keep records of numbers received and where the member is potentially transferring to, plus any problems that may arise, to help identify any potential increase in resource in this area of work.
47. An update on progress made in this area of work will be provided to the Board in six months.

Normal Minimum Pension Age

48. In a separate development, the Finance (No2) Bill 2021/22, currently in draft form includes a clause that introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6th April 2028. This clause states that members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 before 4th November 2021 will have a protected pension age. A protected pension age will only affect the age at which an LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. We do not yet know whether the responsible authorities plan to make such changes.
49. The draft bill states that members will continue to benefit from a protected pension age after completing a transfer. Members who join the LGPS on or after 4th November 2021 will not meet the entitlement condition.

50. Where a member who joined the LGPS before 4th November 2021 transfers out, informing the receiving scheme that the member met the entitlement condition in the LGPS.
51. Where a member joined on or after this date then it may be the case that additional information may need to be supplied if the member's LGPS benefits include a transfer in has been 'ringfenced'. Ringfencing benefits that a member who met the entitlement condition in their previous scheme transfers into the LGPS on or after 4th November 2021. It is likely that the solution will be in the hands of our software suppliers
52. The LGA have suggested that Funds may wish to consider making changes to their processes in anticipation of these changes now. Officers will therefore need to consider whether this additional information can be included in transfer documentation to reduce the likelihood of having to re-visit cases in the future.

Recommendation

53. It is recommended that the Board notes all areas of the report.

Equality and Human Rights Implications

54. None specific

Appendix

Appendix A: Member Self Service Registrations 14th January 2022

Appendix B: Areas of Improvement January 2022

Appendix C: [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#)

Appendix D: [Non Club Transfer Guide \(Local Government Association\)](#)

Appendix E: ['Combating Pension Scams – A Code of Good Practice'](#) (Pension Scams Industry Group)

Appendix F: [Statutory Timeline for processing transfers](#)

Appendix G: [Details of Red and Amber Flags](#)

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