



LOCAL PENSION BOARD – 16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
OCTOBER to DECEMBER 2021 - QUARTER THREE

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 October to December 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. Workloads are reviewed and managed daily with resource moved to deal with the most pressing areas. Resource available to deal with member emails reduced during the quarter. The overall member experience dealing with the Pension Section remains strong at 91%.

Governance – Service Delivery**General Workloads**

6. The tables show the position in the key work areas, October to December 2021.

October 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	191	1,356	900
Retirement Options	277	260	250
Retirements Paid	204	444	250
Deaths	92	202	100
Refunds	156	234	400
Pension Estimates	120	140	250
Transfers in	42	233	200
Transfers out (excluding interfunds out)*	27	41	100
Aggregations	96	741	1,000
New starters set up on the pension system	719	n/a	n/a

November 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	190	1,647	800
Retirement Options	273	249	250
Retirements Paid	258	415	250
Deaths	126	200	100
Refunds	75	218	400
Pension Estimates	150	81	250
Transfers in	62	240	200
Transfers out (excluding interfunds out)*	28	48	100
Aggregations	89	1,029	650
New starters set	1,198	n/a	n/a

up on the pension system			
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December 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	255	1,551	750
Retirement Options	236	228	300
Retirements Paid	191	405	300
Deaths	98	197	100
Refunds	58	213	400
Pension Estimates	84	56	250
Transfers in	60	243	200
Transfers out (excluding interfunds out)*	34	33	100
Aggregations	116	1,191	450
New starters set up on the pension system	1,434	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 and aggregations remain high even after a concerted effort to reduce these over recent months. High levels of resource are still required to deal with large volumes of retirements and deaths which is impacting on the ability to reduce preserved benefits and aggregations. This remains the priority for the Fund valuation on the 31 March 2022.
- In preparation for the valuation an exercise was completed in December and January 2022 to investigate cases that may be leavers or may have transferred roles within the same job. This has identified cases that need further investigation with the employers. It is expected there will be an increase in preserved and aggregations totalling approximately 3,500.
- Officers are working with the system provider to develop reports to enhance the new bulk preserved process, to help manage the career average revalued earnings (CARE) cases more efficiently moving forwards.

- Throughout 2020/21, deaths have remained at approximately 200 per month and retirements at approximately 600 per month. The Pensions Manager is reviewing the maximum target numbers for 2022/23.

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 October to December 2021 there was one new IDRP Stage 2 appeal.
 - The case relates to the member challenging their employer's decision, not to qualify for ill health benefits.

There was progress on one existing Stage 2 case.

- This was referred back to the member's previous employer to reconsider their Stage 1 decision.
10. The Fund has two ongoing challenges brought by a Claims Management Company (CMC) against the Administering Authority, relating to scheme members who transferred out their Local Government pension benefits to alternative arrangements many years ago. These are currently with an external Legal Company that is assisting the Fund.

The claims have been brought by the same CMC who are acting on behalf of the members, on a "no win, no fee, basis".

Data Improvement

11. 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 since the Pension Board meeting in November 2021 relate to the following:
 - A total of 37 employers have gone live on i-Connect, including the following Phase 1 employers: Lutterworth Academies Trust, Rutland County Council and Stephenson Melton Brooksby Group (SMB Group).
 - All Phase 2 & 3 employers are live on i-Connect. This has been achieved by using the online return method for smaller employers, where figures are manually

typed into the i-Connect system. Smaller employers generally find this method more user friendly than the report upload process.

- There are 14 employers outstanding but St Thomas Aquinas, South Leicester College and Lady Jane Grey Primary School are all expected to go live in the next two months.
- Within the 14 employers outstanding, EPM administer the payroll for 6 of these employers. Officers have not had a response from this payroll provider since October 2021 despite reminders. It is expected employers using the EPM payroll will not go live until 2022/23.
- The following outstanding employers have not provided a report or have not replied in recent months: Capita Services ex Charnwood contract, Capita IT City of Leicester and Futures Trust (Hinckley Academy). These employers will not go live until 2022/23.
- 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, Leicestershire County Council Academies Fusion, Leicester City Council and Melton Borough Council.

Overview

12. As at the 31st January 2022, 92% of employers are live & approximately 96% of active members are live on i-Connect.

As at 31 January 2022	Employers	Active Members (approx.)
Total Fund	184	35,720
Live on i-Connect monthly posting	170	34,360
Not live on i-Connect (annual posting)	14	1,360
Percentage monthly posting	92% (previous quarter 72%)	96% (previous quarter 93%)

13. A full list of all employers monthly posting implementation as at 31st January 2022 can be found in Appendix B

14. The priorities over the coming months are;

- To implement the remaining employers.
- Ensure timely receipt and posting of data from the active employers in preparation for 2021/22 year-end.
- Ensure balancing discrepancies are queries quickly and resolved in advance of 2021/22 year-end.

Breaches Log

15. 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.
16. There were no new or open breaches in the quarter.

Governance – Audit

17. During the quarter October to December 2021, there were two Internal Audit reports received.
18. Firstly on 2021/22 contribution banding changes. This audit checks a sample of member's contribution bandings to salary, to highlight if people are paying incorrect pension scheme contributions.
 - a. All sample cases checked on payroll 23 (schools) were correct.
 - b. Two cases from a sample of 50 on payroll 10 (non-schools) did not reconcile so a further sample is being checked. However, the check took place using data from the first go live month for Leicestershire County Council on a new payroll system, so this could have contributed to these discrepancies.
19. Counter Fraud – National Fraud Initiative (NFI). The NFI exercise highlights pensioners that may have subsequently died, yet the Fund is continuing to pay a pension to the member.
 - a. Four cases were highlighted during the exercise. Fund Officers have investigated the four cases and there is no indication of fraud. There is a total overpayment of approximately £19.5K. Recovery investigation is underway, but where this may not be possible, a request for the amount/s to be written off will be made using the Fund's over/under payment policy.
 - b. Following the NFI exercise the Pensions Manager has agreed to more frequent NFI checks for overseas pensioners. Instead of a check every two years, the checks will be twice each year.

Governance - Regulations

20. A regulation change on the 30 November 2021 introduced new administration requirements designed to protect members from transfer out scams.
21. Transfers to pension arrangements, other than public sector (e.g. NHS, Teachers, Civil Service, Police, Fire, Local Government), authorised master trust schemes or authorised defined contribution schemes, require additional steps to be completed by the transferring out Pension Fund administrator.

22. The regulatory change to the transfer process is detailed separately in the Improvement Report that is included later in the Board agenda.

Governance – National Update (GAD Section 13 Report)

23. In November 2021 The Government Actuary's Department (GAD) published its [Section 13 report](#) that relates to Local Government Pension Fund valuations in England and Wales as at the 31 March 2019. The purpose of the Section 13 report of the Public Service Pensions Act 2013 was to consider issues of compliance, consistency, solvency and long terms cost efficiency across the various LGPS Funds.

24. Each Fund was assessed across the four categories and scored using a "coloured flag" to highlight material issues, warnings or satisfaction against each Fund's position.

- Red flag – indicates a material issue that may result in the aims of Section 13 not being met.
- Amber flag – indicates a potential material issue that funds should be aware of. In isolation this would not usually contribute to a recommendation for remedial action.
- White flag – an advisory flag that highlights a general issue but one which does not require an action in isolation.
- Green flag – indicated that there are no material issues that may contribute to a recommendation for remedial action.

25. Specific areas covered in the GAD Section 13 report and its appendix include.

- How the ranking of local funding levels varies when results are restated onto the Scheme Advisory Board (SAB) standardised basis.
 - i. As at the 31 March 2019 using the fund specific basis the Leicestershire Fund was 89% funded, however using the SAB standardised basis this increases to 103% funded.
- Pre-retirement discount rates
- Assumed asset out performance with discount rates
- Commutation assumptions for pre and post 2008 benefits
- Solvency measures
- Long term cost efficiency measures by Fund

26. The Leicestershire Fund scored a green flag in all areas.

27. Officers are working with the Fund Actuary, as part of the forthcoming valuation, to assess the Funds scores to see if changes should be made in any of the areas, to

further improve the Funds overall position. Further detail will be provided to the Local Pensions Committee throughout 2022 as part of the valuation exercise.

Governance – Fund Policies

28. Following the Board meeting on the 8 November 2021, the following Fund Policies were approved by the Committee as its meeting on the 21 January 2022.
- Revised administration and communication strategy
 - Distribution of death grant policy
 - Over and under payment policy
 - Revised Investment Advisor Objectives
29. The Committee also noted the Funds discretions. These had previously been approved by the Director of Corporate Resources who has delegated authority.

Governance – Actuarial

Valuation Preparation

30. Fund Officers have been working on investigating records where the pension scheme member may have left the scheme or changed employment role within the same employer, but the Pension Section had not been informed or more information is required.
31. It is expected that approximately 3,500 records will become preserved or have aggregations. Officers are working with employers on requesting further information where necessary, to enable Fund Officers to calculate these members pension benefits.

Governance – The Pensions Regulator Code of Practise

32. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current codes into one single code.
33. The new code is expected to be published shortly and is likely to include some changes and additions that Funds will need to comply with.
34. The Fund's Actuary has indicated they will be comparing the current codes and the new single code via a "gap" analysis to assist Funds.
35. This will be a wide-ranging review of TPR code of practise, so the Pension Manager feels it will be beneficial for the Board to "deep dive" during 2022/23. A deep dive is included in the Fund's proposed Business Plan that is included later in the Board agenda. This exercise may involve external training.

Governance – Employer Risk

36. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
37. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve.
38. In the table below, the outstanding cases are 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.
39. 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.
40. 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.
41. At the time of writing the report, 31 January 2022, there are several cases outstanding, but internal Legal colleagues are confident that some of these will be complete in February 2022.

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
LIFE MAT to Total Swim	Admission agreement and bond	Pass through 7 June 2021 7 members affected – they have been written to explaining the situation	Capital Cost Bond of £4,000	Draft bond and admission agreement circulated May 2021 Officers have contacted both parties to pursue signature of the admission agreement, while the bond is still being agreed. Officers continue to chase both parties for signature. Last chased January 2022	High
MEAD Educational	Admission agreement	Pass through 1	Capital Costs of £12,000	Draft bond and admission agreement circulated in	High

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
Trust to Taylor Shaw (Elior)	and bond	August 2021 9 members affected – they have been written to explaining the situation		October. Officers continue to chase both parties for approval for the documents. Last chased January 2022	
City Council (Glebelands) to Compass Services	Admission Agreement	Pass through 8 August 2021	N/A	Draft admission agreement circulated July 2021 Completion in full expected in February /March 2022	Medium/ High
City Council (Marriott) to Compass Services	Admission agreement and bond	Pass through 23 August 2021	Capital Costs of £36,000	Bond and admission agreement approved by all parties. Completion in full expected in February 2022	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	Bond and admission agreement approved by all parties. Completion in full expected in February 2022	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 notified that the contract had been extended to July 2022. Officers are working with Legal colleagues on reinstating the bond	Medium
The MEAD Educational Trust (Primary Schools) to Caterlink	Bond	Pre April 19 (Contract extended to	Full £158,000 to 31/7/2022 (previous bond	Officers were notified that the contract had been extended to July 2022. Officers are working with Legal colleagues on	Medium

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
		31/7/2022)	lapsed on 31/7/2021 when original contract was due to end)	reinstating the bond	
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	Bond has been agreed and has been issued for signature	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)	Bond has been agreed and has been issued for signature	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	East West have requested clarification on the bond requirement. Officers responded in January 2022	Low

41. The cases completed in the quarter are listed below;

- Beacon Academy to Hutchinson – Admission agreement and bond (backdated to 1 January 2021)
- City Council (City of Leicester College) to Atalian Servest – Admission agreement and bond (backdated to 13 February 2021)
- City Council to G4S – bond only
- Blaby District Council (2019 contract) to SLM – bond only

Governance – Knowledge and Understanding

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

43. Officers believe this is a valuable tool, individually detailing which topics will be useful to assist Member's knowledge and understanding.

Recommendation

44. 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 October to December 2021

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

Appendix C – [GAD 31 March 2019 Section 13 Report and Appendices – 2021](#)

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APPENDIX A

Quarter - October to December 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%	85%	▼	87%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲	98%
Pension payments made within 10 working days of receiving election	95%	96%	▲	96%	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	91%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	89%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	92%
					Establish the way members are treated - rated as polite or extremely polite	97%	98%	▲	100%
Good or better than target	▲				Email response - understandable	95%	89%	▼	96%
Close to target	▶				Email response - content detail	92%	90%	▶	97%
Below target	▼				Email response - timeliness	92%	83%	▼	95%

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