



LOCAL PENSION BOARD – 4 MAY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JANUARY to MARCH 2022 - 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 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 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 2022 quarter are included as Appendix A.
5. In the quarter nine out of ten Key Performance Indicators (KPIs) were at or above target.
6. The results for the year April 2021 to March 2022 are included as Appendix B.

7. The years KPIs are very pleasing with half of the KPIs at or above target. The other half were just slightly under target. Given the demands and pressures on the service, the Pensions Manager is pleased with the overall year's results.

Governance – Service Delivery

General Workloads

8. The tables show the position in the key work areas, January to March 2022.

January 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	212	1,446	750
Retirement Options	222	260	250
Retirements Paid	103	408	250
Deaths	117	189	100
Refunds	70	210	400
Pension Estimates	90	96	250
Transfers in	49	257	200
Transfers out (excluding interfunds out) *	30	31	100
Aggregations	133	1,287	300
New starters set up on the pension system	347	n/a	n/a

February 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	354	1,231	750
Retirement Options	206	286	250
Retirements Paid	225	379	250
Deaths	103	186	100
Refunds	48	225	400
Pension Estimates	81	119	250
Transfers in	84	261	200
Transfers out (excluding interfunds out) *	31	32	100
Aggregations	300	970	250

New starters set up on the pension system	846	n/a	n/a
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March 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	227	1,139	750
Retirement Options	217	259	300
Retirements Paid	160	403	300
Deaths	81	189	100
Refunds	97	249	400
Pension Estimates	84	124	250
Transfers in	40	296	200
Transfers out (excluding interfunds out)*	46	40	100
Aggregations	237	981	250
New starters set up on the pension system	590	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 point to note.

- Preserved benefits and aggregations are reducing and remain priority for the Fund valuation on the 31 March 2022.

10. Due to increasing scheme membership and demand, the Pensions Manager has produced new maximum workloads target for 2022/23. In all cases Officers try and keep workloads below the maximum target values but these act as a management tool to assist with resource planning. This is attached as Appendix C.

11. Officers purchased Insights, a detailed reporting tool from the pensions administration provider in 2021, that enables Officers the ability to delve deeper into the tasks. From April 2022 the Pensions Manager will be able to detail how many of the remaining cases are with the Pension Section to proceed and how many are "external". External cases cannot proceed until something outside of the Pension Section is completed, e.g., a scheme member returns their retirement option form, an employer provides pay details etc.

Value for Money Statement

12. The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance states Pension Funds need to produce a Value for Money Statement for inclusion in the Fund's annual report.

13. The guidance is not particularly prescriptive and is included in full below

“This statement should demonstrate the efficiency and effectiveness of each fund's scheme administration and the commitment to enhancing the value for money of this function. This should include reflecting on the level of resources and comparability of key performance indicators over time and to national averages. There should also be a comment on the current levels of data quality on common data standards which are fundamental for both the valuation of the funds' liabilities and how this is subsequently reported in the fund accounts and risk management arrangements.”

14. The Value for Money Statement for 2021/22 will be included in the annual report and taken to Committee in 2022.

15. The Value for Money Statement is in respect of

- Administration costs
- Service to scheme members
- Workloads
- Data quality
- Fund risk management

16. The pension administration costs include staffing, IT, actuarial and support services. It does not include the costs relating to investment activity.

17. The Pension Fund budget is independent of the Council's budget and its finances are managed separately. The Director of Resources reviews the Pension Fund budget independently considering the full need of the service.

18. The Pension Fund budget for 2022/23 was approved by Committee on the 25 March 2022. This also included a forecast for 2023/24.

19. Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership at the 31 March. To compare the 2021/22 costs, information from three years prior is included.

20. Administration Cost

Year	Members	Full Time Equivalent – Pensions Administration	Administration Costs £000	Cost per member (admin cost / members)
2018/19	93,046	31	2,300 [^]	£24.72
2019/20	95,401	33	2,300	£24.11
2020/21	97,530	33	2,155	£22.10
2021/22	99,240	36*	2,556	£25.76
2022/23 – Forecast	103,000	35**	2,790	£27.09

[^]Total was £2,400,000 but reduced by £100,000 income.

*Includes two Kick Starters from the Government's initiative to introduce graduates into work.

**Includes an apprentice.

Administration costs are made up primarily from four areas staffing, IT, actuarial and support services.

There was increased spend in all the four key areas in 2021/22 compared to 2020/21, as detailed in the following table.

Year	Staffing	IT	Actuarial	Support Services	Other
2020/21	1,202,000	423,000	77,000	393,000	58,000
2021/22	1,373,000	445,000	183,000	466,000	89,000
Increase	171,000	22,000	106,000	73,000	31,000

21. Staffing

The increase in staff costs were for the additional three colleagues primarily assisting on McCloud. There was also an inflationary increase to staff salaries and pay progression for colleagues moving through the pay bands.

22. IT

IT costs increased to cover system changes for McCloud and the purchase of Insights which is a new reporting tool provided by the system provider.

23. Actuarial

Every three years the Fund must complete an actuarial valuation. The valuation exercise includes a significant amount of time from the Fund's Actuary Hymans Robertson. Therefore, in a valuation year the actuarial costs increase. The expected actuarial cost for the valuation was budgeted in 2022/23. However, the stabilised employer valuation work was brought forward into 2021/22 thereby

increasing the cost spend in 2021/22. A lower expected increase in 2022/23 is anticipated.

24. Support Services

There were increases in the support services to cover increasing workloads in certain areas, inflationary increases and the implementation of the new print/post/scanning solution.

25. Other

These relate to other general costs e.g., LGA training, CIPP qualifications, Club Vita membership, tracing service, SAB annual levy etc.

26. Fund Administration Charge

Funds charge a percentage of the employer primary contribution rate to fund pension administration. Given the differences in the demographics of Funds this is not considered a reliable measure of costs between Funds. For example, a Fund with a greater percentage of active members and low fund maturity will receive more income, compared with a more mature Fund that has a greater percentage of pensioners and preserved members.

Officers feel the cost per member provides a more transparent way to measure administration cost between Funds.

Service to Scheme Members

27. Fund Officers measure key performance indicators (KPIs) for both business process and customer satisfaction. The January to March 2022 quarter and full year April 2021 to March 2022 KPIs were referenced earlier in the report as Appendix A and B.

28. The KPIs demonstrate a good service continues to be provided to the Fund's scheme members.

29. During 2021/22 the Fund had three Stage 2 complaints via the formal Disputes process.

Workloads

30. Workloads have been included in the Value for Money work as it demonstrates the volumes completed in the year and is required in the Fund's Annual Report. The 2021/22 figures are included in the table below.

Area of work	Cases Completed
Preserved Benefits	2,034
Retirement Options	2,675
Retirements Paid	2,113
Deaths	1,196
Refunds Paid	1,148
Estimates	1,206
Transfers in and out (excluding interfunds out) *	287
Aggregations	1,593
New starters	7,397

*Interfunds out have a one-year window for a member decision and are therefore excluded.

Details of new pensioner analysed by retirement type.

Type of retirement	Cases Completed
Early	1,524
Ill Health	46
Normal	153
Late	243
Redundancy/Efficiency/Flexible	147
Total	2,113

Scheme Membership in the last three years is.

Year	Active Members	Preserved Members	Pensioner Members	Total
2019/20	35,779	30,586	29,036	95,401
2020/21	36,972	30,469	30,089	97,530
2021/22	37,139	30,704	31,397	99,240

Data Quality

31. Officers monitor and improve annually data quality. This is reported to The Pensions Regulator each year. Data is split between common and scheme specific data.
32. Common data is primarily used to hold members information e.g., NI number, Date of Birth etc.
33. Scheme specific data is primarily used in the calculation of member benefits.
34. The Fund data scores in the last three years.

Year	Common Data Score	Scheme Specific Data Score
2019/20	99.20%	90.40%
2020/21	99.20%	90.90%
2021/22	97.20%	97.59%

With the introduction of Insights further data analysis is now available and it has emerged the previously submitted score needed a slight adjustment and the 2021/22 scores reflect this. However overall, the latest scores are more favourable.

Fund Risk Management

35. Officers monitor risk and record risk on the Pension Fund risk register. The register is presented to the Board and Committee each quarter.
36. The Fund has two Business Plans for administration and investments. These were approved by Committee in March 2022. These are used to highlight any significant changes and help identify where resource changes maybe required to continue to deliver the service.
37. A list of the Fund's strategies and policies can be found on the following link.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

Staffing Update

38. Two experienced Team Managers will be leaving the Pensions Section during May. With 40 years' and 20 years' service in the section respectively.
39. An experienced Officer from another LG Pension Fund has been recruited who will join the section in June, subject to completion of the formal recruitment process. This has also led to minor reshuffle to ensure the impact of the departure is minimised and the new Officer is supported as he settles into his new role.

Complaints – Internal Disputes Resolution

40. 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.
41. In the period January to March 2022 there were no new IDRP Stage 2 appeals.

There was progress on two existing Stage 2 cases.

- One was referred back to the member's previous employer to reconsider their Stage 1 decision.
- One that had already been referred back to the member's previous employer to reconsider their earlier decision, was still not resolved. This then formed a new Stage 2, but the member has refused to proceed with the IDR process and has proceeded directly to the Ombudsman.

Data Improvement

42. The Pension Section has almost completed the phased implementation of monthly postings using i-Connect as part of the Leicestershire Fund's data improvement plan. Below are the main developments since the last Pension Board meeting up to 31 March 2022

- A total of 10 large employers have gone live on i-Connect, all from Phase 1. These include St Thomas Aquinas, The Rutland Learning Trust, South Leicester College, Lady Jane Grey Primary School and employers using the EPM payroll provider.
- 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, Leicester City Council and Melton Borough Council.
- From January 2022 all EMSS payrolls transferred to the new Fusion payroll system, this had a data synchronisation impact on i-Connect. This created a significant amount of work completing data checks and resolving discrepancies before uploading the report.
- The Fusion reports are still proving challenging to resolve due to inaccuracies in the data which means increased checks are needed before and during the upload process.

Outstanding Employers

43. There are only six small to medium employers outstanding which account for less than 1% of active members, see employer details below.

44. These employers will carry out the old Year End process and Officers aim to go live with i-Connect in early 2022/23.

- Compass Services (City, Marriott Primary School)
- Compass Service (City, Glebelands Primary School)
- Capita IT City of Leicester
- Capita Services ex Charnwood
- Futures Trust (Hinckley Academy)

- St Therese of Lisieux / St Gilbert of Sempringham
45. There are always new employers joining the Fund and they are required to use i-Connect but naturally this takes a few months to set up with new employers.

Overview as of 31st March 2022

At 31 March 2022	Employers	Active Members (approx.)
Total Fund	186	37,139
Live on i-Connect monthly posting	180	37,029
Not live on i-Connect (annual posting)	6	110
Percentage monthly posting	97% (previous quarter 92%)	99.7% (previous quarter 96%)

46. A full list of all employers monthly posting implementation as of 31 March 2022 can be found in Appendix D.

Plan for 2022/23

47. The priorities over the coming months are:
- Year End process: Liaise with the Investments Department and carry out data checks in preparation for the benefit statement 31 August 2022 deadline.
 - Go-live with the outstanding employers - work can begin on this after Year End data has been provided and the April payroll has run.
 - Work with East Midlands Shared Services to ensure any remaining issues with the i-Connect reports are resolved.

2021/22 Year-End

48. Officers started preparing for 2021/2022 year-end in February 2022 and sent a bulletin to all the employers using i-Connect detailing the data that needs to be submitted.
49. A separate correspondence was sent to the six employers not using i-Connect in March 2022 explaining what information is required and how to submit the data.
50. The deadline for employers to submit all the year-end data is 30th April and any queries that are generated will need to be resolved by 31st July. This will allow the Pension Section sufficient time to prepare the Annual Benefit Statements

before 31st August deadline. A control sheet has been setup to monitor the progress of each employer to ensure that all the deadlines are met.

51. As at the 20 April 2022 84 employers have uploaded their March 2022 data and 25 year-end returns have been received. Officers are pleased with the current year-end position and will continue to monitor this closely.

Breaches Log

52. 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.

53. There were no new or open breaches in the quarter.

Governance – Audit

54. During the quarter January to March 2022, there was one Internal Audit report received on the 2021/22 pension contribution calculations. All cases checked were correct and there were no recommendations made.

Governance - Regulations

55. There were no significant Local Government Pension Scheme regulator changes in the quarter.

Governance – National Update

Russian Investments

56. In March 2022 Department Levelling Up Housing and Communities (DLUHC) wrote to all Funds to request them to consider their Russian investments. At the time Leicestershire had approximately 0.15% in Russian investments and this is likely to have fallen since. DLUHC remain keen for Funds to continue to review these investments, especially Funds with greater than 1% invested.

Sharia Law

57. A legal opinion commissioned by the LGPS advisory board has found that a discrimination claim was possible, against LGPS employers, over employees concerns the LGPS is not compliant with sharia law.

58. It is suggested employers may need to consider offering an alternative pension arrangement to negate this possible discrimination claim, but that would have obvious implications for employers and Funds and could lead to a cheaper scheme with worse benefits.

59. The LGPS advisory board are seeking further advice on the legal opinion.

Governance – Fund Policies/Changes

60. The Pensions Manager provided a report to the Local Pension Board on the 23 August 2021 confirming Officers are working with the Fund's Actuary Hymans Robertson on an informal review of Local Government AVC providers. This followed the issues highlighted to the Board during 2021 with the Fund's current AVC provider the Prudential.
61. The informal review has been completed and Officers will assess the results and decide how to proceed. It is unlikely this will proceed significantly during 2022 whilst the priority must remain the valuation, McCloud and preparing for dashboards.

Governance – Actuarial

Valuation

62. On 25 March 2022 Pensions Committee approved proposed employer rates for the stabilised employers for the period 1 April 2023 to 31 March 2026.
63. The Pension Manager has written to the stabilised employers, and they have until the 3 May 2022 to request further information.
64. Fund Officers are now actively working through the data for the non-stabilised employers. All Fund data will be provided to the Fund actuary by the 31 August 2022.

Governance – The Pensions Regulator Code of Practise

65. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current codes into one single code.
66. 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. Officers and The Fund's Actuary will compare the current codes and the new single code via a "gap" analysis.

Governance – Employer Risk

67. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
68. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve.

69. 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.

70. 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.

71. 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.

72. At the time of writing the report, 20 April 2022, there are several cases outstanding.

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 20 April 2022)	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 April 2022.	High
South Charnwood High School to MCS Cleaning (2021 Contract)	Admission agreement and bond	Pass through 1 September 2021 2 members affected – they have been written to	Capital Costs of £10,000	Bond and admission agreement approved by all parties. Admission agreement has been signed by MCS, but Officers await South Charnwood to sign. This continues to be chased.	Medium/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 20 April 2022)	Fund Risk Level
		explaining the situation			
Odyssey Ed Trust (Humberstone Primary School) to Caterlink	Admission agreement and bond	Pass through 1 January 2022 3 members affected – they have been written to explaining the situation	Capital Cost of £27,000	Admission agreement has been agreed and circulated for signing. Bond still needs agreeing and Officers have chased both parties.	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 continue to work with Legal colleagues on reinstating the bond	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 on 31/7/2021 when original contract was due to end)	Officers were notified that the contract had been extended to July 2022. Officers continue to work with Legal colleagues on reinstating the bond	Medium
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 signed by the bank. Officers continue to chase Rushcliffe CARE for signature.	Low
City Council to East West Community Centre Ltd	Bond (previously not required but	Pre April 2019	Capital Cost bond of £16,000 March 2021	East West are questioning the need for the bond and have requested further information.	Low

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 20 April 2022)	Fund Risk Level
	member age 55)		3 years		
MET to Taylor Shaw (Elior)	Bond	Passthrough 1 August 2021	Capital Costs of £12,000	Admission completed. Officers continue to chase for completion of the bond	Low

71. The cases completed in the quarter are listed below.

- City (Marriott Primary School) to Compass – Admission agreement and bond (backdated to 23/08/2021)
- City (Glebelands School) to Compass – Admission agreement backdated to 08/08/2021
- Mowbray Educational Trust to Taylor Shaw – Admission agreement backdated to 01/08/2021
- Tudor Grange (Samorth) to CSE – bond only

Governance – Knowledge and Understanding

72. 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.

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

74. The Fund's 2021-22 Annual Report will include details on Member training.

Recommendation

75. 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 2022

Appendix B – Key Performance Indicators April 2021 to March 2022

Appendix C – Revised Monthly targets from April 2022

Appendix D – Fund's position on the role out of monthly postings (31 March 2022)

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