



LOCAL PENSION BOARD – 17 AUGUST 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT **APRIL to JUNE 2022 - QUARTER ONE**

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 April to June 2022 quarter are included as Appendix A.
5. KPIs on customer feedback remain strong.
6. KPIs on business processes have fallen compared to the previous quarter. This is due to resource being required on other critical statutory areas of pensions administration, year-end, pensions increase, valuation and annual allowance.

Governance – Service Delivery**General Workloads**

7. The tables show the position in the key work areas, April to June 2022.

April 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Remaining cases in Pensions	Maximum Number of Cases at Month End
Preserved benefits	138	1135	839	1000
Retirement Options	218	273	102	350
Retirements Paid	135	425	121	350
Deaths	78	194	78	200
Refunds	78	282	41	400
Pension Estimates	124	76	58	250
Transfers in	88	271	83	200
Transfers out (excluding interfunds out) *	27	43	29	100
Aggregations	139	873	663	1000
New starters set up on the pension system	512	n/a	n/a	n/a

May 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Remaining cases in Pensions	Maximum Number of Cases at Month End
Preserved benefits	258	1149	837	1000
Retirement Options	187	366	189	300
Retirements Paid	246	374	87	300
Deaths	77	201	85	200
Refunds	96	240	29	400
Pension Estimates	93	99	68	250

Transfers in	71	282	88	200
Transfers out (excluding interfunds out) *	49	39	28	100
Aggregations	66	1244	1043	1000
New starters set up on the pension system	624	n/a	n/a	n/a

June 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Remaining cases in Pensions	Maximum Number of Cases at Month End
Preserved benefits	182	1108	798	1000
Retirement Options	253	331	117	300
Retirements Paid	140	435	79	300
Deaths	75	223	84	200
Refunds	58	276	109	400
Pension Estimates	33	136	113	250
Transfers in	47	286	112	200
Transfers out (excluding interfunds out)*	34	47	24	100
Aggregations	37	1269	1075	1000
New starters set up on the pension system	238	n/a	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.

8. The main point to note.

- Work was concentrated on employers with the largest percentage of pending leavers for the valuation. Over 500 cases were cleared on these employers during May and June.

Governance – General

Complaints – Internal Disputes Resolution

9. 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.
10. In the period April to June 2022 there was one new IDRP Stage 2 appeal. The case relates to a member's historic transfer out. The complaint has been lodged by a Claims Management Company on the member's behalf. The case is now being considered at Stage 2 of the IDRP process. There were no changes in the other Stage 2 cases in the quarter.

Data Improvement

11. The Fund's data improvement plan has been driven by the move to monthly postings of employer data.
12. At the Board meeting in May 2022 the Pensions Manager confirmed that the phased implementation of monthly postings using i-Connect was almost complete. There are now only 6 employers out of 186 still to commence monthly postings. Officers continue to work with these six employers on their future implementation.
13. Given that 99.7% of active members data is posted monthly the Pensions Manager has now moved i-Connect from the implementation stage to business as usual.

2021/22 Year-End and Annual Benefit Statements

14. 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.
15. A separate correspondence was sent to 10 employers not using i-Connect in March 2022 explaining what information is required and how to submit the data.
16. The deadline for employers to submit all the year-end data was the 30 April and any queries that are generated needed to be resolved by 31 July, allowing the Pension Section sufficient time to prepare the Annual Benefit Statements before 31 August deadline. A control sheet has been setup to monitor the progress of each employer to ensure that all the deadlines are met.

17. As at the 1 August 2022 114 employers have uploaded their March 2022 data and the data queries are resolved.
18. 74 employers still have data queries and Officers are chasing these cases. 62 of these employers are paid via East Midlands Shared Services (EMSS) and the delays have been caused by the new Fusion payroll system. EMSS and Pension Officers are working hard to resolve these queries and are confident these will be completed in time for annual benefit statements.
19. 114 employers are complete and annual benefit statements are ready to be produced.
20. Officers expect that only seven scheme members will not receive their annual benefit statement by the 31 August 2022 due to the legal admission agreement not being completed in time to complete year-end. These seven staff work for Total Swim, and they have been written to by Officers explaining the situation.
21. Officers are pleased with the current year-end position and will continue to monitor this closely throughout August.

Breaches Log

22. 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.
23. There were no new or open breaches in the quarter (April to June), however the Pensions Manager will continue to review progress on year-end for annual benefit statements for Total Swim. Whilst these will not be completed by the 31 August 2022 deadline, it is expected they will be completed shortly afterwards, mitigating any materiality.

Dashboards

24. There is a new national exercise to set up pension Dashboards. It is expected the Leicestershire Fund will need to submit data by September 2024.
25. The new pensions Dashboards will enable UK residents opportunity to register on the national dashboard, to view all their pensions "in one place".
26. Pension Funds are required to submit their pension data to the national dashboard via a secure link to enable UK residents to view elements of their personal, public and occupational pension schemes, in one place.
27. The Pensions Dashboard Programme (PDP) launched consultations on dashboard standards and guidance and a call for input on the design stage. Both consultations close on the 30 August 2022.

28. Standards detail how the pension schemes and dashboard providers operationally, technically or in practice, meet their dashboard duties covering seven standards;
- a. Operational
 - b. Security
 - c. Service
 - d. Data
 - e. Reporting
 - f. Application programming interface
 - g. Technical (other)
29. Guidance provides further requirements to which pension scheme must have regard when complying with their dashboard duties covering four areas;
- a. Connection
 - b. Data usage
 - c. Overview technical
 - d. Early connection
30. Given the size, complexity and technical nature of the national exercise, the Pensions Manager is working closely with Heywood, the Fund's pension system provider, and the Local Government Association (LGA) on pension dashboards. Both Heywood and the LGA are expected to provide a response to the consultation on behalf of the LGPS nationally. Because of this, and the technical nature of the consultation, the Pensions Manager does not intend to reply directly.
31. Officers will provide further updates to the Board on the Dashboard programme as this develops over the coming months and years.

Governance – Audit

32. During the quarter April to June 2022, there were three Internal Audit report received.
- a. Pension Creation. To review the validity and accuracy of payment for new pensions, lump sums and death grants. There were no recommendations in the Audit report.
 - b. McCloud (Data Collection and Input). To review progress on the McCloud exercise. A separate report to the Board details the Fund's current position on McCloud.
 - c. Good Governance Project. To provide assurance to management that the recommendations from the Good Governance Project have been adequately addressed and implemented. There were two recommendations that Officers have agreed. Once final guidance from the Department for Levelling Up, Housing and Communities is received this exercise will be reviewed again.

Governance - Regulations

33. In June 2022 new legislation came into force on “Nudge”. This requires Officers to inform members with Additional Voluntary Contributions (AVCs), about their AVC retirement options and offers them the chance to make an appointment with Pensions Wise.
34. Officers have amended the retirement letters to account for Nudge and refers to Pensions Wise. At this early stage the impact on administration seems to be minor. Most people with AVCs continue to use them to increase their LGPS lump sum at retirement.

Governance – National Update

35. Following the Hutton review, the Cost Cap was introduced as part of the 2014 reforms as a “safety value” mechanism for public sector pension costs. This set a 2% baseline target cost.
36. The first national Cost Cap for the LGPS was as the 31 March 2016. The 2% baseline was breached on the “low side”, prompting suggested improvements to members benefits or contributions. However, McCloud costs were pending so the process paused.
37. Following the McCloud consultation, and Government’s confirmation of their preferred approach for remedying McCloud, the Cost Cap work was un-paused.
38. In early July 2022, the result of the 2016 Cost Cap valuation was published. The result now suggests no changes to member benefits or contribution rates in the LGPS.
39. The 2016 Cost Cap results are still subject to legal challenge, so the final outcome still remains pending. The Pensions Manager will provide a further update once the legal challenge is concluded.

Governance – The Pensions Regulator Code of Practise

40. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current codes into one single code.
41. 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.

42. Officers and The Fund's Actuary will compare the current codes and the new single code via a "gap" analysis.

Governance – Employer Risk

43. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.

44. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve.

45. 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.

46. 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.

47. 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.

48. At the time of writing the report, 1 August 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	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. Members have also been written	Capital Cost Bond of £4,000	Legal colleagues have discovered two separate admissions are required for this transfer, due to the contractual arrangement between the Academy and contractor. Officers have been informed the Academy has signed one of these, but the contractor has not signed either.	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	Fund Risk Level
		to about the delay in receiving their annual benefit statement		Officers continue to chase all parties.	
Leicestershire County Council to Turning Point (2022 contract)	Admission agreement and bond	Pass-through 1 April 2022 9 members - not written to at this stage (being reviewed)	Capital Costs of £110,000 4 years	Admission agreement is still being finalised. All parties are actively engaged in completing this	High
Leicester City Council to Turning Point (2022 contract)	Admission agreement and bond	Pass-through 1 April 2022 17 members – not written to at this stage (being reviewed)	Capital Cost of £110,000 4 years	Admission agreement is still being finalised. All parties are actively engaged in completing this	High
Leicestershire County Council and City Council to Ingeus	Admission Agreement	Pass-through 9 April 2022 1 member (split role covers City and County) – not written to at this stage (being reviewed)	n/a	Joint tender by County and City. Draft admission agreement circulated, and Officers are chasing.	High
Lutterworth AT to Cucina	Admission Agreement	Pass-through 9 April 2022 8 members – not written to at this stage (being reviewed)	n/a	Admission agreement has been agreed by all parties. Awaiting signature	High
Odyssey Education	Bond	Pass-through 1 January	Capital Cost bond of	Officers continue to chase completion	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	Fund Risk Level
Trust (Humberstone Primary School) to Caterlink		2022	£27,000 3 years		
City Council to East West Community Centre Ltd	Bond (previously not required but member aged 55)	Pre April 2019	Capital Cost bond of £16,000 3 years	East West are arranging a Committee Meeting to consider this	Low
MET to Taylor Shaw (Elior)	Bond	Passthrough 1 August 2021	Capital Costs of £12,000 3 years	Officers continue to chase for completion of the bond	Low

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

- Odyssey (Humberstone Primary School) to Caterlink – admission agreement backdated to 1 January 2022
- South Charnwood High School to MCS Cleaning (2021 contract) – admission agreement backdated to 1 September 2021
- Leicestershire County Council to Rushcliffe Care – bond only

Governance – Knowledge and Understanding

51. 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.

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

53. The Fund's 2021-22 Annual Report includes details on Member training.

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 April to June 2022

Officers to Contact

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APPENDIX A

Quarter - April to June 2022									
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%	91%	▶	93%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	96%	▲	99%
Pension payments made within 10 working days of receiving election	95%	93%	▶	95%	Experience of dealing with Section - rated at least good or excellent	95%	94%	▶	93%
Death benefits/payments sent to dependant within 10 working days of notification	90%	76%	▼	90%	Establish members thoughts on the amount of info provided - rated as about right	92%	94%	▲	93%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	98%
Good or better than target	▲				Email response - understandable	95%	100%	▲	100%
Close to target	▶				Email response - content detail	92%	99%	▲	99%
Below target	▼				Email response - timeliness	92%	93%	▲	98%

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