



LOCAL PENSION COMMITTEE – 3 MARCH 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – KEY ADMINISTRATION PRIORITIES 2023/24

Purpose of the Report

1. The purpose of this report is to provide information to the Local Pension Committee of the key priorities for pensions administration in 2023/24.

Background

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme (LGPS) benefits of the Leicestershire Pension Fund's members. As at the 31 March 2022 there were 37,139 active members, 31,397 pensioners, and 30,704 preserved members, 99,240 in total.
3. Much of the pensions administration work is deemed "business as usual" but in addition there are areas of statutory work the Pension Section must complete in 2023/24. This is detailed in the Pension Section's draft Administration Business Plan for 2023/24. This is included as an Appendix in the Business Plan and Budget 2023/24 report.
4. The Pension Section Draft Administration Business Plan for 2023/24 covers three levels.
 - a) Level One - Changes that impact on the Pension Fund
 - b) Level Two - Changes that impact on or from Corporate Resources
 - c) Level Three - Continuous improvement and business as usual
5. This report concentrates on the changes in level one. The draft Pensions administration Business Plan for 2023/24 was taken to the Local Pension Board on the 8 February 2023. The key items are addressed in turn.

Dashboards

6. It is estimated that the average worker will build up 11 different pension pots over the course of their career and keeping track of them can be difficult. The Government is developing a national solution, called Pensions Dashboards designed to enable users to access information regarding all their pension pots (not just public sector) in one place via a secure online site.

7. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their state pension. They will also help individuals reconnect with any lost pension pots. The Pensions Dashboard Programme (PDP) is responsible for delivering the 'digital architecture' and services which will enable data providers and dashboard operators to function.
8. LGPS funds will need to onboard for this service by 30th September 2024, which will allow users to initially establish if they have a pension benefit with the Fund, and from 1st April 2025 also access details of those benefits.
9. The Fund will need to sign up with an Integrated Service Provider (ISP) to enable data to be accessible through the PDP. Heywood, the Fund's main pensions administration system provider, offer this facility and contractual negotiations with them are currently on-going.
10. In preparation for the launch of this service, Officers regularly perform 'data cleanse' checks on data to enable records to be 'tidied up' ahead of onboarding. Whilst it is obviously good practice for records to be as accurate as possible, it will also reduce queries from members accessing their records through the PDP.
11. Officers will also be advising employers that, as requirement of this exercise, data will need to be supplied for new members within three months of joining the scheme. Data is currently provided monthly from employers, and they will be advised that prompt provision of that data will be required to ensure the Fund complies with legislation.
12. It is expected that the launch of the dashboard will raise the profile of the pensions industry in general, which could result in an increase of general enquiries directly to the Fund, covering such topics as pension estimates, paying additional contributions, transfers, and refunds.
13. Dashboards continue to be a topic at all upcoming national Pension meetings including the National Technical Group and Officers will continue to monitor developments.

Scheme Advisor Board – Good Governance Project

14. Between 2019 and 2021 the actuarial firm Hymans Robertson prepared three Good Governance Reports for the national Scheme Advisory Board (SAB). These detailed several proposals that were intended to strengthen LGPS governance in the face of the various challenges that Funds are expected to face in the future, including increasing complexity in administration, local government funding cuts and the pooling of the LGPS investments.
15. SAB approved all the proposals that were in the final report and made recommendations to the Government Department, now called the Department for Levelling Up, Housing and Communities (DLUHC). To take these forward, SAB developed an action plan which included a requirement for DLUHC to

produce statutory guidance, establish the new governance framework and implement the proposals.

16. The proposals were divided into six sections and cover various areas of governance, for example:

- Funds must publish an annual governance compliance statement which sets out how they comply with the governance requirements for LGPS funds as set out by the guidance;
- Funds must produce a conflict of interest policy;
- Funds must produce an administration strategy.

17. Officers have worked through the recommendations and have taken steps to put many of these in place. There are several areas though where guidance is awaited. To date this has yet to be produced and in general, progress at a national level has stalled in the face of conflicting priorities and resource challenges. Locally the situation continues to be monitored and appropriate action will be taken when guidance is finally produced.

McCloud Remedy

18. Following a ruling by the Court of Appeal in December 2018 regarding an age discrimination claim, the government confirmed that changes would need to be made to all main public sector schemes, including the LGPS, to remove that discrimination.

19. This is commonly known as the 'McCloud Judgement' after a member of the Judges' Pension Scheme who was involved in the case. The issue revolved around protections that were put in place for older members of the scheme and therefore steps needed to be taken to implement a 'remedy' that will equalise the protections to ensure that all members are treated the same.

20. Whilst the exact details of the remedy have not yet been confirmed, Officers have an expectation of what actions needed to be taken which allowed preparatory work to begin.

21. Officers have requested historical service data from the Funds employers relating to affected members for the period April 2014 to March 2022, including members whose benefits are already in payment. A special interface tool has been developed for the uploading of that data.

22. Although the ruling is not expected to increase the level of pension benefits that will be paid to many members, the process of collating and uploading the data required to identify those cases is extremely complex and time consuming.

23. Initially it was expected that much of the data would be uploaded automatically via the interface to member records but as the project has

progressed and various issues have emerged, the proportion of data that could be loaded has reduced and an increasing amount of manual intervention has been required. Two temporary staff have been employed to deal with the manual data entry and the position continues to be monitored to see if further resource is required.

24. Once the member records are finally updated, records will be assessed to establish whether the remedy will apply. If so, members pensions will be re-calculated, and arrears paid. There will also be other areas of the project that will also need to be addressed, including the possibility that members with multiple pension records may need to be offered the chance to aggregate (combine) those records. This could produce a more favourable position for the member and mean that the remedy would apply, though there is no guarantee of this. There are also possible tax implications that will need to be worked through.
25. Legislation in respect of this ruling is expected to come into force from 1st October 2023 and will be retrospectively applied back to 1st April 2014. Ensuring that all records are updated by this deadline to enable the remedy to be implemented immediately will be extremely difficult, so cases will be prioritised as necessary.
26. The McCloud project remains on the Fund's risk register and the situation continues to be monitored. It is already clear though that it is likely to be the biggest pension administration challenge ahead for 2023/24.

Member Self-Service

27. The Fund purchased Heywood's Member Self Service (MSS) online facility in 2019. The number of members registered for MSS is currently at around 40% of the fund and members can take advantage of the benefits calculator, secure transfer of documents and pensioners have access to payslips and P60s. Officers regularly contact employers to promote the benefits of registration and most correspondence encourages members to sign up for the facility.
28. Officers continue to work on ways to utilise the evolving functionality of the system. A process that moved the retirement process online for some registered users went live early in 2021 and following recent improvements made by Heywood, work is currently on-going to develop a more elegant solution for deferred members whose pension will shortly be due to be paid.
29. New scheme joiners are directed to MSS as part of the standard process. They receive a 'Welcome to the Scheme' letter that instructs users to register either by using the QR code or link provided. They are then directed to a "New to the Scheme" area of the portal that includes a 'Quick Guide' to the scheme, and other documents that previously would have been posted to home addresses.

30. Heywood are currently developing several ways to include more automation and Officers will continue to investigate how to include this functionality with the aim of encouraging more members to register for MSS and take advantage of the facilities.

Review and implement The Pension Regulators New Code of Practice

31. The Pension Regulator's (TPR) new 'Single Code of Practice' is expected to come into force this summer. It contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place.
32. Initially the plan is to perform a 'gap analyses to assess what actions should be taken to ensure compliance. This will be done in partnership with Hymans Robertson once the content is finalised.
33. Progress on this area will be reported to the Local Pension Board regularly.

Training – based on the “Training Needs Assessment”

34. Members of the Local Pensions Committee and Board are asked to complete the training needs assessment.
35. Officers work through the results and plan training to meet the key needs, plus any new items that may occur throughout the year.

Formally review the Funds Additional Voluntary Contributions (AVC) Provider

36. The current arrangement with Prudential has been in place for many years on a rolling contract. An informal market testing exercise was conducted on the Fund's behalf by Hymans Robertson, and they have established that there are potentially credible alternatives that could be explored.
37. Options to take this forward will inevitably involve a tender process. Although one option is to conduct our own exercise, Officers have instead contacted National LGPS Frameworks, a provider of procurement frameworks for LGPS funds. This organisation is a collaboration between several LGPS Funds and procurement, legal and project management support is provided by Norfolk County Council.
38. Officers have requested that National Frameworks set up an AVC provider framework and after establishing that there is interest in this, they have agreed to do so. They require funds to work with them to get this set up, which is in accordance with their usual approach, and Leicestershire Fund Officers have agreed to be part of a team to do this.
39. National Frameworks are in the process of recruiting other volunteers to work with them on the project before the project can begin. Initially this is likely to involve drafting of the requirements of the AVC services and some work has

already been done internally, which can be shared with Frameworks as a starting point.

40. The AVC Framework is expected to be in place by the end of 2023 and progress will be reported to the Local Pension Board later in the year.

Recommendation

41. It is recommended that the Committee notes the key priorities for administration during 2023/24.

Equality and Human Rights Implications

42. There are no equality or human rights implications arising from the recommendations in this report.

Background Papers

Nil

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