



LOCAL PENSION BOARD – 26 APRIL 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT JANUARY to MARCH 2023 - 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 fourth quarter period from January to March 2023. The report covers governance areas including administration of Fund benefits and 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 99,000 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, namely 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 quarter January 2023 to March 2023 are included as Appendix A and the full year April 2022 to March 2023 are included as Appendix B.
5. Key Performance Indicators (KPIs) are close or above target in quarter four, and for the full year.

Governance – Service Delivery

General Workloads

6. The following tables show the volumes in each work area during the months January to March 2023.
7. The Pensions Manager has included a RAG rating to each work area to highlight which areas are below target, close to target, or good or better than target.
8. The rating compares the cases that can be processed to the maximum target number at month end. This is designed to assist Officers to identify the work areas that require the greatest immediate attention.

Target	Rating
Below target	▼
Close to target	▶
Good or better than target	▲

January 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum Target Number of Cases at Month End	Rating
Preserved Benefits	106	291	1515	1806	800	▼
Retirement Options	245	176	99	275	300	▲
Retirements Paid	193	452	89	541	300	▲
Deaths	127	165	68	233	200	▲
Refunds	100	195	43	238	400	▲
Pension Estimates	34	15	87	102	250	▲
Transfers in	111	141	86	227	200	▲
Transfers out (excluding interfunds out) *	24	18	13	31	100	▲

Aggregations	439	213	1238	1451	600	▼
New starters set up**	1213	n/a	n/a	n/a	n/a	n/a

February 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum Target Number of Cases at Month End	Rating
Preserved Benefits	260	285	1535	1820	800	▼
Retirement Options	245	152	74	226	300	▲
Retirements Paid	168	452	92	544	300	▲
Deaths	102	176	68	244	200	▲
Refunds	70	223	49	272	400	▲
Pension Estimates	55	11	133	144	250	▲
Transfers in	80	123	77	200	200	▲
Transfers out (excluding interfunds out) *	29	20	12	32	100	▲
Aggregations	301	214	1189	1403	600	▼
New starters set up**	1087	n/a	n/a	n/a	n/a	n/a

March 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum Target Number of Cases at Month End	Rating
Preserved Benefits	148	284	1520	1804	800	▼
Retirement Options	225	209	97	306	350	▲

Retirements Paid	196	454	81	535	350	▲
Deaths	131	175	60	235	200	▲
Refunds	134	178	93	271	400	▲
Pension Estimates	65	14	143	157	250	▲
Transfers in	105	113	94	207	200	▲
Transfers out (excluding interfunds out) *	39	21	13	34	100	▲
Aggregations	71	215	1304	1519	600	▼
New starters set up**	795	n/a	n/a	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.

9. Aggregations and preserved benefits remain the highest values and continue to be targeted. There was a slowdown in March due to resource preparing for year-end.

Governance – General

Complaints – Internal Disputes Resolution

10. 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.
11. In the fourth quarter there were no new IDRP Stage 2 appeals.
12. Progress was made on four earlier cases:
- One case was resolved at Stage 2.
 - Two cases were not upheld at Stage 2. One case is likely to go back to the member's previous employer as the situation has now changed. It is not currently known what action will follow on the other case.
 - The Ombudsman made a final legally binding decision on one long running case, not upholding the member's complaint, and confirming no further action is required by the Fund or the employer.

Breaches Log

13. 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.
14. There were no material breaches reported for the quarter.

McCloud and Dashboards

15. The Board requested McCloud and Dashboards are standing items at each quarterly report.
16. A summary update is included in the Improvements report in the Board's agenda pack.

2022/23 Year-End

17. In February 2023 Officers wrote to all the Fund employers detailing the requirements for the 2022/23 year-end. The deadline for employers to provide the year-end data is the 30 April 2023.
18. The Statutory deadline for annual benefits statements is the 31 August 2023 and pension taxation saving statements is the 6 October 2023.
19. There is a delay in receiving certain monthly data for employers using the East Midlands Shared Service (EMSS) payroll system. This is especially key as Schools and Academies are moving to alternative payroll providers and the EMSS pension data must be complete, in full, and posted on individual member's pension records before new data from the new providers can be posted.
20. Officers are working closely with EMSS payroll colleagues to resolve this, but delays could impact on the Pension Section's ability to meet the statutory deadlines for annual benefit statements and taxation statements.
21. Officers will provide regular year-end updates to the Board.

Governance – Audit

22. During the quarter there were no Internal Audit reports received.

Spring Budget – Pension Taxation Changes

23. In the Spring Budget on the 15 March 2023 Government announced changes to the Lifetime Allowance (LTA) and Annual Allowance (AA).
24. The LTA is the amount a person's pension pot can be valued at during their lifetime. Prior to the 2023 Spring Budget, if the value was below £1,073,100 no tax charge would apply, but if it exceeds £1,073,100 a tax charge would apply.

25. The LTA has now effectively been removed, by initially removing the tax charge for 2023/24, and then removing the LTA completely with a planned future legislative change in 2024/25. Although the LTA has ended, a tax charge is still applied to a member's lump sum on the excess over £268,275.
26. The Annual Allowance (AA) is the amount a person's pension pot can grow per year. If the pension growth is below the AA no tax charge is applied. If the growth is over the AA, a tax charge maybe applied, taking into account the person's pension growth in the previous three years.
27. The standard AA is £40,000 per year, but in the Spring Budget, this was increased to £60,000 per year from 2023/24.
28. It is expected the increased AA will reduce the number of people exceeding the AA limit and enable people to pay more into their pensions (usually via an Additional Voluntary Contribution) without breaching the AA.

Governance – Regulations

29. There was a new Regulation implemented in the January to March 2023 quarter, to align the 2022/23 Pensions Increase date, and the Annual Allowance Pension Input Period (PIP) date, for use in the Annual Allowance (AA) calculation.
30. Prior to 2022/23, the AA calculation used the Pension Increase date as 1 April, and the PIP end date as the 5 April.
31. Pension Increase was 10.1% at September 2022 (the value used in the 2022/23 AA calculation), which is significantly higher than in previous years. This caused a review of the AA calculation, and subsequent Regulation change.
32. The Regulation change removes PI growth from a scheme member's overall pension growth, for taxation purposes. This is considered a much fairer and reasonable solution and the change is expected to reduce the number of scheme members having an unexpected AA breach in 2022/23.
33. The pensions administration system provider is aware of the change and is writing a system change to deal with the amended Regulation. It is expected the system will be amended in the first quarter of 2023/24. Until then manual calculations are required.

Governance – SCAPE rate

34. In March 2023 the Chief Secretary to the Treasury confirmed that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate has been adjusted to take into account the long term expected Gross Domestic Product (GDP) growth figures. Based on the new figures the new

SCAPE discount rate is Consumer Price Index (CPI) plus 1.7%. This is a change from CPI plus 2.4%

35. The SCAPE discount rate change came into effect from the 30 March 2023. In the LGPS the SCAPE discount rate is used in various calculations including some non-club transfers and divorce calculations. Government has confirmed the new factors for transfers will be issued in April or May 2023.
36. Officers are working through cases impacted by this change. Some cases maybe recalculated using an earlier relevant date (before 30 March 2023) with a caveat to the member, others will be stockpiled until the new factors are available.

Governance – Valuation

37. Pensions Committee as it's meeting on the 3 March 2023 approved:
 - The Fund's Funding Strategy Statement
 - The Fund's Investment Strategy Statement
 - The final assumptions used in the 2022 Fund valuations
 - The 105% indicative whole Fund result.
38. Members considered a report at the 8 February 2023 meeting of the Local Pension Board, Valuation – Consultation Results, Final Assumptions and Results.
39. Hymans Robertson (The Fund Actuary) concluded the Fund's 31 March 2022 Actuarial Valuation report on the 30 March 2023. The report provides the approach to the valuation, the valuation results, sensitivity and risk analysis and assumptions. The rate and adjustment certificate provides the individual employer contributions for the period 1 April 2023 to 31 March 2026. The Fund employers have been written to confirming their final employer rates. The actuarial valuation report is attached as Appendix C.

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 needs to be laid before Parliament for 40 days before coming into force. Once laid Officers will have sight and can start working through any implications. Parliament only has the power to pass it in its entirety or reject it, so once laid it will not change. There have been various delays in reaching this stage, but it is now expected to be laid in the middle of 2023.
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. Whilst this is regularly monitored, employer risk work continues to expand and resources available are stretched.
44. In the table below, the outstanding cases are listed in risk order, highest to lowest. The highest risk cases tend to be 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.
45. 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.
46. 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.
47. At the time of writing the report (31 March 2023), several cases remain 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
Leicester City Council (Mellor School) to Caterlink	Admission Agreement and Bond	Pass-through 1 August 2022	Capital Cost Bond of £33,000 3 years	Draft Admission Agreement circulated. Caterlink have approved. Awaiting approval from Leicester City Council before final engrossments can be circulated. Officers continue to chase Leicester City Council. 5 members have been written to explaining the delay. Officers continue to chase in February and March.	High
Beacon Academy to	Admission Agreement	Pass-through 1 September	Capital Cost Bond of	Admission Agreement approved. Signed	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
Churchill Services	and Bond	2022	£26,000 3 years	counterpart received Churchill. Awaiting Beacon signed counterpart. Bond has been agreed by all parties. Final engrossments sent out for signature. Confirmation received of Bank signature. Awaiting Churchill and Beacon signed counterpart. 4 members have been written to explaining the delay.	
MEAD Education Trust to Compass (Primary School Staff)	Admission Agreement and Bond	Pass-through 1 August 2022	Capital Cost Bond of £94,000 3 years	Officers are preparing the draft Admission Agreement to be circulated. Due to Pensions seeking legal advice, this has been delayed. After seeking legal advice, officers are in the process of informing the Academy they are now the employer responsible for the Admission Agreement.	High
MEAD Education Trust to Compass (Secondary School Staff)	Admission Agreement	Pass-through 1 August 2022	Bond £17,000	Due to Pensions seeking legal advice, this has been delayed. After seeking legal advice, officers are in the process of informing the Academy they are now the employer responsible for the Admission Agreement.	High
North Warwickshire	Admission Agreement	Pass-through 1 October	n/a	Admission Agreement approved by all parties. Final	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	Fund Risk Level
and South Leicestershire College/ Leicestershire County Council to Aramark		2022		engrossments have been issued. Only one member impacted, not written to as close to completion.	
Leicestershire County Council and City Council to Ingeus	Admission Agreement	Pass-through 9 April 2022 1 member (split role covers City and County)	n/a	Admission Agreement approved by Ingeus. Final engrossment has been issued. Only one member impacted – member has been written to.	Medium/ High
Leicester City Council (Herrick Primary) – Aspens	Admission Agreement	Pass-through	Unknown (details of staff to be confirmed by City)	Officers have been chasing for the enquiry form from Leicester City Council.	Medium/ High
Chief Constable to Mitie Care	Bond (previously set at £190,000)	n/a	£213,000	Officers continue to chase completion. Mitie had questions regarding the bond amount which officers have responded to.	Medium/ Low
Bradgate Education Partnership (in house staff) to Caterlink	Bond	Pass-through 1 August 2022	Capital Cost Bond of £80,000 3 years	Officers continue to chase completion. Bond has been approved by all parties. Received signed by Bradgate and Caterlink. Awaiting signature from the Bank to complete.	Low
Bradgate Education Partnership/ Leicestershire County Council (LTS) to Caterlink	Bond	Pass-through 1 August 2022	Capital Cost Bond of £28,000 3 years	Officers continue to chase completion. Bond has been approved by all parties. Bond awaiting signature from Caterlink and the Bank to complete.	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
Ashby Hill Top Primary to Coombs Catering	Bond (previously not required but member turned aged 55)	n/a	£24,000	Draft Bond Agreement has been sent out for approval. Officers continue to chase for completion of the bond. Officers chased in March. Officers have informed Academy that they are at a higher risk while the bond is outstanding.	Low
Hastings High School to Coombs Catering	Bond	Pass-through 10 July 2022	Capital Cost Bond of £16,700 5 years	Admission Agreement has been completed. Awaiting Bond Agreement to be agreed by Coombs and the Bank. Officers continue to chase.	Low
MET to Taylor Shaw (Elior)	Bond	n/a	Capital Cost Bond of £12,000 3 years	Officers continue to chase for completion of the bond. Officers chased in March. Officers have informed Academy that they are at a higher risk while the bond is outstanding.	Low
LIFE MAT to Total Swim	Bond	n/a	Capital Cost Bond of £4,000	Bond Agreement has been approved and awaiting signed agreement. Officers chased in March. Officers have informed Academy that they are at a higher risk while the bond is outstanding.	Low

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

- Leicester City Council (Granby School) to Caterlink 2022 Contract – Admission Agreement
- Leicester City Council (St Barnabas) to Caterlink 2022 Contract – Admission Agreement
- Hastings High School to Coombs Catering 2022 Contract – Admission Agreement

- East West – final active member has resigned triggering a final cessation termination calculation
- Bradgate Education Partnership (in house staff) to Caterlink 2022 Contract – Admission Agreement
- Bradgate Education Partnership/Leicestershire County Council (LTS) to Caterlink 2022 Contract – Admission Agreement
- North West Leicestershire District Council to SLM – Bond extension
- Odyssey Education Trust to Caterlink – Bond agreement

Governance – Knowledge and Understanding

49. The Pensions Manager collated feedback from the Board on the Fund’s on-line knowledge and understanding training tool and reported this back to the provider.
50. The provider welcomed the feedback and is expected to shortly provide a new on-line training solution.
51. There will be improved, shorter and simpler sessions to work through. Unfortunately, any previous on-line training already completed will need to be completed again as the new system does not carry over earlier activity. This is designed to act as a training reminder to Members and ensures the latest changes in the training material have been received.

Recommendation

53. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee.

Background papers

54. Local Pension Board, 8 February 2023 – [Pension Fund Valuation Consultation Results, Final Assumptions and Results Report](#)

Equality Implications

55. There are no equality implications arising from the recommendations in this report.

Appendices

Appendix A – Key Performance Indicators January 2023 to March 2023

Appendix B – Key Performance Indicators April 2022 to March 2023

Appendix C – Leicestershire County Council Pension Fund Actuarial Valuation report 31 March 2022

Officers to Contact

Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

Declan Keegan
Assistant Director of Strategic Finance and Property
Telephone: (0116) 305 6199
Email: Declan.Keegan@leics.gov.uk

APPENDIX A

Quarter Four – 1 January 2023 to 31 March 2023

Quarter - January to March 2023									
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%	96%	▲	90%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	96%	▲	97%
Pension payments made within 10 working days of receiving election	95%	98%	▲	98%	Experience of dealing with Section - rated at least good or excellent	95%	90%	▶	90%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	96%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	91%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	100%
Good or better than target	▲				Email response - understandable	95%	100%	▲	97%
Close to target	▶				Email response - content detail	92%	100%	▲	99%
Below target	▼				Email response - timeliness	92%	96%	▲	90%

APPENDIX B

Full Year – 1 April 2022 to 31 March 2023

Full Year - 1 April 2022 to 31 March 2023								
Business Process Perspective	Target			Customer Perspective - Feedback	Target			
Retirement Benefits notified to members within 10 working days of paperwork received	92%	91%	▶	Establish members understanding of info provided - rated at least mainly ok or clear	95%	97%	▲	
Pension payments made within 10 working days of receiving election	95%	96%	▲	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	
Death benefits/payments sent to dependant within 10 working days of notification	90%	85%	▶	Establish members thoughts on the amount of info provided - rated as about right	92%	94%	▲	
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲
Good or better than target	▲				Email response - understandable	95%	99%	▲
Close to target	▶				Email response - content detail	92%	99%	▲
Below target	▼				Email response - timeliness	92%	93%	▲