



LOCAL PENSION BOARD – 26 APRIL 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND CONTINUOUS IMPROVEMENTS REPORT

Purpose of the Report

1. The purpose of the report is to provide a regular update to the Board regarding progress in respect of areas identified as requiring improvement within the Pensions Section.

Background

2. The Continued Improvements and Systems team has been created to assess and improve existing processes, maximising the use of technology, whilst exploring other areas including tenders, new legislation, governance, and data quality. Appendix A has been provided listing the areas of improvement to be addressed, but the key developments since last quarter are provided in more detail below.

Key Administration Priorities

3. Further to the Business Plan and Budget 2023/24 Report that was presented to the Board at the meeting on 8 February 2023 and was approved the Local Pension Committee meeting on 3 March 2023, this section of the report highlights the key administration elements that officers will focus on during the upcoming year.

(i) Pension Dashboards Programme

4. The current position regarding the Pension Dashboards Programme was presented to the Board at the meeting on 26 October 2022. Since that time, the only change of note relates to the onboarding deadlines. Following a ministerial statement made on 2 March 2023, the deadlines have been put on hold to allow additional time to deliver the complex technical solution that is

required to enable the connection of pension providers and schemes to the dashboard. When the revised deadlines are announced, details will be provided to the Board at a future meeting.

5. Dashboards continue to be a topic at all upcoming national pension meetings including the National Technical Group and officers will continue to monitor developments.

(ii) Scheme Advisory Board – Good Governance Project

6. 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.
7. 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.
8. 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 conflicts of interest policy;
 - Funds must produce an administration strategy.
9. Officers have worked through the recommendations and have taken steps to put proposals in place. There are several areas though where guidance is 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.

(iii) McCloud Remedy

10. The latest position regarding the McCloud Remedy was covered in a report taken to the previous Board meeting on 8 February 2023. Since that meeting, the two temporary officers appointed to assist with the McCloud work have had their contracts extended to April 2024.
11. In early April, the government announced that a new consultation would be held in upcoming months to seek views on an updated draft of the regulations which include issues not previously consulted upon. This will include the need for scheme members to aggregate records to qualify for the underpin protection as well as issues such as compensation and interest payments.
12. The final regulations are due to come into force on 1 October 2023. In the meantime, officers continue to work on this project, and it remains the biggest pension administration challenge for 2023-24.

(iv) Member Self-Service

13. 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. MSS statistics as of 31 March 2023 are provided at Appendix B.
14. 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. This will be simpler for the member to use than the existing process and will allow for more elements of the process to be online. It is expected that this will be launched on a trial basis during May.
15. 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.
16. 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.

(v) Review and implement The Pension Regulators New Code of Practice

17. 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.

18. 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.

19. Progress on this area will be reported to the Local Pension Board regularly.

(vi) Training – based on the "Training Needs Assessment"

20. Members of the Local Pensions Committee and Board are asked to complete a training needs assessment. Officers then work through the results and plan training accordingly to meet key needs plus any added items that may arise throughout the year.

21. The next session has been scheduled for 13 June 2023 and training will be provided by officers.

(vii) Formally review the Funds Additional Voluntary Contributions (AVC) Provider

22. Details of the review of the Fund's AVC provider is covered in a separate report due to be presented at this meeting.

Review of 'Aggregations' Processes

23. If a scheme member has more than one pension record within the Fund, it may be possible to combine them. This is referred to in the scheme rules as 'Aggregation'. Although aggregations have been part of the Fund's administration processes for a long time, the complexity of this area greatly increased in 2014, following the introduction of the Career Average Revalued Earnings (CARE) scheme.

24. Aggregations are identified when a scheme member begins a new employment. A new record is automatically created through i-Connect and

any existing records for that member relating to former or concurrent employments are automatically linked to that record.

25. There is national guidance available explaining how aggregations are to be processed. This identifies several different scenarios and there are several key factors that are taken into consideration when deciding which scenario applies to each case. These factors are:
 - The status of the records, for example, are they active, deferred or is the pension already in payment
 - The length of membership held on the records
 - The leaving date of any non-active records
26. Within each scenario there are further factors including pay and whether the member had changed employer that officers also take into consideration which could require a different approach to be adopted.
27. Whilst the processing of some aggregation cases is straightforward, there are an increasing number of more complex cases. These are where more than one scenario applies to a member's case if there are more than two records held.
28. The complexity of this area has impacted on the completion rate of Aggregations. It has been several years since the Aggregation processes were agreed and officers have decided to review the current processes.
29. The number of new cases each year has grown steadily, from 2,186 cases generated in 2019 to 2,692 in 2022, which reflects an approximate 5% annual increase.
30. The high volume of Aggregation work is a national one affecting all LGPS Funds and was recently raised at Heywood regional user groups as part of a discussion regarding ways to increase automation around calculations.
31. The aim of the review is to reduce the backlog of outstanding cases. Officers estimate that on average approx. 650 cases are generated in a three-month period, and this is the number of outstanding cases that would be deemed business as usual. The number of outstanding cases as of 31 March 2023 is 1,519.
32. Details of the actions to be taken can be found in Appendix C.

Next Steps

33. A revised suite of Aggregation letters is being developed by the LGA (Local Government Association) and are expected to be made available in April. Officers will review existing letters and decide whether changes need to be made. Officers will also investigate whether to develop a dedicated aggregations area on the member website.
34. Officers will review existing functionality and incorporate this into work allocation processes to allow easier management of case distribution.
35. An update on progress will be presented at a future Board meeting.

Bank Account Verifier Update

36. Further to the Continuous Improvement Report presented to the Pension Board on 8 February 2023, the Bank Account Verifier has been implemented into the Altair live system for use by the Payments and Taxation team as part of their retirement and death processes.
37. To date this has been largely successful and over 80% of cases have returned a 'Pass', based on 176 submissions during March. Many of the remaining cases relate to scenarios where the account details were not held by the third-party verifiers so a check could not be undertaken, with only eight cases (less than 5%) classed as a 'Refer' or 'Fail'. Officers have been satisfied with the facility so far, and this will now be extended to the Early Leavers team to include in their process for the payment of refunds of contributions.

Recommendation

38. It is recommended that the Board notes all areas of the report.

Background Papers

Local Pension Committee, 3 March 2023 – [Pension Fund – Business Plan and Budget 2023/24](#)

Local Pension Board, 8 February 2023 – Pension Fund – [Business Plan and Budget 2023/24](#)

Local Pension Board, 8 February 2023 – [McCloud Remedy Progress Report](#)

Local Pension Board, 8 February 2023 – [Continuous Improvement Report](#)

Local Pension Board, 26 October 2022 – [Pensions Dashboard Programme Report](#)

Equality and Human Rights Implications

39. Nonspecific.

Appendices

40. Appendix A: Areas of Improvement

Appendix B: Member Self Service Registration Figures

Appendix C: Review of Aggregation Processes Plan

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