



**LOCAL PENSION BOARD - 2 AUGUST 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 of identified 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 C has been provided to cover the areas of improvement to be addressed, but the key developments since last quarter are provided in more detail below.

**Additional Voluntary Contribution (AVC) Framework**

3. Further to the report presented at the last meeting, officers have attended 'founder' meetings with National LGPS Frameworks (administered by Norfolk County Council) alongside other funds who have agreed to join the project to establish an AVC tender framework for use by LGPS funds.
4. The Funds represented were:
  - Leicestershire Pension Fund
  - Cheshire Pension Fund
  - Dumfries and Galloway Pension Fund
  - Strathclyde Pension Fund
5. Agreement has been reached that the Framework will consist of two 'lots', and an initial specification for each has been drafted.

6. Lot One: Additional Voluntary Contribution Services: Aimed at funds who wish to tender for a replacement or additional AVC provider. The requirements include but are not limited to:
- Allow funds to meet statutory requirements of LGPS in relation to AVCs
  - The capability to handle contributions from numerous participating employers
  - Offer scheme members a user-friendly onboarding process
  - Offer a broad range of investment options for scheme members
  - Provide clear information regarding any charges for scheme members
  - Offer a 'shared cost' facility to employers
  - Quarterly meetings with funds to discuss performance
7. Lot Two: Advisory Services in Relation to Additional Voluntary Contributions: Aimed at funds seeking specialist advice to review existing AVC arrangements and advise of possible alternative suppliers available. The requirements include but are not limited to:
- Specialist advice and support to review existing AVC arrangements and options
  - Specialist advice and support to appoint and/or transition to a new AVC provider
  - Provision of details around charges that may apply
  - Review and advice in relation to AVC fund investment options available

### Next Steps

8. National LGPS Frameworks will issue a Prior Information Notice (PIN). This alerts the 'market' that there is an intention to develop this framework and invites providers to express an interest in the project. Following on from this a market engagement exercise with interested parties will be undertaken.
9. A milestone plan has been drafted with a provisional launch date of 1<sup>st</sup> March 2024. The group will continue to meet regularly and an update will be provided at a future board meeting.

### McCloud Update

10. Officers continue to update scheme member records with details of changes to contractual hours, either manually or using the interface tools to load data automatically.
11. The McCloud progress report presented to the Board on 8<sup>th</sup> February 2023 described an issue relating to members who held multiple employments paid by East Midlands Shared Services (EMSS). Officers are currently developing an automated solution which will reduce the number of cases that will require manual processing. However, establishing a solution is proving to be a

complicated exercise. Until this resolved any update of these records will be delayed.

12. The latest position regarding updated records is:

	Latest Figures as of 11 <sup>th</sup> July 2023: (Figs from 8 <sup>th</sup> February report in brackets)
Number of employers that have provided all required data and records have been updated:	32 (21)
Number of employers that have provided all required data and are currently being worked on:	40 (14)
Number of employers that provided all required data and are ready to be worked on:	22 (23)
Number of employers that provided all required data but has been returned to the employer:	68 (65)
Number of employers that have provided some of the data, or have not provided any data:	35 (72)
Employers with miscellaneous issues:	2 (4)

13. In addition, the number of data lines identified that are unsuitable for automatic loading are below. This data only relates to the employers where all data has been provided and have either been completed or are work in progress. These figures are not the final amount and will increase as work progresses. However, the amount that these figures will increase cannot be quantified at this stage.

<b>Employer</b>	<b>Lines identified on 11<sup>th</sup> July 2023</b>  (Figs from 8.2.2023 report in brackets)	<b>Lines dealt with on 11<sup>th</sup> July 2023</b>  (Figs from 8.2.2023 report in brackets)	<b>Lines remaining on 11<sup>th</sup> July 2023</b>  (Figs from 8.2.2023 report in brackets)
Leics County Council	Still to be assessed		
Leicester City Council	15,958 (15,958)	14,963 (7,540)	995 (8,418)
Other Employers	4,843 (4,702)	3,442 (2,555)	1,401 (2,147)
<b>Total</b>	<b>20,801 (20,660)</b>	<b>18,405 (10,095)</b>	<b>2,396 (10,565)</b>

14. An issue not included in the previous report is the requirement for a McCloud 'underpin' calculation to be processed for members at 65, who are still actively employed. Employers will be required to provide pay information to all the calculation to be performed. Officers will develop a process to ensure this information is captured, which will be based around a 'McCloud Age 65 Final Pay Interface' that Heywood have produced. Alternatively, employers could submit this data through iConnect.

15. Two casual staff have been appointed to provide additional resource for the manual data entry aspect of the project over the summer.

#### New Consultation

16. In May, the government launched a further McCloud consultation to seek views on the draft regulations required to implement aspects of the remedy, plus some supplementary issues.

17. The consultation included a proposed solution to an issue relating to cases where scheme members with multiple records were previously thought to have needed to aggregate those records to qualify for an underpin, provided that the member was in active service in the LGPS on or before 31<sup>st</sup> March 2012. The solution removes that requirement to aggregate, although in practice, it still presents a number of complex issues that are still to be worked through. However, on balance the proposed solution seems to be the preferred approach.

18. The consultation also referred to members of the Teachers' Pension Scheme who also have periods of membership in the LGPS relating to what is known as

'excess teacher service'. This excess service relates to teachers who held a full time and part time position concurrently and were unable to hold teachers' pension membership in respect of the part time service in accordance with the rules at the time. This is a complex area and the current proposal is for LGPS schemes to deal with these cases. Officers are of the view that this should remain the responsibility of the Teachers' Pension Scheme and discussions will continue on this topic at a national level.

19. The question of whether members who qualify for the underpin in other public sector pension schemes would need to transfer those pensions into the LGPS to qualify for protection within the LGPS is also raised, and whilst there is agreement that a transfer should not need to take place, the practicalities regarding how this would work still need to be worked through, particularly to establish how funds would know if their members held membership of other public sector schemes if it hadn't been transferred into the LGPS.
20. Officers have submitted a response to the consultation on behalf of the fund and a copy of the letter is included at Appendix B. The reply was shared and agreed with the Chairman of the Pension Board, prior to being sent.

### **Processes**

21. Officers have begun initial work to establish processes for dealing with cases once the regulations take effect from 1<sup>st</sup> October 2023. For the process to work correctly, the following steps need to be taken.
- All hours data uploaded to the scheme member record;
  - Creation of a 'McCloud tranche' on Altair. This data is required to enable the pensions system to compare the existing CARE pension to the value of the underpin. This tranche can either be created in bulk or calculations can be processed on individual records;
  - Calculation of the McCloud Underpin. This can be processed either in bulk or an individual record can be calculated.
22. If the upload of service data has not been completed by October 2023, then these new steps will need to be applied manually, prior to the calculation of pension benefits.
23. This will increase the time spent on each retirement and deferred benefit case and impact on KPIs. It is difficult to estimate the additional length of time that will be required, as individual cases may vary, for example whether all data for a case has already been provided.

### **Member Self Service Statistics**

24. The regular statistics in respect of members who have registered with the Pensions 'Member Self Service' facility provided in Appendix A have been expanded to include data relating to Loughborough University, De Montfort University and Lionheart Academy Trust, in addition to those relating to Leicestershire County Council, Leicester City Council, and Leicestershire Police as well as the figures relating to the whole fund.

### **Recommendation**

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

### **Equality and Human Rights Implications**

26. None specific.

### **Appendices**

27. Appendix A: MSS Registration Figures  
Appendix B: Response to McCloud consultation  
Appendix C: Areas of improvement

### **Background Papers**

Pension Fund Continuous Improvement Report – Local Pension Board, 8 February 2023

<http://cexmodgov01/ieListDocuments.aspx?CId=1122&MId=7234&Ver=4>

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