



LOCAL PENSION BOARD – 2 AUGUST 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT **APRIL to JUNE 2023 - 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 first quarter period from April to June 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 103,000 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 April to June 2023 are included as Appendix A.
5. KPIs in business processes are above or close to target for retirements and payments. The KPI for deaths is below target. This was anticipated as resource in this area has been required on year-end and death benefits can take longer in the first quarter of each year, due to annual pensions increase.

6. KPIs in customer feedback are close or above target.

Governance – Service Delivery

General Workloads

7. The tables show the volumes in each work area during the months April to June 2023.
8. 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.
9. The rating compares the cases that can be processed to the maximum target number of cases at month end. This is designed to assist Officers identify the work areas that require the greatest immediate attention.

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

April 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 that be processed at month end	Rating
Preserved Benefits	92	279	1641	1920	1000	▼
Retirement Options	195	200	134	334	350	▲
Retirements Paid	132	452	109	561	350	▲
Deaths	83	162	90	252	200	▲
Refunds	110	181	86	267	400	▲
Pension Estimates	97	15	114	129	250	▲
Transfers in	61	130	62	192	200	▲

Transfers out (excluding interfunds out) *	9	30	28	58	100	▲
Aggregations	64	211	1385	1596	1000	▼
New starters set up**	817	n/a	n/a	n/a	n/a	n/a

May 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 that be processed at month end	Rating
Preserved Benefits	247	276	1658	1934	1000	▼
Retirement Options	180	194	197	391	300	▲
Retirements Paid	182	485	36	521	300	▲
Deaths	145	154	70	224	200	▲
Refunds	121	199	50	249	400	▲
Pension Estimates	91	8	116	124	250	▲
Transfers in	55	127	64	191	200	▲
Transfers out (excluding interfunds out) *	6	30	54	84	100	▲
Aggregations	34	213	1418	1631	1000	▼
New starters set up**	807	n/a	n/a	n/a	n/a	n/a

June 2023

Area	Cases completed (calculated and checked)	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 that be processed	Rating
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	in the				<u>at month</u>	
	period				end	
Preserved Benefits	213	271	1508	1779	1000	▼
Retirement Options	315	185	126	311	300	▲
Retirements Paid	164	493	104	597	300	▲
Deaths	108	142	55	197	200	▲
Refunds	157	181	37	218	400	▲
Pension Estimates	75	17	116	133	250	▲
Transfers in	43	149	69	218	200	▲
Transfers out (excluding interfunds out) *	29	31	49	80	100	▲
Aggregations	47	209	1459	1668	1000	▼
New starters set up**	680	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.

10. Aggregations and preserved benefits have stabilised over recent months but remain the highest values, so they continue to be targeted as priority areas. The amended Superannuation Contributions Adjusted for Past experience (SCAPE) rate factors were delayed, causing certain transfers to be stock piled. The new factors have now been received and the backlog is being worked through.

Governance – General

Complaints – Internal Disputes Resolution

11. 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.
12. In the first quarter period there were no new IDRP Stage 2 appeals.
13. One earlier case was not resolved at Stage 2 of the IDRP process and is likely to now proceed to the Pensions Ombudsman.

Breaches Log

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

McCloud and Dashboards

16. The Board requested McCloud and Dashboards are standing items at each quarterly report.
17. A summary update including the Fund's reply on the latest McCloud consultation, is included in the Improvements report elsewhere on the agenda for this meeting.

2022/23 Year-End

18. 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 was the 30 April 2023.
19. The Statutory deadline for annual benefits statements is the 31 August 2023 and pension taxation saving statements is the 6 October 2023.
20. There was a delay in receiving certain monthly data for employers using the East Midlands Shared Service (EMSS) payroll. This is especially key this year 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.
21. As at the 7 July 2023, of the 190 employers the Fund required data for, 188 have been received. The 2 missing employers, Coombs Catering (Hastings HS) and Compass (Vines) have only recently completed their admission agreement for entry into the scheme. Officers are working with these employers to make sure their data is received.
22. 101 employers are complete and annual benefit statements are ready to be run.
23. 12 employers have returned the data queries that were sent and are currently with Officers being worked through. If any more queries arise, the employer will have until 31 July 2023 to resolve these.
24. 75 employers still have data queries and Officers are chasing these cases. 52 of these employers are paid by EMSS and 9 employers are paid by Dataplan. The deadline for returning all queries is 31 July 2023. This provides sufficient time for the changes to be made on the pensions administration system, for statements to be produced by the 31 August 2023.

25. Officers expect that only 2 employers, consisting of only 8 scheme members, may not receive their annual benefit statement by the 31 August 2023 due to the legal admission agreement not being completed. Officers are chasing these. The employers are Aspens (City – Herrick PS) and Caterlink (City – Mellor PS). Statements will be sent once the legal position is finalised and all data received.
26. The Pensions Manager is pleased with the current year-end position at this time and does not expect any material breaches to occur.
27. Officers will provide a further update at the next Board meeting.

Governance – Audit

28. During the quarter there was one Internal Audit report received relating to the National Fraud Initiative (NFI).
29. NFI is a biennial exercise alerting Pension Fund Officers to pensioners that may have died.
30. Usually, the Pension Section is made aware of deaths, either from a family member or friend, a Care Home, a Solicitor, or via the Government's Tell Us Once Service, enabling the pension to cease promptly. In addition, the Pension Section also uses a monthly mortality "tracing service" alerting officers to deaths they may not be aware of. The tracing service is very efficient and captures most deaths, however some deaths are not reported, usually overseas pensioner deaths and occasionally suspicious deaths that may involve Police investigation.
31. The NFI exercise, acts a further "back up" and identified four cases in the last biennial exercise.
32. The Internal Audit report provided assurance the Pension Section deaths process is thorough and robust but made three recommendations that Fund Officers have agreed to.
- The Pensions Manager is assured officers are sufficiently trained and professional, to be independent of the financial processes being checked.
 - Normal recovery processes have been initiated for the four cases in question.
 - NFI now offers a supplementary six-monthly mortality screen. Officers have agreed to use this service for all pensioners every six months. This acts as a more frequent "back up" solution, enabling pensions to be ceased more quickly for new cases identified.

Governance – The Pensions Regulator Code of Practise

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

34. There have been various delays but the new code is now expected in the middle of 2023.
35. Officers and The Fund's Actuary will compare the current codes and the new single code via a "gap" analysis.

Governance - Department for Education (DfE) – Guarantee Expanded

36. In May 2023 the Education & Skills Funding Agency (ESFA) released an updated policy paper regarding the operation of the DfE Academy Guarantee and its application to academy outsourcings.
37. Pension liabilities associated with academy outsourcings in the below scenarios are now guaranteed by the DfE. Previously outsourcings in scenarios 2 and 3 below were not being covered by the guarantee. This meant that the academy could not be a guarantor to the admission agreement. This issue is now resolved.
38. The scenarios covered are set out below. This is only applicable to staff who are eligible for LGPS and if the admission is operating under a 'pass-through' arrangement (which is the Leicestershire Fund's preferred admission route).
- Staff currently working for an academy transfer to an outsourced contractor under TUPE
 - Staff who transfer to an outsourced contractor under TUPE before the academy converted (i.e. when it was still a maintained school) and the outsourcing contract passes to the academy following conversion.
 - Staff who currently work for the local authority which is providing services to the academy under a contract, but the contract is then awarded to another third-party contractor and the staff transfer to the contractor under TUPE.
39. Academies do not need to request ESFA approval in the above scenarios. If the outsourcing is not covered under the scenarios, then academies still must contact ESFA for approval.
40. ESFA's view is that this now removes the need for a bond for outsourcings in these scenarios. If an administering authority still insists on a bond, then the contractor has to provide it as academies cannot provide bonds for LGPS liabilities.
41. The policy is retrospective in its application.
42. The Leicestershire Fund's approach is to ensure the Academy understands the risk they are taking on if the contractor does not have a bond in place, and making sure Officers have something in writing from the Academy confirming their agreement to proceed without a bond.

43. Information on the [DfE LGPS Guarantee for Academy Trusts](#) is available as a publication online.

Governance – Employer Risk

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

45. 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.

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 in these cases that must be paid in full by the employer.

48. The position as at 7 July 2023 is as follows.

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 completion.	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
Leicester City Council (Herrick Primary) – Aspens	Admission Agreement	Pass-through 1 September 2022	n/a	Draft Admission Agreement circulated. Aspens have approved. Awaiting approval from Leicester City Council before final engrossments can be circulated. 3 members have been written to explaining the delay. Officers continue to chase Leicester City Council.	High
St Edwards Primary (LCC LTS) to Coombs	Admission Agreement	Pass-through 1 April 2023	n/a	Draft Admission Agreement has been circulated for approval.	Medium/High
Hemington Primary (LCC LTS) to Coombs	Admission Agreement	Pass-through 1 April 2023	n/a	Draft Admission Agreement has been circulated for approval.	Medium/High
Chief Constable to Mitie Care	Bond (previously set at £190,000)	n/a	£213,000	Mitie had questions regarding the bond amount which officers have responded to. Officers continue to chase completion.	Medium/Low
Atalian Servest (City of Leicester)	Bond (previously set at £86,000)	n/a	£112,000	Bond extension notices issued to Atalian Servest to pass to guarantor to authorise.	Low
Atalian Servest (Soar & Moat)	Bond (previously set at £66,000)	n/a	£92,000	Bond extension notices issued to Atalian Servest to pass to guarantor to authorise.	Low
MEAD Education Trust to Compass (Primary School Staff)	Bond	n/a	£94,000	Awaiting Bond agreement to be signed by Compass and the Bank.	Low
MEAD Education Trust to	Bond	n/a	£17,000	Awaiting Bond agreement to be signed by Compass and the Bank.	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
Compass (Secondary School Staff)					
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. Academy questioned whether a bond is needed due to the recent DfE change.	Low
Hastings High School to Coombs Catering	Bond	n/a	£16,700	Awaiting Bond Agreement to be agreed by Coombs and the Bank. Officers continue to chase.	Low
MET to Taylor Shaw (Elior)	Bond	n/a	£12,000	Officers continue to chase for completion of the bond.	Low

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

- Beacon Academy (Academies Enterprise Trust) to Churchill Services - Admission Agreement 2022 Contract - Admission Agreement and Bond Agreement
- MEAD Education Trust to Compass (Primary School Staff) 2022 Contract - Admission Agreement
- MEAD Education Trust to Compass (Secondary School Staff) 2022 Contract - Admission Agreement
- North Warwickshire and South Leicestershire College/Leicestershire County Council to Aramark 2022 Contract - Admission Agreement
- Leicestershire County Council and City Council to Ingeus 2022 Contract - Admission Agreement
- Bradgate Education Partnership (in house staff) to Caterlink - Bond Agreement
- Bradgate Education Partnership/Leicestershire County Council (LTS) to Caterlink - Bond Agreement
- LIFE MAT to Total Swim - Bond Agreement

Governance – Knowledge and Understanding

50. On the 1 June 2023 the Fund's Actuary launched its new on-line knowledge and understanding training tool for the Fund's Committee and Board Members.
51. The new on-line service has been developed after considering Member's comments on the previous version. There are now more, shorter, easier to navigate modules.
52. On the 13 June 2023, Fund Officers and external speakers, including Hymans Robertson, provided a training session for Committee and Board Members, addressing the main topics highlighted as training areas from the received training needs assessments.
53. The training is available as a recording for Members who were unable to attend.

Recommendation

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

Equality Implications

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

Human Rights Implications

56. There are no Human Rights implications arising from the recommendations in this report.

Appendices

Appendix A – Key Performance Indicators April to June 2023

Officers to Contact

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APPENDIX A

Quarter One – 1 April 2023 to 30 June 2023

Quarter - April to June 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%	94%	▲	96%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	100%	▲	96%
Pension payments made within 10 working days of receiving election	95%	94%	▶	98%	Experience of dealing with Section - rated at least good or excellent	95%	95%	▲	90%
Death benefits/payments sent to dependant within 10 working days of notification	90%	79%	▼	89%	Establish members thoughts on the amount of info provided - rated as about right	92%	91%	▶	93%
					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%	▲	100%
Close to target	▶				Email response - content detail	92%	98%	▲	100%
Below target	▼				Email response - timeliness	92%	98%	▲	96%