



**LOCAL PENSION BOARD – 18 OCTOBER 2023**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PENSION FUND ADMINISTRATION REPORT**  
**JULY to SEPTEMBER 2023 - QUARTER TWO**

**Purpose of the Report**

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the second quarter period from July to September 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 July to September 2023 are included as Appendix A.
5. KPIs for business processes and customer feedback remain above or close to target.

## Governance – Service Delivery

### General Workloads

6. The tables show the volumes in each work area during the months July to September 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 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	▲

### July 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	131	269	1,573	1,842	1,000	▼
Retirement Options	204	225	117	342	300	▲
Retirements Paid	207	405	111	516	300	▲
Deaths	104	127	69	196	200	▲
Refunds	172	193	64	257	400	▲
Pension Estimates	73	15	119	134	250	▲
Transfers in	34	135	99	234	200	▲
Transfers out (excluding interfunds out) *	66	20	24	44	100	▲
Aggregations	213	210	1,348	1,558	1,000	▼

New starters set up**	344	n/a	n/a	n/a	n/a	n/a

### August 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	113	264	1,612	1,876	1,000	▼
Retirement Options	262	231	142	373	350	▲
Retirements Paid	190	428	100	528	350	▲
Deaths	88	144	73	217	200	▲
Refunds	107	229	66	295	400	▲
Pension Estimates	50	21	141	162	250	▲
Transfers in	35	145	113	258	200	▲
Transfers out (excluding interfunds out) *	44	23	17	40	100	▲
Aggregations	70	201	1,359	1,560	1,000	▼
New starters set up**	1,070	n/a	n/a	n/a	n/a	n/a

### September 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	152	277	1,646	1,923	1,000	▼

Retirement Options	254	212	178	390	300	▲
Retirements Paid	155	464	110	574	300	▲
Deaths	96	150	57	207	200	▲
Refunds	106	203	77	280	400	▲
Pension Estimates	66	17	156	173	250	▲
Transfers in	71	140	147	287	200	▲
Transfers out (excluding interfunds out) *	31	24	20	44	100	▲
Aggregations	36	195	1,423	1,618	1,000	▼
New starters set up**	399	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 stable but continue to be above target. Following the completion of year-end, work continues reviewing recent new starters to check if they already have existing pension records. The Pensions Manager expects an increase in aggregations over the coming months because of this exercise.

## **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 second quarter period there were no new IDRP Stage 2 appeals.
12. There were no changes to earlier cases already at Stage 2 of the IDRP process.

### **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. It transpired in the quarter that one of the Fund's small admission bodies have inadvertently paid a single member's additional voluntary contributions (AVCs) to the Pension Fund rather than directly to the Prudential.
15. Fund Officers, the member's employer and the Prudential are arranging for this to be rectified. Officers have investigated the case and found this to be an isolated incident. As all parties are working positively to resolve it without causing financial detriment to the member, the Pensions Manager has not deemed this a material breach.
16. The Pensions Manager has updated the 2023/24 breaches log. This is attached as Appendix B.

### **McCloud and Dashboards**

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

### **2022/23 Year-End**

19. The 2022/23 year-end was completed successfully with 36,322 active, 31,481 deferred and 41 Councillor annual benefit statements produced by the 31 August 2023 statutory deadline.
20. One employer, consisting of two scheme members, did not receive their annual benefit statement by the 31 August 2023 due to the legal admission agreement not being completed in time. Statements will be sent once the legal position is finalised and all data received. Officers continue to work positively with all parties to resolve this.
21. The two members affected have received annual benefit statements in the past, they have been written to explaining the reason for the delay and they will receive statements once the admission agreements are signed. On this basis the Pensions Manager does not deem this a material breach of legislation.
22. The 2022/23 annual allowance exercise was completed by the 6 October statutory deadline. There were 56 breaches and the members have been provided with their taxation statements.

**Governance – Audit**

23. During the quarter there were two Internal Audit reports received relating to administrative work on Pension Contribution Bandings and Pensions Increase.

**Pension Contribution Bandings**

24. The audit objective is to ensure pension contributions banding changes for County Council employees have been accurately applied from April 2023.

25. The sample testing found a small number of discrepancies. The Pensions Manager and Payroll Manager agreed a further sample of cases will be checked and any discrepancies found will be investigated and rectified. Evidence of checks will be retained for future reference.

**Pensions Increase**

26. The audit objective is to ensure the validity and accuracy of the annual Pensions Increase.

27. There were no issues highlighted with the calculation and implementation of the April 2023 pensions increase.

28. The Pensions Manager has agreed to a recommendation that annual pensions increase work is recorded and signed off by the Pensions Manager.

**McCloud**

29. The Pensions Manager and Internal Audit Manager have agreed an internal audit covering the implementation of the first phase of McCloud calculations. This is planned in the fourth quarter of 2023/24 covering new “in scope” retirements from active status and preserved from active status.

30. The Pensions Manager will provide an update to the Board once the audit has been concluded.

**Governance – The Pensions Regulator Code of Practise**

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

32. There have been various delays, but the new code is expected in 2023.

33. Officers and The Fund’s Actuary will compare the current codes and the new single code via a “gap” analysis.

## **Governance – Employer Risk**

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

35. 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.

36. 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.

37. 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.

38. The position on 30 September 2023 is as follows.

<b>Letting employer and Contractor</b>	<b>Outstanding Issue</b>	<b>Type of admission agreement and start date if outstanding</b>	<b>Full or Capital Cost Bond / Value and End Date</b>	<b>Comments</b>	<b>Fund Risk Level</b>
Aspens - Leicester City Council (Herrick Primary)	Admission Agreement and Bond	Pass-through 1 September 2022	£25,000	Draft Admission Agreement circulated and approved.  Bond approval outstanding so alternative security being considered.  Members have been written to explaining the delay.  Officers continue to chase Aspens.	High
Relish (5 LCC maintained schools)	Admission Agreement and Bond	Pass-through 15 July 2023	£29,000	Draft Admission Agreement and bond circulated for approval.  Officers continue to chase Relish	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
CleanTEC (Lionheart AT)	Admission Agreement and Bond	Pass-through 1 September 2023	£165,000	Draft Admission Agreement and bond circulated for approval.	Medium/High
Caterlink (Cobden Primary)	Admission Agreement	Pass-through 1 August 2023	n/a	Draft admission agreement circulated for approval.	Medium/High
Bam FM (Tudor Grange Academies Trust)	Admission Agreement	Pass-through 1 August 2023	n/a	Draft admission agreement is ready to be circulated.  Awaiting a finalised list of members transferring.	Medium/High
CSE (Tudor Grange Academies Trust) (2023 Contract)	Admission Agreement	Pass-through 1 September 2023	n/a	Draft admission agreement has been approved.  Signed agreement received from TGAT and received LCC's sealed agreement.  Awaiting CSE's signed counterpart.	Medium/High
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.  Officers have chased completion.	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.  Officers have chased completion.	Low
Coombs Catering - Hastings High School	Bond	n/a	£16,700	Bond Agreement approved by Coombs and the bank.  Awaiting approval from the school to issue final engrossment.	Low
Taylor Shaw (Elior) - MET	Bond	n/a	£12,000	Officers continue to liaise with MET regarding security.	Low



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

- Leicester City Council (Mellor School) to Caterlink 2022 Contract - Admission Agreement and Bond Agreement
- St Edwards Primary (LCC LTS) to Coombs 2023 Contract - Admission Agreement
- Hemington Primary (LCC LTS) to Coombs 2023 Contract - Admission Agreement
- Chief Constable to Mitie Care - Bond Extension - Amount from £190,000 to £213,000
- MEAD Education Trust to Compass (Primary School Staff) 2022 Contract - Bond Agreement
- MEAD Education Trust to Compass (Secondary School Staff) 2022 Contract - Bond Agreement
- Ashby Hill Top Primary to Coombs Catering - Trust opted to proceed without a bond following the recent Dept for Education changes to their guarantor. This was agreed with Fund Officers.
- Leicestershire County Council (Belvoirdale School) to Dolce 2023 Contract - Admission Agreement
- Bradgate Education Partnership (Wreake Valley Academy) to CleanTEC 2023 Contract - Admission Agreement
- Leicestershire County Council (Sir John Moore CofE Primary School) to Dolce 2023 Contract - Admission Agreement

### **Governance – Knowledge and Understanding**

40. On the 1 June 2023, the Fund Actuary launched its new online knowledge and understanding training tool for the Fund’s Committee and Board Members.
41. The new online service has been developed after considering Member’s comments on the previous version. There are now more, shorter, easier to navigate modules.
42. Board Members are requested to complete the “current issues module” as this includes a useful summary on the McCloud remedy. It also includes other helpful items including Dashboards and Cyber Risk.

### **Recommendation**

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

### **Equality Implications**

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

## **Human Rights Implications**

45. There are no human rights implications arising from the recommendations in this report.

## **Appendices**

Appendix A – Key Performance Indicators July to September 2023

Appendix B – 2023/24 Breaches Log

## **Officers to Contact**

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

Simone Hines  
Assistant Director Finance, Strategic Property and Commissioning  
Telephone: (0116) 305 7066  
Email: Simone.Hines@leics.gov.uk