



LOCAL PENSION BOARD – 7 FEBRUARY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
OCTOBER to DECEMBER 2023 - QUARTER THREE

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 October to December 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 October to December 2023 are included as Appendix A.
5. Two KPIs for business processes were lower than target in the month. Death benefits sent to dependants within 10 working days of notification was 88% (slightly below target of 90%).

6. Retirement benefit notifications to members within 10 working days of paperwork being received was 83% (KPI target is 92%). This fall was predominately due to increased time producing and checking cases due to the McCloud legislation changes.
7. Unfortunately, there was also a system calculation bug in the initial McCloud delivery. This has subsequently been changed in the “test” system but still requires a manual work round. However, with the ongoing McCloud system improvements, alongside Pension colleagues gaining greater experience and understanding, it is expected the KPI result will stabilise into quarter four but it’s still too early to be able to provide meaningful statistics on the full impact.
8. Customer service KPIs generally remained above target throughout the quarter. However, one KPI fell below target; the Experience of dealing with the Pension Section was at 89% (KPI target is 95%). Analysis of the feedback identified dissatisfaction with delays in receiving retirement and estimate figures. These delays were predominately caused by the additional time taken to produce and check pension benefits due to the McCloud changes.
9. Officers are continuing to watch closely the KPIs and timescales for completion of cases following McCloud implementation.

Governance – Service Delivery

General Workloads

10. The tables show the volumes in each work area during the months October to December 2023.
11. 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.
12. 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	▲

October 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	111	281	1,693	1,974	1,000	▼
Retirement Options	268	210	174	384	300	▲
Retirements Paid	232	382	114	496	300	▲
Deaths	78	131	99	230	200	▲
Refunds	60	163	158	321	400	▲
Pension Estimates	73	10	208	218	250	▲
Transfers in	66	95	190	285	200	▲
Transfers out (excluding interfunds out) *	7	28	36	64	100	▲
Aggregations	99	205	1,465	1,670	1,000	▼
New starters set up**	1,367	n/a	n/a	n/a	n/a	n/a

November 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	115	274	1,806	2,080	1,000	▼
Retirement Options	249	196	162	358	350	▲
Retirements Paid	215	373	74	447	350	▲
Deaths	120	141	74	215	200	▲

Refunds	160	130	121	251	400	▲
Pension Estimates	154	15	150	165	250	▲
Transfers in	51	136	153	289	200	▲
Transfers out (excluding interfunds out) *	38	36	15	51	100	▲
Aggregations	91	205	1,673	1,878	1,000	▼
New starters set up**	888	n/a	n/a	n/a	n/a	n/a

December 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	88	273	1,809	2,082	1,000	▼
Retirement Options	162	219	188	407	300	▲
Retirements Paid	160	310	54	364	300	▲
Deaths	88	147	67	214	200	▲
Refunds	53	110	176	286	400	▲
Pension Estimates	86	11	123	134	250	▲
Transfers in	38	134	160	294	200	▲
Transfers out (excluding interfunds out) *	29	37	17	54	100	▲
Aggregations	25	200	1,794	1,994	1,000	▼
New starters set up**	234	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.

13. Fund Officers have identified 1,059 new starters that records have been created on the pensions administration system (Altair) between June 2023 and December 2023, that already have another record on the system. Therefore, these members will need to be investigated and determine if an aggregation task need setting up. Fund Officers are investigating these cases during January and February so an increase in the number of aggregations case be expected.

14. **Governance – General**

Complaints – Internal Disputes Resolution

15. 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.

16. In the third quarter period there were no new IDRP Stage 2 appeals.

17. In the quarter Fund Officers were asked to provide information to the Ombudsman's Office on a case submitted by a previous scheme member in 2022, who has a complaint against her former employer. It is likely this case will continue.

Breaches Log

18. 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.

19. There were no material breaches in the quarter.

McCloud and Dashboards

20. The Board has requested McCloud and Dashboards are standing items at each quarterly report.

21. A summary update is included in the Improvements report further in the Board's agenda pack.

2023/24 Year-End Preparation

22. An employer bulletin has been sent out detailing the requirements for year end and that the deadline for submitting the March 2024 data report is 30 April 2024.

23. IConnect is used to update Altair each month with individual members' pension data and ensures that Pensions have all the information needed to complete the year end work, including the necessary data checks.
24. Between 1 April 2023 and 31 August 2023 all the maintained County Council schools (80) and academies (43) that were paid by East Midlands Shared Service (EMSS) left and joined various new payroll providers.
25. There are approximately 6,000 members that are involved in these payroll moves. This has created a substantial amount of additional pension work for this year end exercise because each time an employer changes payroll provider, the IConnect report needs to be checked to make sure that it meets the specifications to be uploaded for each scheme member.
26. 93 schools and academies moved to a single payroll provider. The final reports were received in December 2023 from this payroll provider, several months later than required. Fund Officers have carried out the specifications checks on the reports and found several issues with the reports such as data in columns that should not be populated, or mandatory fields not being populated. Unfortunately, there were also inconsistencies between reports for the various schools and academies.
27. After a significant amount of liaison from August 2023 to January 2024 between Officers and the payroll provider team, the reports were finally approved on the 19 January 2024. Officers have instructed the schools and academies that the reports can now be uploaded assuming the member mismatching checks have been completed first.
28. Within the 6,000 member cases that moved to new payroll providers 1,196 member data mismatches were identified. A number of these are due to variances on how multiple employment data is held on the different types of payroll systems. A breakdown of these and progress made to the 19 January 2024 are detailed in the table below.

Type of Mismatches	Mismatches at the start of the exercise	Mismatches resolved	Remaining mismatches
Multiple employments e.g. (2 posts on Iconnect report but only 1 record on Altair)	383	239	144
No record on Altair but appears on the Iconnect report	734	475	259
No record on the Iconnect report but appears on Altair	79	23	56

29. The main concern for year end is receiving all the necessary monthly data (from August 2023 to March 2024), ensuring its accuracy, resolving all the mismatches, and loading all the data in time for annual benefit statements to be run by the statutory deadline of the 31 August 2024.
30. Two full time Pension colleagues have temporarily moved from the Early Leavers Team to the Employers and IConnect team to assist this exercise.
31. Maintained Schools fall under the County's pension liability and will form part of the County's data at the next Fund valuation.
32. Officers will provide the Board with a further year-end update at the next meeting.

Governance – Audit

33. During the quarter there were two Internal Audit reports received relating to administrative work on Pension Creations and Calculation of Pension Contributions.

Pension Creations

34. The audit objective is to review payments for new pensioners, including lump sums and death grants.
35. The report found no accuracy issues with any of the scenarios. However, the Pensions Manager has agreed to a recommendation, that formal written procedures outlining the process and monetary levels for checking and authorising are produced.

Calculation of Pension Contributions

36. The audit objective is to ensure that contributions from employers to the Pension Fund have been correctly applied.
37. There were no material issues identified but two recommendations were made.
38. If there are any differences identified at the reconciliation stage between Payroll and Oracle Fusion these should be rectified promptly, and cover arrangements for Investment colleagues need to be in place for prompt posting into Oracle Fusion.
39. Both recommendations were agreed by Fund Officers.

Governance – The Pensions Regulator Code of Practise

40. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current ten codes into one single code.
41. On 10 January 2024 the new TPR General Code of Practice was laid before Parliament which is expected to come into force in March 2024.

42. Officers and The Fund's Actuary will compare the current codes and the new single code via a "gap" analysis.

43. Further information will be provided to future Pension Board and Pension Committee meetings as the outcomes of the new code are worked through.

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 on 29 January 2024 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
Aspens - Leicester City Council (Herrick Primary)	Admission Agreement and Cash Deposit	Pass-through 1 September 2022	£25,000	Draft Admission Agreement circulated and approved. Aspens requested a cash deposit (rather than a bond). Aspens have approved the agreement. Awaiting approval from the City Council. Members have been written to explaining the delay.	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
Relish (5 LCC maintained schools)	Admission Agreement and Bond	Pass-through 15 July 2023	£29,000	<p>Draft Admission Agreement and bond circulated for approval.</p> <p>Relish have approved the admission agreement.</p> <p>Awaiting confirmation of the bond and bond agreement.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase Relish</p>	High
CleanTEC (Lionheart AT)	Admission Agreement and Bond	Pass-through 1 September 2023	£165,000	<p>Draft Admission Agreement and bond circulated for approval.</p> <p>Reviewed amendments to the bond agreement from the bondsman and counter amendments sent.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase CleanTec and Lionheart AT for approval of the admission agreement</p>	High
Bam FM (Tudor Grange Academies Trust)	Admission Agreement	Pass-through 1 August 2023	n/a	<p>Draft admission agreement circulated for approval.</p> <p>Approved by Tudor Grange. Awaiting approval from BAM.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase BAM.</p>	High
Atalian Servest (City of Leicester)	Bond (previously set at £86,000)	n/a	£112,000	Bond extension notices issued to Atalian Servest to	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
				pass to guarantor to authorise. Officers continue to chase both parties.	
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 continue to chase both parties.	Low
Coombs Catering - Hastings High School	Bond	n/a	£16,700	Final bond agreement circulated for signature.	Low
Taylor Shaw (Elior) - MET	Bond	n/a	£12,000	Draft bond agreement circulated again. Taylor Shaw have approved the bond agreement and are sourcing a bond.	Low

49. The high-risk cases are all being chased and monitored by Fund Officers. All parties understand the need to complete these by the 31 March 2024 for year-end.

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

- Lionheart Academies Trust to Coombs Catering Contract 2023 – Admission agreement.
- Cobden Primary School to Caterlink Limited 2023 – Admission agreement
- Tudor Grange Academies Trust (Samworth Academy) to CSE Education System 2023 contract – Admission agreement
- LCC Schools (Hose CofE Primary School, Long Clawson CofE Primary School and Stathern Primary School) to Coombs Catering 2023 Contract – Admission agreement.
- Old Dalby CofE Primary to Coombs Catering – Admission agreement
- Symphony Learning Trust to Relish School Foods 2023 Contract – Admission agreement.

51. Officers continue to monitor and reduce historic employer risk. Voluntary Action Leicester (VAL) and Bradgate Park Trust, two of the oldest Community Admission

Bodies (CABs) have moved from old style admission agreements to pass-through admission agreements from the 1 October 2023.

52. This reduces the overall Fund risk as historic CAB admission agreements do not have any security. The move to pass-through admissions introduces Fund security with the County or City acting as guarantor.

53. VAL has been finalised and the legal arrangements completed.

54. The latest position on Bradgate Park is detailed in the following table.

Letting employer and contractor	Outstanding Position	Type of admission agreements and start date	Full or Capital Cost Bond / Value and end date	Comments	Fund Risk Level
Bradgate Park Trust (County and City Councils)	Admission Agreement	Pass-through 1 October 2023	n/a – members are below age 55	Draft admission agreement circulated for approval. BPT lawyers have sent amendments. This is being reviewed by County and City legal teams	Medium

Governance – Knowledge and Understanding

55. On the 1 June 2023 the Fund Actuary launched its new on-line knowledge and understanding training tool for the Fund's Committee and Board Members.

56. Board Members are encouraged to complete the modules during 2024, starting with Module 3 Administration, including Additional Voluntary Contributions, Policies and Procedures.

57. A module 3 training session for Pension Board Members will commence after the Board meeting on the 7 February 2024.

58. Officers and the Board will assess the success (or not) of this approach and develop future module training based on the outcome.

Recommendation

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

Equality Implications

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

Human Rights Implications

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

Appendices

Appendix A – Key Performance Indicators October to December 2023

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