



## **LOCAL PENSION BOARD – 17 APRIL 2024**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **PENSION FUND ADMINISTRATION REPORT JANUARY to MARCH 2024 - QUARTER FOUR**

#### **Purpose of the Report**

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the fourth quarter period from January to March 2024. 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.
3. The usual Continuous Improvement report has been incorporated into this report to avoid duplication in respect of topics such as McCloud, Pension Dashboards and The Pension Regulator's Code of Practice. The usual appendices relating to Member Self Service (MSS) registration figures and Areas of Improvement are also included, though in future the MSS data will be presented on an annual basis only as differences between quarters are minimal.

#### **Performance Indicators**

4. 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**

5. The results for the quarter January to March 2024 are included as Appendix A and the full year April 2023 to March 2024 are included as Appendix B. Whilst Key Performance Indicators have fallen since November since the implementation of McCloud, over the full year they have been generally static or close to target when compared to the previous year.

### **Governance – Service Delivery**

#### General Workloads

6. The tables show the volumes in each work area during the months January to March 2024.
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.
9. There are two areas rated red, Preserved Benefits and Aggregations. As these areas are low risk, there are periods during the year when completed cases will drop. Whilst this is not ideal there has been a recent focus on training more officers in these areas which should begin to address the situation. Completed Aggregation cases have begun to increase and Preserved Benefits are a key area that is being focussed on over the summer months as part of early valuation preparations. In addition there are 130 Preserved Benefits that have been calculated and are awaiting checking, so completed cases should increase over the next quarter.

<b>Target</b>	<b>Rating</b>
Below target	▼
Close to target	▶
Good or better than target	▲

### **January 2024**

Area	<b>Cases completed</b> (calculated and checked) in the period	<b>Cases that require more information</b> (cases that are on hold)	<b>Cases that can be processed</b> (cases that can be worked on)	Total cases	<b>Maximum target number of cases that be processed at month end</b>	Rating

Preserved Benefits	197	317	1825	2142	1,000	▼
Retirement Options	251	227	225	452	300	▲
Retirements Paid	164	300	71	371	300	▲
Deaths	111	164	115	279	200	▲
Refunds	72	106	157	263	400	▲
Pension Estimates	81	16	170	186	250	▲
Transfers in	41	136	172	308	200	▲
Transfers out (excluding interfunds out) *	43	24	20	44	100	▲
Aggregations	17	203	2314	2517	1,000	▼
New starters set up**	673	n/a	n/a	n/a	n/a	n/a

### February 2024

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	209	332	1800	2132	1,000	▼
Retirement Options	223	253	233	486	350	▲
Retirements Paid	194	273	79	352	350	▲
Deaths	132	139	93	232	200	▲
Refunds	66	87	165	252	400	▲
Pension Estimates	75	43	158	201	250	▲
Transfers in	30	142	189	331	200	▲
Transfers out (excluding interfunds out) *	30	23	20	43	100	▲

Aggregations	125	200	2436	2636	1,000	▼
New starters set up**	1405	n/a	n/a	n/a	n/a	n/a

### March 2024

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	317	1812	2129	1,000	▼
Retirement Options	258	247	189	436	300	▲
Retirements Paid	165	276	68	344	300	▲
Deaths	105	140	102	242	200	▲
Refunds	50	99	185	284	400	▲
Pension Estimates	98	42	122	164	250	▲
Transfers in	52	135	206	341	200	▲
Transfers out (excluding interfunds out) *	35	26	24	50	100	▲
Aggregations	142	203	2341	2544	1,000	▼
New starters set up**	1112	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 I-Connect interfaces load files provided by the employers.

### 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 fourth quarter period there were two ongoing complaints that reached the Pension Ombudsman.
12. In one case Leicestershire County Council Officers have provided the Ombudsman with details regarding the member's complaint against their former employer.
13. In the other case, the Ombudsman has requested details of an historic transfer out that a scheme member made. Leicestershire County Council Officers are working on the case and a reply will be provided in April 2024 to meet the Ombudsman's request.
14. There were no new IDRP stage 2 complaints.
15. As can be seen from the data at Appendices A and B, customer feedback in general remains positive and meets or exceeds target in most areas.

### **Breaches Log**

16. 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.
17. There were no material breaches in the quarter.

### **Pensions Increase Exercise**

18. The exercise to update payroll and admin systems with the annual pensions increase began in March. The system suppliers Heywood have notified users of some issues which can be resolved with workaround solution but another issue is still outstanding. Officers are holding urgent talks with Heywood to understand the scale of the issue and will plan a way forward once this is established.
19. This could mean that some members will not get their full increase in April and targeted communications will be put in place once the full impact becomes clear. A verbal update on this situation will be given at the meeting.

### **McCloud and Dashboards**

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

### **McCloud**

21. The McCloud remedy is now part of 'business as usual' for most processes. The significant error highlighted in the Continuous Improvement report to the Board dated 7 February 2024 has now been fixed, which has reduced the level of manual intervention required by officers.
22. Guidance detailing how transfers are calculated for members 'in-scope' is now available. The Fund's system suppliers are continuing to review the new guidance to establish what changes are needed to the calculations. Whilst developments are planned, nothing has yet been firmly scheduled and it is unlikely that any changes will be made until at least summer.
23. Until the changes are made the only way to process such cases is manually. The process for the manual calculation of transfers affected by McCloud is complex and these cases will take longer to work through, though the Local Government Association have provided a spreadsheet that will calculate the McCloud remedy element of the transfer in respect of cases where the member is transferring to a private sector pension scheme.
24. The McCloud ruling also applied to deceased members who were active contributors during the remedy period and assessing whether such members were entitled to additional pension is proving time consuming, as the process requires officers to re-visit the original pension calculations. This is required regardless of whether additional pension is due. If it established that additional pension is due, the outstanding entitlement would need to be paid to the estate.
25. Records continue to be updated with service details in preparation for the task of assessing records for possible additional benefits who left between April 2014 and November 2023. The latest position is stated below.

	Position as at 27/03/2024	Position as at 12/12/2023
Number of employers that have provided all required data and records have been updated:	99	99
Number of employers that have provided all required data and are currently being worked on:	4	4
Number of employers that provided all required data and	108	108

are ready to be worked on:		
Number of employers that provided all required data but has been returned to the employer:	0	0
Number of employers that have provided some of the data, or have not provided any data:	62 (11 employers have provided some data, 51 employers have not provided any data)	62
Employers with miscellaneous issues:	0	0

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

Employer	Lines identified at 27/03/2024	Lines dealt with at 27/03/2024	Lines remaining at 27/03/2024
Leics County Council	6,273	3,535	2,738
Leicester City Council	18,455	18,455	0
EMSS Academies	10,901	104	10,797
Other Employers	15,498	15,498	0
Total	51,127	37,592	13,535

27. Once all data lines have been input officers will be able to process bulk calculations which will allow all retrospective leavers to be assessed for their entitlement to the McCloud remedy. The bulk calculations will also update active members with McCloud data which will assist officers processing future leavers. Until then, McCloud cases will continue to be very time consuming.

McCloud Draft Guidance Consultation

28. On 1 March 2024, the Department for Levelling Up, Housing and Communities (DLUHC) began a closed consultation on the draft McCloud statutory guidance. The draft guidance was sent to the McCloud statutory guidance working group, the Scheme Advisory Board (SAB) and software providers. The statutory guidance group includes Leicestershire, who represent the East Midlands Pensions Officers Group.

29. A reply from the East Midlands region was sent that incorporated the view of Leicestershire Fund Officers.

30. The guidance covers several issues relating to the McCloud remedy, including:

- Data collection and verification
- Identifying members in-scope
- Prioritisation
- Compensation

31. Views are being sought on the content of the document generally, but in particular:

- The proposed approaches
- Whether the guidance is clear and contains sufficient information on the topics
- Whether there are any other topics that should be included in the guidance

32. The consultation closed on 12 April 2024.

### **Pension Dashboards Programme**

#### Integrated Service Provider (ISP)

33. Fund officers have now signed a contract with the Fund's existing system provider Heywood, for the provision of an Integrated Service Provider, which will be required to link the Leicestershire pension data to the Dashboards.

#### AVCs

34. As reported at the previous Board meeting, Leicestershire officers have been working with West Yorkshire and Prudential to develop a process regarding the reconciliation of member records held on both LGPS administration and Prudential systems. Findings have been collated and fed back to the National LGPS Technical AVC sub-group on 7 March 2024.

35. The sub-group will work through the findings and recommend a standard approach for all Funds to follow.

### **AVC Framework**

36. Further to the Continuous Improvement report presented at the last Board meeting, officers have continued to work with National LGPS Frameworks (administered by



Norfolk County Council) to establish an AVC tender framework for use by LGPS Funds.

37. The process is now at the final contractual stage with National LGPS Frameworks. It is expected to be finalised and published in the coming weeks with a go live date in the first quarter of 2024/2025.

### **Abolition of Lifetime Allowance**

38. The Government has introduced legislation to abolish the pensions lifetime allowance (LTA), which placed limits on the amount pension savings members can accrue without a tax charge, from 6 April 2024.
39. It has now introduced new limits that restrict the amount of tax-free cash a member can receive over their lifetime. As with the LTA, very few LGPS members will be affected by these limits.
40. The declaration form that retiring members were asked to complete in relation to LTA has now been updated to reflect the new limits.

### **2023/24 Year-End Preparation**

41. 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.
42. I-Connect 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.
43. 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. As at 27 March 2024, 73 maintained schools and 30 academies have gone live on I-Connect. Officers are working with the payroll providers to make sure that the outstanding schools and academies go live on I-Connect before the year-end deadline.
44. 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 I-Connect report needs to be checked to make sure that it meets the specifications to be uploaded for each scheme member.
45. 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.

46. 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.

47. 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 27 March 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 I-Connect report but only 1 record on Altair)	383	375	8
No record on Altair but appears on the I-Connect report	734	734	0
No record on the I-Connect report but appears on Altair	79	79	0

48. Due to the progress made in the member matching exercise and with only eight cases left to investigate, the two members of staff from the early leavers team who were helping have moved back to that team.

49. Officers are chasing any outstanding employers who are not currently up to date with their I-Connect uploads to ensure that they are able to meet the year-end deadline.

50. Officers will provide the Board with a further year-end update at the next meeting.

### **Governance – Audit**

51. During the quarter there were two Internal Audit reports received relating to implementation of the McCloud Remedy and the annual 'Life Certificates' exercise for overseas pensioners.

#### McCloud Remedy

52. The audit objective is to provide assurances to management that the guidance received is followed in relation to any members affected by the judgement.

53. The report gave substantial assurance that the guidance was being followed, and no material issues were found. No recommendations were made.

54. Officers propose a follow-on internal audit on McCloud in early 2025/26, as it is expected the hours inputted will have been completed by this time in readiness for the 31 March 2025 annual benefit statements, and all guidance and system changes will have been completed.

#### Overseas Life Certificates

55. The audit objective is to provide assurances that the annual life certification process with regard to overseas pensioners is administered effectively in order to gain assurances that overseas members of the Fund remain alive.

56. Whilst the report gave substantial assurance, some recommendations were made that Fund officers agreed to.

- Include information in the procedure notes to raise staff awareness of fraud risk, for example, forged signatures and advice on how suspicions coming to light during the process can be escalated.
- Revise notes on long-term suspensions to reflect actual practices regarding the progression of cases where there is a lack of absolute clarity regarding a member who is likely to have died. Also, to seek views of other authorities regarding their processes relating to such cases.
- Revise notes to reinforce the requirement for witnesses to be unrelated to the subject.
- Update certificate to include details of next of kin and contact details for overseas pensioners.

57. Changes to the Life Certificate processes will be made during the first quarter of 2024/25.

#### **Governance – The Pensions Regulator Code of Practice**

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

59. On 10 January 2024 the new TPR General Code of Practice was laid before Parliament which came into force on 27 March 2024.

60. Officers will compare the current codes and the new single code via a “gap” analysis. To assist with this a Code of Practice compliance checker tool, developed by the Fund’s actuary will be used. The tool is designed to allow Funds to self-assess their levels of compliance. We aim to complete this by the end of June 2024 and will report the finding to the Board at the meeting on 31 July 2024.

61. The Code of Practice is split into 15 modules and a section has been allocated to each module on the compliance checker. The sections contain details of the requirements of the code that apply or relate to the LGPS, along with some supporting commentary. Users can then assess their own risk rating by selecting from the appropriate entry from the drop-down list that is available. The tool also has the ability to produce editable progress reports suitable for presentations to stakeholders.
62. 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**

63. Fund officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
64. 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.
65. 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.
66. 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.
67. The position on 2 April 2024 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>
Relish (5 LCC maintained schools)	Admission Agreement and Bond	Pass-through 15 July 2023	£29,000	Draft admission agreement and bond agreement circulated for approval.  Relish have approved the admission agreement.	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
				<p>Relish is in the final stages of putting the bond in place. Once finalised, the bond agreement can be signed alongside the admission agreement.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase Relish.</p>	
Coombs Catering (LCC, St Bartholomews)	Admission Agreement and Bond	Pass-through 1 January 2024	£22,000	<p>Draft admission agreement and bond agreement circulated for approval.</p> <p>Coombs is in the process of sourcing a bond.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase Coombs.</p>	High
ABM Catering (City, Crown Hills)	Admission Agreement and Bond	Pass-through 1 January 2024	£15,000	<p>Draft admission agreement and bond agreement circulated for approval.</p> <p>Agreements approved by ABM. Awaiting approval from City.</p> <p>ABM is in the process of sourcing a bond.</p> <p>Member has been written to explaining the delay.</p> <p>Officers continue to chase ABM and City.</p>	High
Taylor Shaw (United Learning Trust)	Admission Agreement	Pass-through 1 December 2023	n/a	Final admission agreement circulated for signature.	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)	Bond	n/a	£165,000	CleanTEC is in the process of sourcing a bond.  Officers continue to chase CleanTEC.	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.  Officers explained the capital cost risk to City of Leicester (Aspire Learning Partnership). They are also chasing Atalian Servest.  Officers continue to chase both parties.	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 explained the capital cost risk to Soar Valley (Aspire Learning Partnership). They are also chasing Atalian Servest.  Officers continue to chase both parties.	Low
Coombs Catering - Hastings High School	Bond	n/a	£16,700	Final bond agreement circulated for signature.  Officers continue to chase Coombs and Hastings High School.	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. The	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
				<p>guarantor made some amendments. These have been reviewed and counter amendments have been sent for approval.</p> <p>Officers continue to chase Taylor Shaw.</p>	

68. The high-risk cases are all being chased and monitored by Fund Officers, who keep the Pensions Manager informed of the position. He will then make recommendations to the Board in respect of each case before deciding whether to escalate.

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

- Leicester City Council (Herrick Primary) to Aspens 2022 Contract - Admission Agreement and Cash Deposit Agreement
- Lionheart Academies Trust to CleanTEC 2023 Contract - Admission Agreement
- Tudor Grange Academies Trust to BAM FM - 2023 Contract - Admission Agreement

70. The situation regarding Bradgate Park Trust (BPT), who moved from an old-style admission agreement to a pass-through admission agreement from 1 October 2023, is on-going, as amendments proposed by BPT to the draft admission agreement are reviewed by Leicestershire County Council and Leicester City legal officers.

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

71. 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.

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

73. Following the Board meeting in February it was agreed that sessions would be held in person at County Hall for Committee and Board members to complete the modules, supported by officers and would include presentations where appropriate.

74. A training plan was created and taken to the Local Pensions Committee in March 2024 (shown below).

Date	Modules	Time
8 April 2024	Module 3: AVC (11m), Policies and Procedure (20m) Module 5: Procurement (11m) Current Issues, climate change, McCloud and dashboards.	2hr
31 May 2024	Module 1: Introduction to the LGPS Module 2: Governance A presentation from the Head of Law on governance and fiduciary duty and other areas. Module 8: Actuarial Training Module 4: Accounting and Audit	3hr
17 September 2024	TBC	3hr
1 November 2024	Module 6: Investments Module 7: Financial Markets and Products	3hr

75. These sessions will not replace the normal training that is completed as part of, and following, Committee and Board meetings.

### **Recommendation**

76. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee, giving particular consideration to the on-going impact of McCloud on the workload and performance of the Pension Section and whether additional resources are needed to manage the impact.

### **Equality Implications**

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

### **Appendices**

Appendix A – Key Performance Indicators January to March 2024

Appendix B – Key Performance Indicators April 2023 to March 2024

Appendix C – MSS Registration Figures



## Appendix D – Areas of Improvement

**Officers to Contact**

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

Stuart Wells  
Pensions Project Manager  
Telephone: (0116) 305 6944  
Email: [Stuart.Wells@leics.gov.uk](mailto:Stuart.Wells@leics.gov.uk)

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

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