



LOCAL PENSION BOARD – 31 JULY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT

APRIL to JUNE 2024 - 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 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 107,000 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 Areas of Improvement update is included as Appendix A.

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 April to June 2024 are included as Appendix B. The figures continue to be lower than target, particularly on business processes, but this

reflects the current position with the impact of McCloud having a significant effect. Additional staff are being recruited and this is covered elsewhere in the report. However, the time taken to train colleagues in new roles will mean a period of transition whilst they learn new areas of work.

Governance – Service Delivery

General Workloads

6. The tables show the volumes in each work area during the months April to June 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. The two areas rated, Preserved Benefits and Aggregations, were highlighted in the previous report. Whilst the cases likely to have the biggest impact on the valuation have been targeted, completed cases dropped in June as a member of the team dealing with these cases left and others were moved into the team working on retirements and deaths. Replacements are being recruited currently and this is covered elsewhere in the report.

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

April 2024

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	<u>Cases that can be processed</u> (cases that can be worked on)	Total cases	<u>Maximum target number of cases that can be processed at month end</u>	Rating
Preserved Benefits	198	321	1778	2099	1,000	▼
Retirement Options	184	310	303	613	350	▲

Retirements Paid	184	250	71	321	350	▲
Deaths	99	172	110	282	200	▲
Refunds	95	91	172	263	400	▲
Pension Estimates	107	35	88	123	250	▲
Transfers in	36	131	202	333	200	▶
Transfers out (excluding interfunds out) *	42	16	29	45	100	▲
Aggregations	163	207	2376	2583	1,000	▼
New starters set up**	1823	n/a	n/a	n/a	n/a	n/a

May 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	213	328	1840	2168	1,000	▼
Retirement Options	313	315	242	557	300	▲
Retirements Paid	158	248	116	364	300	▲
Deaths	131	166	113	279	200	▲
Refunds	75	160	106	266	400	▲
Pension Estimates	119	39	57	96	250	▲
Transfers in	39	126	209	335	200	▶
Transfers out (excluding interfunds out) *	74	280	94	374	100	▲
Aggregations	152	209	2471	2680	1,000	▼
New starters set up**	768	n/a	n/a	n/a	n/a	n/a

June 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	88	296	1881	2177	1,000	▼
Retirement Options	352	258	275	533	300	▲
Retirements Paid	243	235	87	322	300	▲
Deaths	136	175	83	258	200	▲
Refunds	62	225	33	258	400	▲
Pension Estimates	108	17	62	79	250	▲
Transfers in	31	132	206	338	200	▶
Transfers out (excluding interfunds out) *	40	22	25	47	100	▲
Aggregations	33	203	2627	2830	1,000	▼
New starters set up**	535	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 first quarter period there was one new IDRPs Stage 2, regarding a specific historic situation, whereby the Regulations at that time did not provide entitlement to partner benefits. The case has been passed to the Head of Law to consider at Stage 2.
12. There were no changes to earlier cases already at Stage 2 of the IDRPs 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. There was one breach in the quarter. This was in respect of a transfer of pension rights to a financial institution based in Canada. The case was processed on 28 June 2024, which was outside of the statutory six-month period in which transfers must be completed within. In this instance the period expired on 7 June 2024.
15. The value of the transfer exceeded £100,000. The Fund policy is to undertake additional diligence where transfers are over £100,000. Whilst this is normally performed by Pension Officers, this case was also the first overseas transfer valued at this level since the policy was introduced and as an additional step, legal advice was sought, to ensure that there were no issues in paying this transfer.
16. Whilst our legal advisers concluded that there were no issues with this case, this did result in a small delay in processing the transfer.
17. The delay in making payment required the transfer to be recalculated and the original value was increased accordingly.
18. Since the payment has been made there has been no complaints received from the scheme member or the receiving scheme.
19. Officers would not deem this a "material" breach, given the unique circumstances of this case, and payment was made shortly after the original expiry date.

Letter from Minister for Local Government

20. The previous Minister for Local Government, Simon Hoare MP, wrote to Administering Authorities in England asking them to set out their approach to efficiencies in the management, governance and administration of the LGPS fund and asset pool.
21. The letter included several questions for consideration in relation to two themes:
 - How your fund completes the process of pension asset pooling to deliver the benefits of scale; and

- How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.

22. A response from Leicestershire has been issued and can be found in Appendix C.

Additional Voluntary Contribution (AVC) Framework

23. Officers have now completed the work required to establish an AVC Services tender framework for use by LGPS Funds.

24. The framework is due to go live on 22 July 2024, although some contractual issues are still being worked through with one of the providers. Once the issues are resolved with this provider they will be added to the framework.

25. Leicestershire plan to sign up to use Lot 1 of the framework and will begin work in August 2024. Lot 1 enable Funds to review their existing AVC provider's terms and conditions, and implement a new AVC provider, if necessary.

Pensions Increase Exercise

26. Following the Pension Increase (PI) issues reported in the previous quarter, on 17 April 2024 the Pensions Manager formally raised the Pension Board's dissatisfaction with the Fund's pension administration system provider Heywood. A reply was requested by the 31 May 2024.

27. Whilst waiting for a reply from Heywood, Officers continued to work with Heywood colleagues and applied the annual pension increase to payroll records and pensions were paid as expected 30 April 2024. No issues relating the calculation of the pensions were raised by pensioners.

28. Heywood provided an initial response on 31 May 2024, followed by a full and final response on 7 June 2024. They accepted that the issues had caused additional work for Leicestershire and apologised.

29. System fixes are now in place for most of the issues raised.

30. One issue is not fully resolved, and Heywood have stated that they anticipate that this will be ready by August. It will address the issue that led to approximately 700 pensioners being underpaid on average by approximately £4.00 per annum. Because the amounts are low pensioners haven't been written to at this stage, and to date, no one has contacted Pensions about this. Officers will work to resolve this by the end of September 2024, on the assumption that the fix is in place and the affected pensioners will be contacted at that time.

31. Heywood stated that plans to improve processes relating to PI for April 2025 are in place, including monthly meetings to ensure that issues identified for improvements in 2024 are dealt with and completed.

32. Heywood have also offered to work with Officers in the run up to April 2025 PI to ensure there is no repeat of this year's problems.

Pensions Increase for Deferred Members

33. An issue was identified on 15 July 2024 regarding some of the McCloud figures that are being calculated as part of pension increase for deferred pensioners. The calculations for members who left between 1 April 2022 and 31 March 2023 are incorrect.

34. Officers have not yet processed pensions increase for deferred members but need to do so by mid-August as the updated values will be used to create their Annual Benefit Statements. The statutory deadline for the production of the statements is 31 August.

35. Heywood have advised that this issue will be fixed as part of the next release of Altair which will be installed in early August.

36. At the time of writing the precise installation date has not been established and this raises a risk that statements will be produced close to, or shortly after the deadline.

37. Officers will provide a verbal update on the latest position on this issue at the meeting.

McCloud and Dashboards

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

McCloud

39. Following the implementation of the McCloud remedy, cases are now taking longer to complete, which is impacting on Key Performance Indicators. The main reasons for this are:

- Additional steps are now required for the processing of cases where a member is deemed in-scope for re-assessment under the remedy.
- Officers regularly encounter cases where initial calculations indicate additional benefits are due but when the historic data is checked it requires adjustment and the calculation needs to be re-processed.
- There have been some minor issues with Altair's calculations of McCloud remedy data (generally linked to underpin calculations) in some circumstances which require workarounds to allow the cases to be completed. Some of these issues have been fixed but others remain, for example, scenarios where a member is being treated as in-scope when it is not. These errors have been reported and will be cleared in future system releases.

- The extra complexity means cases are taking longer to calculate and check.
40. Additionally, the developments to Altair that are required to process transfers for members 'in-scope' are now unlikely to be scheduled until 2025. This is a complex development and the resource required to implement this is significant. Until this is implemented any transfer calculations for in-scope members will continue to be performed outside of the system, which will slow the process and increase the risk of errors.

Impact on Key Performance Indicators

41. Appendix D shows the Key Performance Indicators (KPIs) since January 2023 that relate to:

- Retirement Options
- Retirement Payments
- Death Benefits and Payments

42. The target for the three areas is for most of the casework to be completed and issued within 10 working days. Specifically:

- Retirement Options: 92% of cases
- Retirement Payments: 95% of cases
- Death Benefits and Payments: 90% of cases

43. The figures show the impact that the McCloud remedy has had since the legislation went live in October 2023.

44. These three areas are all the responsibility of the Pension Section's Payments and Tax team.

45. The initial impact was on retirement options as all retirements were assessed to establish whether cases were in-scope as part of the new process. In October Officers began testing McCloud system outputs, which started to cause a fall in KPIs. The functionality was then added to the live service in November 2023 and the impact on options continued.

46. The impact on pension payments and death benefits was not instant. Pension payments had already been assessed at the option stage and most death cases processed initially were not in-scope as they retired prior to the remedy period (April 2014 to November 2022), but as an increasing amount of resource was spent on retirement options, less resource was spent on other areas, causing an indirect impact on payments and deaths. Additionally, more death cases have been identified as in-scope, which is gradually increasing the amount of time required to process those cases.

47. To date, there have been 32 cases, out of 1,003 cases established as in-scope where pension benefits have increased as a result of McCloud. On average the provisional increase is £225 per annum. These cases are mainly deferred benefits and the increases are provisional until the member claims their pension.

Outstanding Areas

48. The position in respect of the outstanding areas of work related to the implementation of the McCloud remedy is shown below:

Changes to contractual hours between April 2014 and March 2022	Ongoing. Data has been received from most employers and the remaining updates to records are expected to be completed by 31 December 2024.
Non-active members 'in-scope'	Once the updates to contractual hours have been completed, reports will be used to identify scheme members who left between April 2014 and November 2023 and are entitled to an underpin (additional pension) under the remedy. Where re-calculations of pension benefits are required many will need to be processed manually.
Active Members 'in-scope'	Records of active members must be updated with underpin data before Annual Benefit Statements are processed in August 2025.
Excess Teacher Service	<p>Teachers Pensions will contact their employers throughout 2024, liaise with them to identify affected members and verify details of their service before data is sent to Funds for action. East Midlands employers were scheduled to be contacted in June 2024.</p> <p>Any teacher found to have excess service, will have this included as a new Local Government Pension Scheme benefit. This will require the Pension Section to liaise with the employer and Teacher, and to set up a correct pension record. If the Teacher then wants to transfer this pension back into the Teachers Scheme, the Pension Section will calculate this and organise payment.</p>

49. Two Pension Business Administration Apprentices commenced in their new roles on 1 July 2024. They are on one-year contracts.

50. Pension Officers have been recruited internally from existing Pension Assistants.
51. Offers have been given to three people for the vacant Pension Assistant positions. Two of the three successful candidates are temporary staff already working internally on McCloud.
52. Recruitment will commence for the remaining vacant 1.4 Pension Assistant roles and the full-time temporary McCloud roles.

Annual Report Changes

53. On 28 March 2024 the Scheme Advisory Board (SAB) published new guidance for funds preparing their Annual Report. The aim of the guidance is to ensure that reporting across the scheme is consistent and provides comparable data for all funds. The guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years.
54. There are new requirements within the Administration section, including data on interactions with online portals, number of telephone calls and emails received plus member 'engagement' events.
55. Further detail is now required when reporting on Casework Key Performance Indicators (KPIs), including statistics relating to the time taken to issue communication to members at different stages of numerous processes. There are 15 separate requirements, most of which the Fund does not currently report on. Also, the way the Fund's current system 'workflow' processes are structured does not align with many of the new requirements.
56. The guidance does acknowledge that there may be difficulties in reporting some aspects of the requirements and the introduction states that "funds should use their best endeavours to comply fully with this guidance, but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. Where significant variation from this guidance is considered appropriate, funds should provide an explanation."
57. Officers have also met with the SAB to discuss concerns not just for this year, but how the required data can be captured for future years. SAB held initial conversations with system providers to understand whether standard reporting can be developed to assist Funds and has contacted Heywood following our meeting for their current thoughts and also to explore the possibility of further discussions, including other funds. They will keep the Fund updated with developments.
58. To avoid duplication within the Board pack and agenda, the Fund's draft 2023/24 annual report is included as a separate agenda item. This includes the Casework KPIs that are included in Annex A of the annual report.

Pension Dashboards Programme

59. The only development to report in respect of the Pension Dashboards Programme in the last quarter is that the "staging date" for Public Service Pension Schemes

has now been confirmed as 31 October 2025. This has been pushed back by one month from that initially proposed in 2023, to allow for a staging break in the summer of 2025.

2023/24 Year-End Preparation

60. Officers continue to process year-end data and this is a summary of the position on 30 June 2024.
61. Data has been posted for all employers with just two exceptions. These are both small employers, Relish (Symphony LT) and BAM FM (Tudor Grange AT). Whilst both have submitted the data, there some issues and Officers are working with them to resolve.
62. A 'quality check' report have been run across all employers and any data issues identified have been reported to employers for clarification.
63. 126 employers have resolved their issues and the year-end work for those employers is complete. 85 employers have provided a response to the queries and officers are currently working through them. 56 employers have not returned the queries and reminders have been issued. The deadline for returning all queries is 31 July 2024.
64. When the year-end exercise has been completed, officers will issue Annual Benefit Statements and expect to meet the statutory deadline of 31 August 2024.

Governance – Audit

65. During the quarter, although there was activity with work relating to an audit of the Pension Increase being performed, there were no new Internal Audit reports received to share with the Board.

Governance – Employer Risk

66. Fund officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
67. 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.
68. 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.

69. 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.

70. The position on 15 July 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
Coombs Catering (LCC, St Bartholomews)	Admission Agreement and Bond	Pass-through 1 January 2024	£22,000	Coombs have finalised the bond and plan to sign both the Admission and Bond documents by the 31 of July, to meet the year-end requirements.	High
ABM Catering (City, Crown Hills)	Admission Agreement and Bond	Pass-through 1 January 2024	£15,000	<p>ABM are still chasing their bond provider.</p> <p>The admission agreement has been sent for signature.</p> <p>There has been no response from Leicester City Council.</p> <p>ABM are aware of the deadline for completion of the 2023/24 year-end (31 July 2024).</p> <p>If the deadline passes, officers have the option to begin charging ABM and Leicester City Council for the additional time spent trying to resolve this case.</p>	High
CleanTEC (Lionheart AT)	Bond	n/a	£165,000	<p>CleanTEC is still in the process of sourcing a bond.</p> <p>Lionheart AT as the outsourcing employer, know the risk is theirs while the bond remains outstanding.</p> <p>Officers continue to chase CleanTEC.</p>	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
Taylor Shaw (Elior) - MET	Bond	n/a	£12,000	<p>Draft bond agreement circulated again.</p> <p>Taylor Shaw have approved the bond agreement and are sourcing a bond. The 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>	Low

71. The Fund's administration and communication strategy enables Fund Officers to charge employers for delays in completion of admission agreements and bonds. Officers informed a small number of employers about this, and it prompted several of the outstanding cases to complete.

72. Officers will use the ability to charge new cases, moving forward.

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

- Relish (5 Leicestershire County Council maintained school) – Admission and Bond
- Taylor Shaw (United Learning Trust) – Admission
- Atalian Servest (City of Leicester) - Bond
- Atalian Servest (Soar & Moat) – Bond
- Coombes Catering (Hastings High School) - Bond

74. 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. The final version of the admission agreement was circulated for signatures. Leicestershire County Council's sealed counterpart has been received. BPT are finalising the last trustee's signature. Officers continue to chase Leicester City Council for their sealed counterpart.

Recommendation

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

Equality Implications

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

Appendices

Appendix A: Areas of Improvement

Appendix B: Key Performance Indicators Quarter One

Appendix C: Fund response to letter from Minister for Local Government

Appendix D: Key Performance Indicators (McCloud Impact)

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