



LOCAL PENSION BOARD – 16 OCTOBER 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT

JULY to SEPTEMBER 2024 - QUARTER TWO

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (LPB) of the main administrative actions in the second quarter period from July to September 2024. The report covers governance areas including administration of Fund benefits and the performance of the Pensions Section against its Performance Indicators. The LPB 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. Items that previously were in the Continuous Improvement report are incorporated into this report in respect of topics such as McCloud, Pension Dashboards and The Pension Regulator's Code of Practice.

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 July to September 2024 are included at Appendix A. The figures continue to be lower than target, particularly on business processes. However, performance in respect of notifying members of retirement benefits within

ten days of receiving the paperwork has increased by 10% when compared to the previous quarter. The number of pension benefits paid within ten days has also increased and is now at 89% of cases for the quarter.

6. The team that deals primarily with retirements and deaths has some newer staff that are learning aspects of the role. It is expected they will be able to process more types of leaver benefits from January 2025, which should help improve the business process KPIs from then.
7. Two additional temporary staff joined on 30 September 2024 and they will focus on deferred benefits to try and reduce outstanding cases.

Governance – Service Delivery

General Workloads

8. The tables show the volumes in each work area during the months July to September 2024.
9. 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.
10. 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 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 can be processed at month end | Rating |
|--------------------|---|--|---|-------------|--|--------|
| Preserved Benefits | 230 | 402 | 2093 | 2495 | 1,000 | ▼ |
| Retirement Options | 271 | 304 | 301 | 605 | 300 | ▶ |

| | | | | | | |
|--|-----|-----|------|------|-------|-----|
| Retirements Paid | 217 | 239 | 75 | 314 | 300 | ▲ |
| Deaths | 90 | 158 | 99 | 257 | 200 | ▲ |
| Refunds | 92 | 221 | 41 | 262 | 400 | ▲ |
| Pension Estimates | 135 | 18 | 25 | 43 | 250 | ▲ |
| Transfers in | 35 | 132 | 205 | 337 | 200 | ▶ |
| Transfers out (excluding interfunds out) * | 22 | 13 | 47 | 60 | 100 | ▲ |
| Aggregations | 200 | 192 | 2817 | 3009 | 1,000 | ▼ |
| New starters set up** | 660 | n/a | n/a | n/a | n/a | n/a |

August 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 | 187 | 382 | 1908 | 2290 | 1,000 | ▼ |
| Retirement Options | 296 | 293 | 288 | 581 | 350 | ▲ |
| Retirements Paid | 210 | 221 | 79 | 300 | 350 | ▲ |
| Deaths | 92 | 185 | 111 | 296 | 200 | ▲ |
| Refunds | 60 | 220 | 35 | 255 | 400 | ▲ |
| Pension Estimates | 49 | 17 | 52 | 69 | 250 | ▲ |
| Transfers in | 28 | 137 | 205 | 342 | 200 | ▶ |
| Transfers out (excluding interfunds out) * | 36 | 21 | 49 | 70 | 100 | ▲ |
| Aggregations | 398 | 186 | 2667 | 2853 | 1,000 | ▼ |

| | | | | | | |
|-----------------------|-----|-----|-----|-----|-----|-----|
| New starters set up** | 431 | n/a | n/a | n/a | n/a | n/a |
|-----------------------|-----|-----|-----|-----|-----|-----|

September 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 | 140 | 377 | 1793 | 2170 | 1,000 | ▼ |
| Retirement Options | 279 | 297 | 312 | 609 | 300 | ► |
| Retirements Paid | 233 | 234 | 80 | 314 | 300 | ▲ |
| Deaths | 112 | 170 | 89 | 259 | 200 | ▲ |
| Refunds | 127 | 241 | 36 | 277 | 400 | ▲ |
| Pension Estimates | 91 | 11 | 45 | 56 | 250 | ▲ |
| Transfers in | 58 | 135 | 202 | 337 | 200 | ► |
| Transfers out (excluding interfunds out) * | 44 | 20 | 48 | 68 | 100 | ▲ |
| Aggregations | 396 | 181 | 2479 | 2660 | 1,000 | ▼ |
| New starters set up** | 948 | 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

- 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 second quarter period there were no new IDRP Stage 2 cases.

13. An earlier case already at Stage 2 was not upheld. The case may now be taken to the Pension Ombudsman by the partner of the scheme member.

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 breaches in the quarter, in respect of 10 members whose Annual Benefit Statements were issued 16 days late. This relates to three employers, Bradgate Park Trust (consisting of 2 members), ABM – City, Crown Hills (2 members) and Coombs – LCC, St. Bartholomew's (6 members). The statements were late due to legal admission agreements not being completed in time.

16. The admission agreements for the above three employers were signed and completed in early September 2024 and annual benefit statements were produced for all the members involved by 16 September 2024. No comments or complaints were raised by any of the members following receipt of their statements.

17. Officers would not deem these "material" breaches, given the reasons for the delay and the swift resolution of the issue.

Governance – Audit

18. During the quarter, one new Internal Audit report was received relating to the initial assessment of The Pension Regulator's Code of Practice.

19. The Audit team are also currently continuing to work through the Pensions Increase exercise and findings will be included in the next Board report.

Code of Practice

20. The audit objective was to provide assurances to management that the requirements of the new Code of Practice have been adequately addressed. A report detailing the requirements of the Code was presented to the Board at the meeting held on 31 July 2024.

21. Whilst the report gave substantial assurance, some recommendations were made:

- Seek to define further what a "material breach" might entail by establishing metrics to help determine when a breach is likely to be considered material.
- Consider adding target deadline dates to the tracker, along with responsible officers, particularly for the actions not directly under the Pension Section's control.

22. The recommendations were accepted and will be implemented.

Pension Website

23. The Fund currently provides scheme members with a website that contains general information about the Local Government Pension Scheme, plus Leicestershire-specific content such as policy documents and news items, e.g. notification of the Fund's AGM.

24. The website also includes Member Self-Service (MSS), an online portal that scheme members can register for to view personal information about their scheme benefits, plus access to functionality such as the Benefits Projector which allows users to perform their own retirement calculations.

25. The web package was purchased from Heywood in 2019. However, they have now given their customers notice that MSS will be made 'End of Life' on 31 January 2026.

26. As a replacement, Heywood have offered 'Engage', essentially a refresh of MSS. For scheme members currently registered on MSS, they will be able to login to Engage using their existing MSS credentials. All functionality available in MSS will be included in Engage, so there will be minimal impact on members.

27. Officers have now agreed to move over to Engage. Work will begin in September 2025 and is expected to be completed by November 2025. The implementation will require resource from officers, which is expected to be mainly testing, but further clarification on this will be provided in a future report. There will be a one-off implementation fee but annual fees that were already being paid in respect of MSS will remain unchanged.

28. Officers will be discussing the position with Heywood over the coming weeks and a demo of the system is scheduled for mid-October.

29. Heywood have advised that Engage does not include the facility to create a general website with Fund-specific content, so an alternative provider will be required for this aspect. Officers have held initial conversations with LCC Digital Services about a new website to host this content. Digital Services have confirmed that they can build this for the fund, having secured an agreement in principle from their internal 'Pipeline Board'.

30. Further talks with Digital Services are due to be held in late October to establish next steps.

31. Members will be informed of these changes prior to the new websites going live.

32. A further update on this issue will be provided at the next Board meeting.

TPR Code of Practice Update

33. Further to the report presented to the Board on 31 July 2024, work has begun addressing the following areas of partial or non-compliance. Priority has been given to the areas where there are regulatory requirements to comply.
34. The following areas of work have been completed or are in progress:
35. An internal document has been created, detailing the expectations of the Chair and has been approved by LCC's Head of Law. The document has also been shared with the Chair of the Board.
36. A refreshed procedure detailing how breaches of law are reported to the Pensions Regulator has been created. This has been shared with Audit and a copy of this is in Appendix B.
37. The following documents are being actively worked on and initial drafts are expected to be completed by 31 October:
- Internal Controls (internal document)
 - Cyber documents (policy and internal document)
 - Transfer guide (internal document)
 - Admin and Comms (minor updates to comply with the Code)
38. Drafts will be shared with Audit for comment before being presented to the Board as part of the annual policy review in April 2025.
39. This leaves one area where there is a regulatory requirement, relating to the Register of Interests. This is being addressed through a review of the Fund's Conflict of Interest Policy. .
40. A further update on The Code will be presented at the next Board meeting.

Additional Voluntary Contribution (AVC) Framework

41. As expected, the AVC Services Framework went live on 22 July 2024. The outstanding contractual issues with one of the providers were resolved and they have been included in the framework.
42. Agreement for the Fund to enter a procurement exercise was approved by the Director of Finance and the Procurement Board. An initial 'Invite to Further Competition' document has been drafted and fund officers are working with LCC's Procurement team to refine this before the exercise can go live.
43. An update on the position will be included in the next Board report.

McCloud and Pension Dashboards

44. The Board has requested that an update on progress against delivery of the McCloud remedy and Pension Dashboards be included within each quarterly report. The update on both for this quarter is set out below.

McCloud

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

| | |
|--|--|
| <p>Changes to contractual hours between April 2014 and March 2022</p> | <p>Ongoing. Data has been received from most employers and the remaining updates to records are expected to be completed by 31 March 2025. There are 12406 lines of data to manually enter.</p> |
| <p>Non-active members 'in-scope'</p> | <p>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.</p> |
| <p>Active Members 'in-scope'</p> | <p>Records of active members must be updated with underpin data before Annual Benefit Statements are processed in August 2025.</p> |
| <p>Excess Teacher Service</p> | <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 originally scheduled to be contacted in June 2024.</p> <p>However, in August, Teachers Pensions have provided an updated timeline for excess service cases. The updated timeline confirms when initial communications and reminders will be sent to employers in each region. The East Midlands region were sent a file in July, with reminders sent in September</p> |

| | |
|--|--|
| | <p>and October, with a further reminder due in November.</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> |
|--|--|

Pension Dashboards Programme

46. Officers have arranged with Heywood to begin work on connecting Altair to the Pension Dashboards 'ecosystem'. This will begin in October 2024 and is expected to take around three months.
47. Heywood have supplied officers with an 'Implementation Study' document detailing the stages of the process and a 'Project Kick Off' call is scheduled for mid-October.
48. The deadline for Public Service Pension Schemes (the "staging date") was recently confirmed as 31 October 2025.
49. A further update on this project will be provided at the next Board meeting.

2023/24 Year-End

50. The 2023/24 year end exercise was completed successfully with 37,813 active, 31,812 deferred and 41 Councillor annual benefit statements produced by the 31 August 2024 statutory deadline.
51. Ten members received their annual benefit statements late. Further information on this point can be found in the 'Breaches' section of this report (refer to points 13-16).

Governance – Employer Risk

52. Fund officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
53. 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.

54. 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.

55. 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.

56. The position on 20 September 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 |
|----------------------------------|-------------------|---|--|---|-----------------|
| 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> <p>CleanTEC were given a deadline of completion of 30th September. Following this a final formal letter was issued and CleanTec will be charged £100 for each hour officers spend resolving the case.</p> | Medium |
| ABM Catering (City, Crown Hills) | Bond | n/a | £15,000 | <p>ABM are still chasing their bond provider.</p> <p>The admission agreement is complete.</p> <p>The guarantor made some amendments. These have been reviewed and counter amendments have been sent for approval.</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 |
|---------------------------------|-------------------|---|--|--|-----------------|
| | | | | Officers continue to chase ABM and their guarantor. | |
| Taylor Shaw (Elior) - MET | Bond | n/a | £12,000 | <p>Taylor Shaw are still chasing their bond provider.</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 |

57. 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.

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

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

- Coombs Catering (LCC, St Bartholomew's) - Admission Agreement and Bond Agreement
- ABM Catering (City, Crown Hills) - Admission Agreement
- Caterlink (BEP, Mountfields) - Admission Agreement
- Caterlink (City, Hazel) - Admission Agreement
- Innovate (Aspire Learning Partnership) - Admission Agreement
- Bradgate Park Trust - Admission Agreement

Recommendation

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

Equality Implications

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

Appendices

Appendix A: Key Performance Indicators Quarter Two

Appendix B: Procedure for Reporting Breaches of Law to the Pensions Regulator

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