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**LOCAL PENSION BOARD – 5 FEBRUARY 2025**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PENSION FUND ADMINISTRATION REPORT**

**OCTOBER to DECEMBER 2024 - QUARTER THREE**

**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 third quarter period from October to December 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. 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 October to December 2024 are included in the Appendix. The figures continue to be lower than target, particularly on business processes. However, pension payments have improved and are very close to the 95% target,

death benefits have improved, whilst retirement options are broadly the same as the previous quarter.

### **Governance – Service Delivery**

#### General Workloads

6. The tables show the volumes in each work area during the months October to December 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. From April 2025 the Pension Manager proposes a change on how the Pension Section reports the maximum target of cases to the Board. This is designed to assist with the Fund Valuation and help identify employers that may require assistance. Outstanding cases at the end of each month will be targeted by employer and length of time since leaving (oldest cases first). This will be part of a wider review of performance targets and reporting.
10. Officers are developing system reports and reviewing how workflow tasks are built to provide this information.

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

#### **October 2024**

Area	Cases Completed	Cases Ready for Processing	All Cases Outstanding	Maximum target number of cases that can be processed at month end	Rating
Preserved Benefits	221	1939	2303	900	▼
Aggregations	185	2388	2584	900	▼

Transfers in	77	203	328	200	▶
Retirement Options	361	283	556	300	▲
Retirements Paid	253	80	329	300	▲
Deaths	141	56	215	200	▲
Pension Estimates	74	57	78	250	▲
Transfers out (excluding interfunds out) *	60	23	46	100	▲
Refunds	144	116	365	400	▲
New starters set up**	1165	N/A	N/A	N/A	N/A

### November 2024

Area	Cases Completed	Cases Ready for Processing	All Cases Outstanding	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	222	1978	2339	900	▼
Aggregations	311	2475	2666	800	▼
Transfers in	32	216	339	200	▶
Retirement Options	333	194	459	300	▲
Retirements Paid	238	102	351	300	▲
Deaths	102	69	222	200	▲
Pension Estimates	59	85	100	250	▲
Transfers out (excluding interfunds out) *	36	29	49	100	▲
Refunds	207	38	334	400	▲

New starters set up**	965	N/A	N/A	N/A	N/A
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### December 2024

Area	Cases Completed	Cases Ready for Processing	All Cases Outstanding	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	204	1893	2266	900	▼
Aggregations	158	2402	2601	700	▼
Transfers in	51	215	337	200	▶
Retirement Options	290	158	397	350	▲
Retirements Paid	165	119	401	350	▲
Deaths	68	82	249	200	▲
Pension Estimates	58	63	78	250	▲
Transfers out (excluding interfunds out) *	36	32	52	100	▲
Refunds	135	58	316	400	▲
New starters set up**	899	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

11. 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 third quarter period there were no new IDRP Stage 2 cases, nor any progress on existing cases to report.

### **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, in respect of unpaid contributions by North Warwickshire and South Leicestershire College. Officers have spoken with the Director of Finance, who explained that key staff were absent due to sickness and a repayment plan has been agreed. This is an isolated incident, though Officers will monitor the position for the next two months.
15. Officers would not deem this a "material" breach, given the reasons for the delay and that a plan to resolve the issue was swiftly put in place.

### **Governance – Audit**

16. During the quarter, four new Internal Audit reports were received relating to the following areas.

#### **Pensions Increase**

17. The audit objective was to ensure the validity and accuracy of the annual increase paid to scheme pensioners.
18. Substantial assurance was given that internal controls are in place and the agreed risks are being managed effectively. No recommendations were made.

#### **Pension Contribution Collections**

19. The audit objective was to ensure that pension contributions to the Fund have been correctly applied from April 2024 for both Leicestershire County Council (LCC) and other employers.
20. Substantial assurance was given that internal controls are in place and the agreed risks are being managed effectively. No recommendations were made.

#### **Pension Transfers**

21. The audit objective was to provide assurances to management that transfers in and out of the LGPS are valid and accurate.

22. Substantial assurance was given that the internal controls are in place to reduce exposure to agreed risks. No recommendations were made.

#### Pension Contribution Banding Changes

23. The audit objective was to ensure pension contributions banding changes for County Council employees have been accurately applied from April 2024.

24. Whilst the report gave substantial assurance, one recommendation was made.

- Consideration should be given to expanding testing to a larger sample to gain further assurance that bandings have been accurately applied.

25. The recommendation was accepted and a further sample will be tested in January 2025.

#### **Further Education Bodies LGPS Guarantee**

26. In November 2024, the Department of Education (DfE) put in place a guarantee in respect of Further Education bodies participating in the LGPS to provide assurance that these bodies should not be treated as 'high risk' employers.

27. The guarantee ensures that in the event of the closure of an FE body, any outstanding LGPS liabilities will not revert to the Fund and instead any funding deficit that exists at the point of closure will be covered by the DfE.

28. Within the Leicestershire Fund, this guarantee covers:

- Leicester College
- SMB Group
- South Leicestershire College
- Wyggeston QE College
- Loughborough College

29. It is the Fund's view that by lowering the risk, the provision of the DfE guarantee strengthens the covenant for these employers and allows a review of their employer contribution rates, in accordance with the Fund's policy on contribution rate reviews between valuations, which forms part of the Funding Strategy Statement.

30. The Fund actuary Hymans Robertson was instructed to conduct the review and the outcome was a recommendation that contribution rates for each of the five employers can be reduced from the rate previously calculated with effect from 1 April 2025.

31. These reductions will not impact on the overall Fund position, namely, there will be no detrimental affect on the other employers in the Fund.

32. Officers have accepted the recommendation and the changes will be implemented.

### **Pension Website**

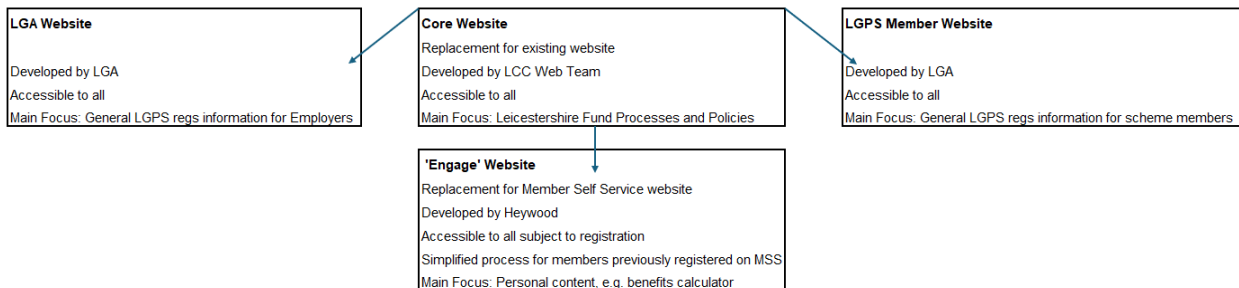
33. Work has begun on reviewing the existing content held on the Pensions websites. Categories have been allocated to individual officers and the aim is to have most content completed by 31 March 2025.

34. Officers met with LCC Digital Services on 19 December 2024 who advised that the creation of the new general website is scheduled to begin in July 2025. It is expected the work will be completed within three months. Prior to July, officers will work through with Digital Services requirements for the site with Digital Services in respect of structure, editability and levels of support required.

35. In addition, separate conversations will be held with Creative Services to discuss the design and layout of the site.

36. The new website will mainly focus on Leicestershire-specific content, such as our retirement processes, Fund policies and requirements for our employers. Links to the National LGPS member site and LGA's website for employers will be provided where appropriate, to avoid officers duplicating content that is held elsewhere.

37. An illustration of how this will work can be found below:



38. Separately, officers had previously already agreed with Heywood that the Member Self Service replacement, Engage, will be built by end of November 2025. A prominent link to the Engage site will also be displayed on the site's homepage.

39. The transition for members from the old site to the new will be discussed during the next few months.

40. The initial expected timeline is below.

Content reviewed and updated	31 March 2025
Agree structure and design of site	January to May 2025
New LCC Website created	31 October 2025
Engage website created	30 November 2025
MSS website switched off	January 2026 (approx)
New website goes live	January 2026 (approx)

Comms issued to members	January 2026 (approx)
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## **The Pension Regulator (TPR) Code of Practice Update**

### Outstanding Areas

41. The position as at 16 January 2025 regarding the Code of Practice is as follows:

There is one area still outstanding, which relates to processes that are set out in the Code relating to managing advisers and service providers. This covers a number of elements and most are fully compliant. The remaining aspects will be followed up prior to the next Board meeting.

### Completed Areas

42. The following documents have been created or amended and have been included in the Pension Fund Policy Report that will be presented separately at this meeting:

- Administration and Communication Strategy
- Cyber Policy
- Complaints Process
- Monitoring Contributions Process
- Reporting Breaches of Law
- Internal Controls
- Overview of Transfer Payments Process

43. These documents contain details of processes and policies that allow officers to demonstrate full compliance in numerous areas of the Code of Practice that were originally only partially compliant.

44. The documents are all subject to any comments from the Board and final approval from the LPC when they are presented at their meeting on 14 March 2025.

45. Other than the Administration and Communications Strategy document (as only very minor changes were made) the documents have been shared with Internal Audit and any suggestions received were noted and acted on where appropriate.

46. The Code included a requirement for the Register of Interests to be published online. Members' register of interest have now been added to the LCC website: <https://democracy.leics.gov.uk/ecCatDisplay.aspx?sch=doc&cat=14116>

47. A further update on The Code will be presented at the next Board meeting.

## **Additional Voluntary Contribution (AVC) Framework**

48. Officers have worked through the Framework documentation with colleagues from Commissioning Support, Information Governance and Legal Services. Outstanding issues are currently being worked through.



49. At the time of writing Officers are expecting that the Framework exercise will be able to launch by the end of February with a view to appointing a provider by late Spring.

50. A further update will be included in the next Board report.

### **McCloud and Dashboards**

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

#### McCloud

52. The position in respect of the outstanding areas of work related to the implementation of the McCloud remedy is shown below (as at 10 January 2025). Following the completion of the exercise to manually enter contractual hours data on to scheme member records (still expected to be completed by 31 March 2025), focus will move to updating active and deferred member records with details of underpin data ahead of the production of Annual Benefit Statements, due by the end of August 2025. The statements will need to include information in respect of any additional amount that the member may be entitled to, as a result of McCloud legislation.

53. The calculation of the McCloud remedy for members can be processed in bulk. The initial approach will be to process calculations for members of the Fund's smaller employers and review the content before progressing to larger employers. It is anticipated that there will be a large number of cases that will require manual intervention, meaning that the expectation is that the exercise will be lengthy.

54. A further update on progress will be provided at the next Board meeting. Given the ongoing resource requirement, provision for additional staffing is included in the draft budget for 2025/26 which is a separate item on this agenda.

<b>Changes to contractual hours between April 2014 and March 2022</b>	Ongoing. Data has been received from all employers and the remaining updates to records are expected to be completed by 31 March 2025. There are 3,273 lines of data to manually enter.
<b>Active and Deferred Members 'in-scope'</b>	Records of active and deferred members must be updated with underpin data before Annual Benefit Statements are processed in August 2025.
<b>Other members 'in-scope'</b>	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

	<p>pension) under the remedy. Where re-calculations of pension benefits are required many will need to be processed manually.</p>
<p><b>Excess Teacher Service</b></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 provided an updated timeline for excess service cases. The updated timeline confirmed 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, October and 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> <p>To date. Officers have received data in respect of one Teacher. No action has been taken on this case so far.</p>

### Pension Dashboards Programme

55. Officers have completed initial testing with Heywood in respect of connecting Altair to the Pension Dashboards 'ecosystem'.
56. The exercise enabled officers to establish that our data was able to transfer successfully from Altair to the Altair Integrated Service Provider (ISP). No issues were reported and this stage has been completed.
57. Heywood will contact officers again in May 2025 to connect Altair live to the ISP ahead of the project staging date for public service schemes of 31 October 2025.

58. A 'Dashboards Data Readiness' report has been requested from Heywood. This is free of charge and will provide a summary of the quality of data held that will be used when Pension Dashboards goes live to match records to requests for information from Dashboard users.

59. Officers will use the report to inform any steps that will need to be taken to ensure that the data is of a high standard prior to the live launch of Dashboards expected to be around October 2026.

60. A further update on this project will be provided at the next Board meeting.

### **Governance – Employer Risk**

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

62. 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.

63. 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.

64. 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.

65. The position on 7 January 2025 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>
MCS Cleaning (LCC, Hugglescote)	Admission Agreement and Bond	Pass-through 1 November 2024	£10,500	Draft admission agreement and bond agreement circulated for approval. MCS Cleaning approved the agreements. MCS's guarantor requested amendments to the bond agreement. Amendments were made and we are currently awaiting approval from the guarantor.	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
				Officers continue to chase MCS and their guarantor.	
Relish (RISE)	Admission Agreement	Pass-through 26 August 2024	n/a	<p>Final admission agreement sent to all parties for execution.</p> <p>Executed counterparts received from LCC and Relish. Awaiting RISE MAT's signed counterpart.</p> <p>Officers continue to chase RISE MAT.</p>	High
CleanTEC (LWLAT)	Admission Agreement	Pass-through 1 October 2024	n/a	<p>Draft admission agreement approved by all parties.</p> <p>Final version sent to all parties for execution. Awaiting signed counterparts.</p> <p>Officers continue to chase LWLAT and CleanTEC.</p>	High
CleanTEC (Lionheart AT)	Bond	n/a	£117,000	<p>The admission agreement is complete.</p> <p>CleanTEC are unable to source a bondsman. As an alternative, a Cash Deposit Agreement has been drafted and circulated for approval and all parties have approved the agreement. Executed counterparts have been received from LCC, CleanTEC and Lionheart.</p> <p>Before this case can be signed off, a technical issue has been raised by Legal colleagues which is currently being worked through.</p> <p>Due to delays in this case, CleanTEC were previously</p>	Medium

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
				issued with a letter advising that they would be charged £100 per hour that officers spend resolving the case. Once the case is finally complete CleanTEC will be invoiced. To date, it is estimated that officers have spent three hours since the letter was issued.	
ABM Catering (City, Crown Hills)	Bond	n/a	£15,000	<p>The admission agreement is complete.</p> <p>ABM's guarantor signed the bond agreement. However, the guarantor made amendments to the final version which were not approved by all parties.</p> <p>ABM are still chasing their guarantor.</p> <p>Officers continue to chase ABM and their guarantor.</p>	Low
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 and their guarantor.</p>	Low

66. 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.

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

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

- Dolce (Discovery Trust) – Admission Agreement
- Dolce (Badgerbrook PS) – Admission Agreement
- Hands (Cleaners) (City, LPS) - Admission Agreement

### **Recommendation**

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

### **Equality Implications**

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

### **Appendix**

Key Performance Indicators Quarter Three

#### **Officers to Contact**

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