



LOCAL PENSION BOARD - 23 AUGUST 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT **APRIL TO JUNE 2021 - 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 quarter. The report covers governance areas including administration of Fund benefits, including 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 98,000 members.

Performance Indicators

3. Attached as Appendix A 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 – how quickly processes are carried out and how customers feel they have been kept informed and treated by staff.

Performance of Pensions Section

4. The results for the April to June 2021 quarter are included as Appendix A
5. The Pension Section continues to deal with a large volume of work. The situation remains challenging but it's a generally improving position. Extra resource has been allocated from the Early Leavers Team and moved to the Payments and Taxation Team, to assist with retirements, deaths and payments.

Governance – Service Delivery**General Workloads**

6. The tables show the position in the key work areas, April to June 2021.

April 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	44	1,067	750
Retirement Options	155	291	250
Retirements Paid	170	274	250
Deaths	112	216	100
Refunds	86	308	400
Pension Estimates	77	186	250
Transfers in	55	210	200
Transfers out (excluding interfunds out)*	29	48	100
Aggregations	112	843	250
New starters set up on the pension system	422	n/a	n/a

May 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	186	999	800
Retirement Options	163	280	250
Retirements Paid	145	323	250
Deaths	99	185	100
Refunds	176	259	400
Pension Estimates	102	201	250
Transfers in	69	199	200
Transfers out (excluding interfunds out)*	41	45	100
Aggregations	103	801	450
New starters set up on the pension system	377	n/a	n/a

June 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	84	1,110	850
Retirement Options	260	213	250
Retirements Paid	187	363	250
Deaths	89	194	100
Refunds	155	193	400
Pension Estimates	135	180	250
Transfers in	34	220	200
Transfers out (excluding interfunds out)*	46	45	100
Aggregations	120	746	450
New starters set up on the pension system	502	n/a	n/a

*Interfunds out are excluded from the figures as Regulations allow one year for members to decide whether to transfer.

**New starters are set up from IConnect interfaces load files provided by the employers.

7. The main points to note;
- Preserved benefits are increasing. The Pensions Manager will assess the position at the end of July with an aim of targeting preserved benefits for the stabilised employers, in preparation for the valuation exercise.
 - Aggregations continue to reduce.
 - Deaths remain higher than expected but new cases have reduced.
 - Retirements are higher than expected.

Complaints – Internal Disputes Resolution

8. 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.
9. In the period April to June 2021 there was one new IDRP stage 2 appeal.

There was progress on two existing Stage 2 cases;

- One case was referred back to the member's previous employer to reconsider their original Stage 1 decision.
- The second case, which had already been referred back to the previous employer for reconsideration, has been subsequently reviewed again. Following this, the stage 1 decision remains, and the scheme member may now decide to proceed with the appeal.

Data Improvement

10. The Pension Section continues an implementation of monthly postings using i-Connect, with each employer in a phased implementation group, as part of the Leicestershire Fund's data improvement plan. The main developments in the April to June 2021 quarter were:
- A total of 10 employers have gone live on monthly posting, including the following phase one employers: Rutland & District Schools' Federation, Limehurst Academy, Woodbrook Vale School, Aspens (5 separate employers).
 - The previously delayed Fusion Academy i-Connect reports were provided at the end of May 2021. Fund Officers uploaded the missing data covering the period from October 2020 to March 2021. This was completed in three weeks allowing year-end data to be processed normally, to achieve the statutory 31 August 2021 annual benefit statement deadline.
 - Work is on-going to generate i-Connect reports for the next group of employers who moved to the Fusion payroll system in April 21: Leicestershire County Council, East Midlands Shared Service and ESPO
 - Officers have written to the phase two employers to request an i-Connect report by mid-July.
 - Large outstanding phase one employers in progress include St Thomas Aquinas Multi Academy Trust, Rutland County Council, The Vines Academy Trust and EPM who administer the payroll for several employers. Officers have provided feedback to these employers on their initial data submission and are waiting for replies to the queries and/or amended reports. These employers are the highest priority when data is received.
 - The Pension Section is continuing to upload the following employers i-Connect reports to control the timing and ensure the quality of data: Leicestershire County Council, Leicestershire County Council Academies (Oracle and Fusion), Leicester City Council and Melton Borough Council

11. As at 16th July 2021, 130 of the employers are live on i-Connect which is 67%, and approximately 32,600 members which is 92% of active scheme members. The main goals for next quarter are moving forward with outstanding phase one employers and starting to process phase two employers. A full list of all the employers monthly posting implementation as at 16 July 2021 is attached as Appendix B.

Plan for 2021/22

12. To help Officers achieve the deadline of getting all the remaining 68 employers onboarded to i-Connect by 31/3/2022, the employers are split into three groups and target each group at a set date:

- **Phase one:** This consist of the remaining priority one employers and some priority two & three employers. Correspondence was sent to these employers requesting that the April 2021 report is sent to Pension by 15th May.

Out of the 27 employers that were contacted, seven have been onboarded to I-connect, 12 have sent data in which Officers have checked, provided feedback and are awaiting for the employer to respond, seven employers have sent data in and is awaiting checking by Officers, and one employer has contacted Officers explaining they have a problem producing the data.

- **Phase two:** This consists of the remaining priority two employers and some priority three employers. Correspondence was sent to these employers requesting that the April 2021 report is sent to Pensions by 15th July.

Out of the 16 employers that were contacted, one has been onboarded to I-connect, four have sent data in and is awaiting checking by Officers, and 11 employers have not sent the data in and have received reminders.

- **Phase three:** This will consist of the remaining priority three employers, who have fewer than a dozen members each. Correspondence to these employers will go out at the start of August requesting that the April 2021 report is sent to Pensions by 15th September.

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. At the Board's meeting on the 24 May, there was one open material breach relating to the late payment of members pension benefits with Prudential Additional Voluntary Contributions (AVCs). The Pensions Regulator set an improvement date as the 30 June 2021. The Pensions Manager confirmed there was a significant improvement prior to the 30 June 2021, and the risk has reduced. Therefore, the material breach has closed, but the situation

remains closely monitored. A separate report to the Board details the Prudential's position.

Year-End

15. The Pension Section started preparing for 2020/21 year-end in January 2021. The employers received the year-end layouts and completion details.

16. The deadline for submission of the year-end information was the 30 April 2021.

17. The position at 16th July 2021 was;

- All 195 employers have submitted the year end data and out of those;
- 12 employers are still being reconciled
- 30 employers have been reconciled and the Pension Section have uploaded the data and have sent the queries to these employers for resolution
- 153 employers have been updated with the relevant data, any queries have been resolved and are ready for the annual benefit statements to be produced

18. By the 31 July 2021 all data queries must be resolved and sent back to the Pension Section.

19. The Pension Section will then update members records with the relevant data, prior to running member's annual benefit statements by the statutory deadline of the 31 August 2021. At this stage, there is nothing to indicate the statutory deadline will not be achieved.

Governance – Audit

20. During the quarter April to June 2021, there were no Internal Audit reports received.

Governance - Regulation Changes

21. In June Government published two consultations on the Cost Cap and the Discount Rate Methodology. The closing dates for both consultations ended on the 19 August. Officers considered both consultations and after liaising with the Fund Actuary. Officers decided not to reply given the extremely technical nature of the consultation. These areas are detailed as follows;

Cost Cap

22. The cost cap is designed to manage scheme costs, however in 2016 the cost cap was breached on the low side, thereby requiring improvements to scheme members benefits. These improvements were not implemented because McCloud was pending and the remedy outstanding. Therefore, the 2016 cost cap valuation is still outstanding and is subject to legal challenge from the unions.
23. The consultation appears an attempt to make the cost cap results more stable and less perverse, e.g. to avoid a situation where a breach on the low side leads to benefit improvement despite costs rising for employers due to a lower discount rate (which happened at the last round of valuations in the unfunded schemes).
24. Officers believe the consultation is forward looking and any reforms would apply to the 2020 cost cap valuation, so the 2016 situation will remain unresolved.

Discount Rate Methodology (the SCAPE rate)

25. The discount rate is used in the calculation of employer rates in the unfunded schemes (e.g. Police, Fire, Teachers, NHS etc). The SCAPE rate is also used by the Government Actuary Department (GAD) to calculate factors used in the LGPS. The factors are used in retirements and transfers, so it is possible that any changes to the methodology could affect members benefits and overall fund costs, although the impact is expected to be minimal.

Governance – National

Pensions Regulator Code of Practice

26. The Pensions Regulator (TPR) has announced that it intends to amalgamate its current 15 codes into a single code of practice. A consultation will take place later this year with the intention of the new single code being in place towards the end of 2021. Officers understand much of the current information will remain, but it will include new areas, cyber security and potentially some investments.
27. Prior to the intended amalgamation, the Pensions Manager has completed a review of the Funds progress against TPR's current codes. Officers complete this exercise periodically and this was last brought to the Board in 2019.
28. Since 2019 there has been several improvements from partial compliance to full compliance. There are two areas where full compliance is not met;
- Not all Board Members have completed The Pension Regulators e-learning programme. However, Officers are aware Board Members have completed some sections of it.

- Requests for information are not routinely acknowledged if information cannot be immediately provided. The Pensions Manager feels this is unrealistic and impractical. However, The Pension Section does list its timescale targets on the Fund website. Fund Officers also inform Scheme Members of timescales when they ask, and if there is going to be a likely delay in replying to a scheme member (e.g. for an estimate) Officers aim to inform the member of the potential delay.

29. The Fund's compliance to TPR's current codes is reflected in Appendix C.

Pension Dashboard

30. Government will require all Pension Funds in the UK to comply with a requirement, enabling anyone to view all their pension benefits "in one single place". It is expected to become law for Local Government Pension Schemes by 2023. This exercise is called the Pension Dashboard.
31. Anyone who wishes to use the national Pension Dashboard will need to register, have a secure login, and will need to successfully answer several security questions.
32. Once into the secure dashboard, the person will then be able to see all their pension benefits, via the single dashboard website. This will include access to their pension benefits in the Leicestershire Fund.
33. The Fund will be required to securely provide data to the dashboard, which is expected to be uploaded daily.
34. National testing of the dashboard will start in 2022, with the likelihood for LGPS Funds to go live in April 2023. The role out to all other pension providers in the UK is likely to continue to 2025. The intention is to commence with the larger pension schemes and progress to the smaller schemes by 2025.
35. Fund Officers will be working with the Fund's pension administration system provider Aquila Heywood on this exercise. It is expected, the national dashboard will include a link to the Fund's existing Member Self-Service system, which will complement the dashboard.
36. There are several practicalities involved in this exercise including;
- Capturing and recording additional items from our 98,000 scheme members including; Country Code (almost all will be UK), individual's email addresses and individual's mobile numbers. Officers are looking to see if the monthly IConnect extract from employers can be expanded to capture these new fields for our active members.
 - The cost for implementing the dashboard for the Fund, both in terms of system changes and resources time, is currently unknown. The Pensions Manager will monitor this national exercise.

Governance – Fund Policies

37. There were no changes to Fund policies in the quarter.

Governance – Actuarial

38. During the period April to June 2021, Officers completed the actuarial tender. Hymans Robertson, the Fund's existing Actuary were successful and remain the Fund Actuary for the following five years, with a possible extension of five further years. Hymans will attend the Pension Board, as set out elsewhere on the agenda, to present to the Board about the mid-valuation exercise. The presentation will broadly include the following items;

- The role of the Actuary and how it links with the Leicestershire Fund
- The Fund's valuation process
- Assumptions used in the 2019 valuation
- A mid-valuation funding position. The last valuation was on the 31 March 2019, that set the employer rates for the period 1 April 2020 to 31 March 2023.
- Government Actuary Department's (GAD) separate valuation process and any potential impact

Governance – Employer Risk

39. The Pension Fund usually required a full bond to be in place for TUPE transfers that took place prior to 1 April 2019. This allows the Pension Fund to claim the bond value from the bond provider should the contractor fail to make payment of their pension costs to the Pension Fund.
40. Since the 1 April 2019 with the introduction of pass-through, the need for a full bond has been negated because much of the pension liability moves back to the outsourcing employer (the letting employer) at the end of the contract. This has significantly reduced the bond value needed by the Fund as security as there is only a requirement for a capital cost bond to cover the pension strain for the members age 55 or over, if they are made redundant and entitled to immediate payment of their pension. In some pass-through cases no bond is required.
41. Officers continue to monitor employer risks including the bond values and the contract dates, working closely with the employers to maintain the required security. Unfortunately, some employers do not maintain the bonds and allow these to lapse.
42. The Fund employers are regularly reminded to contact the Pensions Manager as quickly as possible if they are considering TUPE transfers out. They are made aware all pension issues should be resolved before the staff transfer.
43. As at the 16 July 2021, cases outstanding are detailed in the tables below.

Bonds Outstanding

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value and End Date	Comments
Pre April 2019 (contract extended to 31/3/2022)	Tudor Grange (Samworth) to CSE Ltd	Full. £58,000 to 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	CSE have agreed terms with the bond provider and all parties are now working to complete.
Pre April 19 (contract extended to 31/8/2021)	South Charnwood High School to MCS Cleaning	Full. £11,000 to 31/08/2021 (previous bond lapsed on 31/8/2020 when original contract was due to end)	Officers continue to chase the bond. Officers have notified South Charnwood High School that they will be responsible for any deficit if MCS Cleaning default without a bond in place. Officers have been informed the contract has been retendered and MCS Cleaning have won it. South Charnwood High School and Officers are considering a pass-through admission for the new contract.
Pre April 19 (Contract extended to 31/7/2022)	The MEAD Educational Trust (Primary Schools) to Caterlink	Full £131,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond.
Pre April 19 (Contract extended to 31/7/2022)	The MEAD Educational Trust (Secondary schools) to Caterlink	Full £160,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond.

Admission Agreement Outstanding (some also have bonds)

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value and End Date	Comments
Pass through 1 January 2021	Beacon Academy to Hutchinson Catering	Capital Cost bond of £13,000 (5-year contract with an additional 2 years optional)	Both the admission agreement and bond have been agreed and are with all parties to complete.
Pass through 12 February 2021	City Council (City of Leicester College) to Atalian Servest	Capital Cost bond of £86,000 3-year contract	Both the admission agreement and bond have been agreed and are with all parties to complete.
Pass through 7 June 2021	LIFE MAT to Total Swim	Capital Cost Bond of £4,000	Draft bond and admission agreement circulated May 2021 Officers have been informed that the admission agreement has been agreed but are waiting for the bond to be agreed before documents are circulated for signature.

44. As part of the Fund Employer risk policy, officers are reviewing the historic bonds. Officers have identified the following Transferee Admission Bodies where a bond is needed. Previously it was either considered a bond was not required or the bond had lapsed.

Employer Bond Review

Pre April 2019 or pass-through	Letting employer and Contractor	Full or Capital Cost Bond / Value / Start Date / length of bond	Comments
Pre April 2019	Leicestershire County Council to Rushcliffe CARE	Capital Cost bond of £61,000 March 2021 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond is with the bank for approval.
Pre April 2019	City Council to G4S	Capital Cost bond of £57,000 May 2021 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond is with the bank for approval.
Pass through	Blaby DC (2019 contract) to SLM	Capital Cost bond of £31,000 March 2021 3 years	Member at the employer turned 55 Officers issued the bond for agreement, but the bank have asked for amendments to be made. Officers made suggested amendments and this is back with the bank for approval.

45. The cases completed in the quarter are listed below;

- David Ross Education Trust to Caterlink
- City Council (Shaftsbury School) to Compass

Governance – Knowledge and Understanding

46. Board and Committee Members have access to the Fund Actuaries online LGPS training.
47. The training is in manageable sections and covers a wide range of topics. The Pensions Manager receives a quarterly update, detailing which areas of the training Members have attended.
48. Officers believe this is a valuable tool, individually detailing which topics will be useful to assist Member's knowledge and understanding.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators April to June 2021

Appendix B – Fund’s position on the role out of monthly postings (July 2021)

Appendix C – Fund’s TPR scorecard – June 2021

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