



Report Title	Review of Pension Administration Matters
Meeting	Cumbria Local Pension Board
Meeting Date	16 April 2024
Report Author	Pam Duke, Director of Resources (S151 Officer)
Chair of Local Pension Board	Patrick Mulligan, Independent Chair of the Local Pension Board
Wards Affected	All
PUBLIC. PART EXEMPT, OR FULLY EXEMPT	Fully Exempt
Appendices (if any)	Appendix 1 - LPPA Quarterly Performance Report 1 October to 31 December 2023 Appendix 2 - Appendix to LPPA Quarterly Performance Report 1 October to 31 December 2023 Appendix 3 - Employer breaches traffic lights for Quarter to 31 December 2023 Appendix 4 – Revised Admission & Termination Policy

1. Executive Summary

- 1.1 This report presents Pensions Administration activity for the quarter ending 31 December 2023 including updates to the Admissions and Termination policy to recognise “pass through” arrangements as a form of admission for admitted bodies to the Fund.

2. Recommendations

For the reasons set out in this report, the Board is recommended to:

- 2.1 Note the pension administration matters detailed in this report and request further information and/or feedback to the Pensions Committee as appropriate.
- 2.2 Note the revised Admission & Termination policy for the Fund recognising recognise “pass through” arrangements as a form of admission for admitted bodies to the Fund.

3. Information: the Rationale & Evidence for the Recommendations

- 3.1 **Local Pensions Partnership - Administration (LPPA) Performance**

- 3.1.1 Cumbria Pension Fund discharges the function of the provision of pensions administration services to Lancashire County Council who contract with Local Pensions Partnership - Administration (LPPA) for the delivery of this service.
- 3.1.2 Officers of the Fund work closely with LPPA to strive towards the common goal of a seamless pension service for scheme members and an efficient service for scheme employers. Due to ongoing performance issues within LPPA, the Fund is currently taking a more active role relating to the checking and verification of payments and communications to scheme members with a medium-term objective to transfer this responsibility back to LPPA. This includes monthly meetings between the Managing Director of LPPA and the Council's Director of Resources. The roles of a number of staff within the team have been refocussed to provide this support and it is the intention for these staff to return to their original planned roles providing broader oversight of pensions administration delivery as the Fund becomes assured of improvements in LPPA's performance.
- 3.1.3 To enable the Board to perform appropriate governance and oversight of Fund administration, the quarterly report to 31 December 2023 has been attached at Appendix 1.
- 3.1.4 In the quarter to 31 December 2023, LPPA delivered 96.8% of its caseload within the agreed timeframes. Whilst overall performance is broadly in line with LPPA's performance targets, this only measures the time taken for LPPA to process cases once all the required information is available and is not reflective of the full scheme member experience. There remain challenges within LPPA with delays in progressing casework prior to having all relevant information. This is particularly prevalent in the high priority cases of new retirements and the processing of death cases. Officers continue to support and provide a quality assurance challenge to LPPA on their performance in this area including the accuracy of the payments made.
- 3.1.5 Processing of retirement cases from deferred status is now above the target of 95%, with 97% of cases being managed within the 5 days (an increase on the 94.3% in Q2). There was a slight increase in the number of retirements from active status that were processed within 5 days of having all available information, with 92.7% meeting this target (an increase from 92.3% in Q2).
- 3.1.6 Of the 42 cases that were outside of the 5 day target, 28 cases took more than 11 days beyond this target to complete, with the longest time taken being 106 days for an active retirement (there was a query in respect of pay figures) and 48 days for a deferred pension (the case failed the checking stage and was sent back for rework). The median time taken (for cases missed by 11 days or more) for active retirements was 26 days, and 24 days for retirements from deferred status. Some of these delayed cases were predominately due

to errors being identified with the data used to calculate benefit entitlement and the case then being required to be reviewed and amended by the caseworker.

- 3.1.7 Processing of death cases across the quarter again fell below the 95% target, with 92.8% of cases dealt with within the 5 day target once all relevant information has been received, and this is a decrease from 93.6% in Q2. Of the 21 death cases that were outside of the performance target, 8 cases were completed more than 11 days after the target with the longest time taken being 51 days (the case failed the checking stage and was sent back for rework) and the median time taken (for cases missed by 11 days or more) was 22 days.
- 3.1.8 On investigating these cases further, the majority of these delayed cases were due to the time taken for the checking process associated with the cases to commence. Four of these cases were associated with deaths in retirement where no payment issues arose, one was a commutation where a pension was already in payment, two related to payments to dependents, and one related to a death from deferred status.
- 3.1.9 The LPPA Quarterly Performance Report, at page 18 of Appendix 1, records retirement satisfaction scores submitted by recently retired members. There were 54 surveys returned during the quarter to 31 December with 18 members (33%) submitting a satisfied score, 5 members (9%) submitting a neutral score and 31 members (58%) submitting a dissatisfied score. It should be noted that the members choosing to complete a survey are self-selecting, relatively small in comparison to total retirements and may not be fully representative of all of the members retiring during the quarter.
- 3.1.10 These satisfaction scores and general delays in service provision are a factor in the continued high number of complaints received by LPPA in the quarter, which were 50, compared to 58 in the quarter to 30 September 2023. The Fund has seen an escalation in the number of complaints received over the past year with, for example, 20 complaints received in the quarter to 31 December 2022. The reason for the complaints were split fairly evenly between the time taken to process casework and general service. This reflects the concerns that Officers have that the scheme member experience is not reflected within the measured performance targets. LPPA are aware of this discrepancy and are looking to implement revised performance targets that more clearly reflect customer experience. Pensions Committee and the Local Pension Board will be kept updated on the development of these revised performance indicators at future meetings.
- 3.1.11 Whilst complaints have increased over the past year, it is encouraging that the number of complaints that have escalated to the formal Internal Dispute Resolution Process (IDRP) is currently at its lowest level for several years, as

shown in the table, below. This is as a result of the direct intervention of Fund Officers in individual cases as referred to Section 3.1.2.

Year	Number of complaints to LPPA	Number of complaints reaching IDRPs
2018/19	63	11
2019/20	56	14
2020/21	42	10
2021/22	54	6
2022/23	97	5
2023/24	146 (to 31 Dec 23)	4 (to 31 Dec 23)

3.2 Pensions Dashboards

3.2.1 In the 2016 Budget, the Government committed to ensuring the pensions industry would create Pensions Dashboards which would allow savers to view details of all of their pensions together.

3.2.2 Pensions Dashboards are digital services that will allow savers to see their pension information securely online, and in one place. They will also include information on their State Pension, but not on pensions that are already being paid. It will also help individuals to reconnect with any lost pension pots.

3.2.3 Dashboards aim to help members plan for retirement by:

- finding their various pensions and reconnecting them with any lost pension pots
- understanding the value of their pensions in terms of an estimated retirement income

3.2.4 Funds and administrators will also benefit from dashboards through increased awareness, leading to greater opportunity for engagement with members.

3.2.5 The Pension Schemes Act 2021 introduced the legislative framework for the pensions dashboards. This included provisions that will require trustees and managers of occupational pension schemes and FCA-regulated providers of personal and stakeholder pension schemes to provide information and member data to the pensions dashboards. This includes the Local Government Pension Scheme.

3.2.6 Initially, Public Service Pensions Schemes were originally scheduled to connect in September 2024, however in June 2023, the Department for Work and Pensions (DWP) published amendment regulations that set a legal

deadline of 31 October 2026 for all pension providers and schemes to have completed connection to the dashboards' ecosystem. The DWP made clear that the dates for pension providers and schemes to connect would be set out in future guidance and have recently announced that Public Service Pension Schemes will need to be connected by 31 October 2025.

3.2.7 Providers and schemes must have regard to this guidance when preparing to connect to the dashboards ecosystem, or they may face action from regulators. Providers and schemes are expected to demonstrate they have taken the guidance into account when making decisions and provide a record of this.

3.2.8 The Fund's obligations for Pension Dashboards will be to:

- register the scheme with the Money and Pensions Service ("MaPS") and connect to dashboards;
- receive personal information on members, and search and match members to their pensions ('find requests');
- provide members with information about their pension through the dashboard of their choosing upon request ('view requests'); and
- co-operate with MaPS when preparing to connect, maintain records and report certain information to us and MaPS.

3.2.9 This will need to be undertaken in compliance with standards published from time to time by MaPS and taking into consideration guidance issued by MaPS and The Pensions Regulator.

3.2.10 The Fund's administrator, LPPA, is providing a key role in the Fund's preparation for Pensions Dashboards. Their project for Pensions Dashboards has now been re-mobilised, with a Project Manager being appointed. LPPA are currently undertaking due diligence to select the Integrated Service Provider (ISP) that they will work with to connect to the Pensions Dashboards. They have also confirmed that data cleansing will form part of the project and recently agreed a contract with a 3rd party organisation to undertake an audit of data quality and develop a data quality strategy which will include data cleansing ahead of connection to the dashboards' ecosystem. This data cleansing exercise will also be of benefit to the Fund ahead of the 2025 actuarial valuation.

3.2.11 Going forward, the Local Pension Board will receive a quarterly update in respect of further guidance being issued, and progress made by the Fund and LPPA towards connecting to the Pensions Dashboards Programme.

3.3 **Employer Issues from 1 October 2023 to 31 December 2023**

3.3.1 During the quarter, Newbarns Primary & Nursery School converted to an Academy and joined South Cumbria MAT and St Bees Village School also

converted to an Academy and joined Changing Lives Trust. As both of these Multi-Academy Trusts are already employers within the Fund, these changes have no impact on overall employer numbers. Queen Elizabeth Grammar School merged with another Fund employer, Changing Lives Learning Trust. This merger, however, has resulted in a reduction of one employer overall, meaning the number of employers in the Fund at 31 December 2023 was 119.

New Admissions

- 3.3.2 Four employers have applied to be admitted to the scheme as detailed below. In accordance with Section 7.3.3 of the Fund's Admissions and Terminations policy, decisions regarding transferee and community admissions are delegated to the Director of Finance (Section 151 Officer). The Pensions Committee noted the applications by these employers.
- 3.3.3 **People First Ltd for the provision of advocacy services.** An application has recently been received from People First Ltd to become an admission body within the Fund as a result of an outsourcing agreement with Westmorland and Furness Council, involving the TUPE of staff into the new arrangement. Pensions Committee is noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the regulations, and as specified in the Fund's admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.
- 3.3.4 **Computeam Ltd for the provision of IT services at Changing Lives Learning Trust.** An application has recently been received from Computeam Ltd to become an admission body within the Fund as a result of an outsourcing agreement with Changing Lives Learning Trust, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Changing Lives Learning Trust, as detailed in the regulations, and as specified in the Fund's admission policy. Changing Lives Learning Trust would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.
- 3.3.5 **Caterlink Ltd for the provision of facilities management services at St Columba's Catholic Primary School.** An application has recently been received from Caterlink Ltd to become an admission body within the Fund as a result of an outsourcing agreement with St Columba's Catholic Primary School, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the

regulations, and as specified in the Fund’s admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.

3.3.6 Caterlink Ltd for the provision of facilities management services at St James’ Catholic Primary School. An application has recently been received from Caterlink Ltd to become an admission body within the Fund as a result of an outsourcing agreement with St James’ Catholic Primary School, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the regulations, and as specified in the Fund’s admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.

Pension Contributions

3.3.7 Employers are required to remit to the Fund the LGPS contributions by the 19th of the month following deduction, which is ahead of the statutory deadline of 22nd of the month. During the quarter to 31 December 2023 the following five employers failed to pay within the statutory deadline:

Employer	Number of occurrences	Value of late payments (£) *	Total days late
Cumbria Deaf Association	2 (Oct/Nov)	<£100	41 days/12 days
Cumbria Teacher Training	1 (Oct)	£100-£500 range	12 days
Priority Facilities (Ashfield Infants)	1 (Nov)	£100-£500 range	13 days
Priority Facilities (St Mary’s)	1 (Nov)	£100-£500 range	13 days
Ullswater Community College	1 (Oct)	£30,000 - £40,000 range	4 days

*The value of late contributions noted above, are displayed in bands. This to that, where the amount is low, an individual member’s pensionable pay cannot be identified.

- 3.3.8 Officers have worked with each of these employers and, as a consequence, all of the above contributions have now been paid and none of these employers currently present any material concern to the Fund.
- 3.3.9 Ullswater Community College has a new payroll provider, and the Fund has contacted the employer and the provider several times concerning late payments. This issue has now been resolved and more recent payments have been made on time. Cumbria Deaf have changed their bank account and this has delayed their payment being sent.
- 3.3.10 The Fund has contacted each of the five employers to remind them of their obligations under LGPS Regulations and the Fund Policy regarding paying pension contributions to the Fund.

Employer Data Provision

- 3.3.11 Monitoring of employer data provision for the quarter highlights employers who have failed to provide the monthly member payroll data (required to update member records) in the time frames as agreed with employers in the Fund Administration Policy. However, only those employers who fail to provide data within the following month are considered to be of concern and are reported to Pensions Committee.
- 3.3.12 Although there are a few employers still experiencing some delays in uploading their monthly returns, progress has been made and the large majority of employers are now uploading their files to LPPA on time and these are being processed by LPPA in good time before the next monthly upload is due.
- 3.3.13 Where employers have been unable to upload data due to issues with the embedding of LPPA's new system, these have not been recorded as "fails" in the performance data reported to Committee and the Local Pension Board.
- 3.3.14 Once the Fund is satisfied that LPPA have provided all employers with the ability to upload monthly pensions data in accordance with the Fund's Administration & Communications Policy, Officers will provide detailed information on individual performance of the Fund's employers.

Employer Performance

- 3.3.15 As previously reported to the Board, a traffic lighting system has been developed to help understand those employers (with current active members) who breach regulatory and fund policy requirements.

3.3.16 The “traffic lights” for all employers for the quarter ending 31 December 2023 have been presented in Appendix 3 to this report.

3.3.17 Usually the report details the four returns required from scheme employers each month as set out below, therefore twelve targets to meet during the quarter. If an employer fails once then this triggers an “amber” light, and more than once becomes a “red” light. The traffic lights also show the number of occurrences during the quarter that each employer breached either regulatory or fund policy within each of the four areas being monitored. The four requirements for employers to meet each month are:

- Contributions to be paid to the Fund by the 19th day of the following month.
- Monthly deficit lump sum payments (where applicable) to be paid by the end of the month.
- Contribution and pensionable pay data to be submitted to the Fund by the 19th day of the following month.
- Member information file to be submitted to LPPA by 10th day of the following month.

3.3.18 For the quarter to 31 December 2023 the employer breaches “traffic lights” continue to be shown as an abbreviated version from the format usually presented to Board, with only two of the requirements being reported: contributions paid and deficit payments. Some employers were experiencing ongoing difficulties during the quarter with uploading their monthly data to the new pensions administration system with LPPA. This reporting also affects the data required to be submitted directly to the Fund. Consequently, these data requirements have been excluded from the traffic lights report for this quarter. However, officers are still closely monitoring upload of monthly data and are receiving regular reports on all employers from LPPA so that progress can be made in ensuring all employers are meeting their regulatory and fund policy obligations.

3.3.19 It is intended to recommence reporting to the Board on all 4 requirements, as previously, for contributions received in the quarter 1 January 2024 - 31 March 2024. This will be reported to the Board in July 2024.

3.3.20 Across the quarter to 31 December 2023, 89 (93%) of the 96 employers with active members met the two reported regulatory and Fund policy deadlines each month, 5 (5%) of employers were late on just one occasion and 2 (2%) employers breached more than once in the quarter.

3.3.21 Subject to the limitations stated above, the quarter did see a positive set of results. Generally, employer performance has significantly improved since the traffic lights were introduced in June 2019, with positive feedback from

employers. It has been particularly helpful to those employers with outsourced payroll providers, as they were not always aware of issues until notified in the quarterly e-mail.

3.4 Fund discretions applied:

3.4.1 During the quarter to 31 December 2023 there were 7 administering authority discretions exercised in relation to payment of death grants.

3.5 Pensions Ombudsman Opinions:

3.5.1 The Pensions Ombudsman has not issued any determinations during the period relating to Cumbria Pension Fund.

3.6 Review of Fund Policies

Admissions and Terminations policy

3.6.1 The Admission & Termination Policy has been amended such that from 1 April 2024, the Fund will recognise a “pass-through” arrangement as a means by which an employer can be admitted to the Fund.

3.6.2 A pass-through arrangement is an agreement between an Admission Body (usually a contractor providing services to a Fund employer e.g. an Academy) and a guarantor Fund Employer (e.g. the Academy), such that the guarantor Fund Employer retains termination risks associated with the admission. Dependent upon the terms of the pass-through arrangement, this may mean that the Admission Body has clarity of its employer contribution rates throughout the term of the contract, and usually means that any surplus or deficit due from or to the Pension Fund at the termination of the contract will be transferred to the guarantor Fund Employer.

3.6.3 The Department for Education (DfE) provides a guarantee to LGPS Funds that it will cover any liabilities due to the Fund if an Academy or multi academy trust (MAT) was unable to pay any termination payment required under the Fund’s policies. The DfE have recently confirmed that this guarantee extends to any Admitted Bodies that are providing services to the academy / MAT where a pass-through arrangement exists.

3.6.4 The revised policy is presented in Appendix 4 to this report.

4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)

- 4.1 The purpose of the Fund is to pay Cumbria LGPS members' pension benefits in accordance with regulations and in a secure, affordable and sustainable manner over the short, medium and long term. To do this, the Fund seeks to:
- ensure that sufficient resources are available to meet all liabilities as they fall due;
 - manage employers' liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
 - achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
 - maximise the returns from investments within reasonable risk parameters taking into account the above aims.
- 4.2 Good governance and risk management will aid the Fund in ensuring its regulatory responsibilities are met, a good service is provided to scheme members, costs are controlled, and its required investment return is achieved. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have a direct impact on the Fund Employers' revenue budgets.

5 Consultation Outcomes

- 5.1 There has been no consultation on this report.

6 Alternative Options Considered

- 6.1 To note the Pension Administration matters detailed in this report, or
- 6.2 To request further information on any of the items raised in the report or on any other pension administration matter.

7 Reasons for the Recommendations

- 7.1 The Board are requested to note the recommendations within this report.

8 Climate and Biodiversity Implications

- 8.1 There are no specific climate and biodiversity implications relating to this report.

9 Legal and Governance Implications

- 9.1 The Local Pension Board is responsible under the Constitution for assisting the Administering Authority of the Cumbria Local Government Pension Scheme in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme, including compliance with LGPS Regulations,

other legislation and the requirements of the Pensions Regulator. This report outlines a number of matters for noting by the Local Pensions Board.

10 Human Resources Implications

10.1 There are no human resources implications arising from this report.

11 Financial Implications

11.1 Improved governance aids the Fund in running efficiently and effectively controlling costs and helps to achieve its actuarially defined investment returns. Cost control in all areas including regulatory compliance together with the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have an impact on the Fund Employers' revenue budgets.

12 Equality and Diversity Implications (including the public sector equality duty, Armed Forces Veterans, Care Experienced, Rurality, and Socio-Economic Inequalities implications)

12.1 There are no assessment equality and diversity implications.

13 Risk Implications

13.1 There are no specific risks associated with this report. Wider risks associated with the Cumbria Pension Fund are detailed in item 8 on today's agenda.

14 Background Documents

14.1 Not applicable.