



Appendix 2

Pension administration update

1 October 2023 – 31 March 2024

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Introduction

The pension administration team (the administration team / the team) carries out the ongoing operational tasks and functions on behalf of the members and employers of Derbyshire Pension Fund (the Fund) for Derbyshire County Council in its role as the administering authority of the Fund.

The administration team comprises of four sections which operate collaboratively to ensure the Fund operates effectively in;

- maintaining accurate pension records for almost 95,000 individual members to enable Local Government Pension Scheme (LGPS) benefits to be calculated correctly and paid at the appropriate time
- administering the creation of new member records and the change in status for members who leave their LGPS eligible employment and become deferred or retired members or transfer pension benefits into or out of the Fund
- ensuring the timely and accurate payment of pension contributions from over 350 separate employers who participate in the Fund
- managing the entry of new employers into the Fund, and the exit of those whose participation in the Fund ends
- developing improved procedures through the implementation of new technology, applying changes to LGPS and related legislation and ensuring up-to-date and accessible information is available to all members, employers and other stakeholders.

The information in this appendix provides data and summaries on the Fund's administration and performance during the period 1 October 2023 to 31 March 2024.

Membership totals at 31 March 2024

The table shows the Fund’s membership totals at half-yearly intervals during the last two years.

Membership	31 March 2022	30 Sept 2022	31 March 2023	30 Sept 2023	31 March 2024
Actives	38,067	37,053	37,871	37,180	37,338
Deferred	31,640	32,327	33,228	34,594	34,739
Pensioners	33,178	33,848	34,404	35,130	35,774
Work in Progress	5,984	5,759	4,833	3,516	3,789
Totals	108,869	108,987	110,336	110,420	111,640

The membership figures shown reflect the total number of separate pension records. This includes scheme members with more than one pension record.

The actual number of individual members as at 31 March 2024 was 94,933 who between them had 111,640 membership records.

- **Active** members are those who are in employment and continuing to contribute to the scheme
- **Deferred** members are those who have ended their active participation as contributing members, but have yet to access their pension benefits
- **Pensioner members** are those who are already in receipt of pension benefits

The ‘**Work in Progress**’ total of memberships includes:

- cases where active memberships have ended, and work is currently being undertaken to reassign them to deferred or pensioner membership
- recent and frozen refunds where active memberships have ended after a short period which is insufficient to qualify for a pension, and work is ongoing to contact members and arrange payment of a refund of contributions
- aggregation cases where a member’s pension records for different jobs may be combined, but the work to complete the aggregating of records has yet to be completed

The “work in progress” cases also include those where the member will not be reassigned to deferred or pensioner status (e.g. where a refund is payable to a member with insufficient membership to qualify for deferred or pensioner status)

As a result, the working totals shown in this report will be different to those reflected in other documents such as the Annual Report which exclude those where there is no ongoing liability on the Fund.

As at 31 March 2024, approximately **67% (25,149)** of the active membership were employed by the 10 employers with at least 1% of the overall active membership in the Fund.

Employer	Active members at 31 March 2024	% of overall active membership
Derbyshire County Council	14,146	37.9%
Derby City Council	4,248	11.4%
Derbyshire Constabulary	1,833	4.9%
University of Derby	1,637	4.4%
Chesterfield Borough Council	985	2.6%
Derby Homes Ltd	576	1.5%
Bolsover District Council	508	1.4%
North-East Derbyshire District Council	445	1.1%
Derby College	402	1.1%
South Derbyshire District Council	369	1.0%

To demonstrate the wide landscape of different sized employers participating in the Fund, as at 31 March 2024 there were **99** employers with less than 10 active members.

Members electing for the LGPS 50/50 section

The LGPS offers its members the flexibility to pay 50% of their normal employee contribution rate and, consequently, build up 50% of pension. It is known as the 50/50 section of the scheme.

The option was introduced into the scheme from 1 April 2014 at the same time as the LGPS became a career-average based scheme.

Although designed as a short-term option for members experiencing financial hardship, it has also been utilised by high-earning scheme members to reduce their pension growth and avoid additional tax charges for breaching the Annual Allowance for tax-free pension growth.

Where members elect to move to the 50/50 section, they are subsequently automatically returned to the main section of the scheme at their employer's triennial auto-enrolment date.

Employers continue to pay full contributions during periods where an employee is in the 50/50 section.

Totals of Fund members who moved to the 50/50 section are shown in the following table with comparisons of totals from the previous two years.

Totals of members who moved into the 50/50 section during each period

2021-22	2022-23	2023-24
74	81	64

Member opt outs

Membership of the LGPS is optional, therefore, members are able to opt out if they choose not to contribute to either the main or 50/50 sections of the scheme.

A decision to opt out of the LGPS must be made freely by an employee who is eligible for the scheme. If an employer is found to be actively encouraging their employees to opt out, it may be classed as inducement and would be reportable to The Pensions Regulator which has the power to issue penalty notices and fines, leading to potential prosecution.

Members who elect to opt out are subject to auto-enrolment rules and may be returned to the scheme by their employer if they meet criteria based on age and earnings.

The Fund's records reflect totals of members who have opted out of the scheme as follows.

Totals of members who opted out during each period

2021/2022	2022/2023	2023/2024
741	697	334

Pensioner deaths

During the second half of 2023/24, there were a total of **504** reported deaths of pensioner members. The total includes deaths of members who were in receipt of a survivor's pension.

The number of pensioner deaths reported to the Fund over the full year in 2023/24 was 948 (compared to 780 for 2022/23)

Administration following a pensioner's death includes several processes including:

- reviewing eligibility for a death grant payment and survivor benefits
- gathering data of eligible beneficiaries for death grant and survivor benefits
- verifying beneficiaries' eligibility
- calculating ongoing benefits where a survivor pension is payable
- in those cases, preparing a separate pension record

Employers participating in the Fund

The active membership in the Fund, at 31 March 2024, was spread across **357** participating employers.

The numbers of employers at 31 March 2024 in each category where eligibility for the LGPS applies were as follows:

Type of Employer	Notes	Total
Main Councils	County, City, District & Boroughs	10
University & FE Colleges	University x 1 FE Colleges x 2	3
Academies	Individual academies, including those in Multi-Academy Trusts (MATs) on a shared employer rate. Also includes 2 x Central MAT teams.	225
Maintained Schools using an external payroll provider	County & City Schools using external payroll providers (<i>County x 4, City x 2</i>)	6
Housing Associations	Scheduled (x 2) Admitted Bodies (x 2 <i>Community Admission Bodies</i>)	4
Other Scheduled Bodies	Peak District National Park Authority, Police, Fire, Chesterfield Crematorium	4
Admitted Bodies	TABs x 63 CABs x 4 (<i>not including Housing Assn's</i>)	67
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 23	38
Total		357

The total of participating employers at 30 September 2023 was 347.

New employers between 1 October 2023 and 31 March 2024

Academies

When a Local Authority maintained school converts to an academy, it automatically becomes a scheduled body in the LGPS. Scheduled bodies are required to provide LGPS membership to their eligible employees.

The creation of academies has significantly increased the number of LGPS scheduled bodies in recent years which has generated additional administrative challenges for LGPS funds as scheme members have become spread across a much wider pool of employers.

At 31 March 2024 there were 294 schools, which may be subject to academy conversion, still maintained by Derbyshire County Council and Derby City Council.

The Fund maintains separate records for each academy within a multi-academy trust on the advice of the Fund's actuary.

A total of **6** new academies joined the Fund as individual LGPS employers in the period 1 October 2023 to 31 March 2023.

Employer Ref	Employer Name	Ceding Council	Start Date	Academy Trust
778	Stonebroom Primary and Nursery School	Derbyshire County Council	1 October 2023	Christopher Nieper Education Trust
779	Long Lane Church of England Primary School	Derbyshire County Council	1 December 2023	Derby Diocesan Academy Trust
780	Marston Montgomery Primary School	Derbyshire County Council	1 December 2023	Derby Diocesan Academy Trust
781	Bradwell Junior School	Derbyshire County Council	1 December 2023	Chorus Education Trust
782	Bakewell Methodist Academy	Derbyshire County Council	1 February 2024	Epworth Education Trust
783	Stanley Common Church of England Primary School	Derbyshire County Council	1 March 2024	Derby Diocesan Academy Trust

Since the Covid pandemic, the rate of schools converting to academies has been significantly lower compared to pre-pandemic rates.

Full year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total of new academies	51	37	18	8	7	13

For 2024/25, the Fund is currently aware of 15 planned conversions, although the Dept for Education's pipeline of converter and sponsor approvals reflects a further 20 cases in progress where conversion dates have yet to be determined.

Admission Bodies

An organisation normally becomes an admission body as a result of securing a contract to provide a service or function from an employer which participates in the Local Government Pension Scheme (LGPS) and involves the transfer via TUPE of LGPS eligible staff.

Admission Bodies are normally short-term employers in the Fund participating for the length of a commercial contract with the commissioning employer, or until the last LGPS eligible employee leaves, whichever is sooner.

During the second half of 2023/24 applications were received from 2 organisations for Admission Body status, based on commencing a contract between 1 October 2023 and 31 March 2024 with a scheme employer which included the transfer of active scheme members.

Employer Ref	Employer Name	Commissioning Employer	Start Date	Function
563	Blueberry Café (Castleton) Ltd	Chesterfield Borough Council	18 March 2024	Operation of cafés at Queen’s Park Leisure Centre and Chesterfield Market Hall
564	Leisure United	Derby City Council	15 January 2024	Management and operation of Derby Racecourse Hub

Numbers of Admission Bodies

Admission Body applications to the Fund fluctuate depending on outsourcing activity across participating employers and range from involving a small number of employees, for example where an employer’s cleaning or catering provision is outsourced to an external provider, to an arrangement affecting a large number of staff.

The figures in the following table reflect Admission Body applications to the Fund in recent years.

Full year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total of new Admission Bodies	11	7	10	12	13	8

Designating employers

Designating bodies are employers who can nominate employees for access to the LGPS, including Town and Parish Councils.

During the second half of 2023/24 there were no new applications from employers wishing to designate employees for LGPS membership.

Exits from the Fund

During the second half of 2023/24 the following employers’ active participation as separate employers in the Fund ended.

Empl Ref	Employer	Related employer	Date of active participation ending
128	Platform Housing Ltd	Derbyshire Dales District Council	30 November 2023
543	Alliance in Partnership Ltd	Derby City Council (Ashgate Primary School)	11 December 2023
534	ES Cleaning Ltd (trading as Enviroserve UK)	Derbyshire County Council (Norbriggs Primary School)	31 December 2023
505	Accuro FM Ltd	The Two Counties Trust	31 March 2024
529	Accuro FM Ltd	Friesland School	31 March 2024

In addition, the exit of the following employers earlier in 2023/24 was confirmed during the second half of the year and, therefore, were not included in the previous administration report for the Committee.

Empl Ref	Employer	Related employer	Date of active participation ending
527	Easy Clean	Allestree Woodlands School	20 April 2023
451	Compass Services Ltd	Derby City Council	31 July 2023
523	Nexgen Facilities Services Ltd	The Harmony Trust	31 August 2023
546	Sparkling Clean Solutions Ltd	Derbyshire Fire and Rescue	4 September 2023
544	Innovate Services Ltd	Derby City Council (Murray Park Community School)	15 September 2023

Determination of exit credits

A change to scheme regulations, which were subject to a judicial review in 2021, introduced an additional role for administering authorities of determining whether an exit credit is payable, and to which organisation/body any exit credit should be paid, if a participating employer's pension liabilities have been overfunded when it leaves the Fund. Cases normally relate to Admission Bodies following a short period of participation in the Fund.

The Fund is currently in the process of gathering information from employers who exited the Fund since the change in regulations, and from the relevant letting authorities, to determine eligibility for an exit credit payment where applicable.

Each case involves an in-depth investigation into the employer's arrangements on entering the Fund, particularly matters relating to its covenant and how that was applied through the employer's period of participation.(e.g. risk sharing, guarantee, bonds etc).

Work on exit credit cases is in progress, and during the second half of 2023/24 two cases reached the completion stage following approval for the Fund recommendation on the exit credit after review by the Director of Finance. The total exit credit sum across the two cases was £466,000.

Since the scheme regulations introduced exit credits the Fund has identified 19 exit credit cases with a surplus total of £2,576,000. To date, exit credits totalling £768,000 have been either paid to the exited employer or allocated to the original employer's assets in the Fund, depending on the exit credit determination made.

Pension administration – Key performance indicators

The following table shows cases in selected key areas of work which were actioned in the period 1 October 2023 to 31 March 2024 and the amount completed within legislative timescales included in *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*.

The total cases in each category for the full 2023/24 year are included alongside the full year total for 2022/23 for comparison purposes.

Case type	Total number of cases	Target for completion (months)	Target achieved	Target missed*	Target achieved %	Full year 2023/2024 Total Cases & Target achieved %	2022/2023 Total Cases & Target achieved %
Retirement Benefits Paid	1,082	1	1,082	0	100%	2,310 (99.7%**)	2,061 (99.7%)
Death Cases	577	2	577	0	100%	1,276 (98.3%)	1,120 (98.4%)
Transfer Out Quotes	213	3	209	4	98.1%	470 (99.1%**)	549 (100%)
Transfer Out Paid	57	3	47	0	100%	104 (100%)	86 (100%)
Transfer In	42	3	41	1	97.6%	83 (98.8%)	133 (98.5%)
Estimate Requests	596	2	596	0	100%	1,298 (99.9%)	972 (100%)
Refunds Paid	405	2	402	3	99.3%	1,024 (99.3%**)	1,202 (99.2%)

*The Fund reviews all cases where target timescales are missed to identify procedural and training issues.

** Includes restated figure from previous half year administration report. Following review, some cases originally recorded as missing the deadline, were determined to have been completed within the required timescale.

A brief description of the cases included in the figures shown in the table is set out below. A completed case reflects the completion of data gathering, calculation, documentation, processing, and payment (where applicable).

Retirement Benefits Paid –member retirements (voluntary, redundancy or business efficiency, ill-health, flexible and deferred).

Death Cases – deaths of active, deferred, pensioner and survivor beneficiary members, including cases identified through National Fraud Initiative (NFI) data checks.

Transfer Out Quotes – provision of transfer values to deferred members who have applied for the value of the benefits with a view to transferring to a different pension arrangement.

Transfer out quotes are also provided on request to active members, however, are not guaranteed due to their employment continuing.

Transfer Out Paid – completion of transfers where deferred members wish to proceed with their transfer to a different pension arrangement.

Transfer In – completion of transfers where new active members decided to transfer membership from other LGPS funds or a different pension scheme which is part of the Public Sector Transfer Club. The Fund currently only accepts transfers in from other 'Club' schemes.

Estimate Requests – provision of:

- written estimates of pension benefits for members considering accessing their pension benefits at a future date and
- shortfall costs for employers considering redundancies or business efficiencies

Refunds Paid – completion of refund payments to members whose active membership ended before they qualified for pension benefits.

Overall quantities of work

The administration team experiences consistently high workload levels but has been able to achieve casework turnaround times within the disclosure target timescales in most cases, as reflected in the previous table.

These services, including transfers into and out of the Fund, refund actions, retirement quotes and aggregations, are included in the figures below which represent the total number of new work items received in the half year and overall actions completed in the same period.

For comparison purposes, the totals for the two 6-month periods in 2022/23 are included.

Number of work items processed

	Apr- Sept 2022/2023	Oct- March 2022/2023	Apr- Sept 2023/2024	Oct- March 2023/2024
New work items becoming due in the period	33,534	28,832	34,346	29,801
Work items completed during the period	30,955	26,398	34,133	30,159
Open cases at end of period	13,088	13,536	12,612	10,740

At the end of March 2024, a total of **10,740** work items were identified as remaining open and in progress. The table below summarises the main areas of open work, included in the above total:

Work area	Open cases as at 31 March 2024
Address traces	75
Aggregations	1,926
Death administration (in progress)	211
Deferred retirement quotes	337
GMPs	237
i-Connect enquiries with employers	915
Other enquiries with employers	931
Notification of deferred benefits	951
Refund quotes	782
Refunds to payment	720
Retirements (in progress)	69
Retirement quotes	312
Transfer In	185
Transfer In quotes	248

Transfer Out quotes	314
Transfers Out to payment	87
TUPEs	221
Undecided leavers	387
Others	1,832
Total	10,740

The following provides a brief description of some of these work areas.

Address traces – outstanding enquiries with tracing services for members’ home addresses, where the Fund has not been notified of a change of home address.

Aggregations – the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record.

i-Connect enquiries – individual data enquiries with employers who have implemented the i-Connect secure data transmission service for the monthly submission of member data.

Other employer enquiries – ongoing queries with employers relating to:

- information on members whose active membership has ended and
- outstanding enquiries from year-end returns

Notification of deferred benefits – the calculation of a member’s pension benefits at the point of ending active membership and becoming a deferred member.

TUPE’s – the identification of members subject to TUPE transfer to a new employer which, in most cases, requires the new employer to become an Admission Body in order to validate each affected member’s continuing LGPS participation.

Undecided leavers – members who have left their employment but have not been moved to deferred status as leavers. This normally relates to cases where information from the employer remains outstanding.

Backlog Management Project

An ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferred membership) of pension administration continued through 2023/24.

The reduction of the backlog has been part of the Fund's data cleansing work in support of preparations for the following significant developments in LGPS administration:

- the LGPS remedy to the McCloud judgement, introduced into legislation from 1 October 2023, and
- the planned introduction of a national pensions dashboard to enable individuals to identify all of their pension provision in one place.

The latest backlog position for each area is set out below.

Aggregations –the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record. An aggregation process becomes a backlog case if it is not completed within 12 months.

Numbers of new aggregation cases have continued at high levels. Differing levels of complexity in aggregation cases means that there is not a consistent timescale in the actioning of each case.

The total of backlogged aggregation cases, which was 963 at the end of March 2022, had reduced considerably to 56 at 31 March 2023.

The latest position shows a slight increase in the year-on-year backlogged aggregation cases with the latest total being **66** at end of 2023/24.

Deferred membership – These relate to non-active memberships where the member, has qualified for pension benefits, but cannot access them yet due to age or has chosen not to access them. Details about a member's deferred membership should be provided within 2 months of leaving active membership. Therefore, cases where the 2 months has been exceeded become backlog cases.

At the end of March 2022 , the total of backlogged cases of members moving to deferred membership was 685. The total increased to 951 at the end of March 2023.

The year-on-year total of backlogged deferment cases at the end of 2023/24 has reduced to **619**.

Totals of backlogged deferred membership cases fluctuates when employers submit late notifications of members leaving active membership.

A programme undertaken in recent years to identify missing leaver notifications from the Fund's larger employers has continued to result in backlog cases numbers increasing through late notifications being received by the Fund.

Available resource for working on the backlog of deferred cases is reviewed continually by the Fund's management team against workload pressures in other areas.

Pressure on resource during the second half of 2023/24 from the following becoming priority tasks as they potentially impacted payments to members, meant that available time on aggregation and deferment cases was reduced:

- the application of the McCloud remedy following its implementation from 1 October 2023, and
- a delayed pay award, which was applied by most local government employers in November 2023 backdated to April 2023 requiring recalculation and revision of pension benefits for members who have retired since 1 April 2023

Guaranteed Minimum Pension Reconciliation

'Contracting out' ended on 5 April 2016 when the single tier State Pension system was introduced. From that point, HM Revenue & Customs (HMRC) stopped tracking contracted out rights and issued data to pension schemes so they could compare its records against data held on scheme records.

The comparison of data between HMRC and pension schemes, known as the Guaranteed Minimum Pension (GMP) Reconciliation, encompassed the entire contracting out period, 6 April 1978 to 5 April 2016. For this period, the pension scheme has to guarantee that their pension will be at least the same as it would have been, had the member not been 'contracted-out'.

The GMP Reconciliation allows schemes to confirm that data held on their scheme records (including GMP values and scheme member start and end dates) agrees with the data held by HMRC.

In some cases, the comparison with scheme records has highlighted under or overpayments in individual member's pensions.

An initial scoping exercise undertaken by an external contractor, ITM, identified that there were 16,164 discrepancies, relating to pensioners and beneficiary members, to investigate. The Fund has worked through the majority of those discrepancies, although approximately 290 cases remain outstanding which may result in a change to the pension amount in payment. Where changes have been applied to pensions as a result of GMP reconciliation, they have largely been minor adjustments.

In respect of active and deferred members, the Department for Work and Pensions (DWP) has provided the Fund with GMP information for 26,738 members. These cases will be loaded into the Fund's pension administration system in batches. An initial load of 2,143 cases has been completed with related queries being worked through. Further progress on this has not progressed during the second half of 2023/24 due to other work priorities.

The GMP reconciliation task is a long-term undertaking for the Fund to ensure that on retirement, the GMP element of pension paid to members is consistent with the value held by the DWP.

Data quality

The Pension Regulator acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

Common Data used to identify scheme members and including name, address, national insurance number and date of birth.

Conditional Data essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

The latest common and conditional data results, reflecting 2022/2023, which measure the quality of the Fund's data, are shown in the table below, together with the results for the previous 4 years:

Year	Common data	Conditional data
2018/2019	97.6%	92.3%
2019/2020	98%	92.5%
2020/2021	98.2%	93.5%
2021/2022	97.7%	94.82%
2022/2023	98%	94.98%

The scores are reported annually to The Pensions Regulator and included in the Fund's Annual Report.

The results for 2023/24 will be calculated later in the year and, subject to being available, will be included in the next half-year administration report for the Committee which is due to be provided at the meeting in October 2024.

Pension contributions

Employee contribution rates

The following table below sets out the employee contribution bands effective from 1 April 2024. These have been calculated by increasing the 2023/24 employee contribution bands by the September 2023 CPI figures of 6.7% and, where necessary, rounding down the result to the nearest £100.

Pay bands (Actual pensionable pay for an employment)	Main Section Contribution rate	50/50 Section Contribution rate
Up to £17,600	5.50%	2.75%
£17,601 to £27,600	5.80%	2.90%
£27,601 to £44,900	6.50%	3.25%
£44,901 to £56,800	6.80%	3.40%
£56,801 to £79,700	8.50%	4.25%
£79,701 to £112,900	9.90%	4.95%
£112,901 to £133,100	10.50%	5.25%
£133,101 to £199,700	11.40%	5.70%
£199,701 or more	12.50%	6.25%

Employer contribution rates

Employers' contribution rates which are currently in payment were determined from the 2022 Actuarial Valuation exercise and applied from 1 April 2023.

The rates, which are specific to each individual employer based on their funding position and profile of membership, range between 0% and 44.6% for the present valuation period which applies to 31 March 2026. The average primary rate payable by the Fund's employers in respect of future service is 21.1%.

A detailed report following the 2022 Valuation exercise being completed was received and noted by Committee at its meeting on 26 April 2023.

Each employer's contribution rate will be reviewed during the 2025 actuarial valuation with any changes being applied from 1 April 2026.

Monthly payments of pension contributions - Employer performance

Employers are required to submit monthly payments and contribution reports to the Fund by the 19th of the month following payment.

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 sets out the deadlines for payment as the 19th of the month, or, where paid electronically, the 22nd of the month unless scheme rules dictate an earlier date. The Fund's approach of requiring payment by 19th is consistent with the majority of LGPS funds.

The Fund works with employers who experience difficulties with completing payments and submitting contribution reports by the monthly deadline.

Payment and reporting of contributions numbers are affected where new Admission Bodies begin participation in the Fund but only commence the submission of data and contribution payments when the Admission Agreement, which validates their entry to the Fund, has been fully executed.

Data relating to contribution payments and reports from employers reflect that during 2023/2024 the following were received on time:

- 93.7% of contribution payments, and
- 85.9% of related contribution reports were received on time.

Comparative figures for 2022/23 for payments and reports received on time were as follows;

- 92.3% of contribution payments, and
- 88.6% of related contribution reports

The Fund continues to work collaboratively with employers to help them avoid problems with late payments/submission of data and engages with employers who experience difficulties particularly relating to staff turnover and changes to payroll provider.

The Fund also monitors underperformance relating to consistently late payment of contributions/submission of data and will apply charges to employers for additional administration costs caused by regular late payments and submissions.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 enables the administering authority to recover costs for additional administration caused by an employer's non-compliance. The Fund's application of this regulation is included in the Pension Administration Strategy which is available on the Fund's website and regularly signposted to employers.

No charges were issued during 2023/24.

Complaints, compliments and appeals

Complaints and expressions of dissatisfaction about the provision of, or failure to provide an administration service, whether written or received verbally are monitored and recorded by the Fund.

During 2023/2024 a total of 11 cases identified as formal complaints were submitted to the Fund by scheme members. The total included complaints submitted to the Fund in writing (either letter or email), through the “My Pension Online” service and by telephone.

This included a total of 3 cases identified as formal complaints received during the second half of 2023/24.

For comparison purposes, the total of cases identified as formal complaints in 2022/23 was 24.

The complaints in the second half of 2023/24 were:

- Performance of the member’s AVC
- Late payment of retirement benefits due to late submission from the employer of the leaver notification
- Overstatement of pension quote

Each member has received a full response to their complaint submission.

To date, following receipt of the Fund’s response to their complaint, 1 member who submitted a complaint in 2023/24 escalated their complaint to a formal appeal against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

The Fund’s Complaints Policy which the Committee approved at the meeting on 6 September 2023 is published in an accessible format on the Fund’s website.

Compliments received from members and employers are also recorded by the Fund and shared with the team member who provided the service.

During the second half of 2023/24 a total of 24 compliments, had been recorded as submitted by members and employers praising the level of service they had received.

The total of compliments received during the full year 2023/24 was 44. For comparison purposes, the total of compliments received during 2022/23 was 31.

Appeals

Appeals via AADP can be made by scheme members when they are dissatisfied with a decision made regarding their LGPS benefits. The most common decision for which appeals are submitted relates to dissatisfaction with an employer’s decision regarding eligibility for ill-health retirement.

There are two possible AADP stages:

Stage 1: AADPs submitted against an employer's decision are considered at the first stage by the adjudicator appointed by that employer.

AADPs submitted against a decision made by the Fund are considered at the first stage by the Fund's adjudicator.

Stage 2: Where a member remains dissatisfied following the determination of their Stage 1 appeal, they may submit a Stage 2 appeal which is considered by the administering authority.

Where scheme members remain dissatisfied with the outcome of appeals submitted at AADP Stages 1 and 2, they have the right to refer their complaint to The Pensions Ombudsman to investigate by considering information from all the parties involved in a complaint before making a determination.

The Ombudsman's determinations are final, subject to a successful appeal to the courts on a point of law. They are binding on all the parties and enforceable in court.

Details about the appeals which are adjudicated by, or on behalf of, the Council, in its role as administering authority, at Stages 1 and 2 of the Application for the Adjudication of Appeals Procedure, and about appeals submitted to and/or determined by The Pensions Ombudsman, during 2023-24 are included in a separate report being presented to Committee at its meeting on 5 June 2024.

Communications and Training

The Fund has maintained regular engagement with employers and scheme members during the second half of 2023/24.

Communications to employers

During the second half of 2023/2024, the Fund issued the following newsletters to employers to highlight news items, information of important topics and reminders about upcoming deadlines:

Date issued	Newsletter	Topics included
24 October 2023	201	<ul style="list-style-type: none"> • Assumed Pensionable Pay • Queries from the Pension Fund • LGPS employer training sessions
23 November 2023	202	<ul style="list-style-type: none"> • Employer shortfall costs • Cost of living • McCloud • My Pension Online
20 December 2023	203	<ul style="list-style-type: none"> • Christmas and New Year opening hours • 2023 Derbyshire Pension Fund consultation • Message from the Pension Fund Team
29 January 2024	204	<ul style="list-style-type: none"> • Consultation on changes to investment documents • i-Connect: Full Time Equivalent (FTE) pay • Documentation provided to new members • Changing payroll provider and the availability of data • The Fund's Annual Report
22 February 2024	205	<ul style="list-style-type: none"> • Employee contributions bandings 2024/25 • i-Connect tolerance breaches • Preparing your March i-Connect file • Member engagement forum • Change to shortfall factors for early retirement calculations
22 March 2024	206	<ul style="list-style-type: none"> • Employee contribution bands change • Contribution returns • Changes for the 2024/2025 year • i-Connect: Full Time Equivalent (FTE) pay • Investment related documents consultation response

All Employer Newsletters are available on the Fund's website.

The Fund also issued separate communications by email to all participating employers as follows;

12 December 2023

- i) to invite employers to respond to the consultation on the Fund's key investment related strategies (Investment Strategy Statement, Responsible Investment Framework and Climate Strategy) which ran from 13 December 2023 to 31 January 2024, and;
- ii) To inform employers about the letter being issued to all scheme members in December 2023.

26 January 2024

To inform employers about a change being applied to strain/shortfall factors for early retirement calculations from 1 April 2024.

Communications with members

A letter was issued to **all** scheme members in December 2023 which covered the following:

- An invitation to respond to the consultation on the Fund's key investment strategies
- Information about changes made to LGPS regulations from 1 October 2023 following the introduction of the McCloud remedy
- The opportunity to express interest in joining a new Member Engagement Forum
- A reminder about the opportunity to register onto the My Pension Online platform *(a conditional paragraph which was not included in the version issued to registered members on My Pension Online and pensioner members)*

The letter was issued via My Pension Online to registered members and by post to all others.

Pensioner members

Pensioner members receive a paper payslip by post to their home address as follows:

- for their first pension payment
- in March, April and May each year and
- at other times when their pension changes by at least 1%

The Fund takes the opportunity to provide relevant information to pensioner members with their payslips each March, April and May.

The **March 2024** payslip issued to all pensioner members included information on

- Changing address and what to do,
- National Fraud Initiative
- Contact details for pension enquiries

i-Connect training

During the second half of 2023/2024 the Fund continued to progress the onboarding of employers onto the i-Connect system and has undertaken virtual training sessions for those in the early phases of implementation.

The sessions have also provided employers with an understanding of the benefits of submitting member data via i-Connect for themselves, scheme members and the Fund.

As at 31 March 2024, 313 actively participating employers were live on i-Connect, accounting for 97.92% of the Fund's active membership.

The Fund is working with the remaining participating employers towards all employers submitting data to the Fund via i-Connect.

Other employer training

Additionally, virtual training sessions, and bespoke in-person training and meetings on specific topics to support employers have continued on a range of issues including ill-health retirements and appeals, completion of leaver notifications and general employer responsibilities.

Derbyshire Pension Fund website

The Fund's website has been in operation since October 2018 and provides information and guidance about the Fund and the LGPS for scheme members, employers and other stakeholders.

The website has continued to be improved and recent developments have included new functionality such as online enquiry forms, fillable documents and video-based content.

The number of separate visits to the website have increased year-on-year with a particular spike in engagement occurring following the 'My Pension Online' platform becoming operational in June 2021.

The total number of separate visits to the website reflecting the increase in engagement are shown in the following data:

Total website visits	
2018/19 (from Oct 2018)	18,150
2019/20	60,627
2020/21	71,497
2021/22	130,380
2022/23	142,322
2023/24	149,630

Administration updates

The following provides a brief update on matters which impact the Fund's administration of the LGPS:

McCloud

The final regulations to implement the McCloud remedy in the LGPS came into force on 1 October 2023. The Department for Levelling Up, Housing and Communities (DLUHC) issued initial draft guidance shortly afterwards on how authorities should prioritise work on cases to encourage a broadly consistent approach across the LGPS.

The McCloud remedy introduced into the LGPS will ultimately require the Fund to have reassessed all actions which have involved payments relating to in-scope scheme members' pension record since 1 April 2014, including pension benefits in payment for retirements after 1 April 2014, survivors' pensions from deceased members', transfer values and pension on divorce cases.

The LGPS is also affected by the McCloud remedy's impact on the Teachers' Pension Scheme (TPS) where teachers with 'excess teaching service' in the TPS become retrospectively eligible for LGPS membership in respect of the excess service. 'Excess teaching service' is where a teacher concurrently undertook part-time teaching service at the same time as having a full-time teaching contract at any time between 1 April 2015 and 31 March 2022.

The Local Government Association (LGA) has published the first version of its McCloud LGPS Administrator Guide which contains information and worked examples to assist funds in calculating underpin protection. The guide is being released in stages due to the breadth and complexity of the McCloud remedy's impact on regular pension administration work. The guide acknowledges that Funds will not currently have the required information to process all cases.

Aquila Heywood, the provider of Altair, the Fund's pension administration software, has completed and released a number of McCloud related developments which have been tested by the Fund, however, developments are ongoing to build in functionality for some areas including the transfer of scheme membership.

The McCloud functionality which allows new pension calculations to include the McCloud underpin protection calculation was switched on in Altair by the Fund on 10 January 2024 and new retirement calculations now include, where required, extra procedures to apply the McCloud remedy checks.

The additional checks have had a consequence of increasing time taken for the processing of a pension benefit calculation. The Fund is managing the impact and risk of the additional time required for cases to avoid delays in payments of benefits, however, timeframes for completion of work across other areas of the Fund's administration may be affected in the short to medium term and reflected in future key performance results.

It is estimated that the Fund has almost 28,000 in-scope cases to investigate/process.

My Pension Online

The Fund's member self-service system 'My Pension Online' (MPO) went live on 22 June 2021.

By 30 April 2024, invitations to register had been sent to the 32,585 members who have provided the Fund with their email address on the My Pension Online access form.

26,655 members had subsequently registered. Of this total 22,536 registrations represent current active and deferred members covering 36.42% of scheme members in those categories.

Annual Benefit Statements to active and deferred scheme members are issued to the member's MPO account, issue by hard copy remains available to members on request.

In order to promote registration to MPO, reminder emails have been sent to members who have filled in an access form but not proceeded to register. Fund employers have been asked to encourage their employees in the LGPS to register for MPO and have been provided with a link to resources for promoting the service.

Some Fund correspondence is now published to MPO, and members of the team remind members contacting the Fund with enquiries, of the benefits of registration.

Active and deferred members were also reminded of the benefits of registering on MPO in the letter informing scheme members about the McCloud remedy, the launch of the Member Engagement Forum and the launch of the Pension Fund consultation.

Pensions Dashboards

A Ministerial Statement was published in March 2024 providing an update on the Department of Work & Pensions (DWP) publication of connection guidance which includes the new staging timeline for connecting to pensions dashboards.

Following the Pensions Dashboards (Amendment) Regulations 2023 introducing a single connection deadline of 31 October 2026, the supporting connection guidance details when pension providers and schemes are expected to connect to dashboards, which will start from April 2025. The new guidance advises that the proposed staging date for public sector pension schemes will be **31 October 2025**.

Whilst the timetable is not mandatory, it is a legal requirement that trustees or managers of occupational pension schemes and providers of personal and stakeholder pensions have regard to this guidance.

The Fund is continuing to cleanse its data and is investigating the options for procuring an Integrated Services Provider to connect to the Pensions Dashboards infrastructure.

The Pensions Regulator – new General Code of Practice

As well as being responsible for setting governance and administration standards, Section 90A(1) of the Pensions Act 2004 gives The Pensions Regulator (TPR) the power to issue codes of practice in relation to public service pension schemes.

This resulted in the 2015 issuing of 'Code of Practice (no.14): Governance and Administration of Public Service Pension Schemes'. Multiple codes also existed for different types of pension schemes which have now been combined into a new 'General Code of Practice' which came into force from 28 March 2024.

The Pensions Regulator's reasons for developing the new General Code of Practice were to clarify, modernise and simplify the different sets of codes of practice

The 'General Code' consolidated and expanded on 10 Codes of Practice, including Code No.14 (Governance & Administration of Public Service Pension Schemes).

The 'General Code' contains 51 modules covering five areas:

- the governing body
- funding and investment
- administration
- communications and disclosure
- reporting to TPR

Not all of the modules are legal requirements for the LGPS but TPR's directive is that they should be viewed as best practice to strengthen future governance and internal controls of the scheme.

Although the 'General Code of Practice' provides an opportunity for LGPS Funds to review current practice and compliance, it also presents further resource challenges with competing pressures such as implementing the McCloud remedy, national initiatives such as the Fund's connection to the Pension Dashboard Programme alongside the expectation of maintaining a high standard of pension administration across the Fund's existing functions and responsibilities.

TPR has indicated that where schemes have identified gaps in its compliance, the key factor will be whether a scheme has a bespoke action plan in place, which includes timescales for demonstrating compliance.

Fund officers are due to commence a detailed analysis of the requirements of the new 'General Code' over the coming months including:

- A determination of which of the 51 modules apply to the Fund
- Gap analysis to identify any modules where the Fund is not already fully compliant
- Review of work needed to achieve full compliance

Employer shortfall/strain costs

The factors for strain costs payable to the Pension Fund when employers terminate a member's employment due to redundancy or business efficiency were updated from 1 April 2024.

The Fund's actuary, Hymans Robertson LLP, provided an Early Retirement Strain Cost Factors report to the Fund which determined that, in most cases, the previous factors, which had been in place for a number of years, understated the amount needed to cover the expected cost of an early retirement.

The report was considered by the Fund's management team and by the Director of Finance and ICT, and the actuary's recommendation to adopt new factors was agreed.

All employers were notified by email on 26 January 2024, and in the April 2024 Employer Newsletter, about the changes which in most cases, will result in higher strain costs. Although each case is different, the average increase across a range of scenarios is estimated to be approximately 17%.

East Midlands Combined County Authority

The East Midlands Combined County Authority (EMCCA) was established on 27 February 2024 as an arrangement between the Government and the 4 upper tier councils, Derbyshire County Council, Derby City Council, Nottinghamshire County Council and Nottingham City Council.

The East Midlands Combined County Authority Regulations 2024 which established EMCCA assigned Nottinghamshire County Council as the LGPS administering authority for employees of the new authority.

Abolition of the Lifetime Allowance (LTA)

The LGA has published an administrator's guide on the 'Abolition of the LTA'. The LTA has been finally abolished from 6 April 2024 following the initial announcement in the 2023 Spring Budget. The LTA was the amount a person could build up in pension without incurring an additional tax charge.

It has been replaced by new tax controls which limit the amount of tax-free benefits (lump sums) that can be paid:

- Lump Sum Allowance – applies when a tax-free benefit is being paid. The allowance limit is £268,275. The figure is not index-linked so will remain the same. If a person's tax-free payments exceed the limit, the excess is regarded as income and is taxed at the person's marginal income tax rate.
- Lump Sum and Death Benefit Allowance – applies when a tax-free benefit is paid and also when a lump sum death benefit is paid in respect of that person. The allowance limit is £1,073,100 and is also not index-linked.

Increase to annual pensions

The Pensions Increase (Review) Order 2024, which came into force on 8 April 2024 confirmed that public service pensions increase by 6.7% for 2024/25. The increase is in line with the level of the Consumer Price Index (CPI) for the year to September 2023 and has been applied to pensions in payment from 8 April 2024.

Changes to the Fund's Annual Report

New guidance on 'Preparing the Pension Fund Annual Report' was published by the LGPS Scheme Advisory Board (SAB) in March to replace CIPFA's 2019 guidance. It was produced in collaboration with CIPFA and DLUHC in consultation with fund practitioners, industry experts and other interested stakeholders.

The guidance applies to 2023-24 annual reports on a 'best endeavours' basis with LGPS funds expected to comply with the guidance from 2024-25. The guidance includes a requirement for reporting against an expanded number of pension administration KPIs and includes new disclosure requirements with respect to investment pooling.

Fund officers have commenced a review on whether the changes required in the new guidance can be met for the 2023/24 Annual Report, and if not, what changes to reporting are required to enable compliance from the 2024/25 Annual Report.

Legal Services procurement

Following a procurement exercise, a contract has been finalised with international law firm, Addleshaw Goddard LLP, to provide legal services for the Fund for circumstances where DCC's Legal Services Department are unable to deliver the support necessary due to resource or due to the required consideration of specialist matters. The arrangements will cover a 7-year period, reviewable on an annual basis.

Sharia Law and the LGPS

The Scheme Advisory Board published, in March 2024, a summary of advice it had sought from Legal Counsel for questions relating to Sharia Law and the LGPS and whether funds may be at risk from challenges where employees of Muslim faith opt out of the LGPS concerned that their fund's investments may not be Sharia compliant.

Counsel considered a report from an expert in Islamic finance which concluded that as a part of the contractual arrangement between employer and employees, Muslim local government employees can continue to contribute to, and benefit from, the LGPS.

The key message from the advice is that the legal risk of a case being successfully brought against a Scheme employer in an Employment Tribunal on the basis of indirect discrimination, or a judicial review being brought against an administering

authority or DLUHC for breach of the public sector equality duty, remains extremely low.