

# Pensions Committee

22 March 2017

<b>Report title</b>	Pension Administration Strategy 2017	
<b>Originating service</b>	Pensions	
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<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions  01902 551715 Rachel.brothwood@wolverhampton.gov.uk

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## Recommendation(s) for noting:

The Committee is asked to:

1. Approve the revised Pension Administration Strategy, and note the outcomes of the consultation with scheme employers

## **1.0 Purpose**

- 1.1 To outline of the revisions to the Pension Administration Strategy (PAS) and outcomes of the employer consultation, for approval by Pension Committee, in preparation for the revised strategy being implemented from April 2017.

## **2.0 Background**

- 2.1 Under the LGPS Regulations, the Fund may produce and publish a PAS and ensure it is regularly reviewed and revised as appropriate. The PAS sets out a framework for assessing Fund and employer performance standards and ensure a cost-effective inclusive and high quality pensions administration service.
- 2.2 The Fund published the latest version of its PAS in 2015. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Most recently, in March 2016, a revised and more detailed charging structure was issued to supplement the current PAS. The new strategy statement incorporates changes to policy and working practices to be effective from April 2017.
- 2.3 Through the PAS the Fund aims to:
- provide a high quality pension service to employees
  - set out the quality and performance standards expected of the Fund and its scheme employers; and
  - promote good working relationships and improve efficiency of the exchange of information between the Fund and its scheme employers.
- 2.4 The PAS covers primary matters as outlined in the Regulations such as administration standards, performance measures and communication with employers. It also sets out the key undertakings and responsibilities of both the Fund and participating employers.
- 2.5 The administration strategy confirms the expected levels of performance of the Fund and the scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where non-compliance occurs.

## **3.0 Changes to the strategy and outcomes of the employer consultation**

- 3.1 The Fund undertook an internal review of the PAS in 2016, and as a result, the revised strategy incorporates changes to policy and working practices to be effective from April 2017. As part of the consultation process, the proposed PAS was brought to the attention of Committee with a draft version provided at the meeting in September 2016.
- 3.2 The draft PAS was issued to participating employers for consultation in September and consultation ended on 25 November 2016. The Fund received 7 responses from participating employers (representing 42% of total active scheme membership), raising some queries, mainly around the practical application of service standards and performance monitoring. The Fund has reviewed these comments and updated the strategy as appropriate.

### 3.3 The key changes to the strategy include:

- Streamlining performance measures to ensure there is a focus on monitoring critical and key activities. Providing a clearer understanding of the expectations of employers and also the service they can expect from the Fund.
- Bringing it in line with the transition to more frequent exchanges of data, which is being introduced in 2017, consolidating and introducing reporting efficiencies to some of the key responsibilities of employers.
- Inclusion and extension of the revised charging structure implemented in 2016, to be applied in the event of poor employer performance. The level and structure of charges have been reviewed to consolidate, clarify and increase the transparency and proportionality. The new charges better reflect both the size of employer and the additional costs incurred by the Fund.
- Refinement of the timescales specified to ensure a balance between administering the scheme in line with the regulations and meeting member expectations, with the practical constraints of employer systems and processes, and efficient delivery of information.

## 4.0 Implementation of the PAS

4.1 The PAS will be applicable from 1 April 2017 and will be issued to employers and uploaded onto the Fund's website in March 2017.

4.2 As previously mentioned, the Fund keep the PAS under review and it is recognised that with the Fund's transition to monthly data and contribution submissions with employers during 2017, the strategy will require to be revised to fully accommodate this change. The current strategy reflects both approaches and therefore reference to the annual returns process will be removed once the monthly submission of data is embedded.

## 5.0 Financial implications

5.1 There are financial implications associated with this report in that the PAS includes the Fund's approach to the application of charges and re-charges in the event of non-compliance with key performance standards set out for participating employers.

## 6.0 Legal implications

6.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the fund to challenge from the Pensions Regulator or the Scheme Advisory Board.

6.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

## **7.0 Equalities implications**

7.1 There are no implications contained within this report

## **8.0 Environmental implications**

8.1 There are no implications contained within this report

## **9.0 Human resources implications**

9.1 There are no implications contained within this report

## **10.0 Corporate landlord implications**

10.1 There are no implications contained within this report

## **11.0 Schedule of background papers**

11.2 Public Service Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents>

## **12.0 Schedule of Appendices**

12.01 Appendix 1 – draft Pensions Administration Strategy