

**REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES**

<b>Draft Pension Administration Strategy (PAS) 2019/22</b>	<b>Classification</b> <b>Public</b>	<b>Enclosures</b> <b>1</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	
<b>Pensions Committee</b> <b>12<sup>th</sup> December 2018</b>		

**1. INTRODUCTION**

- 1.1 The Local Government Pension Scheme Regulations (2013), Regulation 59, gives Administering Authorities the discretion to issue a Pension Administration Strategy (PAS) following consultation with employers and other interested parties. This report introduces the draft PAS for 2019/22, which has been updated to reflect changes to the Fund's third party administration contract.

**2. RECOMMENDATION****2.1 Pensions Committee is recommended to:**

- **Approve the review period of the Pension Administration Strategy to change from annually to every 3 years, notwithstanding the requirement to review and amend when regulations change**
- **Approve the updated Pension Administration Strategy be issued for consultation with employers and other interested parties**

**3. RELATED DECISIONS**

- 3.1 Previous Pensions Committee meetings 28<sup>th</sup> March 2018, 21<sup>st</sup> March 2017, 23<sup>rd</sup> March 2016, 31<sup>st</sup> March 2015, 20<sup>th</sup> March 2014, 27<sup>th</sup> March 2013, 6<sup>th</sup> January 2010 and 19<sup>th</sup> March 2008 for approval of Pension Administration Strategy following consultation.

**4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 4.1 Putting a Pension Administration Strategy in place helps ensure that the role and responsibilities of both the administering authority and employers is clear. It is particularly important that employers are aware of their responsibilities in relation to the Pension Fund to help ensure that the accuracy of Scheme data is maintained and that scheme members have accurate pension records. In addition it ensures that the administration of the pension scheme is efficient, will help to keep costs to a minimum and ensure best practice. Where poor administration on the part of an employer leads to additional costs for administration, there is a mechanism for recouping those additional costs and these are set out in the Pensions Administration Strategy. Whilst these are only charged as a last resort and the costs are not significant in the overall cost of running the scheme, recouping additional charges helps to reinforce the need for employers to fulfil their administration responsibilities.
- 4.2 In addition it should be noted that there is now an enhanced role for the Pensions Regulator in respect of LGPS funds; having accurate data and good administrative

practices will ensure that the Fund is able to meet the Regulator's requirements for data and avoid undue scrutiny and potentially significant fines.

## **5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 5.1 The Local Government Pension Scheme Regulations (2013), Regulation 59 states that Administering Authorities may prepare a written statement on their pension administration strategies. It is therefore not a legal requirement to do so; however, it would seem best practice, thereby ensuring that the roles and responsibilities are clearly defined bringing overall benefits to the Fund by improving communication and maintaining good record keeping.
- 5.2 The Regulations require consultation of the draft Strategy, with scheme employers and other interested parties. This paper and the associated Appendix, draft Pension Administration Strategy, follow a review of the previous document demonstrating that the Strategy is being kept under proper review and that appropriate consultation is being undertaken.

## **6. SUMMARY**

- 6.1 The London Borough of Hackney act as the Administering Authority for the London Borough of Hackney Pension Fund and responsibility for the management of the Pension Fund has been delegated to the Pensions Committee.
- 6.2 The Local Government Pension Scheme Regulations 2013 (Regulation 59) give Administering Authorities the discretion to issue a Pension Administration Strategy document, following consultation with Employing Authorities and other interested parties. The Strategy covers areas such as the procedures for communication and liaison with employing authorities, performance levels of both the Administering and Employing Authorities and procedures for pension scheme administration.
- 6.3 In addition, Regulation 59(2)e of the 2013 regulations, allows a Fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. The draft Pension Administration Strategy (PAS) 2019/22 clearly sets out the standards expected, and deadlines for the submission of data to the scheme administrators. It also sets out the associated costs of any additional administration the Fund may incur as a result of the unsatisfactory level of performance of a Scheme Employer.
- 6.3 The draft PAS has been updated to include the new service level agreements (SLAs) now in effect following the formal implementation of the new administration contract with Equiniti from 1 July 2018. The new SLAs are detailed on pages 15 to 17 of the draft Strategy, and the scheme objectives and method of measuring the SLAs and Key Performance Indicators (KPIs) are on pages 28 & 29. The Fund's legal requirements are provided on pages 14 & 15, but these cannot be achieved without the cooperation of all the scheme employers. The Fund's failure to achieve any of the legal requirements, could result in substantial penalties from the Pensions Regulator (tPR). Any penalties imposed on the Fund will be passed the failing employer.
- 6.4 The Administering Authority continues to provide support for scheme employers when dealing with other employment matters, not always directly associated with pension administration. The in-house pension team assists employers with individual or large scale redundancy exercises and calculations, ill health retirement and monitoring, admission agreements and school conversion to academy status. Any

additional administration charges associated with these tasks are clarified in pages 39 & 40 of the draft PAS.

- 6.5 The draft PAS will be circulated to all employers (including schools) and other interest parties for review and comment by close of business 9<sup>th</sup> February 2019.
- 6.6 Following consultation and final approval by the Pension Committee in March 2019, the final PAS will be published and circulated to all employers (including schools) and interested parties, to take effect from 1<sup>st</sup> April 2019, with performance monitored accordingly. The Strategy will also be forwarded to CLG for information in accordance with the Regulations and a report on performance will be included in the Pension Fund Annual Report and Accounts.
- 6.7 The Pensions Committee receives as part of its quarterly reporting, an update on administration performance and key issues that affect the administration of the Scheme. In addition, the Committee receives an annual pension administration report which includes the performance of the third party administrator.
- 6.8 Since 1<sup>st</sup> April 2015, The Pensions Board comprising equal numbers of employer and scheme member representatives, has assisted the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund. The Pensions Board therefore reviews the effectiveness of the Fund's Pension Administration Strategy on an annual basis and also receives reports on the Administration Strategy and its effectiveness.
- 6.9 The PAS will be fully reviewed every 3 years, but will be revised as appropriate following any material changes to regulations and policies. Any material changes or major revisions to the Strategy will be brought back to Committee for review prior to consultation.

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### **List of Appendices**

Appendix 1 - London Borough of Hackney Pension Fund, draft Pension Administration Strategy 2019/22

### **Background Papers**

None