

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

<b>Pension Administration Strategy 2019/22</b>  <b>Pensions Committee</b> <b>26<sup>th</sup> March 2019</b>	<b>Classification</b> <b>Public</b>	<b>Enclosures</b> <b>one</b>
	<b>Ward(s) affected</b>  <b>ALL</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 final version of PAS for 2019/22, which has been out for consultation and updated to reflect changes to the Fund's third party administration contract.

### 2. RECOMMENDATION

#### 2.1 Pensions Committee is recommended to:

- **Approve the updated Pension Administration Strategy for publication**

### 3. RELATED DECISIONS

- 3.1 Previous Pensions Committee meetings 21<sup>st</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 publication of the Strategy, which includes providing copies of the Strategy to employers and to the Secretary of State and keeping any Strategy under review and notifying revisions. This paper and the associated Appendix, 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 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 on pages 35 to 38.
- 6.4 A change to note in the PAS, is in respect to payment failures by Employers. If any Employer has repetitive or regular payment failures in any one financial year, the Fund will deem this as being of 'material significance' and in-line with its legal responsibilities, report this to the Pensions Regulator (tPR). The Employer may then be subject to legal enforcement action by the Pensions Regulator. The number of instances, on the recommendation of the Hackney Pension Board, was reduced from 5 to 3 in any one financial year.
- 6.5 The PAS has been updated to include greater detail on the support that can be provided to employers from the Administering Authority when dealing with other employment matters, not always directly associated with pension administration. The in-house pension team can help 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 has been clarified in pages 39 & 40 of the PAS.
- 6.6 The draft Strategy was circulated to all employers (including schools) and other interest parties, with a deadline of 9<sup>th</sup> February 2019 for comments. No comments were received.

- 6.7 Once approved, the Strategy will be published and circulated to all employers and interested parties, to take effect from 1<sup>st</sup> April 2019, with performance monitored accordingly. The Strategy will also be forwarded to MHCLG for information in accordance with the Regulations and a report on performance will be included in the Hackney Pension Fund Annual Report and Accounts.
- 6.8 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.
- 6.9 The Pensions Board comprising equal numbers of employer and scheme member representatives, assist the Administering Authority in ensuring compliance with the regulations, and in particular the PAS, 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.
- 6.10 The PAS will be kept under review and revised as appropriate following any material changes to regulations and other policies. Any material changes or major revisions to the Strategy will be brought back to Committee for review prior to consultation. The attached appendix to this report, Pension Administration Strategy 2019/22, is now being put before Committee for final approval prior to publication and distribution.

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### **List of Appendices**

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