

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES

Pension Administration Strategy 2020/23 Pensions Board 9th March 2020	Classification Public	Enclosures 1
	Ward(s) affected ALL	AGENDA ITEM NO.

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 2020/23, which has been out for consultation and updated to reflect changes to the way employers exchange data with the third party administrator, Equiniti.

2. RECOMMENDATION

- 2.1 Pensions Board is recommended to:
- Note the updated Pension Administration Strategy for publication

3. RELATED DECISIONS

- 3.1 Previous Pensions Board meetings 29th November 2018, 21st March 2018 for noting of Pension Administration Strategy following consultation. Previous Pensions Committee meetings 26th March 2019, 28th March 2018, 21st March 2017, 23rd March 2016, 31st March 2015, 20th March 2014, 27th March 2013, 6th January 2010 and 19th 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 normally charged as a last resort the Fund has instigated a much tougher stance on non-conformance, with employers being charged immediately for the late payment of contributions across the Fund. Employers are also warned that if payment is late more than 3 times in a rolling 12 months period, the employer may be reported to the Pension Regulator, and as such they may be subject to a legal enforcement action or a penalty notice.
- 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) 2020/23 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 how employers exchange data with the administrator Equiniti. At the time of writing this report, the Fund is introducing a new on-line portal for employers, Employer Self Service (ESS), for the upload and immediate validation of their member data. Once the data is validated at the point of entry and if correct, it will be immediately loaded to the member's record. If incorrect, or outside of agreed tolerances, the data will be rejected, and the employer will need to immediately correct it and resubmit it via the portal.
- 6.5 Use of ESS will be mandatory from 1 April 2020, although a transition period has been factored in so employers can also continue to use Sharefile (a secure data exchange storage facility), until the end of June 2020, when ESS will be the only method of data exchange. Where employers fail to use ESS, use ESS incorrectly or do not make the required corrections to rejected data, they may have an additional administration charge levied against them.
- 6.6 In the interim and in order to keep administration processes simple for employers, the PAS still references the completion and submission of a number of forms to Equiniti. However some of these will no longer be required following the mandatory use of

ESS. Therefore the PAS will be updated to reflect the changes in data collection, and any associated costs with non-compliance, in August 2020 and will be redistributed to employers.

- 6.7 A draft of the updated Strategy was circulated to all employers (including schools) and other interested parties, with a deadline of 26th February 2020 for comments. No comments were received.
- 6.8 Once approved, the Strategy will be published and circulated to all employers and interested parties, to take effect from 1st April 2020, 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.
- 6.9 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.
- 6.10 The Pensions Board assists 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.
- 6.11 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 the Board for noting following any consultation period, if necessary.

List of Appendices

Appendix 1 - London Borough of Hackney Pension Fund, Pension Administration Strategy 2020/23

Ian Williams

Group Director

Finance & Corporate Resources

Report Originating Officers: Julie Stacey ☐020-8356 3565

Financial considerations: Michael Honeysett ☐020-8356 3332

Comments of the Director of Legal and Governance: Se