

SOUTH YORKSHIRE PENSIONS AUTHORITY

JOINT LOCAL PENSION BOARD

17 MARCH 2016

PENSION ADMINISTRATION STRATEGY

1) Purpose of the report

To inform the Board of the Pensions Administration Strategy to be implemented with effect from 1st April 2016.

2. Background information

2.1 Although not a mandatory requirement the LGPS regulations provide the framework to allow Administering Authorities that so wish to prepare and maintain a Pensions Administration Strategy and it is considered best practice to do so.

2.2 The option to create an administration strategy was first introduced in 2008 and at that time we already had in place signed Service Level Agreements (SLA) with the employer which had been in operation for a number of years. Whilst our SLA was not as comprehensive as the suggested content for a pensions administration strategy it still contained many of the elements recommended by the regulations and therefore at that time there was no immediate requirement to change.

2.3 More recently a number of factors have brought the development of the administration strategy to the fore. Firstly from a pensions administration perspective the number of employers for whom we have administrator responsibility has increased dramatically since we developed the SLA's whilst, at the same time, the scheme has become significantly more complex. Secondly the new scheme has also brought in tighter deadlines for the issue of actuarial valuation data and member annual statements. Furthermore the Pensions Regulator now has a responsibility for Governance in the Public Sector and failure to meet deadlines will not be tolerated. All of this means that there must be a clear statement from the Authority of the roles and responsibilities between us as the administering authority and our employers and our administration strategy fulfils this requirement.

3. The Regulations

3.1 Regulation 59 of the Local Government Pension Scheme Regulation 2013 is reproduced below,

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

4. Draft Pensions Administration Strategy

4.1 A first draft strategy was launched at our Employers Forum in November and subsequently issued to all employers including First South Yorkshire Ltd with a closing date for comments of 29th February. First South Yorkshire did not make any comments but a number of employers did and where appropriate these have featured in the final draft that is attached for your consideration.

4.2 In particular the strategy introduces for the first time the concept of financial penalties on employers for non-compliance with the agreed performance targets. As described in the foreword to the strategy, these penalties will only be used as a last resort against employers who consistently fail to meet the specified target.

4.3 An exception to the above concerns the submission of annual returns. The receipt of a balanced annual return by the 31st May is absolutely vital if we are to stand any chance of issuing the actuarial valuation data on time and meet the 31st August deadline for issuing annual statements to members. We are therefore proposing that a penalty is levied if First South Yorkshire Ltd fail the 31st May deadline with subsequent penalties for each subsequent week of delay. It is worth noting that the 2015 annual return was not received until December 2015 some six months after the 31st May deadline which would have resulted in a penalty of £2950.

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