



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Administration Strategy	Status	For Publication
Report to	Local Pensions Board	Date	11 December 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To update the Board on the proposal to consult on changes to the Administration Strategy and the collection of contributions via direct debit.

2 Recommendations

- 2.1 Members are recommended to:
- a. Endorse the draft changes to the Administration Strategy for consultation with employers**
 - b. Note the proposed change in the contribution collection process and the revised time scales for receipt of the monthly data from employers**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The proposed changes to the contribution collection process referenced in the administration strategy should be easier and more efficient for employers.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. The consultation period should provide sufficient time for employers to raise any concerns about the proposed changes to the Administration Strategy.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report should have a positive impact on Risk O2 which concerns failure to meet statutory requirements because it should lead to more timely and accurate receipt of data from employers.

5 Background and Options

- 5.1 The legislation governing the LGPS provides that administering authorities should consider publishing an **Administration Strategy** which sets out how the pension fund will administer the pension scheme and details the requirements on employers in the fund which need to be met if the fund is to be administered effectively. The Administration Strategy also sets out the penalties that may be imposed on employers in the pension fund in the event that there are shortcomings in meeting their obligations.
- 5.2 SYPA first published an Administration Strategy in April 2016 and this was updated in March 2018 immediately prior to the introduction of Monthly Data Collection. There is an expectation that the Administration Strategy should be reviewed routinely as a matter of course but also where there is a procedural/legislative change that would impact on the Strategy.
- 5.3 Monthly Data Collection (MDC) has now been successfully embedded into employer processes and routines and SYPA would now like to move to the MDC process driving the collection of contributions from employers on a monthly basis via direct debit. This would have the obvious advantage of reconciling the individual scheme member data against the contributions paid by the employer at source rather than relying on a separate reconciliation between the MDC file and the direct payment of contributions from employers.
- 5.4 In order for the direct debit collection process to meet statutory timescales, employers would be required to submit an MDC file by the 5th day of the month following the end of the payment period. This would leave sufficient time to ensure that the payment of contributions could be achieved by the statutory deadline of the 19th of the month following the end of the payment period.
- 5.5 The existing Administration Strategy has been updated to reflect the proposed change in process ready for consultation with employers and the opportunity has been taken to update some other minor areas of the Strategy document which had become outdated e.g. the removal of references to Year-End returns which are no longer required. **Appendix A** shows the full Strategy document with the tracked changes that is intended to be issued to employers for consultation.
- 5.6 Members of the Board will note that the Administration Strategy does provide for the application of penalties to employers where required. As the document itself makes clear in the introduction, the strategy was designed in a spirit of partnership working with employers and every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.
- 5.7 Any penalties carried within the strategy are intended to apply as a last resort but it is important that the fund has the ability to intervene where employers are not complying with their statutory requirements. No increase in the maximum penalties for employers are proposed at this time, the main change being to require employers to provide a

direct debit mandate in time for the change in process to direct debit collection from 1 April 2020.

- 5.8 Although the creation of an MDC file should be an automated payroll process, it is acknowledged that the proposal to bring forward the MDC file submission date to 5th of the month following the end of the payment period did cause some initial concern amongst a small number of employers when the proposal was raised at the recent annual Employers Forum. To provide employers with sufficient time to raise any concerns with SYPA regarding the change in process, it is proposed that the consultation remain open for a 6 week period. The feedback from the consultation would then be reported to the Board at the meeting in February.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

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Head of Pensions Administration

Background Papers	
Document	Place of Inspection