

SOUTH YORKSHIRE PENSIONS AUTHORITY

14th January 2016

Pensions Administration Strategy

1. Purpose of the Report

To introduce the first draft of the Pensions Administration Strategy document

2. Recommendations

Members are recommended to:

- a. Consider the content and style of the document**
 - b. Make suggestions for additions/amendments**
 - c. Comment on the proposal for financial penalties for non-compliance both in relation to the type and the amount**
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3. Background Information

- 3.1 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.
- 3.2 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 all our employers 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.
- 3.3 Longstanding Members will be familiar with the fact that we report employers performance against the SLA on both a quarterly and annual basis and that the performance of the district councils in particular has led in the past to an adverse VFM conclusion from our external auditors and a qualified opinion on our accounts. Part of the reaction to this was to start the process of developing the strategy although it has to be said that development time has been limited due to a number of other pressing issues like LGPS 2014 and UPM.
- 3.4 More recently a number of factors have brought the development of the administration strategy to the fore. First of all the number of employers have increased significantly since we developed the SLA's whilst at the same time the scheme has become significantly more complex. New employers need a clear instruction of their role and responsibilities plus an understanding of our role and what we will do for them. 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.

4. The Regulations

4.1 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.

5. Draft Pensions Administration Strategy

- 5.1 The first draft of the strategy is attached. It is simultaneously out for consultation with all employers as well as internally within SYPA. The intention is to take into consideration all comments and suggestions with a view to bringing a final draft for Members approval at the Authority meeting on 17th March 2016 with a proposed launch date of 1st April 2016.
- 5.2 Members are asked to comment on the style and content of the document and suggest any additions and amendments to the strategy. 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 generally only be used as a last resort against employers who consistently fail to meet the specified target.
- 5.3 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 at all employers who fail the 31st May deadline with subsequent penalties for each subsequent week of delay. In advance of this we have already offered assistance to all serial offenders to do whatever we can to ensure that employers do not miss the deadline.

6. Implications and risks

- **Financial** - The financial penalties are described in the strategy
- **Legal** - There are no specific legal considerations.
- **Diversity** - None

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Background papers used in the preparation of this report are available for inspection in the Pensions Administration Unit.