

<b>Subject</b>	<b>Pensions Administration Strategy Statement</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	19 March 2020
<b>Report of</b>	Head of Pension Administration		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
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## **1 Purpose of the Report**

- 1.1 To approve the proposed changes to the Administration Strategy and the collection of contributions via direct debit.

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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the changes to the Administration Strategy at Appendix A which has been consulted on with employers**
  - b. **Approve the change in the contribution collection process from April 2020**

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## **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.

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## **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 and contributions from employers.
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## **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 officers wish 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 The existing Administration Strategy has been updated to reflect the proposed change in process 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.
- 5.5 Members will note that the draft Administration Strategy does continue to 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.
- 5.6 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.

### *Employer Consultation*

- 5.7 A consultation on the proposed changes to the Administration Strategy (including the collection of contributions by direct debit) was issued to employers in December 2019. As part of the consultation, it was proposed that in order for the direct debit collection process to meet statutory timescales, employers would be required to submit an MDC file by the 5<sup>th</sup> 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 19<sup>th</sup> of the month following the end of the payment period.
- 5.8 Although the creation of an MDC file should be an automated payroll process, it was acknowledged that the proposal to bring forward the MDC file submission date to 5<sup>th</sup> 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, the consultation remained open for a six week period.

*Consultation response*

- 5.9 A total of ten responses were received from employers during the consultation period. Only one of the responses referenced the changes to the Administration Strategy and this was a comment from a Parish Council who felt the penalties were excessive. They have since been advised that the amounts shown were the maximum values and that in reality the penalty charges are rarely applied.
- 5.10 The remaining responses received focused on the proposed move to direct debit collection and the issues raised were as follows:-
  - a) Seven employers responded that the deadline of the 5<sup>th</sup> of the month following payroll was short and requested a few days flexibility.
  - b) Two employers (admitted bodies) did not support the principle of direct debit, though they did not clarify the reasoning for their objection.
  - c) Rotherham Council provides payroll administration services for a large number of employers and has raised a few practical concerns about how direct debit collection will operate in practice. Further engagement is being undertaken directly with this employer to resolve any concerns specific to their circumstances.
- 5.11 In discussing direct debit recovery with the fund’s banking provider, we have been able to introduce some flexibility to the date by which the MDC file will be required whilst ensuring that contributions are still received in line with the statutory deadline. This will extend the deadline for receipt of the MDC file to either the 9<sup>th</sup>/10<sup>th</sup>/11<sup>th</sup> of the month following the payroll period (depending on the month in question) and should accommodate those employers who were concerned with the original deadline date.
- 5.12 The Local Pension Board have been provided with a summary of the feedback received from employers following the consultation and expressed their support for the move to direct debit collection provided that the flexibilities referred to above were available where required.

**6 Implications**

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

Financial	Employers who do not comply with the requirements of the Strategy may face financial penalties.
Human Resources	None
ICT	None
Legal	Although the publishing of an Administration Strategy is not currently a mandatory requirement, it is likely to be one of the outcomes of the Good Governance review currently being undertaken by the Scheme Advisory Board.
Procurement	None

**Jason Bailey**  
**Head of Pensions Administration**

Background Papers	
Document	Place of Inspection