



14 March 2017

Agenda Item:4

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS AND HR

LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION STRATEGY

Purpose of the Report

1. The purpose of this report is to seek agreement from the Pensions Committee for the implementation of the Pension Administration Strategy following the consultation with scheme employers, and the update report provided to the Pensions Sub Committee on 2 February 2017.

Information and Advice

Background

2. Over the past 9 months the Nottinghamshire Pension Office have been developing an Administration Strategy for the Nottinghamshire Local Government Pension Fund in order to support the work of the pensions administering authority with scheme employers. The implementation of an Administration Strategy has regulatory backing in the form of the Local Government Pension Scheme Regulations (Administration) 2008. This provides the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.
3. The regulations allow Nottinghamshire County Council as the LGPS administering authority to prepare an Administration Strategy which contains the following:
 - Procedures for liaison and communication with all scheme employers.
 - The establishment of levels of performance which the administering authority and scheme employers are expected to achieve in carrying out their functions under the LGPS 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 consider appropriate.
 - Procedures which aim to secure that the administering authority and scheme employers comply with the statutory requirements in respect of those functions and with agreement about levels of performance.

- Procedures for improving the way the administering authority and the scheme employers work together to ensure that the administration of the pension scheme meets its statutory requirements.
 - Where in certain circumstances following the administering authority discussing with the scheme employer concerns relating to unsatisfactory performance in carrying out its functions, the administering authority may consider giving written notice of a possible fine to that employer.
4. The regulations also require that, where a Pension Administration Strategy is produced, a copy is issued to each of the scheme employers as well as to the Secretary of State.
 5. As part of the implementation process each scheme employer has been consulted on the strategy.

Administration Strategy

6. The main aims of the strategy are to ensure that the administering authority and scheme employers work together for the benefit of members; to ensure statutory compliance and efficiency in the administration of the scheme.
7. Whilst administration processes and requirements for scheme employers have been in place for some time, the development of the strategy provides the administering authority with the ability to enforce compliance with scheme employers to meet their statutory requirements.
8. In the past compliance has been ensured by the Nottinghamshire Pensions Administration Team through chasing and persuading employers, which is very time consuming. With the increase in the number of scheme employers, in the main due to the number of schools converting to academy status, and the development of local government companies it is becoming more difficult for the pensions administration team to ensure compliance without a more formal structure. All LGPS administering authorities are experiencing issues of compliance and have, or are developing similar strategy documents.
9. The Administration Strategy outlines the responsibilities and procedures to be followed by employers and the administration team as the delivery of the administration service is not the responsibility of just the administering authority, but is dependent on joint working with scheme employers.
10. Timeliness and accuracy are an important element of delivering a high quality service to scheme employers, and scheme members. Legislation dictates minimum standards that pension schemes should meet. The strategy outlines these standards and seeks to work with employers to ensure that these are met.
11. One of the aspects of the strategy identifies circumstances where the administering authority may levy costs associated with scheme employer's poor performance. Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2007 provides that an administering authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. However it is the intention of

the administering authority to work with scheme employers to ensure that statutory information is received on time. The strategy provides for the administration authority to recover additional costs where these are incurred due to employer poor performance.

12. The pension administration team are currently developing and implementing processes, and strategies including software developments that will support scheme employers in enabling them to meet their statutory requirements.
13. The circumstances where such additional cost that might be recovered from scheme employers are:
 - Persistent failure to provide relevant information to the administration team, scheme member or other interested party in accordance with specified performance targets that are identified in the strategy document (either as a result of timeliness of delivery or quality of information);
 - Failure to pass relevant information to the scheme member or potential members due to not meeting agreed timescales outlined in the performance targets;
 - Failure to deduct and pay over correct employee and employer contributions to the Nottinghamshire Pension Fund within stated timescales;
 - Instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body.

Consultation

14. The Administration Strategy was circulated to all 295 employers within the scheme on 29th November 2016 for consultation responses to be received by 6th January 2017.
15. Following the closure of the consultation on 6 January 2017, 11 employers responded with comments and these have been considered against the strategy document. A report regarding the consultation was presented to Pensions Sub Committee on 2 February 2017 feeding back on some of the main points raised. In summary they were:
 - All responses have welcomed the Administration Strategy.
 - The time frame for actions within the strategy has been raised in a number of responses especially regarding the calculation of redundancy and pension estimates for scheme employers.
 - The training of scheme employers has been raised by a number of respondents, and as part of the implementation of the strategy an employer's training day took place on 9 February 2017. This is the first of a programme of activities.
 - A comment was received on the complicated nature of the pension's forms. It should be noted that all forms comply with the LGPS regulations. A number of these forms will be superseded by the implementation of an employer's pension system portal. In the interim forms are being reviewed.
 - The requirement for employer briefings, and business partnership roles/ account managers to support scheme employers. This is a resource issue for the administering authority and we are looking at different ways of providing information, e.g. webinars, via the recently updated and relaunched Nottinghamshire Pension Fund website.

- There have been a number of comments on how the fines will be calculated and levied against employers. Clearly the administering authority will be working to support employers to mitigate any issues of non-compliance.

16. As part of the consultation a copy of the Administration Strategy has been circulated to the Pension Board and will be presented at the next meeting in April 2017, date to be confirmed.

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

It is recommended that Members agree the Administration Strategy attached as Appendix A for implementation from April 2017 .

MARJORIE TOWARD
SERVICE DIRECTOR – CUSTOMERS AND HR

For any enquiries about this report please contact:

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Constitutional Comments (KK 15/02/17)

The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KP 02/03/17)

There are no financial implications arising from the contents of the report.

Background Papers

Copy of generic consultation response document

Electoral Division(s) and Member(s) Affected

All