

2 February 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 provide the Pensions Sub Committee with an update on the consultation and implementation of the Pension Administration Strategy.

Information and Advice**Background**

2. Over the last six months the Nottinghamshire Pension Office have been developing an Administration Strategy for the Nottinghamshire Local Government Pension Fund. 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 communication by the Administering Authority and the Scheme Employers to each other of information relating to those functions.
 - The circumstances in which the Administering Authority may consider giving written notice to a relevant employing authority on account of that employer's unsatisfactory performance in carrying out its functions under these regulations when measured against levels of performance.
 - Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.
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 must be consulted on the strategy.
 6. The draft Administration Strategy document was circulated to all Scheme Employers on 29 November for comments to be returned by 6 January 2017

Administration Strategy

7. Whilst administration processes and requirements for Scheme Employers have been in place for some time, the development of this strategy provides the Administering Authority with the ability to enforce compliance with Scheme Employers to meet their statutory requirements. In the past this has been done 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 due to the number schools converting to academy status, and the development of local government companies it is becoming more difficult for the Nottinghamshire Pensions Administration Team to ensure compliance. All Administering Authorities are experiencing these issues and are developing similar strategies.
8. The Administration Strategy outlines the responsibilities of and procedures to be followed by employers and the Nottinghamshire Pensions Administration Team as the delivery of the administration service is not the responsibility of just the Administering Authority, but depends on joint working with Scheme Employers.
9. 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 ensure that these are met.
10. 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. Where the Administering Authority wishes to recover any such additional costs they are required to give written notice stating:

- The reasons in their opinion that the Scheme Employer's poor performance contributed to the additional costs;
- The amount of additional costs incurred;
- The basis of how additional cost will be calculated;
- The provisions of the Pension Administration Strategy relevant to the decision to give notice.

11. The circumstances where such additional cost that might be recovered from the Scheme Employer 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 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

12. The Administration Strategy was circulated to all employers within the scheme for consultation, with an end date of the 6 January.

13. It is then the intention to consider any comments in finalising the document for presentation at Pensions Committee on 14 March 2017 for final agreement and ratification.

14. As part of the consultation a copy of the document has been sent to the Pension Board and will be presented at the next meeting in April.

15. At the time of writing this report there have been minimal comments received on the strategy from Scheme Employers. Any significant comments will be presented at Pensions Committee.

Statutory and Policy Implications

16. 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

That members note the content of the draft Administration Strategy, attached as an appendix, and the proposal for final agreement of the Administration Strategy.

That the report be presented to Pensions Committee.

MARJORIE TOWARD
SERVICE DIRECTOR – CUSTOMERS AND HR

For any enquiries about this report please contact:

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Constitutional Comments (KK 15.12.2016)

17. As the recommendations of this report are for noting, the contents are within the remit of the board.

Financial Comments (KP 16.12.2016)

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

Background Papers

Draft copy of the Administration Strategy

Electoral Division(s) and Member(s) Affected

All