

Non-Executive Report of the: PENSIONS BOARD 16 March 2020		 TOWER HAMLET
Report of: Neville Murton, Corporate Director, Resources		Classification: unrestricted
Review of Pensions Administration Strategy		

Originating Officer(s)	Miriam Adams, Pensions & Investments Manager
Wards affected	All

Introduction

The purpose of this report is to provide the Pensions Committee with the revised Pensions Administration Strategy (PAS) that has been prepared. The proposed updated strategy is included in the Appendix A.

A PAS provides a mechanism to formulate a service level agreement between the administering authority and the scheme employers.

Regulation 59 of the LGPS 2013 Regulations states that the strategy must be kept under review and it is considered good practice that an administering authority consults with employers when reviewing the Administration Strategy and therefore it is intended that this will be shared with the Fund's Employers ahead of (and discussed at) the Employer Forum on 17 March. An update will be given to the Committee on any points to note coming out of that Forum.

RECOMMENDATIONS

The Pensions Board is recommended to:

1. Note the contents of the revised Pensions Administration Strategy;
2. Note the target the Fund aims to achieve once remediation is fully implemented;
3. Recommend that the Pensions Committee approve the revised Pensions Administration Strategy, subject to consultation with stakeholders;
4. Recommend that the Pensions Committee approve the proposed administration objectives set out in 3.4 below; and
5. Recommend that the Pensions Committee approve that the Pensions Administration Strategy is published as required by the LGPS Regulations.

1. REASONS FOR THE DECISION

- 1.1 LGPS Regulation 59(1) states that an administering authority may prepare a written statement (known as an 'administration strategy') of the authority's policies in relation to such matters as:
- procedure for liaison and communication with Scheme employers
 - the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions;
 - the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers concerning additional costs arising from the Scheme employer's level of performance.
- 1.2 The Fund is required to consult with its Scheme employers and such other persons as it considers appropriate.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options to this report.

3. DETAILS OF REPORT

- 3.1 The Fund's existing Administration Strategy was agreed by the Pensions Committee in 2017 and came into force from 1 April 2017.
- 3.2 The aim of the Administration Strategy is to ensure both the Administering Authority and the Fund's Employers are fully aware of their responsibilities in the LGPS, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service.
- 3.3 It is considered that the existing Administration Strategy remains broadly appropriate overall, subject to the proposed changes below. Its focus is on working in partnership with the Fund's Employers to deliver a high-quality administration service. The Strategy clearly outlines how the Administering Authority will assist Employers in understanding and delivering their responsibilities. It sets out a formal process to be followed where an Employer is not carrying out their responsibilities, with the aim of working in partnership to escalate to a more formal approach if required. It highlights the use of i-Connect, once fully rolled out as the system that must be used by all Employers to provide monthly Scheme Member payroll information and contributions deducted to the Administering Authority.
- 3.4 The Appendix A includes the draft Administration Strategy with the proposed changes. The key changes are:

- Expansion of the background and regulatory/legislative requirements areas to make this clearer
- Details of the transfer of secure data, including the continued roll-out and implementation of i-Connect
- Overhaul of the Performance Standards section to be clearer about the areas that constitute the key performance indicators, and updating all other standards / responsibilities and moving into an Appendix
- Including details around the interaction with the Pension Board, the Scheme Advisory Board and the Pensions Regulator
- Expanding and clarifying the section on improving Employer performance where Employers are underperforming
- Including a section detailing the key risks to the Administration Strategy
- Expanding and clarifying the consultation and review process
- Including the Fund's administration objectives (and how to measure these). For information, the proposed objectives are:
 - Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
 - Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
 - Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
 - Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
 - Maintain accurate records and ensure data is protected and has authorised use only.

3.5 A consultation must take place with the Fund's Employers, initial consultation took place on 17 March at the Employer Forum.

3.6 The Pensions Administration Strategy (when approved) will be sent to all the Fund's employers and published on the Fund's annual report. A copy will be published on the Fund's website once work on this is completed.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications, other than that, by implementing and following the Pensions Administration Strategy, the Fund is trying to minimise the chance of financial loss occurring via poor administration or poor interaction with Fund Employers. There are no resource implications as a result of this report. However, failure to adopt the approaches set out in this report (e.g. use of i-Connect) would likely result in the need for additional staff members in the administration team.

5. LEGAL COMMENTS

5.1 The Council may in accordance with regulation 59(1) of the Local Government Pension Scheme Regulations 2013, have an Administration Strategy which covers matters such as the setting and review of performance targets,

communication between the administering authority and employers and such other matters which the Authority deems suitable for inclusion in the Strategy. Regulation The Authority is required to publish its Strategy and keep it under review. The Authority and employers must have regard to the Administration Strategy when carrying out their functions under the 2013 regulations. The draft Administration Strategy should assist the Council to fulfil its legal obligations in respect of administration of the pension fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The Pension Administration Strategy seeks to ensure the smooth running of the scheme by setting clear standards and expectations. Well established Service Level Agreements with Scheme employers would lead to better working relations and achieving of TPR targets.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 There are no direct best value implications arising from this report. However, arrangements for sound administration processes, including the implementation and maintenance of a clear and robust PAS will allow member queries to be handled efficiently thus allowing for member benefits to be paid in a timely manner and avoid possible financial hardship.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There is no direct Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The Fund's risk register includes risks such as the Fund being unable to meet legal and performance expectations due to employer issues.
- 9.2 The Pensions Administration Strategy is a key internal control in driving the changes that will help manage this risk. Ultimately non-compliance with Regulations and other legislation could lead to reputational damage and financial loss.
- 9.3 It is important that the Council has a clear PAS in place so that roles and responsibilities are clear.
- 9.4 Employers not understanding or meeting their responsibilities could lead the Fund not being able to meet legal or performance expectations

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

There are no linked reports to this agenda item

Appendices

Appendix A – Pensions Administration Strategy

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

None

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