

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	3 November 2017
Title:	Review of the Pension Administration Strategy
Report From:	Andrew Lowe, Head of Pensions, Investments & Borrowing

Contact name: Andrew Lowe

Tel: 01962 876370

Email: andrew.lowe@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to seek the Panel and Board's approval for proposed changes to the Pension Administration Strategy, and to approve the plan to consult on these changes with employers.

2. Contextual information

2.1. The Local Government Pension Scheme (LGPS) Regulations 2013 provide for an administering authority to have a Pension Administration Strategy which can cover matters such as:

- the procedures 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 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
- procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions

2.2. If an administering authority has a Pension Administration Strategy, it must keep it under review and must consult with Scheme employers (and such other persons as it considers appropriate) when reviewing or changing the Strategy.

3. Revisions to the Pensions Administration Strategy

3.1. The current strategy is reviewed annually but has remained largely unchanged since it was first written in 2011. However a number of key changes mean that revisions to the strategy are now required:

- 2014 CARE scheme is now embedded in scheme and employer processes
- increased numbers of employers are making structural changes to their organisations which have an impact on pensions
- Pension administration system improvements are feeding through efficiencies in processing
- greater involvement in public service pensions of the Pensions Regulator
- transparent monitoring and reporting of employer performance

3.2. As well as some minor amendments and clarifications, there are proposed changes to the strategy in the following areas:

- separate administration charges for employers who are restructuring
- employer performance standards for notifying Pensions of leavers
- additional requirement for data cleansing if there are concerns over the quality of employer data
- new employer performance standards for changes of payroll provider and outsourcing work
- reduction to Pension Service's target times for processing work

A copy of the current strategy with the proposed amendments is shown in Appendix 1. The key changes are described in more detail below.

4. Administration charges

4.1. The costs of pensions administration are charged to the Pension Fund and then shared equally across all employers when the Fund Actuary sets employer contribution rates.

4.2. An increasing number of employers are making structural changes which have pension implications and this puts pressure on the existing administration resource. Examples of this include conversion to academy status, outsourcing and the creation of wholly owned companies. Employers are charged for the actuarial and legal costs associated with these decisions but no charge is made for the additional administration carried out by Pensions Services.

4.3. It is proposed that the Administration Strategy allows for the administration costs of these decisions to be recharged to employers. To reduce the overhead, a set of flat rate charges will be established on the basis of estimated staff time depending on the complexity of the work. Employers will be notified of the relevant charge before any work is undertaken.

4.4. This change is made in paragraph 8.3 of the proposed revised Administration Strategy in Appendix 1.

5. Notification of leavers

5.1. Under the 2013 regulations, the definition of pensionable pay for CARE was expanded to include overtime. As many overtime claims are not paid until the month after an employee has left, employers have been finding it difficult to

provide final pay information to Pensions within the timescales set out in the strategy. This has become evident through the regular monitoring of employer performance which was introduced in 2015.

5.2. Employers have also fed back to Pensions that often they do not know a casual employee has left until the person is contacted for work and found to be unavailable. This means that leaver forms for casuals are often sent in months after the actual leaving date (which for pension purposes is the last date they worked).

5.3. The proposed changes to the strategy are:

- splitting out the employer service standards required for reporting retirements and other leavers
- changing the standard for non retiree leavers to measure from the last month in which the employee was paid
- changing the standard for casuals so that employer performance is measured from when the employer knew that the casual had left the scheme.

5.4. Pensions have informally discussed with employers whether changing the requirement for 20 days notice of a retirement would be beneficial, and whether this could be achieved without impacting on Pensions Services' aim of paying lump sums within 10 working days of retirement. The feedback to date has been that it would not be beneficial to change this standard. It is therefore currently proposed to keep the existing standard for retirements, but to ask for further feedback on this area in the consultation.

5.5. These proposed changes to employer service standards are shown on page 7 of the proposed revised Administration Strategy in Appendix 1.

6. Requirement for data cleansing

6.1. Employers have to submit an annual return by 30 April giving details of all employees who contributed to the scheme during the year. This data is used to produce annual benefit statements and provides a check that employers have notified Pensions of all changes during the year.

6.2. Employers are measured against the timeliness and quality of the data on this return. It is proposed that where significant data quality issues are identified then those employers will be asked to carry out a mid year data cleanse (based on a review of data as at the end of September) to help improve the quality of their data for the following year end annual return exercise.

6.3. As part of the data cleanse impacted Employers will be required to make a declaration by 31st December each year that either:

- they have fulfilled all of their requirements to notify the fund of changes in relation to starters and leavers and that they are up to date, or
- to advise of the steps that they will take to ensure their data, including notifying new starters and leavers, will be up to date at year end.

- 6.4. Pensions Services will however be able to ask an Employer to undertake a data cleanse at any other time if there is clear evidence of poor data quality and /or a backlog in notifications of starters and leavers.
- 6.5. Employers will be provided with details of the data cleanse requirement as part of the annual returns process. By having the detail outside of the strategy itself, the process can be refined following feedback from the first data cleanse exercises in early 2018.
- 6.6. The change is made in paragraphs 7.3 and 7.4 of the proposed revised Administration Strategy in Appendix 1.

7. New service standards for changes of payroll provider and outsourcing

- 7.1. The strategy has been updated to include employer service standards for change of payroll providers and for outsourcing. This is necessary because of the number of employers who now undertake these exercises and will provide clarity about the information and timescales that are required.
- 7.2. These new service standards have been added to the Employer responsibilities table on pages 8 and 9 of the proposed revised Administration Strategy in Appendix 1.

8. Reduction in processing times for Pensions Services

- 8.1. Pensions have now been using the current pensions administration software for over two years and the system has driven process improvements. The current service standards are based on statutory requirements but Pensions are always exceeding these. It is therefore proposed to reduce the current published standard of 20 working days for processing retirements and estimates to 15 working days.
- 8.2. These new service standards have been added to the HPF responsibilities table on pages 11 and 12 of the proposed revised Administration Strategy in Appendix 1.

9. Consultation process

- 9.1. The proposed changes to the Administration Strategy have been formulated following informal feedback and discussions with employers. It is proposed that the draft revisions will be shared with all employers, via their high level and payroll contacts, allowing a four week period for responses to be submitted.
- 9.2. Once the responses have been collated and assessed, a final version of the updated strategy will be shared with the Panel and Board for approval at the December meeting.

10. Recommendation(s)

- 10.1. It is recommended that the Panel and Board:
 - i) approve, for consultation, the proposed changes to the Administration Strategy
 - ii) agree the plan for employer consultation

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: an action is required by the Pension Fund Panel and Board as the Administering Authority for the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.1. Equalities Impact Assessment:

1.2. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

3.3. No specific impact.