

<b>Essex Pension Fund Board</b>	<b>EPB/12/12</b>
<b>date: 7 March 2012</b>	

## **Administration Strategy**

Report by the Pension Services Manager

---

Enquiries to Jody Evans on 01245 431700

### **1. Purpose of the Report**

- 1.1 To present to Board members the first draft of an Essex Pension Fund Administration Strategy.

### **2. Recommendations**

- 2.1 To agree the draft Administration Strategy so officers may begin consultation with employers and any other interested stakeholders.

### **3. Background**

- 3.1 Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008 provides that Administering Authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.
- 3.2 The regulation also sets out various elements that Administering Authorities might wish to include within their administration strategy. In addition it specifies that when preparing or reviewing any such strategy, it should consult its employing authorities and such other persons as it considers appropriate.
- 3.3 This provision was introduced into the LGPS in 2008 and it is not compulsory for Administering Authorities to produce an administration strategy. However, it is considered best practice to have a strategy in place as it provides transparency and clarity in relation to how the administration services are managed and delivered.

### **4. Draft Strategy**

- 4.1 A number of administration matters have been considered by the Board in the past, including clear administration objectives, and therefore much of the information that would be included in a strategy has already been agreed. The attached draft strategy has therefore been developed for consideration by the Board taking into consideration matters already agreed and current practices.
- 4.2 As required by the Regulations, the draft strategy, taking into consideration any comments made by Board members at the meeting, will be circulated to all employing authorities within the fund for comments. Thereafter it will be taken back to the Board for final approval before it is published.

### **5. Link to Essex Pension Fund Objectives**

- 5.1 Putting in place an Administration Strategy will assist in achieving the following Fund objectives:
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
  - Evolve and look for new opportunities that may be beneficial for our stakeholders, particularly the Fund's beneficiaries, ensuring efficiency at all times
  - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
  - Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount

### **6. Risk Implications**

- 6.1 There are no key risks as a result of agreeing this draft strategy as it is predominantly based on current practices and previous Board decisions.

## **7. Communication Implications**

- 7.1 Officers will embark on a consultation exercise with employing authorities in the Fund prior to the final approval of the Strategy. Thereafter the Strategy must be published (which will be via the Fund's website).

## **8. Finance and Resources Implications**

- 8.1 The consultation exercise including responding to comments from employing authorities will require officer resource but it is expected that this can be managed within the existing resources.

## **9. Background Papers**

- 9.1 None.

# Essex Pension Fund

## ADMINISTRATION STRATEGY

### Introduction

This Administration Strategy has been prepared by the Essex Pension Fund (the Fund) and is effective from [Month] 2012. The Administration Strategy has been designed to meet the legislative requirements and in addition, meet the Funds objectives that are outlined within this Strategy. This strategy will be reviewed and updated by each year.

### Background

The Essex Pension Fund is part of the Local Government Pension Scheme and is managed and administered by Essex County Council (the Administering Authority). The Fund has around 400 employers with contributing members and the total membership of over 110,000 scheme members. These members are split into the following categories and with the following approximate numbers of members in each category:

#### **Scheme Membership of Essex Pension Fund (approximate figures at 31<sup>st</sup> March 2011)**

Active Members	43,342
Deferred Members	35,112
Pensioner Members*	30,749
Undecided Leavers	71
Frozen Refunds	1,948
<b>Totals</b>	<b>111,222</b>

\*Includes dependents

### Regulatory framework

This Statement has been produced in accordance with Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008. The Regulations provide that Administering Authorities may prepare, maintain and publish a written Statement setting out their policy concerning administration matters and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations state that the strategy may include some of these areas:

- procedures for liaison and communication with its employing authorities.
- levels of performance which the administering authority and its employing authorities are expected to achieve in carrying out their Scheme functions such as:

- the setting of performance targets,
- the making of agreements about levels of performance and associated matters, or
- the use of such other means as the administering authority considers appropriate.
- procedures which aim to secure that the administering authority and its employing authorities 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 employing authorities to each other of information relating to those functions.
- the circumstances in which the administering authority may consider giving written notice to any of its employing authorities with regard to recovering additional costs on account of that employing authority's unsatisfactory performance in carrying out its Scheme functions.
- the publication by the administering authority of annual reports dealing with–
  - the extent to which that authority and its employing authorities have achieved the levels of performance
  - such other matters arising from its pension administration strategy as it considers appropriate; and
- such other matters as appear to the administering authority, after consulting its employing authorities and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 43 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

This Administration Strategy of the Fund therefore sets out the information as required by the Regulations mentioned above.

## Strategy

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority

and scheme employers in the day to day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the LGPS, is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint responsibility of a number of different parties.

This Administration Strategy has been developed following consultation with employers in the Fund. [This will be relevant for the final version]

The aim of this strategy statement is to set out the quality and performance standards expected of Essex County Council in its role as administering authority and scheme employer, as well as all other scheme employers within the Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between a number of interested parties, including the administering authority and scheme employers. This strategy statement sets out some of the expected levels of performance of the administering authority and how levels may be set for the Fund's scheme employers, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

A separate Business Plan including actions in relation to administration matters is published and reviewed annually. This outlines how we intend to deliver this strategy and a timetable of events.

## Current Trends

This Administration Strategy is produced during a considerable period of change. Key issues currently around are:

- The prospect of major changes to the LGPS from 2014 as a result of public sector pension reform, resulting in the need for increased communication and major changes to most administrative processes;
- The introduction of automatic enrolment which will result in major communication and procedural challenges for the Fund and all of its employers;
- The continuing conversion of schools to academy status which requires a considerable amount of employer and scheme member liaison;
- Scheme employers delivering their functions in a variety of ways, including by outsourcing, which requires a considerable amount of employer and scheme member liaison.

## Key Objectives

To ensure that we are administering the Fund and we enhance the service we currently offer, we have set the following objectives.

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
- Protect data to ensure security and authorised use only

## Measuring success

To monitor our success against our objectives we will:

- Meet the national\* standard turnaround times in 95% of cases for specified processes
- Aim for no payment errors
- Achieve below the national\* average for new Internal Dispute Resolution Procedure appeals during the year and number of lost IDRs
- Aim for 100% of monthly reconciliations of equity and bond investment mandates being made timely
- Aim for 100% of contributing employers submitting timely payments
- Aim for no information security breaches

Our performance against these measures will be reported to each Essex Pension Fund Board (the Board) meeting as part of the Fund's scorecard.

\* As determined/measured through the Chartered Institute of Public Finance and Accountancy benchmarking club.

## Delivering the Objectives

### ***Method of Delivery***

There are a number of options for administering the Fund, including:

- In-house administration, and
- Third party administration.

The administering authority's approach is that the administration will be carried out by an in-house Pension Services team. This provides the administering authority with the greatest flexibility and control in delivering to the specific needs and objectives as determined by the Board whilst still being able to demonstrate efficiencies in comparison to other LGPS funds.

### ***Liaison and communication with employers and other stakeholders***

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the a level of service in line with the Funds' objectives as well as ensuring that statutory requirements are met.

The Fund may, where it is considered advantageous, put in place Service Level Agreements (SLAs) with the Fund's key stakeholders, in particular the employers in the Fund, so that service standards are explicit. The administering authority relies on employers to provide it with the appropriate information to maintain accurate records and pay accurate benefits. The Fund acknowledges that this is a partnership arrangement and any SLAs will incorporate statements of the commitment of the relevant parties in this partnership.

Further details of the procedures for liaison and communication between the Fund and its stakeholders are included within the Fund's Communication Policy and Communication Calendar.

### ***Circumstances where costs might be recovered due to employing authorities poor performance***

Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2008 provides that an administering authority may recover from an employing authority 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 an administering authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on which the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.
- In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

It is not the policy of the Fund to immediately move to recovering additional costs incurred in the administration of the LGPS as a direct result of the poor performance of a scheme employer. Instead, the Fund will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the necessary training and development and put in place an improvement plan to improve the level of service delivery into the future.



Where persistent failure occurs and the improvement plan is not followed by a scheme employer, additional administration costs will be recovered. However, this will only be pursued where the Fund has carried out the following steps

- Written to the scheme employer, setting out area(s) of poor performance.
- Met with the scheme employer, to discuss areas of poor performance and how these can be addressed and agreed an improvement plan; but no or little improvement has been demonstrated.
- The Board has agreed to reclaim administration costs following a report to them on the circumstances. A representative of the employer will be invited to attend the Board and provide their case.

The circumstances where this might be necessary are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales;

Where the Board agrees costs should be reclaimed, the following sets out the steps we will take in dealing with poor performance by a scheme employer:

- Issue formal written notice, where no improvement is demonstrated by the scheme employer/failure to take agreed action by the scheme employer, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;
- Clearly set out the calculations of any loss resulting to the Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance, including any fines levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body resulting from the employer's poor performance; and
- Make claim against the scheme employer, setting out reasons for doing so, in accordance with the Regulations.

## Confidentiality

The Fund is registered under the Data Protection Act 1998 as part of Essex County Council. Information on members and organisations is treated with respect by all our staff.

## **Disclosure**

The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC providers.

## **Equality**

We will make every reasonable effort to provide a service to our stakeholders in their preferred language or format on request.

## **Freedom of information**

Anyone has a right under the Freedom of Information Act [date?] to request any information held by the Fund which is not already made available. Requests should be made in writing to the [Pension Services Manager] at the address at the end of this document.

A fee may be charged and the Fund reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

## **Further information**

If you would like more information about the Scheme please contact us at the address below. Our offices are open Mon-Thurs 8:30-17:30 Fri 8:30-17:00.

Essex Pension Fund  
PO Box 11  
County Hall  
Chelmsford  
Essex  
CM1 1LX

Phone – [01245 431912]

E-mail - [pensionenquiries@essex.gov.uk](mailto:pensionenquiries@essex.gov.uk)

[www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)