

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

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| SUBJECT: | PENSIONS ADMINISTRATION STRATEGY STATEMENT |
| WARDS AFFECTED: | ALL |
| REPORT OF: | STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES |
| RESPONSIBLE PORTFOLIO HOLDER: | |
| KEY DECISION | NO |

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the required update to the Pensions Administration Strategy Statement, to reflect recent procedural changes resulting from the introduction of new legislation.

2.0 BACKGROUND AND KEY ISSUES

2.1 From 1 April 2008, Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008 provided that each Administering Authority may prepare a written statement of policies in relation to matters it considers appropriate to its pension administration service.

2.2 After consultation with employers and other stakeholders, this document would be published as the Pensions Administration Strategy Statement. Pensions Committee considered and agreed publication on 17 November 2009.

2.3 Regulation 65 further stipulates that the Administering Authority must keep its Pensions Administration Strategy under review and update it as necessary to reflect any material changes in its policies related to any matters contained therein.

Material Change: Automatic Enrolment Legislation

2.4 As a result of the introduction of both the LGPS Miscellaneous Regulations 2012 and overarching Automatic Enrolment Legislation, the procedures involved in the admission of employees into the Local Government Pension Scheme (LGPS) have been amended.

2.5 The required changes to procedures and forms for Automatic Enrolment were developed in collaboration and consultation with the Fund's largest employers.

2.6 The national staged roll out of Automatic Enrolment has meant that the largest employing authority in MPF had to comply with the legislation in March 2013.

- 2.7 The updated Fund procedures and forms are now in operation across all participating employers. To simplify administration and reduce Fund costs, the decision has been taken to standardise Scheme joining and leaving processes regardless of the individual staging dates of participating employers.
- 2.8 However, the specific obligations of Automatic Enrolment legislation will still only apply to employers at their individual staging date.

Material Change: Pension Saving Statements

- 2.9 The Fund must provide a 'Pension Saving Statement' to members who exceed tax thresholds within the Scheme. This threshold is referred to as the Annual Allowance and is the amount by which a member's overall pension savings may increase in any one year without having to pay a tax charge.
- 2.10 The Government has substantially reduced the Annual Allowance threshold, to the point that many more members within the Fund will require assessment and subsequently receive a 'Pension Saving Statement' and possibly a personal tax charge.
- 2.11 From April 2014, the improvement to the accrual rate will further increase the number of members who will be affected. An addition has been made to the Pensions Administration Strategy to detail the necessary liaison work required between the Fund and employers in meeting this obligation to Scheme members.

Material Change: Year End Contribution Returns

- 2.12 The LGPS Miscellaneous Regulations 2012 introduced a statutory deadline for the distribution of Annual Benefit Statements to members of the LGPS – this is six months from the end of the previous tax year which is effectively 5 October.
- 2.13 In order to meet this deadline, the Fund requires employers to submit their Year end contribution returns by the 30 April or the next working day every year. Previously this date was only applicable in a valuation year and the 26 May was acceptable in the other two years.

3.0 RELEVANT RISKS

- 3.1 Automatic Enrolment legislation mainly impacts the employing authorities and compliance with the new statutory duties is enforced by The Pensions Regulator.
- 3.2 The Pension Regulator has the power to impose enforcement notices on employers, including escalating financial penalties of up to a maximum daily rate of £10,000

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 The amended Pensions Administration Strategy has been circulated to all participating employers for consideration and comment.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 Inevitably, the statutory information and communication requirements of Automatic Enrolment will increase administrative costs for employers.

The Pensions Administration Strategy details the required changes to Fund policies and procedures – it cannot quantify individual employer costs as these will be related to their own workforce and supportive HR/Payroll systems.

- 7.2 Currently, the employers who have reached their staging date have all invoked the Transitional Delay option within the Automatic Enrolment legislation. This has reduced the amount of resource required of the Fund in processing new Scheme members and any resultant optant-out requests. Current operational requirements are being met by existing resources.
- 7.3 By meeting and working in consultation with the largest employers the procedural changes are operationally deliverable – smaller employers will benefit from development work and the production of associated guidance.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

The reforms to the LGPS have already been assessed by Government with regard to equality.

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 None arising from this report

12.0 RECOMMENDATION/S

- 12.1 That Members approve the amendments to the Pensions Administration Strategy Statement attached at Appendix 1.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 There is a statutory requirement to review and update as necessary the Pensions Administration Strategy Statement, in relation to any material change to policies and procedures.

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APPENDICES

1 Pensions Administration Strategy 2013

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
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