



PENSIONS COMMITTEE

24 SEPTEMBER 2024

REPORT TITLE:	PENSIONS ADMINISTRATION STRATEGY
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report outlines and recommends proposed revisions to Merseyside Pension Fund's Pensions Administration Strategy (PAS) which was last approved by Pensions Committee on 13 November 2017.

The PAS has been updated to reflect the transition from annual to monthly data submissions and developments in the automation of exchanging data.

The draft PAS was issued for consultation with participating employers from 17 June 2024 to 12 August 2024.

RECOMMENDATION/S

That the Pensions Committee the recommended to approve the revised draft Pensions Administration Strategy and charging schedule, with implementation taking effect from Monday 30 September 2024.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 Under the LGPS Regulations, the Fund may produce and publish a Pensions Administration Strategy (PAS) to provide a mechanism to assist the Fund and employers to work together to fulfil their joint responsibilities effectively in administering the Local Government Pension Scheme.

Following implementation, the Fund must ensure that it is reviewed and revised as appropriate.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The expected change from discretionary to mandatory status means that the review of the PAS is necessary to comply with impending legislative provisions and governance requirements.

3.0 BACKGROUND INFORMATION

- 3.1 The provision for a Local Government Pension Scheme (LGPS) Fund to produce a Pensions Administration Strategy (PAS) was first introduced into the LGPS Regulations in 2009 with the fundamental aim to provide a high-quality pension service to members.
- 3.2 This has been carried forward to regulation 59 of the 2013 LGPS Regulations which provides that an administering authority may prepare a written statement setting out the key roles and responsibilities of the Fund and its employers along with the targets that each party must attain in administering the LGPS.
- 3.3 The PAS can also specify the circumstances in which the pension fund may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from scheme employers level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions.

The Fund's Approach

- 3.4 Whilst the regulatory status of the PAS is discretionary, the Fund first produced a formal strategy in 2009 to align with the new provision. The objective was to provide a useful best practice framework on how the Fund and employers should work together in administering the LGPS.
- 3.5 The Strategy has been kept under continual review since 2009. There have been numerous iterations to reflect changes in working practices and regulations, including the move to the Career Average Revalued Earnings (CARE) Scheme in 2014.
- 3.6 The current version of the PAS was approved by Pension Committee on 13 November 2017.

Management Review of the Current PAS

- 3.7 The Fund management team commenced a review of the PAS in February 2024, assessing the impact and required changes following the transition from annual to monthly data submissions and the associated operational changes from both a Fund and employer perspective to reflect developments in automation of the exchange of data.
- 3.8 The draft PAS has been streamlined to make it easier for all parties to navigate to the pertinent function and procedures required to administer the scheme, improve stakeholder engagement and to assist with regulatory compliance by providing a framework that is clear and user friendly.
- 3.9 The service standards and performance targets have been tested against the revised Pension Fund Annual Report guidance produced jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA), the Scheme Advisory Board (SAB) and the Ministry of Housing, Communities & Local Government (MHCLG).
- 3.10 Consideration was also given by Fund officers to the new General Code of Practice recently published by the Pensions Regulator (tPR) and the recommendations of the SAB's Good Governance Review which will make the production of a Pensions Administration Strategy mandatory. The SAB is expected to issue the consultation and draft regulations in due course.
- 3.11 As part of the internal review process, a mandatory consultation for the revisions was opened to all participating employers on Monday 17 June 2024 and closed at 5pm on Monday 12 August 2024 (8 weeks).
- 3.12 In addition to general positive comments from employers, the Fund received specific feedback that resulted in either clarification or additions to the draft document shared during the consultation.

3.13 Feedback resulting in changes to the draft PAS are summarised as:

Organisation	Summary of Feedback
John Raisin Chair of Local Pension Board	Suggested changes to some headings and wording change to the Cyber-Hygiene section. Suggested that a paragraph should be included under Regulatory Framework referencing the April 2024 Statutory Guidance on <i>“Preparing the Pension Fund Annual Report”</i> .
St Helen’s College	Requested clarification on the requirement to appoint an adjudicator for consideration of Stage 1 Internal Dispute Resolution Procedure (IDRP). Narrative adjusted on the responsibility explaining the requirements for a suitable person to appoint and removed the requirement to inform the Fund on who the appointed person is annually, as this might change in regards the nature of any member dispute.
Sefton Council	Clarifications on payment of invoices, slight wording changed to be more explicit within document. Change requested to extend the period for leaver documentation for those employees not immediately accessing benefits – to ensure all payments due to the leaver have been processed by employer payroll.
Knowsley Council	Request for additional wording in regards adjustment of tolerances and consideration of interruptions to data provision when an “employer is transitioning to a new payroll system”. Early engagement with the Fund is encouraged from employers when changing payroll IT system.
Liverpool City Council	Feedback on the frequency of meetings and schedule for the Pensions Liaison Officer Group and practitioner training.
St Helen’s Council	Provided feedback that the Cyber-Hygiene section should include a position on the duty of the Fund to inform employers of any cyber-attack. Paragraph added to provide employers with that assurance. Requested clarification on the requirement to appoint an adjudicator for consideration of Stage 1 Internal Dispute Resolution Procedure (IDRP).

3.14 The PAS, once ratified by Pensions Committee, will be issued to employers and uploaded onto the Fund’s website and the secure employers’ website in accordance with the timeframe of the approved recommendation.

- 3.15 A copy of the latest version of the draft PAS, including amendments following feedback from stakeholders is attached as an appendix to this report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The chargeable costs within the Pensions Administration Strategy have been reviewed and shared with employers during the consultation period. The Pensions Administration Strategy (PAS) includes the Fund's approach to the application of charges in the event of non-compliance with key performance standards set out for participating employers.
- 4.2 Employers are charged for the cost of administration by the Fund by an allowance of 0.5% included within their pension contribution rate. This is a flat-rate amount and takes no account of the actual allocation of Fund resources between each employer or any additional non-statutory casework undertaken by the administration team.

5.0 LEGAL IMPLICATIONS

- 5.1 The Pensions Administration Strategy reflects the employing authority and administering authority responsibilities in delivering the statutory function of the Local Government Pension Scheme, in accordance with the Public Service Pensions Act 2013 and the Local Government & Housing Act 1989.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The PAS outlines the engagement process with employers who by failure to provide timely and relevant information may subject the Fund to sanctions and/or fines from regulators and government departments. The PAS informs employers of the circumstances where costs might be recovered as a direct result of their unsatisfactory level of performance.

7.0 RELEVANT RISKS

- 7.1 The Fund has a legal duty to comply with legislation and statutory guidance, failure to do so will result in challenge from scheme members, the Pensions Regulator and the Scheme Advisory Board.
- 7.2 The measures in the revised PAS reduce the risk of holding inaccurate data as the objective is to deliver operational efficiencies, rationalise resources and to secure a positive timely relationship with participating employers.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Fund officers conducted a consultation during the summer with all participating employers on a revised Pensions Administration Strategy, in recognition of Regulation 59(4) of the Local Government Pension Scheme Regulations 2013.
- 8.2 The Local Pension Board was included in the consultation.

9.0 EQUALITY IMPLICATIONS

- 9.1 Ministry for Housing, Communities and Local Government (MHCLG) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.

The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>

MHCLG and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The Fund continues with its digital strategy across all operational areas and communications with stakeholders, with the aim to improve service delivery and to reduce its internal carbon footprint.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 There are none directly arising from this report.

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APPENDICES

Draft Pensions Administration Strategy 2024

BACKGROUND PAPERS

Local Government Pension Scheme Regulations 2013 as amended

[Scheme Advisory Board Good Governance Project](#)

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

Council Meeting	Date
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