

Pension Administration Strategy

1. Project Purpose

To develop and implement a Pension Administration Strategy (PAS) which all employing authorities will sign up to and which will improve information flows between the London Borough of Havering (LBH) and its employers. The PAS will explain LBH's preferred method for information submission, and the cost recovery procedures to be introduced if the employer does not follow these. It will also clarify the levels of service to be offered as standard and the process to be followed if an employer requires any additional services.

2. Background

As part of the LBH pensions administration transformation project LPP will be looking to create a PAS document. The aim of PAS is to ensure that both LBH and its employers are fully aware of their responsibilities under the Scheme and to identify acceptable levels of performance. It should be highlighted that under LGPS regulation the terms 'Strategy' apply to all employers whether they have signed up or not, it is however preferable that all employers engage with the LBH on this matter.

The ultimate aim of this strategy is to educate employers to provide accurate and timely data to LBH which will improve the service provided to scheme members. Failure to comply however could result in a charge being levied in accordance with the terms set out in the PAS.

Delivery of a high quality administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

The strategy will apply to all existing employers in the fund, and all new employers joining the Fund. In preparation for this strategy LBH will have to consult with the relevant employers and other persons considered appropriate.

LBH will review the Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years.

LPP have developed a number of online initiatives which will improve the efficiency of the dataflow between LPP and its employers. These initiatives are tried and tested and LBH should be looking to adopt these initiatives as part of the transformation and shared service offering. These initiatives have been created so that if there are errors in the submission it is for the employer to correct them, rather than LBH staff.

This not only means efficiency savings for LBH but also should lead to the member receiving the correct information at a faster time.

The e-initiatives are:

- Online forms
- Online submission of monthly contributions
- Bulk Estimates requests
- Data matching

LBH will need a way to encourage employers to use these initiatives and PAS is a tool to do this.

Late, incomplete and non-receipt of data from employers lowers the level of service provided by LBH to its Fund members and other stakeholders and increases costs which are then spread across all active employers in the Pension Fund as part of their employer contribution rate.

The project supports LBH drive for 'a greater London' and efficiencies. It will also decrease administration costs over time and provide the ability to recharge costs caused by employer action directly to the relevant employer. This is seen as a worst case scenario and the better option would be if all employers were educated to provide data in the most effective manner.

Phase 1 of the project will be the development of the range of documents making up the PAS:

- Pensions Administration Strategy Statement – policy statement
- Variation of Contribution Rates – legally enforceable and the document all employers will be asked to sign
- Service Level Agreement – Containing measurable KPIs
- Employer Guide – or rather a brief version which employers can have on their desk and assists them in complying with the Service Level Agreement.

These documents and a detailed accompanying project initiation plan will set out timescales for these documents to be completed.

LBH would also seek to consult with employers on the complete PAS document and their views on the service levels to be included as standard.

Phase 2 of the project features consultation with employers and marketing of the PAS, formal sign up, recording of information, reporting of information and charging.

The legal power to charge this additional amount stems from the Pension Administration Strategy – Extract from the Local Government Pension Scheme (Administration) Regulations 2008 reg 65 and 43

Additional costs arising from employing authority's level of performance

43. — (1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.

(2) The administering authority may give written notice to the employing authority stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;

(c) the basis on which the specified amount is calculated; and

(d) where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

3. The PAS Vision

The aim of the PAS is to ensure that both LBH and its employers are fully aware of their responsibilities under the Scheme and to identify acceptable levels of performance. All employers will be asked to sign up to the PAS by 1st April 2018 and to comply with standards set by the Service Level Agreement. The ultimate aim of this strategy is to educate employers to provide accurate and timely data to LBH which will improve the service provided to scheme members. Failure to comply however could result in a variation of the administrative element of the contribution rate an employer pays.

4. Business case & expected benefits

Business Case:

Establishing a PAS in accordance with the LGPS has a direct link to LBH's efficiency drive.

This process will also go towards improving communication with employers, and develop our profile as a leading pension scheme administrator.

Expected Benefits:

Greater efficiencies and improvements in service levels can be achieved by working with employers to encourage and educate them to provide correct and timely data without the need for reminders and by providing the facilities to aid this process.

- Efficiencies for both LBH and employer
- Cost recovery: Income is not the key driver here – charging to be used as a last resort as would ultimately mean failure of other educational methods. Any charges would be cost recovery.
- LBH seen as a lead authority
- Should lead to fewer complaints from the final user since the case could be completed quicker and with more accurate information.
- Compliance with cost sharing

Experience indicates that charges are a persuasive influence on behavioural change and the knowledge that increase in contribution rates will be forthcoming will accelerate the take up of PAS initiatives and focus employers on the service they provide to LBH, leading to efficiency savings in administration time and costs through first time processing.

5. Acceptance criteria

- Improved data flow between LBH and its employers.
- Increase use of LBH's preferred method for information submission
- Efficiency savings for LBH

6. Links to other projects or systems

The PAS will be reliant on the following systems to maintain and acceptable dataflow for day to day work and an accurate year end position in order to monitor employers and justify any potential charges

- **www.yourfund.org.uk website.** At present a number of year end queries will be identified by the system and published on the www.yourfund.org.uk website. These queries are linked directly to the LP48 case type on Prows. As a LP48 case is completed, the query will disappear from the website. If information to resolve the year end query is submitted by employers directly to Pension Services, there is no guarantee that the LP48 case will be closed – therefore remaining on the website and not showing a true reflection of the current position. This needs to be considered during the reporting and monitoring stage of the Project
- **Case Management System (CMS).** A solution to the above could be built into the new CMS System.
- **Finance systems** – what is the impact here, if any?

The www.yourfund.org.uk website and CMS will form part of the core systems included within the shared service offering from LPP. These systems are used by the other oneSource boroughs, Newham and Bexley, who have exemplary monthly performance stats. Both boroughs have an average of over 97% cases completed on time for the last financial year and in January 2017 both Boroughs achieved 100% cases completed on time. With the creation of PAS and implementation of the above 2 key systems LBH could see improvements in both dataflow and key performance indicators.