



## West Northamptonshire Council

### Pension Fund Board

25 January 2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Northamptonshire Administration Strategy</b>
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#### Contributors/Checkers/Approvers

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#### List of Appendices

**Appendix A – Current Administration Strategy**

**Appendix B – Draft amended Administration Strategy**

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

1.1. To present the Board with a copy of the amended Administration strategy for pre-scrutiny.

#### **2. Executive Summary**

2.1 The Administration strategy is a key document for the Fund setting out a framework for administering the Fund by outlining the policies and performance standards to be achieved by the administering authority and scheme employer.

2.2 The strategy has been completely re-written and this report summaries each section of the strategy and any changes made to them.

2.3 The strategy will be presented to the Committee at its March meeting where they will be asked to approve the strategy for consultation with employers.

#### **3. Recommendation**

3.1 That the Pension Board review the draft administration strategy and provide any comments before final approval by the Pensions Committee.

#### **4. Reasons for Recommendation**

4.1 To ensure the administration strategy remains relevant and reflects both current legislation and practice.

## **5. Report Background**

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- 5.1 The administration strategy sets out a framework for administering the Fund by outlining the policies and performance standards to be achieved by the administering authority and scheme employers to enable the provision of a cost-effective and high-quality pension administration service.
- 5.2 The Local Government Pension Scheme Regulations 2013 (“the Regulations”) states that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters and that if an administering authority does so, the administering authority and its scheme employers must comply with the requirements and standards set out in the strategy, when carrying out their functions.
- 5.3 The Regulations also require that the administering authority should consult with scheme employers when preparing or reviewing its administration strategy.
- 5.4 The Administration Strategy has been reviewed by officers with support from the Fund’s Governance and Benefit consultations Aon.
- 5.5 Following the review, the administration strategy has been completely re-structured and re-written where required to bring the strategy up to date with current policies and practices.
- 5.6 The strategy also now includes sections on digital administration, particularly the use of i-Connect to collect membership data, and details the Fund’s escalation policy.
- 5.7 The Board is asked to review the document and provide comments ahead of approval by the Pensions Committee.

## **6 Issues and Choices**

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### Changes to the existing policy

- 6.1 The strategy has been completely restructured and re-written where appropriate following review and guidance provided by Aon. The changes to each section of the document are summarised as follows:

### Regulatory Framework

- 6.2 The references to relevant overriding legislation have been rewritten to provide more detail on the regulatory framework underpinning the strategy including direct reference to the relevant overriding legislation.

### Aims and Objectives

- 6.3 This section has been updated to ensure they key Fund objectives met by the policy reflect changes since the last strategy review and to also include the specific aims of the strategy itself.
- 6.4 This new list of specific aims for the strategy will allow officers to better review the effectiveness of the strategy against desired outcomes at future reviews.

### Key Risks

- 6.5 This is a new section included highlighting key risks to achieving the aims of the strategy and relevant Fund objectives.

### Delivery of Administration

- 6.6 This section replaces the section previously titled “Delivering the objectives” and has been expanded.

- 6.7 Due to the joint administration arrangements in place for administering the Fund background detail has been included about the governance and operational structure of the Fund.
- 6.8 The subsection titled “Liaison and communication with scheme employers” has been re-written to emphasise the importance of a partnership style approach to the relationship between the Administering Authority and scheme employers and summarising the key responsibilities of each in facilitating this approach.

#### Digital Administration

- 6.9 This is a new section added to the strategy to reflect the Fund’s “digital by default” approach to administration.
- 6.10 The focus of this section is providing overview of the use of i-Connect to collect membership data and the expectations around the monthly submission of data.
- 6.11 This section also reduces the deadline for the submission of i-Connect from 10 working days after the end of the calendar month to 7 working days.
- 6.12 The reason for this change is to ensure that statutory obligations of both scheme employers and the Administering Authority can be met in all months. A review of the i-connect process against statutory deadlines identified a risk that in certain circumstances the current i-connect deadlines could lead to an employer failing to meet their statutory obligations.
- 6.13 For example, employers have 6 weeks under automatic enrolment legislation to inform the Fund of any new starters and the Fund has 2 months to provide any new starters with information about the scheme. If a new starter is enrolled into the scheme on the 1<sup>st</sup> of the month, the current deadline carries a risk that the employer would miss this 6 week deadline in certain months if submitting their i-connect data on the 10<sup>th</sup> working day after the month’s end.
- 6.14 The current deadline also means that in cases with a start date early in the month, officers only have 2 weeks in which to process the record and send a welcome pack to the new member by the statutory deadline. If there are any queries on the information received, it is likely that the deadline would be missed. The new 7 working day deadline should ensure that the statutory deadlines can be met every month.
- 6.15 The earlier deadline will also help improve the member experience in other areas such as non-retiring leavers, allowing officers to process cases earlier than under current arrangements.
- 6.16 This section also provides a short summary of actions that members can complete digitally using their online pension account as well as reassuring members that they can opt out of digital communications if they wish to do so.

#### Administering Authority and Scheme employer responsibilities

- 6.17 These sections have been added following advice from Aon to improve transparency and ensure that the responsibilities of the Administering Authority and scheme employers are set out clearly and understood by all stakeholders.

#### Data queries

- 6.18 This is a new sub-section added to highlight the importance of resolving data queries and setting out expectations for scheme employers. The escalation process to be used by officers when dealing with queries has also been set out in appendix D to the strategy to manage expectations and increase transparency.

### Performance standards

- 6.19 This section has been updated to put emphasis on the Fund's focus on providing a good customer experience for our members and to expand on the methods that will be used to ensure compliance. The additional methods include:
- Reporting of persistent poor performance by an employer to the Pension Fund Committee and where appropriate the Pensions Regulator
  - Recovery of any additional costs incurred due to the poor performance of a scheme employer.

### Working with our Scheme employers – Improving administration

- 6.20 This section has been expanded to provide more detail and transparency on the methods that officers will use to try and assist employers and improve performance where necessary.
- 6.21 The key addition to this section is reference to the escalation process that will be used to resolve any issues with employer performance with more details provided in appendix D.
- 6.22 To ensure the emphasis is on working with scheme employers and ensure that the recovery of costs is seen as a method of last resort, the detail on the circumstances where the Administering Authority would seek to recover costs and sample the schedule of charges has been moved to appendix E.

### Appendix A – Member Experience Performance Standards

- 6.23 Appendix A has been amended to focus on key performance indicators for measuring member experience. This previously detailed expectations of the expected performance of a particular task or function including both employer and administering authority actions within that task or function. These targets did not specifically consider the member experience from start to finish of a particular task or function.
- 6.24 This new table considers the entire member experience from start to finish and includes details of the legal requirement for completion of particular tasks or functions that the Fund will monitor. It also sets out the expectations for both the employer and administering authority actions within that task or function followed by an overall target.
- 6.25 The overall target will generally be the same as legal requirement but may be less where appropriate. The overall target may not equal the sum of both the employer and administering authority targets reflecting the fact that other dependencies may exist. E.g. reliance on information from the member and/or other external parties.

### Appendix B – Performance standards relating to scheme employers

- 6.26 Appendix B sets out the performance standards expected from scheme employers. The wording has been updated to reflect current practice or language used and where necessary, the expected performance level has been updated to reflect current best practice or requirements to ensure statutory obligations can be met.

### Appendix C – Performance standards relating to the Administering Authority

- 6.27 Appendix C sets out the performance standards expected from the Administering Authority. The wording has been updated to reflect current practice or language used and where necessary, the expected performance level has been updated to those more recently approved by the Pension Fund Committee.

### Appendix D – Escalation Process

- 6.28 Appendix D sets out the escalation process to be used for three processes:
- monthly submission of membership data via i-Connect

- responding to individual queries for time-critical case-work
- responding to bulk queries usually resulting from cyclical processes or project work

6.29 These escalation processes set out what actions will be undertaken and the response time expected from the employer at each stage of the process.

Appendix E – Circumstances where costs might be recovered

6.30 Appendix E sets out the circumstances where costs may be recovered and provides an illustrative schedule of charges for such scenarios. This is largely unchanged from the previous version with some updates to reflect current practices such as monthly data collection using i-Connect and removing reference to annual data collection.

**7 Implications (including financial implications)**

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**7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the recommendations.

**7.2 Legal**

7.2.1 There are no legal implications arising from this report.

**7.3 Risk**

7.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below -

Risk	Residual risk rating
Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	Amber
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	Green
Failure to administer the scheme in line with regulations and guidance.	Green

**7.4 Relevant Pension Fund Objectives**

7.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

## **7.5 Consultation**

7.5.1 The Fund's Governance and Benefits advisor Aon was consulted as part of this review.