

Avon Pension Fund

Administration Strategy Statement 2019

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Pensions Administration Strategy Statement 2019

INTRODUCTION

The Local Government Pension Scheme (LGPS) Regulations 2013 allow Pension Fund Administering Authorities to prepare a Pensions Administration Strategy (“the Strategy”) for the sole purpose of improving the administrative processes within their LGPS Fund. In discharging their roles and responsibilities under these regulations, the Fund and scheme employers (“employers” or “employer”) are also required to comply with any related overriding legislation and have regard for any regulatory guidance or Code of Practice issued by the Pensions Regulator (TPR)

Previously, the 1st April 2015 represented a key milestone in the governance arrangements of the LGPS. From this date the Pensions Regulator undertook responsibility for setting standards of administration and governance on all administrative aspects of the scheme, whilst Local Pensions Boards established under PSPA 2013 were introduced to provide an independent scrutiny role to ‘assist’ the Fund with its ‘regulatory compliance, effective and efficient administration and governance’.

This document details the revised pension administration strategy of the Avon Pension Fund (“the Fund”) in relation to the Local Government Pension Scheme. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. The document sets out the framework, outlining the policies and performance standards to enable provision of an efficient, cost-effective and high quality pension administration service ensuring the Governance and administration requirements of the TPR continue to be properly addressed as they fall to the Fund and employers.

The Local Pension Board will have responsibility for monitoring the implementation of the Strategy, including performance standards and will formally report to the Pensions Committee on both.

1. AIMS

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

2. LEGISLATIVE FRAMEWORK

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions. The Strategy is made in accordance with Regulation 59 of LGPS Regulations 2013 which allows administering authorities to prepare a Pension Administration Strategy following consultation with its Employers to facilitate best practices and efficient customer service in respect of the following:

- the establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- ensuring the Fund and its Employers comply with statutory requirements in respect of those functions

- improving the communication between the administering authority and its Employers of information relating to those functions.

The Strategy can also set out circumstances in which the Fund may consider giving written notice to any of its Employers under regulation 70 for additional costs on account of that Employer's unsatisfactory performance in carrying out its Scheme function.

Levels of performance achieved must be included within the Fund's Annual Report along with other matters arising from the Strategy that are considered appropriate.

All relevant regulations are set out fully in **Annex 1**.

3. KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Service Level Agreement)
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and scheme employers have appropriate skills and that guidance/training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in the Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maximise efficient use of resources.

4. ACHIEVING THE OBJECTIVES

There are presently over 400 employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver workable solutions; however standard ways of operating applicable to different employer groups would bring benefits. The number of employers within the scheme continues to grow as does the demand for more accurate and timely information, needed to improve liability management at both the local and national level. Furthermore, the Pensions Regulator is seeking higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund's administrative objectives:

- A Communications Policy that:
 - (i) Ensures members have accessible and timely information on all aspects of their pensions benefits and informs and enables decisions in respect of their pensions
 - (ii) Enables Employers to make effective decisions in the management of risks and liabilities as well as facilitates engagement in the wider pensions debate
- A training plan that will offer direct engagement and support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pensions Regulator requirements.
- An IT Strategy which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment.
- A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service.

(a) Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Funds' communications strategy is already well developed providing a wide range of solutions for all parties.

Continued development to the website and online services will aim to provide stakeholders with a single secure access point to relevant services and a range of tools to help streamline and improve efficiency, support good governance and be cost effective. Online services will be available through all devices and formats.

The Communication Policy Statement is attached as **Annex 2**.

The Customer Service Charter is attached as **Annex 5**

(b) Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments providing training courses and workshops for Employers and the Fund's staff alike when new Regulations are implemented or are under consideration. Additionally training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

With this in mind, it is important that both Employers and the Fund ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of the training strategy are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- Recognising the continued growth in employer portfolio – provide ongoing training platform on relevant employer responsibility

- To support the implementation of new technology within the Fund enabling greater self service for the Employer and streamlined administration
- To continually develop the technical skills and competencies of the Fund's staff and retain knowledge in the application of historic regulations
- To identify and develop staff to become the future managers and professionals of the Fund as part of a workforce development plan
- To ensure that members of the Pensions Committee and Local Pension Board also receive adequate training to properly discharge their function.
- Develop a new chargeable resource package to offer direct engagement/support to employers to ensure compliance with regulatory and TPR requirements.

To achieve this:

- The Fund will work with Employers' Human Resources, Payroll and other key staff to identify relevant skills and knowledge gaps and present an appropriate training programme
- Organise workshops and forums for Employers to debate new issues as they emerge
- Continue to invest in specific technical training and professional development of Fund staff
- Promote an ongoing programme of Committee and LPB member training and participation in national events to support governance arrangements.

This training strategy will ensure that both the Fund and Employers have a common understanding of their obligations under their Local Government Pension Scheme and that administrative processes are designed and in place to maximise efficiency and effectively manage risk.

The Fund will provide training for Employers' relevant staff, to build up and maintain a level of professional expertise which together with the Employer's own systems and processes will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

(c) IT Strategy

The ICT vision for Pensions Administration is to be able to "deliver high quality, efficient and integrated digital services to employers and members" in an increasingly regulated and financially complex environment.

The strategy builds upon the work already undertaken to achieve a digital step change between Fund and Employers in the use of technology to promote a significant degree of self-service. Further development in design solutions are needed to achieve greater efficiency in the wake of growing demand and releasing resources to support the control framework of the digital model and support employers at the front end and with higher value service.

Full details of the ICT Strategy are contained separately in **Annex 3**

(d) Performance

The Administration Strategy has a statutory obligation to set performance standards and publish both the targets and achievement against those targets. The purpose of doing so is to secure and monitor continuous improvement of the administration function. **Annex 4** details the performance measures and proposed targets which will be monitored. The outcomes will be subject to external scrutiny by The Pensions Regulator, the Local Pensions Board and the Pensions Committee. Information is also published in the Pensions Fund' Annual Report. It should be noted that many of these targets are set to ensure compliance with *statutory* requirements that already exist.

Service Level Agreement

New Service Level Agreements (“SLAs”) will be agreed with Employers to set and monitor performance at the local level and will include all the targets for both the Fund and the Employer and will include areas relating to TPR compliance and chargeable Fund resource to enable employers to meet compliance requirements.

The aggregated performance will be reported to the Pension Committee and Local Pension Board on a quarterly basis.

Reporting on Performance

The Pensions Regulator codes of practice require scheme managers to keep records of information pertaining to both common and scheme specific data across all membership categories. The Pensions Board will play an independent scrutiny role to ‘assist’ the Fund with its regulatory compliance and has the authority to report any serious concerns to the Pensions Regulator.

Assessment of the levels of administrative performance requires that agreed performance standards are continuously monitored and the results fed back to Employers. This will be achieved by the production of a quarterly Performance Report for each Employer to keep them fully informed of the efficiency of service delivery to the Scheme Members. The Performance Report will contain the key areas of performance and will be a working document. Reports will also take into account any TPR compliance issues and where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

The Performance Report will measure the efficiency of service processes covering early leavers, retirements, estimates and deaths in service between the Employer and the Fund to enable effective benefit processing and payment. The Report will also include, if appropriate, details of any complaints from members or employers and discretions not exercised or kept up-to-date by employers.

Review meetings to consider the findings will be held regularly with employers and will identify problem areas and devise an action plan to improve service delivery. Information from the Performance Report will be made available to the Avon Pension Fund Committee and LPB and details of performance review will be included in the Fund’s Annual Report.

(i) Performance failures

As stated at the outset, the purpose of this Strategy is to secure improvement across the Administrative processes of the Fund. Both the Fund and each Employer need to play their part in ensuring this. However in areas of continuous poor performance the Fund has the ability to apply financial penalties and will ultimately do so but this will be actioned only as a matter of “last resort”.

Where in the opinion of the Fund, it incurs additional costs because of an Employer’s poor performance in carrying out its functions, the Fund will:

- a) give written notice to the Employer that it will be invoiced for an extra monetary amount in respect of these costs (in addition to its standard pension contributions)
- b) specify the basis on which the extra amount is calculated and the provisions of the Strategy which are relevant.

If an Employer feels that an additional allocation of costs is not warranted it would have access to the Avon Pension Fund Committee on which Employers have representation.

- c) The Pension Regulator imposes a statutory obligation to scheme managers and to the Local Pensions Board to report failures which are likely to be of material significance.

(ii) Opportunity to improve

It is the Fund's intention that a poorly-performing Employer will be given the opportunity to improve its performance before additional costs are imposed upon it. However, if in the opinion of the Fund, that Employer fails to improve, the Fund will, after consultation with the Employer, issue an invoice payable by the Employer. The amount of the invoice will represent the cost to the Fund of the Employer's poor performance, plus any resultant additional work undertaken by the Fund's officers.

A schedule of charges is detailed in **Annex 6** and are payable within 30 days of date of issue.

(iii) Passing on "Statutory" Fines and charges

Where the Fund incurs a fine or charge for a breach of its statutory duties which is as a result of the Employer's performance failure (such as failing to provide the Fund with a change in a member's circumstances or supplying inaccurate or inadequate information for an employee member), the Fund reserves the right to require the Employer to reimburse it within 28 working days of the payment of the fine or charge.

Chargeable services

In certain circumstances additional services may be required by an employer. The Avon Pension Fund is able to offer chargeable services to employers in the following circumstances:

- Failure by an employer to meet the agreed data standards
- Request by the employer for additional assistance

A schedule of charges is detailed in **Annex 7**

Governance - Role of the Pensions Committee and Local Pension Board

The Avon Pension Fund Committee is widely representative of all the Employers in the Fund (reflecting best practice) and as such has a duty to ensure that the Administration of the Fund is carried out efficiently and cost effectively.

The Local Pension Board comprises of an equal number of member and employer representatives and an Independent Chairperson and has a duty to assist the administering authority in securing compliance with appropriate regulations ensuring the effective and efficient governance and administration of the Scheme.

The roles and responsibilities of both the Pensions Committee and Local Pensions Board are set out in the related Terms of Reference which form part of the Fund's Governance and Compliance Statement which is available on the Fund's website.

The Committee and LPB already receive quarterly reports in respect of the Fund and Employers administrative processes and performance and this is further enhanced with information regarding matters of compliance required by the Pensions Regulator in respect of data. The summary results reported will be scrutinised by the Board and Committee who will take action where appropriate.

The Committee annually reviews all Administrative targets and the costs of service delivery and will continue to do so in order to inform future changes to the Administration Strategy.

5. IMPLEMENTATION AND REVIEW

The Strategy sets out the key objectives of all the major areas of pension administration within the Fund and takes effect from 01 XXXX 2019. Prior to implementation a full consultation exercise will be undertaken with Scheme Employers. The Strategy will be further reviewed in 20XX.