

Item No	Subject	Page No
4	Pension Fund Governance Arrangements	59 - 62
9	Administering Authority Structure Report to follow.	63 - 68

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Worcestershire County Council Pension Fund

Extended Scheme of Delegation to the Chief Financial Officer

Full Council provided the Chief Financial Officer (CFO) with delegated responsibility on 12 February 2015 for the day to day administration of, and investment decisions for, the Pension Fund once the Pensions Committee was established. The CFO was given authority to delegate his functions to other officers. The following responsibilities were delegated to the CFO by Full Council, to take effect from June 2015, concerning the management of the administration of the Pension Fund:

1. Preparing and maintaining a Pensions Administration Strategy Statement, Policy Statement on Communication Strategy, Policy Statement on Governance Strategy, Funding Strategy Statement and Governance Compliance Statement.
2. Provision of data for the Triennial and Interim Actuarial Valuations. The Chief Financial Officer will also negotiate over actuarial assumptions, set the appropriate funding target and associated recovery period.
3. Preparing the Pension Fund Annual Report and Accounts.
4. Preparing the Pension Fund annual and triennial budgets.
5. Preparing and maintaining a Pension Fund Risk Register and monitoring key outstanding risks.
6. Overseeing and administering the Pension Administration Advisory Forum arrangement and review regular Forum reports to consider and address outstanding member and employer issues and concerns.
7. Administering the Pension Investment Advisory Panel arrangement and reviewing regular Advisory Panel reports to monitor performance of the Fund's assets.
8. Deciding upon requests for admission of qualifying Community and Transferee Bodies and Scheduled and Designated Bodies wishing to join the Fund.
9. Deciding upon key pension policy discretions that are the responsibility of the Administering Authority.
10. Executing documentation relating to the implementation of new and existing investment mandates, Independent Financial Advisers, Performance Measurement Consultant, Global Custodians, Actuaries and any other associated professional service providers.
11. Quarterly monitoring of Investment Managers' performance for managers not presenting to the Pension Investment Advisory Panel.
12. The effective discharge of the pensions administration function, including the payment of pensions and collecting and reconciling of contribution income.
13. Maintaining the Fund's accounting records.
14. Preparing and maintaining the Statement of Investment Principles, including implementing changes to the strategic benchmark for asset allocation.
15. Implementing and maintaining a knowledge and skills training plan for members of the Pension Committee and Pension Investment Advisory Panel.
16. Advising the Pension Committee.
17. Implementing and maintaining the cash flow strategy for the Fund, which includes the transfer of cash to the Fund's Global Custodian to ensure cash is fully invested when available and the transfer of cash from the Global Custodian to pay pension liabilities as they fall due.

In order for the Fund to be able to operate on a day to day basis effectively, the Pension's Committee are asked to approve the following delegation of its function concerning the management of the administration of the Fund to the Chief Financial Officer:

Investments and Reporting

18. Rebalancing of the fund's assets in line with the fund's strategic asset allocation.
19. Undertaking procurement exercises following Pensions Committee decisions to change investment managers / funds, global custodian, actuary and advisers. This responsibility will include the assessment of investment managers / funds and to shortlist managers for interview by the Pension Investment Advisory Panel.
20. Agreeing responses to government consultations, following consultation with the Chairman and vice-Chairman of the Pensions Committee, where the consultation timescale does not provide sufficient time for a draft response to be approved by the Pension Committee.
21. Authorising the transfer of assets and cash between fund managers and/or custodian as part of a transition of assets agreed by the Pension Committee.
22. Monitoring and reporting on the performance of the Pension Fund advisers.
23. Management of pension funds risk register.
24. Compliance with statutory disclosure requirements.
25. Negotiating and implementing fee discounts / reductions with the fund's investment managers, global custodian, actuary and advisers.
26. The handling of significant urgent matters, subject to having consulted the Chairman and Vice-Chairman of the Pension Committee, to be determined on a case by case basis, arising in the management of the Pension Fund between meetings of the Pension Committee, which fall within the predetermined strategy set by the Committee. For example, extending or signing of Investment Management Agreements, Transition Management Agreements, Custody Agreements, indemnities and guarantees, allocation of funds and other miscellaneous significant financial matters.
27. Matters where the financial value for approval of expenditure is under £100,000 or is incurred in the normal course of business e.g. the payment of lump sum benefits or transfers out from the fund.
28. The transfer and allocation of assets e.g. income received from pooled property and infrastructure funds, which have a value under £250,000.

Administration

29. In consultation with the Head of Legal and Democratic Services the making of admission agreements with relevant bodies.
30. The determination of the intervals at which standard employee contributions are payable to the Fund.
31. The determination of the final pay period for deceased members, where the member could have elected for an earlier period to count but died before so electing.
32. Making elections on behalf of deceased members for Certificates of Protection of pension benefits.
33. The exercise of discretion regarding the payment of death grants in respect of deceased scheme members
34. The exercise of discretion in respect of breaks in education or training for the purposes of deciding if a person can be regarded as a child.
35. The exercise of discretion in the apportioning of a children's pension between more than one eligible child.
36. The exercise of discretion in the payment of the whole or part of a children's pension to a person other than an eligible child.
37. The commutation of certain small pension benefits within the statutory limits to single lump sum payments so as to discharge future liability for payments.
38. The commutation of pensions in exceptional circumstances of ill health.

39. The agreement with employing authorities of meeting the cost of augmentation via extra employer contributions.
40. The determination of whether or not a person wishing to purchase certain additional pension benefits has undergone a medical examination to the satisfaction of the administering authority.
41. The determination of minimum contributions to the AVC scheme.
42. Obtaining revisions to a rates and adjustments certificate (e.g. when it appears that liabilities are arising in excess of those previously assumed).
43. The determination of intervals for the payment of employee and employer pension contributions to the Fund.
44. Charging interest to employers or other administering authorities on late payments due to the Fund.
45. The determination of intervals for payment to the Fund of rechargeable pensions and pensions increase.
46. The determination of the amount of any benefit that may be payable to a person out the Fund.
47. The determination of various matters in relation to new contributors including what previous service may be taken into account.
48. The approval of medical practitioners to be used by Fund employers in making decisions on entitlement to ill-health retirement.
49. Deciding disagreements raised under the Internal Dispute Resolution Procedure in respect of administering authority matters.
50. The transfer, to an employing authority from the Fund, of sums to compensate for loss caused by a former member's misconduct.
51. The payment of transfer values.
52. The acceptance of transfer values.
53. The approval of applications for the reinstatement of spouses' pensions under Regulation F7 of the Local Government Pension Scheme Regulations 1995 (as amended) in the following circumstances:
 - (a) if a spouse has remarried and that marriage has ended; or
 - (b) if a spouse has been cohabiting outside marriage and that cohabitation has ended.
54. The exercise of discretion on the extension of statutory time limits in respect of various applications made by employees and beneficiaries as provided in the regulations.
55. The waiving on compassionate grounds of overpayments of pension benefits.
56. The making and revision of a Pension Administration Strategy after consulting employers.
57. To make decisions regarding the payment of benefits in respect of members who are incapable of managing their own affairs through mental disorder or otherwise.
58. In conjunction with the Head of Human Resources and Organisational Development to carry out all employment functions of the Administering Authority and to deal with any staffing establishment issue in relation to staff employed.

This will be reviewed on an annual basis.

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Pension Committee
10 June 2015

9. ADMINISTERING AUTHORITY STRUCTURE

Recommendation

Existing role and size of Administering Authority

1. **The Head of Human Resources and Organisational Development recommends that:**
 - a) **the research project on the future provision of the Administering Authority be endorsed and a report be brought back with an options appraisal;**
 - b) **the impact of changes on the Administering Authority be noted; and**
 - c) **the Project Support capacity to work on key project areas be endorsed.**

2. The Administering Authority has 16 posts (15.49 FTE) and is responsible for implementing the statutory administration for members of the Local Government Pension Fund (LGPS) through the cycle of being current, deferred and pensioner members. The current numbers are shown in Table 1 below:

Table 1

	2015
Current Members	20,700
Deferred Members	16,800
Pensioner Members	16,200

3. During 2014/15 the Administering Authority processed over 35,000 tasks in the Pension System (Altair) including 930 New Pensioners; 162 New Widows and children; 1554 New Deferred 1554 and 4949 New Starters.

4. The staffing budget of £429,000 is a low cost to the Fund and places it in the bottom quartile for Staff Cost/Member ratio (CPFA Benchmarking Club 2014).

Case for change

5. Over the last decade the Local Government Pension Scheme (LGPS) has seen several significant changes which have had a major impact on the resources of the Administering Authority team.

6. To continue to deliver the widening role and function of the Administering Authority we should not rely on the current resources which are already under pressure managing the day-to-day activities.

7. We are working on 5 key areas of change:

- a) Scheme and regulation changes;
- b) Membership and risk changes;
- c) Increase of employers;
- d) Governance requirements; and
- e) Needs of Members and Communications

and these are described in more detail under paragraphs 8 – 12 below.

8. Scheme and Regulations Changes:

- A new final salary scheme in 2008
- A new and fundamentally different CARE scheme in 2014 requiring monthly career average pay posting, changing our calculations, impacting on our end of year processing and broadening the knowledge required to advise on both new Regulations whilst maintaining knowledge of protected arrangements retained from previous Regulations
- Changes to the regulatory framework for Pensions for example Pensions Auto-Enrolment, Life-time and Annual Allowances and Freedom and Choice.

Membership and risk changes

9. A significant increase in the overall number of members (current, deferred and pensioners) as shown in Table 2 below:

Table 2

	2005	2015
Current Members	18,500	20,700
Deferred Members	7,200	16,800
Pensioner Members	10,200	16,200

10. Increase of employers

- A sizable increase in the number of employers from 46 in 2005 to currently 155 as a result of academy conversions and an increase in the number of Admitted Bodies as a result of outsourcing exercises. This increase has also impacted on the payroll providers we need to contact which increases the number of queries, covenant strength work and the work to support the tri-annual valuations
- Responding to the increase of restructurings driven by the Employers across the Fund has resulted in a sharp increase in requests for estimates, actuarial strain costs, and processing the number of pensioners.

11. Governance requirements

- Servicing the Administration Advisory Forum and attending the Pension Committee and Pension Board (as required)
- The large increase in Admitted Bodies also requires the Administering Authority to review our current way of working to ensure that we have robust processes in place to respond to requests and bring forward such agreements in a timely fashion. In conjunction with the Principal Account for the Fund, the Administering Authority should provide more training and material resources to employers going through outsourcing projects – particularly maintained schools and academies, and support employers through second and third generation contracts. The Administering Authority also needs to demonstrate stronger covenant checks and monitoring of employer risk and bring forward a review programme for bonds
- The Administering Authority has also implemented an upgrade to the software to accommodate CARE and continues to support the tri-annual valuations.

12. Needs of members and communication

- As we move through the digital environment we are finding that members want to benefit from more electronic access to their records 24/7. The Administering Authority wishes to develop and implement 'member self-service' via our current software. This will reduce the number of queries and will enable members to control certain parts of their pension

administration e.g. pension calculations, estimates, changes to personal data etc. By using on-line communication the Administering Authority could contact members directly, and securely, to send annual benefit statements and payslips with a view to reducing our postage costs

- The Administering authority, in conjunction with the Systems and Customer Access Service, needs to review its communications strategy and challenge how we manage and respond to queries and consider merging with other helpdesks internally or with other Funds/organisations
- The relationship between the Administering Authority and the Employers in the Fund is crucial to how the Administering Authority works. It is important we develop this function ensuring that employers are aware of their specific responsibilities, deliver more guidance and information, roll out 'employer self-service' and provide more educational style workshops.

13. The changes above highlight the need for a fundamental review of the investment in the Administering Authority and it is proposed to appoint a temporary Project Officer, under the Extended Scheme of Delegation for the Pension Fund to deliver some of these key changes.

14. The Administering Authority expects to continue to receive more regulatory changes over the coming years and is awaiting the scheduled programme of change from the new Pensions Minister Dr Ros Altmann.

Planning the future

15. The Administering Authority needs to be prepared for continuing changes and be appropriately resourced to deliver its statutory functions.

16. The Administering Authority already works in partnership with other regional Funds sharing experience and skills in the delivery of newsletters and annual benefit statements. A review of these arrangements is important to develop new ways of working and maximize future partnership arrangements.

17. The government's direction of travel is to see a reduction in the current 99 funds and the Administering Authority, in considering future ways of working and managing change, must be forward thinking, innovative and pro-active.

18. The Head of HR & OD proposes to undertake a research project to seek out best practice approaches, review partnership arrangements between funds and the private sector, scrutinise costs and to bring forward an options paper of new ways of working.

Contact Points

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List of Background papers

In the opinion of the proper officer (in this case, The Head of Human Resources and Organisational Development) there are no background papers relating to the subject matter of the report.

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