

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.