

**DERBYSHIRE COUNTY COUNCIL**  
**PENSIONS and INVESTMENTS COMMITTEE**

**27 April 2016**

**Report of the Director of Finance**

**Pension's Administration – Major Developments 2016-17**

**1. Purpose of the Report**

To inform the Pensions and Investments Committee of the administrative developments and challenges facing the Pension Fund in 2016-17 and the measures being taken to meet them.

**2. Information and Analysis**

This year is a challenging one for the following reasons;

- i. Clean valuation data must be provided to the actuary by 15<sup>th</sup> July if they are to apply prompt and accurate analysis to the setting of employer contribution rates for 2017/18, 2018/19 and 2019/20.
- ii. Annual Pension Statements (APSs) are required by statute to be provided to deferred and contributing Fund members by 31<sup>st</sup> August
- iii. Pension Savings Statements (PSSs) are required by statute to be provided to Fund members who have reached their HMRC Annual Allowance threshold by 30<sup>th</sup> September.

These challenges are exacerbated by the increased complexities brought in by LGPS 2014 and delays in legislation, particularly around aggregation and transfers. As a result, some work has had to be stockpiled to add to the backlogs which had developed since 2014 as a result of the pensions administration system software struggling to reflect the increased complexity.

Furthermore, in order to meet the three challenges above, Derbyshire Pension Fund is dependent upon its employing authorities providing prompt and accurate year-end returns. This is something that some large employers failed to achieve last year, which contributed to APSs for contributing Fund members being delayed until the end of November 2015, representing a technical breach of the legislation.

The Pensions Regulator was understanding about last year's breach, which was repeated across 83 of the 89 LGPS Pension Funds in England and Wales, commenting that the Funds had faced '*a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements, while maintaining and implementing legacy systems*'.

However, LGPS Pension Funds were advised to take steps so that improvements were made for 2016. This specifically included putting processes in place which would enable the Fund to demonstrate the efforts made to assist and educate employers in submitting accurate, timely information, together with documented evidence of any failure to improve. Such evidence will be taken account of by the Regulator when considering if, for example, the issue of third party improvement notices to employers, rather than action against the administering authority, would be an appropriate response should similar problems reoccur.

Derbyshire Pension Fund has been working in the following ways, both before and since the Pension Regulator's advice, to ensure as far as possible that all the targets are met;

- i. The Pensions Administration Strategy was developed, approved by Pensions and Investments Committee on 29<sup>th</sup> April 2015, and issued to Fund employers; it is designed to ensure that employing authorities are fully aware of their responsibilities under the Scheme regulations and to identify acceptable levels of performance.
- ii. Reminders have been included about this and more specific details around employers' responsibilities in regular employer newsletters since November 2015.
- iii. Employers have been reminded that the LGPS Regulations make provision for the administering authority to fine employing authorities who fail to supply data promptly or accurately.
- iv. Special attention has been given to those employing authorities who found providing prompt and accurate annual data difficult last year. Derby City Council, for example, has responded so positively that it is planning to deploy two of its staff at County Hall for a week, to work with our team in resolving the inevitable discrepancies that are generated by year-end return processing.
- v. A year-end return template has been developed and issued to Fund employers with very clear instructions in good time for employers to plan how they would populate it.
- vi. Senior managers have continued to work closely with Civica, and set aside resource in-house, to develop and improve the functionality of the UPM pensions administration system.

- vii. Two extra posts have been created and the appointees have added to the resource working on cleansing the data and shifting the backlogs where possible.
- viii. A further post has been created and filled to support the Pensions Manager in dealing directly with employer communications and training.

### **3. Human Resources and Financial Considerations**

The new posts have been subject to Job Evaluation where appropriate and authorised at senior level. The costs of two Grade 6 posts and one fixed term Grade 9 post are charged to the Pension Fund budget.

### **4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal and human rights, equality and diversity, health, environmental, transport, property and prevention of crime and disorder.

### **6. OFFICER'S RECOMMENDATION**

That Members note the Report.

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27 April 2016