



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>24 MAY 2023</b>
Title	<b>PENSION ADMINISTRATION STRATEGY</b>
Report of	<b>PENSIONS MANAGER</b>

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## EXECUTIVE SUMMARY

1. Following consideration by the Local Pension Board, this report presents the Isle of Wight Pension Fund pension administration strategy to the committee for adoption.
2. Following adoption of the strategy, it will be published on the fund's website.

## RECOMMENDATION

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| 3. That the committee adopt the Pension Administration Strategy as recommended by the Local Pension Board and agree to its publication on the fund's website. |
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## BACKGROUND

4. Regulation 59 of the Local Government Pension Scheme Regulations 2013 (the regulations) makes provision that an administering authority may prepare a pension administration strategy. While this is not a mandatory document, the regulations do specify the content and process to be followed should an administering authority decide to publish such a strategy.
5. One of the recommendations arising from the Scheme Advisory Board's (SAB) Good governance project was that each administering authority must publish an administration strategy. The Department of Levelling Up, Housing and Communities (DLUHC) has yet to consult on the regulations required to enact the recommendations from this project.
6. The Isle of Wight Pension Fund adopted its first pension administration strategy (PAS) in November 2018. Due to capacity issues and other work priorities, the annual review of this policy was never actioned, so the current policy is significantly overdue for review.

7. In addition, numerous improvements to the pension administration service have been implemented since the publication of the last PAS, so many of the provisions contained in the current statement are invalid.
8. The revised PAS has been drafted from documents published by other LGPS administering authorities, adapted and amended for current Isle of Wight Pension Fund processes and procedures.
9. Subject to any changes which may be required as a result of future changes to regulatory requirements or best practice, the pension administration strategy will be reviewed and updated every three years from the date of adoption.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Corporate Aims

10. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of “being fair and transparent”.

### Pension Fund Strategic Aims

11. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
12. The adoption of the revised pension administration strategy supports the achievement of the following fund objectives:
13. Administration
  - (a) Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and scheme employers at the point of need.
  - (b) Provide pension and lump sum benefits for all members, in accordance with LGPS Regulations.
  - (c) Clearly establish levels of performance and measure the performance of both the fund and scheme employers against them.
  - (d) Develop successful partnership working between the fund and its employers.
  - (e) Data is protected to ensure security and authorised use only.
14. Governance
  - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

- (b) Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
- (c) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
- (d) Continually measure and monitor success against objectives.

## CONSULTATION

15. Regulation 59 of the Local Government Pension Scheme Regulations 2013 states that in preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.
16. The Pensions Manager drafted the revised pension administration strategy based on those of other LGPS pension funds, adapted to reflect local practices and requirements. The draft has been discussed with members of the pension administration team, the LGPS Finance team and the chairman and other members of the Local Pension Board.
17. Following consideration of the draft PAS by the Local Pension Board, the draft was circulated to all employers within the fund including schools with outsourced providers on 21 April 2023. Consultees were offered a short period in which to provide comments on the proposed revised strategy, closing on 10 May 2023.
18. By the closing date, no responses were received, from a circulation to 78 parties. Accordingly, the pension administration strategy as presented is recommended for adoption.

## LOCAL PENSION BOARD VIEW

19. The Local Pension Board considered this matter at their meeting on 5 April 2023. Board members welcomed the inclusion of tiered penalty charges dependent on the size of the employer, noting that the fund would use its discretion in applying any penalty charges.
20. The board confirmed that that the policy was fit for purpose, and it was agreed for recommendation to the Pension Fund Committee for adoption.

## FINANCIAL / BUDGET IMPLICATIONS

21. No additional costs have been incurred in the review and update of this policy. The policy has been adapted from those of other LGPS funds and has been updated by the Pensions Manager for matters relevant to the Isle of Wight Pension Fund.
22. Implementing the standards of administration set out in the strategy, including enforcement, should not incur significant additional costs for the pension administration team, as it is a formalisation of existing practice.

## LEGAL IMPLICATIONS

23. Regulation 59 of the Local Government Pension Scheme Regulations 2013 makes provision for an administering authority to prepare and publish a pension administration strategy. However, this is not, as yet, a legal requirement.
24. If an authority decides to prepare a strategy, it should include:
  - procedures for communicating and liaising with scheme employers.
  - levels of performance the administering authority and its scheme employers are expected to achieve in carrying out their scheme functions.
  - procedures to ensure statutory requirements are met by both the administering authority and scheme employers.
  - procedures to improve communications between the administering authority and other scheme employers.
  - conditions under which the administering authority can give notice under Regulation 22 (2) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 to a relevant employer about that employer's unsatisfactory performance;
  - publication of an annual report on how far performance levels have been achieved (in practice as part of the annual report);
  - any other matters the administering authority thinks appropriate (after consulting with its scheme employers and other appropriate persons).
25. The administering authority must keep the scheme under review and make such changes as are appropriate.

## EQUALITY AND DIVERSITY

26. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
27. There are no implications for any of the protected characteristics arising from items covered in the report.

## OPTIONS

28. Option A: that the committee adopt the Pension Administration Strategy as recommended by the Local Pension Board and agree to its publication on the fund's website.
29. Option B: that the committee request changes to the Pension Administration Strategy prior to its adoption and publication on the fund's website.
30. Option C: that the committee do not adopt the revised Pension Administration Strategy and continue to operate within the existing out-of-date statement.

## RISK MANAGEMENT

31. Failure to ensure that the highest governance standards are met could lead to the following risks:
  - Poor or less than optimal decision making within the fund, as the knowledge and skills of individuals making decisions is not adequate.
  - A lack of clear objectives may lead to the Pension Fund Committee, Local Pension Board or staff spending time and resource in areas that are not of strategic importance.
  - An inability to evidence high standards of governance may bring the fund to the attention the Pensions Regulator, who if dissatisfied has the power to fine the fund.
32. Implementing a strategy which forms an agreement between the fund and its employers will formalise the relative responsibilities of the parties within the fund, and will assist in enforcing the standards of performance contained therein.
33. Failure to maintain improvements in the quality and timeliness of data received from employers could further compromise the ability of the fund to maintain accurate member records. This could result in late and/or inaccurate pension estimates being provided to members, as well as delaying the calculation and payment enabling the correct benefits on retirement and death.
34. If poor quality data is provided to the fund's actuaries for the triennial valuation of the fund, there will need to be more assumptions made in the calculation of the fund's liabilities, which could result in higher employer contributions being required from employers, including the council.

## EVALUATION

35. The Local Pension Board reviewed the draft strategy at their meeting on 6 April 2023. The board did not identify any areas where the proposed policy was not in accordance with the regulatory requirements. Accordingly option B is not recommended.
36. The revised pension administration strategy includes clauses relevant to all the improvements made in the administration of the fund, including the requirement for employers to use the i-connect system for the submission of monthly membership data. The previous policy, while fit for purpose at the time it was created in 2018, does not include the most recent requirements. Therefore option C is not recommended.

## APPENDICES ATTACHED

37. Appendix 1: Isle of Wight Pension Fund Pension Administration Strategy 2023.

## BACKGROUND PAPERS

38. Scheme Advisory Board – Good Governance Project  
[LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](http://lgpsboard.org)
39. Isle of Wight Pension Fund Administration Strategy Statement 2018  
<https://www.isleofwightpensionfund.org/resources/administration-strategy-statement-november-2018/>

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