Buckinghamshire County Council

Agenda

PENSION FUND CONSULTATIVE GROUP

Date	Tuesday 11 March 2008
Time	10.00 am
Venue	Mezzanine Room 3, County Hall, Aylesbury

Buckinghamshire County Council, Mrs A Davies, Head of Legal and Democratic Services, County Hall, Aylesbury, Bucks HP20 1UA.

9 EXCLUSION OF THE PRESS AND PUBLIC
To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

10 CONFIDENTIAL MINUTES **25 - 28**
of the meeting held on 12 October 2007, to be confirmed

For further information please contact: Maureen Keyworth on 01296 383603
Fax No 01296 382538, email: mkeyworth@buckscc.gov.uk

Members

Mr F Downes, Pension Fund Committee Representative (C)
Mr R Atkins, Thames Valley Police Authority Representative
Ms S Burgess, Admitted Body Representative - Heritage Care
Mr S Cox, Pensioner Representative
Mrs J Eubank, Employee Representative
Mr S Mason, Aylesbury Vale District Council Representative
Mr S Gilchrist, Milton Keynes Council Representative
Mr J McMillan, Wycombe District Council Representative
Mr C Palfreyman, BCC Finance Representative
Ms T Pearce, Chiltern District Council Representative
Mr D Radford, Unison Representative
Ms M Shannon, South Bucks District Council Representative
Ms L Turvey, Admitted Body Representative - Fremantle Trust
Mr P Watson, Aylesbury Vale District Council Representative
Ms J Whiteley, People & Policy Representative
Vacancy, Employee Representative

Buckinghamshire County Council

Minutes

PENSION FUND CONSULTATIVE GROUP

MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON FRIDAY 26 OCTOBER 2007, IN NEW IRELAND ROOM, NEW COUNTY OFFICES, AYLESBURY, COMMENCING AT 10.00 AM AND CONCLUDING AT 11.40 AM.

MEMBERS PRESENT

Mr R Atkins, Ms S Burgess, Mr S Cox, Mr F Downes (Chairman), Mrs J Eubank, Ms A Howes, Mr S Mason, Mr J McMillan, Mr C Palfreyman, Mr D Radford, Ms L Turvey, Ms B Wheeler and Ms J Whiteley

OFFICERS PRESENT

Maureen Keyworth, Democratic Services Officer
Julie Smith, Pensions Manager
Katharine Woodard, Pensions Officer

AGENDA ITEM

1. WELCOME AND INTRODUCTIONS

The Chairman welcomed all the members to the meeting and introductions were made.

The Chairman explained the rationale for setting up the Consultative Group as an advisory group to the Pension Fund Committee, would enable a more open and transparent process in decision-making.

2. 2008 LGPS SCHEME UPDATE

The Group received a presentation on the new LGPS Scheme from Julie Smith, Pensions Manager, The new Scheme will take effect from 31 March 2008.

Points of note:

- Previously, new employees employed on a contract of less than three months were not eligible to join the Scheme. Under the new regulations they will be able to join after three months, but the pension will not be retrospective.
- Casual staff employed on contracts with mutuality of obligation will be able to join the Scheme. However, they will only remain in the scheme until they cease working for the Authority.
- Final salary benefit will be 1/60th rather than the current 1/80th. However, service accrued to 31 March 2008 will still be calculated at 1/80th.
- There is no automatic lump sum payment.

- There will be some protection under the new scheme for those moving over, such as eligibility under the 85 year rule.
- There are now three tiers of ill health retirement. This has recently changed from two tiers.
- Death benefits have improved.
- Employee contributions will be banded according to salary.

Discussion took place with regard to calculation for employees' contributions from April 2008 in connection with those members whose hours vary. Regulations state that the pensionable pay is based on what is accrued for a whole year. Changes in hours will not affect the calculation unless it is a drop in hours and employers are required to re-assess for any band changes. This will be built into SAP.

Employees will be notified of the changes through a newsletter which will be circulated with the Annual Pension Statement. Work is ongoing with the Local Government Pensions Association on the production of a DVD explaining the changes. If employers in the Pension Fund wish, this can be sent to all staff members. However, there will be a charge.

Internal Dispute Resolution Procedure (IDRP) rules will apply if there is an appeal with regard to contribution banding and it would be against the employer.

With regard to staff working on term time basis only, the fte would be calculated over 44 weeks.

The CLG is still working on whether those members who achieve the 85 year rule in 2008 will be eligible to retire.

Employer's contribution will be a percentage of the payroll rate and valuation reports will translate how the move will be made from percentage of employee rate to payroll rate.

With regard to additional contributions there will be some protection regarding the movement from buying additional years and buying additional pension in multiples of £250.

3. PENSION FUND ANNUAL REPORT

Members received a copy of the Annual Report and Accounts 2006-2007. The Pension Fund is required to produce an annual report and notify stakeholders of its existence. The Assistant Head of Finance asked members of the Consultative Group to advise their Finance Teams and HR and employers groups of the report. If any further copies are needed members should contact Clive Palfreyman or Julie Smith. The Report is also available on the BCC website.

4. PENSIONS ADMINISTRATION PERFORMANCE

Members received a presentation from Julie Smith, Pensions Manager, who gave an update on the amount of work generated in order to introduce the new regulations. A copy of the presentation is available on the website.

Points of note:

All of the 1,671 general queries as at 1 April 2007 have now been cleared. There are still 250 leavers queries remaining of the 922. Many of these are related to employers not understanding what was required of them. This also relates to year end queries which have reduced from 3,679 to 1,500.

In order to ensure that employers know what is required of them, a Service Level Agreement (SLA) was introduced with effect from 1 August 2007. This will reduce the number of employer related queries.

The Team was commended for the amount of work undertaken in order to clear year end queries.

5. DATE OF NEXT MEETING

The next meeting of the Consultative Group will be held on Tuesday 11 March 2008 at 10.00am in Mezzanine Room 3, County Hall.

6. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

7. PENSION FUND MANAGER PERFORMANCE

The Group received the report on the performance of the Pension Fund's Managers for the second quarter of 2007.

The Pension Fund Committee will be considering the investment strategy for the fund and making decisions on strategic direction based on the Actuary's valuation and current and past performance of Fund Managers.

Members were asked for comments on the investment strategy that could be fed back to the Pension Fund Committee.

8. AVC OPTIONS PRESENTATION

The Group received a presentation on AVC Arrangements for BCC.

The Pension Fund Consultative Group RECOMMENDED that the Pension Fund Committee consider the possibility of offering the Prudential AVC arrangement to scheme members.

9. VALUATION RESULTS

The Group received a presentation on the Draft Fund Valuation and its impact on employer contribution rates. The Group was asked to feed back any comments on the document, which will remain in draft form until 31 March 2008.

CHAIRMAN

Report to Pension Fund Consultative Group

Title: **Pension Fund Manager Performance**

Date: **11 March 2008**

Summary
To present the performance of the Pension Fund's managers for the fourth quarter of 2007.

Fund Value and Asset Allocation

The market value as at 31 December 2007 was £1,284m, Table 1 below shows the asset allocation:

TABLE 1

Asset Allocation by Class at 31 December 2007	£m	£m
Equities		
UK		404
Overseas		447
North America	163	
Europe (ex UK)	149	
Japan	53	
Developed Pacific (ex Japan)	23	
Emerging Markets	59	
Bonds		234
Fixed Interest Gilts	193	
UK Index-Linked Gilts	41	
Property		92
Private Equity		1
Absolute Return Funds		61
Cash		45
		1,284

The Fund's investments are managed by nine fund managers, the value of the Fund held by each fund manager and the type of mandate at 31 December 2007 is shown in Table 2 below:

TABLE 2

Fund Manager	Mandate	£m	%
Alliance Bernstein	Less constrained global equities	112	9
Blackrock	Cash / inflation plus	22	2
Blackstone	Hedge fund of funds	40	3
Capital International	Global equities	126	10
LGIM*	Passive global equities and bonds	439	34
LGIM*	Bonds	184	14
Mirabaud	UK equities	141	11
Morley	Property fund of funds	115	9
Pantheon	Private Equity	1	0
Standard Life	Less constrained UK equities	99	8
Pension Fund	Cash	5	0
Total		**1,284**	**100**

*LGIM – Legal and General Investment Management

Table 3 below shows the fund managers' performance for the quarter to 31 December 2007 compared to the benchmark:

TABLE 3			
Fund Manager	**Performance %**	**Benchmark %**	**Relative Return %**
Alliance Bernstein	3.9	0.0	3.9
Blackrock	2.6	1.4	1.2
Blackstone	2.7	1.5	1.2
Capital International	-1.6	0.9	-2.5
LGIM	1.1	1.1	0.0
LGIM	3.8	3.8	0.0
Mirabaud	6.1	-0.3	6.5
Morley	-6.8	-8.3	1.6
Pantheon		Mandate too small	
Standard Life	-3.6	-0.3	-3.2
Total Fund	**0.9**	**0.4**	**0.5**

Fluctuations in the markets mean that quarterly performance can be volatile and performance should be monitored over longer periods. Table 4 below shows the fund managers' annual performance to 31 December 2007 compared to benchmark:

TABLE 4			
Fund Manager	**Performance %**	**Benchmark %**	**Relative Return %**
Alliance Bernstein	13.4	7.7	5.3
Blackrock	7.2	4.0	3.2
Blackstone	13.0	5.7	6.9
Capital International	6.0	11.2	-4.7
LGIM	9.2	9.1	0.1
LGIM	4.4	4.5	-0.2
Mirabaud	12.7	5.3	7.0
Morley	-2.9	-5.4	2.7
Pantheon		Mandate too small	
Standard Life	-0.3	5.3	-5.3
Total Fund	**6.8**	**6.7**	**0.1**

The Fund's 5 year average is 38th percentile. The quarterly and annual performance recorded each quarter can be volatile; the three years and five years percentiles demonstrate the improving trend in the Fund's performance. Table 5 below shows the trend in the Funds quarterly, annual, 3 year and 5 year performance each quarter during 2006 and 2007.

TABLE 5								
	2006				**2007**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	35	57	51	26	48	63	25	23
Annual	21	18	30	41	55	61	40	30
Three Years	40	41	56	50	51	56	38	34
Five Years	81	84	66	77	81	63	30	38

Report to Pension Fund Consultative Group

Title:	**Indemnity Bonds**
Date:	**11 March 2008**
Author:	Pensions Manager
Contact Officer:	Julie Vrondis 01296 382328

Electoral Divisions Affected:

Summary

Review of the indemnity bonds of the transferee admitted bodies within the pension fund

Recommendation

The fund currently has the following transferee admission bodies:

ASM
Catermasters
Connaught
Cressex School
Excelcare
HBS
Heritage Care
Penn School
SERCO

The Local Government Pension Scheme requires transferee admitted bodies to the fund to have in place an indemnity bond to protect the fund should the contract terminate early leaving a funding deficit or pension strain costs.

It is proposed that the funding deficit and strain costs of all transferee admitted bodies be assessed triennially as part of the actuarial valuation.

The transferee admitted bodies status will be reviewed by BCC audit to assess the possible risk of early termination of the contract, the revised indemnity bond amount will be the percentage risk identified of the total funding deficit and strain costs.

Supporting information to include the following if a decision is being requested:

Resource implications

There will be a charge from the pension fund actuaries but this can be contained as part of the total valuation cost.

Legal implications

It is a statutory requirement that an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body and where necessary have in place an indemnity bond to protect the fund should the contract terminate early leaving a funding deficit or pension strain costs.
All transferee admitted bodies have in place an indemnity bond, the admission agreement states that the bond amount will be reviewed regularly.

Other implications/issues

Indemnity bonds should be reviewed regularly to ensure the bond amount is sufficient to compensate the pension fund for any deficit or pension strain costs due to early termination of a contract. If the indemnity bond is not sufficient it is the letting authority that will be required to make up any shortfall.

If the amount of indemnity bond required increases significantly, this could have an impact on what the transferee admitted body charges the letting authority for this contract.

Feedback from consultation and Local Member views (if relevant)

N/A

Background Papers

Regulation 5A of the Local Government Pension Scheme Regulations 1997 (as amended)

Letter from the fund actuary detailing the current funding deficits and strain costs.

Employees of non-Scheme employers: transferee admission bodies

5A. - (1) Subject to the requirements of this regulation and regulation 5B, an administering authority may make an admission agreement with any transferee admission body.

(2) A transferee admission body is a body, other than a community admission body, that is providing, or will provide -

(a) a service or assets in connection with the exercise of a function of a Scheme employer as a result of -

(i) the transfer of the service or assets by means of a contract or other arrangement;

(ii) a direction made under section 15 of the Local Government Act 1999; or

(iii) directions made under section 497A of the Education Act 1996; or

(b) a public service and which is approved by the Secretary of State for the purposes of admission to the Scheme.

(3) Only those employees of the transferee admission body who are employed in connection with the provision of the service or assets referred to in paragraph (2) are eligible to be members of the Scheme.

(4) In the case of an admission agreement with a transferee admission body under paragraph (2)(a) the Scheme employer, if it is not also the administering authority, must be a party to the admission agreement.

(5) Approval under paragraph (2)(b) may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.

(6) An admission agreement with a transferee admission body shall require that:

(a) in the case of a body under -

(i) paragraph 2(a), the Scheme employer; or

(ii) paragraph 2(b), the transferee admission body, to the satisfaction of the administering authority,

shall carry out an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body, and

(b) that where the level of risk identified by the assessment is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified.

(7) The indemnity or bond must be with -

(a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits or to effect and carry out contracts of general insurance;

(b) an EEA firm of the kind mentioned in paragraph 5(b) and (d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to accept deposits or to effect and carry out contracts of general insurance; or

(c) a person who does not require permission under that Act to accept deposits, by way of business, in the United Kingdom.

(8) An admission agreement with a transferee admission body shall make provision for the relevant matters set out in Schedule 2A.

(9) Where a transferee admission body undertakes to meet the relevant requirements of this regulation, and -

(a) in the case of a body under paragraph 2(a), the Scheme employer undertakes to meet the relevant requirements of this regulation; or

(b) in the case of a body under paragraph (2)(b), the Secretary of State approves the body for admission to the Scheme and the conditions, if any, to which the approval is subject have been met;

an administering authority must admit to the Scheme the eligible employees of the transferee admission body specified by the body and where it does so, the terms on which it does so are the admission agreement for the purposes of these Regulations.

Barnett Waddingham

ACTUARIES & CONSULTANTS

Julie Vrondis
Pensions Manager
Buckinghamshire County Council
County Hall
Aylesbury
Buckinghamshire

Email : graeme.muir@barnett-waddingham.co.uk
Telephone: 0141 243 4415/ 07796 308 100

22 November 2007

Dear Julie

Buckinghamshire County Council Pension Fund
Admission Bodies – Bond Review

Further to recent discussions and correspondence in respect of the above, we have now completed our calculations in relation to the review of the level of bond in respect of admission bodies within the Buckinghamshire County Council Pension Fund.

Data

The membership as at 31 March 2007 is summarised below (note the numbers relate to the number of employments rather than individuals).

Active Members	Number at 31/3/2007	Actual Salary	FTE Salary	Average Age	Average Service (years)
ASM Metal Recycling Ltd	2	£11,782	£33,801	53.0	3.11
Catermasters	81	£1,157,816	£1,611,631	49.6	9.61
Connaught	27	£436,898	£516,126	49.9	11.55
Cressex School (Superclean)	6	£89,887	£150,384	50.8	11.78
Excelcare	17	£200,181	£256,891	55.3	7.40
HBS	363	£8,251,970	£9,048,350	46.9	12.10
Heritage Care	1	£15,319	£17,872	47.0	11.90
Penn School	4	£116,249	£116,249	52.5	22.01
Serco	1	£22,412	£22,412	54.0	7.23
Total	**502**	**10,302,514**	**11,773,717**	**47.9**	**11.54**

Calculation Basis

For consistency with the other employers in the Fund our calculations have been based on consistent methods and assumptions underlying the valuation of the Fund as at 31 March 2007.

Indemnity

In deciding upon the level of bond or indemnity it is first of all necessary to decide what the bond or indemnity is intended to cover. In the past the approach that has been adopted is that the bond/indemnity should cover the potential early retirement costs.

However for the purposes of this review of the required level of bond we have also considered the potential shortfall of assets to liabilities should the admission body cease to participate in the Fund, leaving behind less than fully funded pension liabilities.

Should the admission body cease to participate in the Fund then it is almost certain that the (ongoing) funding position will be different to 100% at the date of cessation as the actual investment returns etc earned by the Fund will be different to the assumptions used in the calculation of the ongoing funding position. However the deviation from the fully funded position is rectified at each triennial valuation via an adjustment to the required level of employer’s contribution.

In an ongoing valuation we also take some advance credit for the expected outperformance of equities over bonds on the basis that there is an employer available to underwrite any shortfall in actual equity returns compared to what was anticipated.

With no employer available to underwrite the equity risks then we would generally assess the deficit without assuming any equity outperformance to minimise the likelihood of the other employers in the Fund having to fund any shortfall in future.

Essentially ongoing employers "self insure" the equity risk. If an employer leaves the Fund then we need to charge them an “insurance premium” up front unless another employer takes on the equity risk going forward.

The risks to the Fund therefore at the date that the admission body ceases to participate in the Fund are therefore:

- The ongoing funding position is less than 100% and the additional funding that is required cannot be met by the admission body.
- No other employer picks up the future equity risk.
- Employees are made redundant and become entitled to early retirement benefits.

The latter two scenarios can be measured to some extent in that it is possible to forecast future early retirement costs and the difference in ongoing liabilities and what might be described as "minimum risk" liabilities – i.e. the amount required to fund the liabilities without taking any future equity risk.

Ongoing Funding Deficits

However trying to forecast future ongoing funding deficits is more tricky as it requires trying to predict future stock market volatility. However it is possible to model future valuation results based on what has been experienced in the past.

Of course the "best estimate" of future ongoing funding deficits is zero (assuming fully funded at outset) in that we "expect" the assumptions to be borne out in practice. However we know that whilst they might be borne out in practice in the longer term (with some variability in the short term) there is a significant chance that at any future point in time the ongoing funding level will be different to 100%.

If it is therefore deemed appropriate to include an allowance for future ongoing deficits then we would suggest that an approximate approach and take a reserve equal the deficit as at 31 March 2007 plus 5% of the liabilities – effectively what we are saying is that in the normal course of events we might see funding levels fluctuate by 5% per annum.

Projections, averaged over the next 3 years, of the potential early retirement costs, the current deficit and 5% of ongoing liabilities and the "equity risk" are set out below

		Potential Risks				
Employer	**Strain Costs**	**5% Ongoing**	**Deficit**	**Min Bond**	**Equity Risk**	**Max Bond**
ASM Metal Recycling Ltd	£62k	£1k	£1k	£65k	£10k	£75k
Catermasters	£1,224k	£274k	£0k	£1,498k	£2,483k	£3,980k
Connaught	£261k	£83k	£114k	£458k	£752k	£1,211k
Cressex School (Superclean)	£142k	£28k	£33k	£203k	£250k	£452k
Excelcare	£246k	£55k	£67k	£368k	£498k	£866k
HBS	£5,433k	£1,686k	£0k	£7,119k	£15,308k	£22,427k
Heritage Care	£0k	£3k	£3k	£6k	£22k	£28k
Penn School	£144k	£27k	£27k	£198k	£244k	£442k
Serco	£22k	£2k	£2k	£26k	£16k	£42k

The key issues in determining the level of bond are what risks should be included.

If it is decided to proceed as before with only the Strain Costs included then the amounts would as set out in the above table in the Strain Cost column. If however it is decided that the bond should include an element of the current deficit or a potential future deficit then the relevant amount would as set out in the Min Bond column.

If all of the above risks were to be included then what could be considered a maximum level would be numbers in the Max Bond column.

Barnett
Waddingham

In our experience then the bond would usually either be the Strain Cost amount or the Min Bond amount. The approach may also depend on the contractual agreement between the contractor and the letting authority.

Commentary

If allowance is only made for the indemnity to cover the potential early retirement strain costs then it is effectively assuming that the original letting authority and/or the new service provider would take on the equity risk and any ongoing funding deficits.

In reality, should the admission body fail then any unfunded pension liabilities within the Fund would ultimately be allocated to the original letting authority and as such, the level of bond is really an issue for them to consider. The higher the level of bond the greater the level of “insurance”.

In addition the post cessation equity risk and the risk of ongoing funding deficiencies would continue to be underwritten by the original letting authority if the service was to remain in-house.

We would recommend that the bond levels are reviewed at least every 3 years and more often towards the end of the contract.

We trust that this is helpful and would be pleased to answer any questions you may have.

Kind regards

Yours sincerely

GRAEME D Muir FFA
PARTNER

For and on behalf of Barnett Waddingham LLP

Report to Pension Fund Consultative Group

Title: **Pension Administration Performance**

Date: **11 March 2008**

Author: Pensions Manager

Contact Officer: Julie Vrondis 01296 382328

Electoral Divisions Affected:

Summary

The pensions admin team have a customer charter (http://www.buckscc.gov.uk/bcc/content/index.jsp?contentid=-1901867351) outlining their commitment to turning work around within certain timescales. All post and requests for information are logged daily and reported on monthly to monitor the percentage of work that is not completed within the prescribed time limits.

Details of the work performance statistics for the last 10 months are presented below. The Pension Fund Consultative Group are required to monitor the performance of the Pensions Administration Team.

Recommendation

PFCG are asked to NOTE the performance statistics of the team.

Supporting information to include the following if a decision is being requested:

Workload statistics for the past ten months are presented below. During the time, the Team have also undertaken work to assist the successful implementation of the new Pension Scheme on 1 April and circulated Annual Benefit Statements to scheme members.

Workload has remained high over the course of the year compared with previous years and it is expected that demand will grow after implementation of the new scheme.

	Within Target	Over Target	Total	% over target
April	11351	598	11949	5.00%
May	12485	968	13453	7.20%
June	14449	504	14953	3.37%
July	14555	391	14946	2.62%
August	15273	752	16025	4.69%
September	9962	882	10844	8.13%
October	13506	660	14166	4.66%
November	13792	524	14316	3.66%
December	9068	477	9545	5.00%
January	13434	713	14147	5.04%

Resource implications
The Pensions Administration Team is funded by the Pension Fund and a 5% under spend is forecast for the year end against the approved budget.

Legal implications
It is a statutory obligation for the County Council to provide a Pensions Service on behalf of Scheme employers.

Other implications/issues
None

Feedback from consultation and Local Member views (if relevant)
None

Background Papers

Report to Pension Fund Consultative Group

Title: **Pension Administration Strategy**

Date: **11 March 2008**

Author: Pensions Manager

Contact Officer: Julie Vrondis 01296 382328

Electoral Divisions Affected:

Summary

The new pension administration strategy for agreement.
Agreement to recover from employers, additional administrative costs attributable to level of performance

Recommendation

a) It is proposed that a Pensions Administration Strategy be published and reviewed annually.

Under the new regulations, an administering authority will be given the discretion to prepare a Pension Administration Strategy which contains the Authority's policies in relation to pension administration.

The current policies, charters and SLAs are detailed below:

- Communication Policy Statement – This document outlines how the pensions administration team communicate with scheme members, employing authorities, members representatives, potential scheme members. It also details all communication material.
- Pension Fund Communication Plan
- Buckinghamshire Policy Statement – Details Buckinghamshire County Council's policies in relation to the scheme as both an administering Authority and an Employing Authority.
- Pension Fund Annual Report
- Customer Charter
- Service Level Agreement between the pension administration team and all employing authorities within the fund.

b) It is proposed to recover additional administrative costs attributable to the employer's level of performance

The new regulations will also allow administering authorities to recover certain costs associated with poor administrative performance, in particular where additional work has to be performed because essential data is persistently late or statutory deadlines are not being met (regulation 43). In these circumstances the administering authority may give written notice to the employing authority concerned, stating the administering authority's reason for making their decision and specifying in the notice the additional administrative costs attributable to the authority's level of performance. The administering authority will need to set out the basis on which the specified amount is calculated.

Supporting information to include the following if a decision is being requested:

Resource implications

The pension administration team currently spend a large proportion of their time chasing employers for information; this involves overtime and employing temporary staff. Employers who do not comply with the Regulations could be charged for the cost of this additional work. At present the cost is borne by all employers within the fund.

Legal implications

There is no legal obligation to produce a pension administration strategy.

Other implications/issues

N/A

Feedback from consultation and Local Member views (if relevant)

N/A

Background Papers

Regulation 65 of the new 2008 administration Regulations
Regulation 43 of the new 2008 administration Regulations

Pension administration strategy

65. —(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with employing authorities in relation to which it is the administering authority ("its employing authorities");

(b) the establishment of levels of performance which the administering authority and its employing authorities are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its employing authorities comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its employing authorities to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its employing authorities under regulation 43(2) on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its employing authorities have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its employing authorities and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employing authorities and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employing authorities and to the Secretary of State.

(7) An administering authority and its employing authorities must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

Additional costs arising from employing authority's level of performance

43. —(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.

(2) The administering authority may give written notice to the employing authority stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;

(c) the basis on which the specified amount is calculated; and

(d) where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted