



Report to Pension Fund Consultative Group

Title: Charging Structure for employers

Date: 19th March 2009

Date Decision can be implemented: 19th March 2009

Author: Pensions Manager

Contact Officer: Julie Vrondis 01296 382328

Electoral Divisions Affected: N/A

Portfolio Areas Affected: All

Summary

Recommendation

That the pension fund formulate a charging structure for additional work undertaken due to poor performance of fund employers.

Members are asked to:

Members are asked to consider setting up a charging structure for additional work undertaken by pensions due to poor performance of fund employers.

A. Supporting information:

The CLG recently concluded a statutory consultation exercise about future cost sharing arrangements for the LGPS.

First steps will require pension fund authorities to provide the Secretary of State with the same data they provide their fund actuary at the time of the actuarial valuation due at 31 March 2010. This allows a national model fund to be set up from which it will be possible to determine equitably the cost both to employees and employers of future accruals of pension rights and the experience and on-going effects of actuarial valuation exercises.

BCC share the view of other pension fund authorities in that it cannot comply with the originally proposed date of 31 July in the draft regulations because the data would not be in a cleansed format suitable for the proposed statutory cost-share exercise.

While the majority of employers within the BCC pension fund provide accurate timely data, a number of employers do not, leading to inaccurate pension records and additional administration for the pension team.

It is vital, in the period between now and the next actuarial valuation in 31 March 2010, that positive action is taken to improve the quality and timeliness of data flows and so help to

achieve a much smoother valuation exercise. This in turn will achieve the benefit of helping to ensure a more accurate and efficient modelling exercise for the cost-sharing process which, of course, becomes an essential step towards maintaining Scheme cost stability, affordability and sustainability.

It is proposed therefore to build on the good practices of some employers and to share their processes with some of our employers who struggle with the daily/monthly administration of their records. The SLA currently in place will be revised from 1 April 2009 to include penalties where data as stated in the SLA is not provided in a timely efficient manner.

Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2008 allows administering authorities to recover costs from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations.

B. Other options available, and their pros and cons

To stay as we are, putting additional pension resources into resolving queries with employers, the cost of this shared by all employers. This seems unfair to the good employers who produce accurate and timely data to have to share the cost of additional pension resources (temporary staff and overtime) to resolve the queries of the poor employers and the outsourced schools payrolls.

C. Resource implications

The recommendation would ensure Pension services are charged to the employers causing the problem.

D. Legal implications

Pensions Funds are allowed to charge for additional costs incurred due to the poor performance of fund employers.

E. Other implications/issues

There are none.

F. Feedback from consultation and Local Member views

N/A

G. Communication issues

The charging structure will be attached to a revised SLA and issued to all employers in April 2009.

H. Progress Monitoring

The pensions team will continue to monitor the number of new queries for employers.

Background Papers

1. Regulation 43 of the Local Government Pension Scheme (Administration) Regulations 2008
 2. The pensions SLA
 3. Letter issued to all chief executives by the CLG on 11th February 2009
-