

PENSIONS COMMITTEE – 28 JUNE 2019

Report of the Director of Corporate Services

REVIEW OF PENSIONS ADMINISTRATION STRATEGY AND CONFLICTS OF INTEREST POLICY

Recommendation of the Chair

1. That the Pensions Committee approves the revised and updated Pensions Administration Strategy attached as Appendix 2.
2. That the Pensions Committee approves the revised and updated Conflicts of Interest Policy attached as Appendix 4.

Background

3. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Having such, not only proves regulatory compliance, but more importantly demonstrates good governance and provides a range of information to stakeholders.
4. Whilst the Staffordshire Pension Fund is compliant in having the full range of policies in place, following an initial audit by Officers, it was identified that some policies are out of date and in need of review. An ongoing work program has therefore been put in place, as part of the Business Plan, to ensure that over the next 12-18 months, the Fund's policies are reviewed and updated. These will be brought to Pensions Committee for approval and consulted on more widely if such is required under regulations or considered appropriate.

Administration Strategy

5. **Regulation 59** of the Local Government Pension Scheme Regulations 2013 (reproduced in Appendix 3 for reference) states that '...an administering authority may prepare a written statement of the authority's policies in relation to...' and then lists the areas to be covered in order to facilitate best practice and efficient customer service. These include:
 - procedures for liaison and improved communication with Scheme Employers;
 - expected levels of performance, performance targets and regulatory compliance with such;
 - the circumstances in which the administering authority may levy a charge on a Scheme Employer on account of that Employers unsatisfactory performance in carrying out Scheme functions: and
 - ensuring the Fund and its Employers comply with the statutory requirements in respect of those Scheme functions.

6. Regulation 59 goes on to state what an administering authority, which chooses to produce such a statement, must do in terms of publishing and consulting on such and also the requirement to send a copy to the Secretary of State when published.
7. The Fund's current Pensions Administration Strategy is a comprehensive document running to 45 pages, which was last updated in December 2016. The revised document (attached at Appendix 2), which is being presented to Committee for approval today, is a streamlined document of 16 pages, which clearly outlines the respective roles of Scheme Employers and the Staffordshire Pension Fund, to ensure the Fund meets its legal obligations in respect of the LGPS Regulations and the disclosure standards required by the Pensions Regulator. The document was produced collaboratively across the service to ensure it provided a compliant, yet practical, reference guide for all users.
8. Given that the Pensions Administration Strategy effectively acts as a Service Level Agreement between the Fund and its 450+ Employers, wider consultation is a regulatory requirement but also clearly very important. After an initial discussion with the Employer Focus Peer Group, the draft Pensions Administration Strategy was circulated to all Employers for consultation throughout April and all comments received as a result have been incorporated.

Conflicts of Interest Policy

9. The Local Government Pensions Scheme Regulations 2013 do not prescribe that an administering authority should have a specific Conflicts of Interest Policy and surprisingly, refer to conflicts of interest only in relation to the Local Pensions Board and Scheme Advisory Board. The Public Service Pensions Act 2013 also refers to conflicts of interest and defines such as:

'In subsection (4)(a) "conflict of interest", in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).'

But again, makes no specific reference to the requirement for a Conflicts of Interest Policy.

10. The Staffordshire Pension Fund's Conflicts of Interest Policy was deemed to demonstrate best practice and was introduced as part of setting up the governance arrangements for the Staffordshire Local Pensions Board in 2015. The 2019 version of the Policy (attached at Appendix 4) has been reformatted slightly and updated to reflect several minor procedural changes. As there have been no significant changes

and the document is effectively used for internal control and compliance purposes, wider consultation is considered unnecessary.

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Background Documents:
Local Government Pensions Scheme Regulations 2013
Public Service Pensions Act 2013

Equalities implications: There are no direct equality implications arising from this report.

Legal implications: The legal implications are covered in the body of the report.

Resource and Value for money implications: There are no direct resource and value for money implications arising from this report.

Risk implications: The legal implications are covered in the body of the report.

Climate Change implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening: There are no health impact assessment implications arising from this report.

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

Pensions Administration Strategy

59. -(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 Scheme employers in relation to which it is the **administering authority** ("its Scheme employers");
- (b) the establishment of levels of performance which the **administering authority** and its Scheme employers 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 Scheme employers 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 Scheme employers 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 Scheme employers under **regulation 70 (additional costs arising from Scheme employer's level of performance)** on account of that employer'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 Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (i) 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 Scheme employers 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 Scheme employers 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) Where an **administering authority** publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An **administering authority** and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

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