



Committee and date
Pensions Committee
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10.00am

Item
10
Public

POTENTIAL TRANSFER OF PENSIONS ADMINISTRATION TEAM

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1. Summary

- 1.1 This report updates the committee on the project being undertaken that is looking at service areas to transfer into ip&e, the wholly owned Public Limited Company set up by the Council, as part of the Council looking to deliver services differently. A business case is currently being worked on to transfer the Shared service team to ip&e early in 2012. The Pensions Administration Team was transferred to Shared Service on 1 April 2012.

2. Recommendations

- 2.1 Members are asked to agree to the transfer of the Pension Administration Team if the Business case recommends that Shared Services is transferred to ip&e;
- 2.2 Members are also asked to require assurances from the Council and ip&e, that there will be no detrimental effect on the service provided by the Team to the Fund and its' employers and any savings made on delivery of the Pension Fund Administration are passed on to the Fund.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 **Risk Management**
Performance is considered and monitored to ensure regulatory timescales are adhered to. A SLA would be in place to ensure clear performance measures were in place and the Strategic Contract would allow the service to transfer back if performance was unsatisfactory.
- 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

There are no direct financial implications arising from this so long as assurances are given that the transfer will not increase costs to the Fund and that future cost savings would be passed to the Fund not Shropshire Council.

4. Background

4.1 The LGPS is a statutory scheme governed by LGPS Regulations and may other overriding pieces of legislation. Shropshire Council is scheme administrator for Shropshire County Pension Fund (SCPF) and as such has to effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer.

4.2 Currently there are 100+ employers in the SCPF that the Pension Team work with. At 31/03/2012 it had **35,667** members and the Fund was worth £1bn. The team collects around £61m in contributions and transfers and pays out around £58m in benefits and transfers annually.

4.3 Pension Committee has delegated responsibility for administration and investment decisions. The Fund, through employers' contributions, covers all running costs not the Council.

4.4 The Localism Act 2011, Lord Hutton's report and the newly - appointed communities minister, all support forms of co-operation and collaboration. Lord Hutton's report broadly supported the current regional set up of the administrative authorities but looked for more streamlining or sharing where appropriate.

4.5 Shropshire was instrumental in setting up a shared communication group with neighbouring administering authorities to reduce costs and share expertise several years ago. Under current law it is possible for authorities to group together for the provision of pension's administration. This could be by one council providing administration services to another, under an administration agreement (as Cumbria do with Lancashire and LPFA do with several London Boroughs) or by working together to form a special- purpose vehicle specifically set up to deliver pension administration(Northamptonshire/Cambridgeshire).

4.6 Transferring the Pension Administration to ip&e (a profit making company) is the 3rd route. Whilst ip&e is a wholly owned Council company, there is potential for it to work with external partners in the future. It should be noted that a number of administering authorities outsourced their administration 10/15 years ago to contractors and some of these then brought them back in-house or are sharing with another administering authority because of the specialist knowledge required.

5. Assurances required

- 5.1. To protect the pension fund, the following assurances are required from the Council and ip&e that the proposed transfer is the best option open to the Pension Committee:
- 5.2. That contract costs would be transparent and any cost savings would be returned to the Fund not the Council (potential conflict of interest if not).
- 5.3. That transferring to Shared Service then to ip&e has not increased costs to SCPF.
- 5.4. Pension management experience in ip&e is invested in to be able to continue to drive operational performance forward whilst continuing to drive efficiencies and ensuring compliance with changing legislation - New Scheme 2014, Auto Enrolment.
- 5.5. Flexibility built into the contract to respond to future legislative changes within current costs.
- 5.6. A collaborative arrangement around communication would be necessary as the Fund will need to communicate to all parties regarding legislation, strategy and Policies as well as operational messages being communicated.
- 5.7. Close working relationship with Pension Investment manager and Client Liaison role (was Pensions Administration Manager).
- 5.8. Continued Employer training (including full new employer induction) to ensure data quality does not fall.
- 5.9. Any costs arising from maladministration to be funded by ip&e.
- 5.10. Appropriate and accurate performance data is made available.
- 5.11. Any new partners considered to be brought into ip&e, are agreed with Pensions Committee.

6. Conclusion

- 6.1. That so long as all the above assurances are given and a robust SLA is in place the Fund should not see a reduction in service as a result of transferring the Administration Function.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Papers -02/05/2012 – Items 7 & 8, 06/06/2012 – Item 9, 15/08/2012 – Item 4 & 17/08/2012 – Item 19

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

None