

Review - Administration strategy

Introduction

The Dorset Pension Fund have asked for an independent assessment of their 2020 Administration strategy document. The assessment criteria used by Hymans Robertson was:

- Logical assessment of strategy document – does it make sense?
- Assessment of document against existing challenges/requirements – are all issues covered?
- Assessment of document against LGPS peers – are there aspects of administration strategies from other LGPS funds which could be incorporated?
- Good Governance expectations

Like all policy and strategic documents, the administration strategy document is only as successful as the engagement it receives. We recommend that Senior Officers ensure that the administration strategy is widely circulated within the wider pension team and that a separate meeting/workshop takes place to discuss the requirements of the document and the expectations it sets.

Key Findings

Logical assessment

- The document is a very easy read. Completed in plain English and provides clear procedures for Employers and Fund Officers.
- It is clear within the document the support available to Employers and how this will be delivered. Further, it is equally clear what responsibilities the Fund expects from its employers and (importantly) the consequences of poor engagement or inaccurate data. We would comment that expanding the wording on the importance of accurate data for both the employer (liabilities) and the member (benefits) in the 'Standards of Data' section would highlight the crucial role data plays in the LGPS.
- The linking of Employer responsibilities and Fund responsibilities in the Performance standards section is a strong way to show various processes and requirements align.
- We would recommend that the administration strategy confirms how all performance standards are measured and reported. This is something that we see lacking in many LGPS administration strategies. There is good detail on what is expected but limited information on how this is reviewed and recorded.

Existing challenges/requirements

- The core challenges/requirements to all LGPS funds are covered in the document i.e. new starters, benefit calculations, financial obligations
- Given TPR expectations on pension service delivery, the Fund could put in sections on its response to Pension Scams (what they do and what employers could do) and Cyber Risk. A clear audit trail of what happens and who is responsible for what.
- We expect that the Fund will update the strategy to account for monthly data submissions. At the same time, referring to year end processes as **legacy** processes.
- In reflecting the now standard monthly data submission policy and now legacy Year End processes, this would require changes in sections relating to:

- Key employer and Fund functions
 - Performance standards
 - Additional administrative costs
- The Fund may wish to state that monthly submission is now the **default expectation** and any employer failing to comply will be charged for the additional cost of maintaining a legacy process.

Assessment of strategy against other LGPS funds

- We have no concerns that the Fund is concentrating its administration strategy on areas that are not normally seen within other LGPS funds administration strategy document.
- Our review has concluded that the Fund has an excellent template agreement that other LGPS funds should aim to mirror (where this is not already the case).

Good Governance expectations

- Given the Good Governance requirements that key individuals, including officers, should have the requisite knowledge and skills and the expectation from TPR that this is the case for all Pension schemes, the strategy would benefit from including details on how the Fund ensures Officers are trained in order to complete their administration duties.
- The expectation from Good Governance is that Officers must report the fund's performance against an agreed set of indicators designed to measure standards of service. The indicators are detailed in the administration strategy but, as an appendix, the document could include how performance is then presented to the Pension Committee.

Conclusion

The Dorset Pension Fund have an excellent administration strategy document. Wording, procedures, and responsibilities are very clearly detailed. We have no major concerns with the existing document.

Our main recommendations relate to changes to Fund processes caused by the transition to monthly returns and the cost of running both a monthly data return process and legacy year end process. We have also included suggestions to ensure the strategy actively used by all Officers at the Fund, that performance standards are appropriately reviewed and recorded and that new challenges faced by administration teams are covered in the document.

Hymans Robertson can aid the implementation of the suggested changes with an updated administration strategy document and support with the integration of this strategy within the Fund's team culture.

Summary of recommendations

Senior Officers ensure that the administration strategy is widely circulated within the wider pension team and that a separate meeting/workshop takes place to discuss the requirements of the document and the expectations it sets.

Administration strategy to confirm how all performance standards are measured and reported.

Consider whether the Fund wishes to adopt monthly submission as the **default expectation** and any employer failing to comply will be charged for the additional cost of maintaining a legacy process

Include details on how the Fund ensures Officers are trained in order to complete their administration duties.

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