

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

23 September 2024

Employer Underperformance Charges for Additional Administration Costs

Purpose of the Report

1. The purpose of this report is to present to Wiltshire Local Pension Board an outline of the proposed charges applied to underperforming Scheme employers for additional administration costs. The Board is asked to consider these before we pass them to the Committee for approval.

Background

2. Regulation 70 (1) of The Local Government Pension Scheme Regulations 2013 provides pension funds with the ability to recover any additional administrative costs that have been incurred, because of a Scheme employer's underperformance.
3. Regulation 70 (2) of The Local Government Pension Scheme Regulations 2013 states that the Administering Authority may give written notice to the Scheme employer stating the reasons for underperformance, the amount should pay and detailing the parts of the Pension Administration Strategy which are relevant in reaching their decision.

Considerations for the Board

4. The Fund works to support employers in various ways to avoid underperformance such as remote/Teams support, a dedicated point of contact, training events, electronic newsletters, signposting guidance on the Fund's website.
5. Presently additional costs generated by underperforming employers are shared across all employers whereas, these should be met directly by that underperforming employer.
6. The proposed steps to recover administration costs for underperforming employers are detailed below:
 - a) **Write to the Scheme employer** – setting out the area(s) of non-compliance with performance standards outlined in the Pension Administration Strategy and offer to support them. The Fund may also request their attendance at a training session, if required
 - b) **Meeting with the Fund** – the Scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of non-compliance with the performance standard outline in the Pension Administration Strategy and to agree an action plan, where they've not demonstrated improvement, taken agreed actions and/or responded to the initial letter in (a) above
 - c) **Formal written notice** – If no improvement is seen within one month of meeting with the Scheme employer or they decline to attend a meeting detailed in (b) above, the Fund will issue a formal written notice setting out the areas of non-compliance, how the the underperformance contributed to additional costs, the amount of costs incurred and provide notice that the additional costs as a result of their poor performance will now be reclaimed.

Where appropriate in respect of Admission Bodies, the outsourcing / letting / ceding employer will be informed and expected to work with the Fund to resolve the issues.

7. The proposed additional administration charges for underperformance for Scheme employers in the Wiltshire Pension Fund will be based on the “time spent” officer charges detailed below:

Time taken	Charge levels			
	Level 1 – Officer	Level 2 – Senior Officer	Level 3 – Principal Pensions Officer / Work Management Officer	Level 4 – Pension Administration Manager / Lead
Daily	£214	£233	£284	£548
Half day	£106	£116.50	£142	£274

Charges for ‘time spent’ on underperformance issues will be made on a half day basis, with the Fund rounding up to the nearest half day i.e. the minimum charge would be a half day per officer that undertook the work.

For example if a Level 1, Level 2 and Level 3 Officer time spent is 3 hours, this would be rounded up to a half day rate per Officer - £106 (Level 1), £116.50 (Level 2) and £142 (Level 3) giving a total charge to the underperforming employer of £364.50.

The above rates apply for 2024/2025 and are reviewed annually.

8. Where an employer fails to pay any amount due to the Fund within 30 days for the underperformance costs, interest for late payment will be charged accordingly. Regulation 71 of The Local Government Pension Scheme Regulations 2013 states that the Administering Authority may require a Scheme employer from which any payment is due under Regulation 70 is overdue to pay interest on that amount. The interest payable is stated within Regulation 71(4) of The Local Government Pension Scheme Regulations 2013 i.e. one per cent above base rate on a day to day basis from the due date of the date of payment and compounded with three-monthly rests.

Environmental Impact of the Proposal

9. There are no known environment implications from this report.

Financial Considerations & Risk Assessment

10. In general, the proposals will encourage employers to maintain good performance and avoid additional charges for underperformance.

Legal Implications

11. The Local Government Pension Scheme Regulations 2013 allow the Administering Authority to charge for additional costs where a Scheme employer is underperforming. These regulations also allow for interest to be charged for non or late payment of these costs.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposal

13. To encourage employers to maintain good performance and avoid additional charges for underperformance..

Proposal

14. The Board is asked to consider and if they are in agreement approve this report is presented to the Committee for approval.

Matt Allen
Employer Funding and Risk Lead

Report Authors: Matt Allen, Employer Funding and Risk Lead

Unpublished documents relied upon in the production of this report: None