


London Borough of Hammersmith & Fulham PENSIONS BOARD 7 February 2017		
PENSION ADMINISTRATION STRATEGY		
Report of the Director of Human Resources		
Open Report		
Classification: For Information Key Decision: No		
Wards Affected: None		
Accountable Director: Debbie Morris, Bi-Borough Director of Human Resources		
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1. EXECUTIVE SUMMARY

- 1.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables the Administering Authority to prepare a document that details the administrative standards, performance measurements, data flows and communication vehicles with Scheme Employers.
- 1.2 Regulation 70 of the LGPS 2013 allows the Administering Authority to recover costs from Scheme Employers where such costs have been incurred because of non-compliance with LGPS administrative requirements.
- 1.3 This report confirms the LBHF Pensions Administration Strategy (PAS) agreed by the Pension Sub-Committee at its meeting on 21 September 2016 in line with regulation 70.

2. RECOMMENDATIONS

- 2.1 That the Pensions Board notes the PAS as defined in Appendix 1.

3. PROPOSAL AND ISSUES

- 3.1 The pensions management system that the LBHF Administering Authority has in place includes outsourced partners for payroll (BT and school's payroll providers) and for pensions administration (Surrey County Council).

- 3.2 In addition, the Administering Authority has 25 Admitted Bodies (Scheme Employers) and 54 Scheduled/Administering Bodies (Schools and Academies) which all form part of the LBHF pension fund.
- 3.3 For the transactional processes to be successful the Payroll Providers, the Pensions Administrator, the Admitted bodies and the Scheduled/Administering Bodies must have clear processes and agreed performance expectations.
- 3.4 The PAS details the main roles and responsibilities of the major stakeholders and summarises the agreed performance standards. Included in the PAS is a schedule of charging that allows the Administering Authority to recover costs from the Scheme Employers where such costs have been incurred as a direct result of an Employers non-compliance with administrative requirements.
- 3.5 In addition, the Administering Authority may apply a charge in instances where fines have been levied by the Pension Regulator, Pensions Ombudsman, HMRC or regulatory body on the Administering Authority.
- 3.6 There is also provision to generate a charge when the Administering Authority has procured third party advice on behalf of a Scheme Employer.

4. OPTIONS AND ANALYSIS OF OPTIONS

- 4.1. Not applicable.

5. CONSULTATION

- 5.1 Not applicable.

6. EQUALITY IMPLICATIONS

- 6.1. Not applicable.

7. LEGAL IMPLICATIONS

- 7.1. None.

8. FINANCIAL IMPLICATIONS

- 8.1 None.

9. IMPLICATIONS FOR BUSINESS

- 9.1. None.

10. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

- 10.1. None



Pension Administration Strategy

Effective from 1 January 2017

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1. Introduction

The delivery of a high quality, cost effective pensions administration service is not just the responsibility of the Administering Authority (London Borough of Hammersmith & Fulham [LBHF]), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pensions Administration Strategy (PAS) is to ensure that the Administering Authority along with their Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

It should be noted that the Administering Authority has outsourced partners (BT and Surrey County Council) to support them with the delivery of their responsibilities.

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance with the terms set out in the schedule of charging in Section 6.

2. PAS Policy Statement

Pensions Administration Strategy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from an Employer where costs have been incurred because of an Employer's non-compliant level of performance in carrying out its functions under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Administrating Authority is to have in place a pension management system that meets the needs of the stakeholders by:

- clarifying the roles and responsibilities of all the major stakeholders.
- ensuring the services provided by all the major stakeholders are accessible, equitable and transparent
- assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

- the standard of expected service between the Administrating Authority and Employers
- a schedule of charges that apply when standards of service fall below expectations
- a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

- Local Government Pension Scheme Communications Policy

3. Roles and responsibilities

Administering Authority

The responsibilities of the Administering Authority are:

- To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- To notify each member regarding the counting of membership in the scheme.
- To set up and maintain a record for each member of the scheme which contains all the information necessary to produce an accurate benefit calculation following the employer providing useable, timely and accurate financial data.
- To ensure that employers are advised of the regular requirements for the provision of timely and accurate scheme member data so that member records can be accurately maintained.
- To calculate and pay the appropriate benefits at the correct time, based on membership details held at the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.

- To supply beneficiaries with details of their entitlements including the method of calculation.
- To set up and maintain a record for each pensioner member.
- To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.
- To pay benefits to the correct beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013.
- To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP)
- To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRP.
- To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- To arrange and manage the triennial valuation of the pension fund
- To ensure compliance with the Data Protection Act 1998.

Employers

The main duties of the Employer are:

- To decide who is eligible to become a member of the Scheme in accordance with LGPS regulations.
- To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion which the employees' contractual hours relate to the hours of a comparable full time, employee.
- To determine the pensionable pay of employees for the purposes of calculating the pension contributions.
- To determine final pay for the purposes of calculating benefits due from the Scheme.
- To issue a notification to any employees who cannot become members of the Scheme explaining the reason(s) why.

- Where, after reasonable efforts, an employee fails to provide information relating to previous service, to provide basic information to the Administrating Authority as required by the Administering Authority.
- At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit and notify the Administrating Authority and the Scheme member of the decision.
- To supply timely and accurate information to the Administrating Authority to ensure the correct calculation of benefits payable from the Scheme.
- To deduct all pension contributions from a member's pay, including Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs) as may be required, and to pay all pension contributions to the relevant pension provider within the statutory deadlines.
- To be responsible for exercising the discretionary powers given to Employers by the regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.
- To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.
- To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Administrating Authority in determining ill health retirement.
- To repay to the Scheme member any incorrectly deducted employee's contributions.
- To provide the Administrating Authority with Monthly and Year-end information as at 31 March each year in an approved format, and with any additional information as may be required from time to time by the Administering Authority to enable it to fulfil its pension administration responsibilities.
- To provide the Administrating Authority with an audited copy at financial year end (31 March annually) of the final statement which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.
- To be responsible for complying with the requirements for funding early retirement for whatever reason as set out in the rates and adjustments certificate issued by the Actuary following the triennial valuation of the fund.

- Pay the Administrating Authority interest on payments due from the Employer which are overdue by more than one month.
- Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administrating Authority.
- To ensure compliance with Data Protection Act 1998.

4. Liaison, engagement and communication strategy

The Administrating Authority will issue and annually review their Local Government Pension Scheme Communications Policy.

The policy will include a strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administrating Authority will use to meet their communication responsibilities and it will also include details of what is communicated and the frequency.

Annually the Administrating Authority will issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

5. Standard of expected service between the Administrating Authority and the employers

Who *	Administration Description	Performance Targets	Acceptable performance
	<u>New Starters and Transfers In</u>		
E	New starter: The Employer to give potential new members the pensions information contained in the most recent starter pack	Within 20 working days before the new employee's first day of employment.	100% compliance within the target
E	New scheme member: Employer to send to the Administrating Authority the details of the new member.	Within 20 working days after the scheme membership start date.	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
AA	New scheme member Administrating Authority to create a new pensions record from the completed notification from the Employer	Within 20 working days from the date of notification.	100% compliance within the target
AA	New scheme member: Administrating Authority to request a transfer quote from the new member's previous scheme.	Within 20 working days of receipt of authorisation from the employee	100% compliance within the target
AA	New scheme member: Administrating Authority to credit member record with membership due from transfer of previous pension benefits.	Within 20 working days of receipt of payment from previous pension scheme.	100% compliance within the target
AA	New Scheme member: Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 20 working days of receipt of the all the information	100% compliance within the target
	<u>Existing members and schemes</u>		
AA	Changes to data which materially affect actual or potential benefit calculations to be processed	Within 20 working days of occurrence or receipt of all necessary information, whichever is later.	100% compliance within the target
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned	Within 20 working days of receipt of all necessary information.	100% compliance within the target
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme	Within 20 working days of receipt of all necessary information	100% compliance within the target
AA	The terms of purchasing additional pension to be notified to the member concerned	Within 10 working days of receipt of all necessary information.	100% compliance within the target
AA	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 10 working days of receipt of all necessary information following the elapse of any period before which the contributions can	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
		be refunded	
AA	Upon receipt of a death notification from an Employer of a pensioner; arrangements put in place for pension payments to cease immediately.	Within 1 working day of receipt of all necessary information	100% compliance within the target
AA	<p>Upon receipt of a death notification from an Employer of a pensioner, letters will be sent to next of kin or other relevant party.</p> <p>Setting up of any dependents pension</p>	<p>Within 5 working days of receipt of notification of a death</p> <p>Within 10 working days of receipt of all necessary information.</p>	100% compliance within the target
<u>Leavers and Transfers out</u>			
E	Leaver: Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	100% compliance within the target
AA	Leaver: Administrating Authority to issue a statement of deferred benefits as appropriate	Within 20 working days of being notified of the date of leaving.	100% compliance within the target
AA	Leaver: Administrating Authority to issue quote for Cash Equivalent Transfer Value (CETV)	Within 20 working days of request	100% compliance within the target
E	Retirements: Employer to send the Administrating Authority a completed retirement notification.	At least 15 working days before their final paid day of work.	100% compliance within the target
AA	Retirements: Administrating Authority to send benefit options to member together with relevant forms required for payment of retirement benefits	Within 7 working days of receiving notification from the Employer	100% compliance within the target
AA	Retirements: Administrating Authority to arrange the payment of Lump	Within 7 working days of receiving all required	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
	Sum if due,	information from the Employer	
AA	Retirements: Administering Authority to arrange payment of Annual Pension (paid monthly)	Within 7 working days of request from the Employer	100% compliance within the target
<u>Deductions</u>			
E	Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority	By the 19th day of the month following the month in which contributions were deducted, or the working day immediately prior to this if the 19th falls on a weekend or bank holiday.	100% compliance within the target
<u>Pensioners</u>			
AA	Payslips: Every pensioner to receive a monthly pension advice payslip in the months of March and April. Thereafter, a hard copy payslip will be generated only where the net pension alters by ten pounds (£10) or more from the previous month.	March and April	100% compliance within the target
AA	Increases or decreases: Notify the pensioners of the increase or decrease and its effect on their pension by standard letter	In the month of the payment increase or decrease	100% compliance within the target
<u>Advisory & Communications</u>			
AA	Contact centre Answer phone calls and deal with queries from members and employers.	On working days between the hours of 8.30 am and 5.00 pm	100% compliance within the target
<u>Complaints</u>			
AA	All complaints to be acknowledged. A full written response to a complaint must be sent to the complainant	Within 5 working days Within 20 working days of its receipt by Surrey Pensions Service, subject to all necessary information being available to Surrey to enable a full response to be given. if all necessary	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
		information is not available Surrey will send a holding reply to the complainant and will provide an indication as to when a full response will be provided.	

* Body responsible for the action (AA = Administering Authority; E = Employer)

6. Pensions Administration Strategy - Schedule of Charging

The Administering Authority has the right to recover from the Employer any additional costs that it may incur because of an Employer's poor performance in respect of its obligations to the LGPS, which includes the Employer's inability to provide data in an accurate and timely manner to the Administering Authority.

It is expected that the Administering Authority will have constructive dialogue with any employer that is failing to meet any of its obligations under the LGPS. The final decision on whether to impose costs or charges rests with the Administering Authority. Employers have a duty to seek advice from the Administering Authority if they experience any difficulties in meeting their obligations.

In accordance with the regulations the Administering Authority will give the reasons for imposing any charges or recovering any additional costs it incurs.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employer in respect of compliance with the LGPS regulations has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.
- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administering Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

The following schedule identifies the standard charges that the Administering Authority may apply in cases associated with the administration of starters, transfers-

in, leavers, transfers-out and the monthly submission of employee and employer pension contributions and schedule of deductions to the Administering Authority:

Administration Description	Performance Targets	Charge
<u>New Starters and Transfers In</u>		
New scheme member: Employer to send to the Administering Authority the details of the new member.	Within 25 working days after the start date.	£50 per case
<u>Leavers and Transfers out</u>		
Scheme Leaver: Employer to send the Administering Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	£50 per case
Retirements: Employer to send the Administering Authority a completed notification.	At least 15 working days before their final paid day of work.	£50 per case
<u>Deductions</u>		
Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority	By the 19th day of the month following the month in which contributions were deducted	£100 per instance of late delivery

7. Further Information

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