

# Highland Council Pension Administration Strategy

## **Pension Administration Strategy**

### **1 Introduction**

1.1 The Highland Council administers the Local Government Pension Scheme (LGPS) on behalf of employers participating in the Scheme through The Highland Council Pension Fund. The scheme is governed by statutory regulations<sup>1</sup>.

1.2 The Fund is committed to providing a high quality pension service to both members and employers and particularly to ensuring members receive their correct pension benefit entitlement. These aims are best achieved where the Fund and employers work in partnership and are clear about their respective roles and responsibilities. The Fund's role includes investing contributions from members and employers, maintaining member records and calculating members' benefits based on information supplied by employers. The quality of service provided to members is therefore dependent on both parties meeting high standards of accuracy and timeliness of information supplied.

1.3 This document sets out the roles and responsibilities of both the Fund and employer. It also specifies the level of services the parties will provide to each other and the performance measures used to evaluate them.

1.4 This strategy statement is an over-arching agreement between the Fund and all its employers.

### **2 Pension Administration Strategy Statement**

2.1 This strategy statement has been produced in consultation with employers and becomes effective from 1 July 2012. The statement will be kept under review and revised where appropriate. Changes will be subject to consultation with employers. The statement will be published to all participating employers.

2.2 References to the Fund should be regarded as meaning The Highland Council as Administering Authority of the LGPS.

2.3 Strategy principles - in agreeing this strategy, all parties commit to:

- achieving a high quality pension service to employees
- continually developing and improving efficient working arrangements
- striving to exceed the Fund's service standards
- an annual report of performance
- keeping the pension administration strategy under review.

### **3 Roles and Responsibilities**

3.1 Employer's duties, responsibilities and discretions are listed in Appendix A to this agreement, and the Fund's duties, responsibilities and discretions are listed in Appendix B.

3.2 Full details of employer's administrative responsibilities are set out in the Employers' Guide available from the Fund's website <http://www.highland.gov.uk/yourcouncil/finance/pensions/>

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<sup>1</sup> The Local Government Pension Scheme (Benefits, Membership and Contributions)/(Administration)/(Transitional Provisions) (Scotland) Regulations 2008 as amended, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended.

## 4 Service Standards

### 4.1 Service Standards Expected From The Employer

Information required relating to members will generally be provided on the Fund's forms, authorised by an appropriate signatory.

Larger employers are encouraged to provide information by electronic transfer of data.

Employers will endeavour to provide the information below within the agreed timescales shown. Note that further details on the provision of information required are set out in the Employer's Guide.

#### **New Start**

When a new employee joins the Scheme, the employer will notify the Fund within **30 days** of commencing pension scheme membership **or** no later than **10 days** after the first pension deduction from salary

#### **Change (e.g. Change of Personal Details, Change of Post, Change in Hours Worked)**

The employer will notify any member's change in pensionable circumstances within **30 days** of the change.

#### **Retirement**

Where a member is leaving the scheme with a right to immediate payment of retirement benefits, the employer will provide the Fund with all of the necessary information /certificates /approval (if required) as soon as possible and at least **21 days before** the member's last day of service. A partially completed leavers form including final pay calculation is required well in advance of the retirement and final contributions etc can be forwarded after the employees final pay is processed.

#### **Leaver**

Where a member leaves the Scheme and does not have a right to immediate payment of retirement benefits, the employer will provide the Fund with all the necessary information to process the member as a leaver as soon as possible and no later than **30 days** after the member's last day of service **or** no later than **10 days** after the last deduction from salary.

#### **Death in Service**

When a member dies in service the employer will provide the Fund with a leavers form, next of kin/solicitors details to enable them to make contact regarding payment of any death grant and dependants' benefits due as soon as possible but no later than **7 days** of the death of the member.

#### **General/Year End Queries**

The employer will respond to queries raised by the Fund, including those resulting from annual year-end routines, within **14 days** of receipt.

#### **Contribution/AVC Payment**

The employer will pay employee contributions to the Fund, along with the Employer contributions as certified in the latest actuarial valuation, **by the 19<sup>th</sup> of the next month** after deduction. Interest will be chargeable for late payment of contributions in accordance with regulations. Any AVC payments should be paid to Prudential as soon as practicable.

#### **Year End Returns**

The employer will provide year-end information to 31st March in an approved format by **15<sup>th</sup> May** each year (although this may be extended to 31<sup>st</sup> May by prior arrangement). This includes a statement reconciling the amounts paid during the year with the totals on the year end return.

#### **Distribution of Information**

Where the Fund is unable (or it is not desirable) to distribute Fund information directly to members' home addresses, with the agreement of the employer, the employer shall distribute the information within **14 days** of its receipt.

## 4.2 Service Standards Employers Can Expect From The Fund

The Fund will endeavour to provide the information below within the agreed timescales shown. A reduced timescale may be agreed in exceptional cases at an employer's request.

### **Estimates of Benefits**

Once all required information is received, the Fund will provide the employer with ad-hoc estimates of benefits **within 10 days** of the receipt of the request. Where more than 20 estimates are required, the employer should consult with the Fund to reach an agreed timescale. Multiple requests relating to an individual member may be restricted.

### **General Queries**

The Fund will respond to a pension-related query raised by the employer **within 10 days** of receipt.

### **Bulk Circulars to Employees**

Statements, leaflets and other correspondence will generally be issued directly to members' home addresses where available (unless agreed otherwise). The Fund will advise employers of the general content and planned issue date of such material in advance.

### **Individual Employee Notifications relating to Key Administrative Tasks**

**New Starts** – employee to be issued with statutory notification **within 14** days of advice of starting

**Transfers** – employee to be provided with statutory notification **within 14** days of receipt of transfer

**Estimates** – employee to be issued with estimate **within 10 days** of request

**Annual Benefit Statements** – to be issued to active & deferred members by **30<sup>th</sup> September**

**Notification of Annual Increases to Pensioners** – to be issued prior to **30<sup>th</sup> April** annually

**General Enquiries** – to be addressed **within 10 days** of receipt

**Retirements** – employee's benefits to be paid **on entitlement date** assuming all information received

**Leavers** – employee to be given notice of entitlement to benefits **within 2 months** of leaving

**Death** – employee's representative to be contacted **within 5 days** of receipt of advice of death

### **Advice of Data Discrepancies**

It is the employer's responsibility to provide correct information about their members. The Fund is not responsible for checking the accuracy of any information provided by the employer. However, the Fund will inform the employer of any discrepancies between information provided by the employer and information already held from previous notifications.

### **Distribution of Information to Employers**

As the body administering the scheme on behalf of the employer, the Fund will consult with the Employer on major issues affecting their participation in the LGPS and keep it up to date with relevant information through e-mail communication; employer events (as & when required) and through our website (<http://www.highland.gov.uk/yourcouncil/finance/pensions/>)

### **Training**

The Fund will provide training, guidance and support to staff who have pension related duties as required by the employer.

## 5 Performance Measurement and Reporting

5.1 The Fund will monitor, measure and report on both the Fund's and employers' compliance with the agreed service standards and will share that report annually with Employers. These and other performance measures to be reported are detailed in Appendix C.

5.2 Where information collected for reporting purposes reveals problems in meeting the standards, the Fund will consult and work with the relevant employers to improve the level of compliance and performance by providing support, guidance, and training where considered appropriate.

5.3 The Fund will carry out its duties and responsibilities to members in accordance with its service standards. It will also monitor, measure and report on its performance against those standards and its performance targets.

## 6 Costs

6.1 The costs of administration, including actuarial fees for routine work, are charged directly to the Fund. These costs are taken into account in assessing employers' contribution rates.

6.2 Where additional services (actuarial or other) are required by, or result from the actions of, the employer and costs are incurred by the Fund, the employer will be required to reimburse the Fund for the costs involved. Where appropriate, an estimate of these costs will be provided and the Employer's agreement obtained before proceeding to instruct the service provider.

6.3 On the Fund's website <http://www.highland.gov.uk/yourcouncil/finance/pensions/local-government-pension-scheme/> you will find the Fund's Funding Strategy Statement (FSS) which summarises the Fund's approach to funding liabilities. You will note that any consent the employer gives for early retirement (e.g. redundancy, efficiency) may give rise to a strain on fund charge. Also the employer has to fund any award of compensation. Should an employer cease to have any active members in the fund, a terminal valuation has to be carried out to determine if any liability payment is due to the fund.

## 7 Penalties

7.1 It is hoped that with commitment to the principles of this statement (see 2.3 and 5.2 above), any non-compliance issues arising would be addressed promptly and there would be no need to resort to any punitive action. However for completeness the following actions are possible:

- In the event of a failure to meet its requirements, the Fund will be penalised in accordance with The Occupational Pension Schemes (Disclosure of Information) Regulations.
- The Fund may appeal to Scottish Ministers against a decision, or failure to make a decision, under scheme regulations by an employer.
- Persistent failure to comply with contributions payment requirements will result in the Fund informing The Pensions Regulator, as required of Scheme Administrators by the Pensions Act 1995.
- Where the employer fails to comply with their scheme duties etc., including failure to make payment of contributions due, the Fund reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
- If as a result of an employer's poor performance, additional and disproportionate resources are deployed by the Fund, the cost of the additional resources may be re-charged to the employer in accordance with powers available under scheme regulations. Written notice will be provided of the reasons for the re-charge, the basis of the calculation of the amount, and the relevant part of this statement which, in the Fund's opinion, has been contravened.
- Where any orders or instruction issued by The Pensions Regulator or the Pensions Ombudsman requires financial compensation or a fine to be paid from the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.

## **APPENDIX A – The Role and Responsibilities of the Employer**

### **1. Main Duties Under Scheme Regulations**

- To decide those employees eligible to become members of the Scheme. If eligible, a new employee must be treated as a member unless he/she elects otherwise.
- To supply timely and accurate information to the Fund regarding new members, leavers and changes in employment required for pension administration purposes (as detailed in the Employer Guide).
- To determine a member's pay (or fees) for the purposes of pension contributions and to determine final pay for the purposes of calculating benefits due from the Scheme.
- To determine annually a member's contribution rate on the basis of the member's rate of pensionable pay having regard to guidance issued. To collect, pay over and account for the deduction of the correct rate of pension contributions payable by both the members and the Employer.
- To decide whether members are employed in a full-time, part-time or variable time capacity. If part-time, to determine the proportion of comparable full-time hours.
- To appoint a person designated to receive appeals from employees on 'first instance decisions' under the 2008 Regulations.
- To notify, in writing, every person whose rights or liabilities are affected by a 'first instance decision' made by the Employer under the 2008 Regulations (see Regulation 51 of the Administration Regulations).
- To accompany any statement issued to an employee relating to any decision made about the scheme, with a notice drawing the employee's attention to their right of appeal under the LGPS. However it should be noted that the Fund will normally issue, on behalf of the employer, a Statutory Notice detailing membership details including such a notice when a member joins the Fund or where there is a change in a member's pension records.
- When instructed by the fund, to deduct from the member's pay the specified amount of Additional Voluntary Contribution and to pay over those amounts to Prudential. Also to alter or cease payments on instruction and to ensure that final payments are made to Prudential before a member's retirement.
- To issue a Certificate of Protection of Pension Benefits if requested to do so by scheme member within 12 months of a material reduction in the member's pay, (or a restriction in the rate by which it may be increased), where the reduction or restriction arose otherwise than by virtue of the member's own volition. Where such a certificate is issued, to keep a record of the member's pay for the period commencing 3 years before the effective date of the certificate and ending 10 years after the effective date of the certificate.
- To use an independent Medical Officer qualified in Occupational Health Medicine, (who has been approved by the Fund), in determining ill-health retirement and provide the Fund with a relevant certificate where appropriate.
- To determine a member's entitlement to benefit on cessation of scheme membership, employment or on a member's application for early release of benefits or flexible retirement and provide early retirement certification as and when appropriate.

## 2. Responsibilities

In addition to the duties above, the employer's responsibilities are summarised as follows:

- To maintain employment records for each scheme member for the purposes of determining membership and entitlement to pension benefits.
- To ensure members' National Insurance contributions are made at the contracted out rate.
- To ensure all information is provided as required regarding members' employment, using electronic transfer of data where at all possible (especially for bulk exercises) and agreed with the Fund. Data provided should comply with Data Protection legislation and secure transfer methods used.
- To provide additional information as required for actuarial valuation, year-end exercises, data matching or communication purposes. The specification for such exercises will be provided by the Fund and may, after consultation, be modified from time to time.
- To provide prospective members with basic information about the Scheme using, where appropriate, material provided by the Fund.
- To ensure those not joining are fully aware of the benefits given up and that equalities principles are met.
- To pay the Fund, by lump sum and within prescribed time limits, any amounts arising as a result of the employer's decision to increase total membership and/or increase annual pension under the 2008 Regulations.
- To decide whether to award additional compensatory years under the Discretionary Regulations. At the request of the employer, the Fund will calculate and pay the benefits arising as a result of the employer awarding additional compensatory years along with the main scheme benefits, and the employer will reimburse the Fund for all such amounts paid.
- To inform members awarded additional compensatory years that the payment of the award may be subject to restriction should they take up further employment with an employer participating in the LGPS.
- To pay the Fund, by lump sum payment and within prescribed time limits, any strain cost arising from a decision made by the employer to award early payment of benefits.
- To pay monthly contributions due to the Fund by electronic payment method.
- To ensure the Fund is informed about, and Government guidance is followed in respect of, any transfer of members in respect of an outsourcing of service arrangement, and any subsequent changes to that arrangement which would impact on those members.
- To inform the Fund of any planned changes to their pension provision for employees, including whether the scheme is open to new employees, bulk transfers of employments or any redundancy exercises as soon as known.
- To provide details of officers or representatives who are to receive employer communications issued by the Fund and keep these up to date as necessary. Details should be kept up to date as necessary.

- To provide details of officers or representatives who are authorised to sign Fund forms and to ensure all forms submitted to the Fund have been signed by an authorised signatory. Details should be kept up to date as necessary.
- To respond to Fund queries resulting from the annual year end routines by the date determined annually by the Fund to facilitate the preparation of annual benefit statements. Note that if, for any reason, responses to these queries are not received, the Fund may issue a blank forecast advising the member that relevant information has not been received from the employer.
- To account to HMRC for any tax liability on the total of all termination payments, including the lump sum element of any Compensatory Added Years awarded, made to employees over the allowed limit (currently £30,000).
- To maintain awareness and understanding of the Fund's Employer Guide, Governance Policy, Actuarial Valuation Reports and Funding Strategy Statement (FSS) (follow link <http://www.highland.gov.uk/yourcouncil/finance/pensions/local-government-pension-scheme/>) and take part in consultations on strategic issues.

### **3. Discretions**

3.1 The employer must make, and keep under review, policies on the discretions available under the Scheme regulations. These policies must be contained and published in a policy statement. A copy of that statement, and any subsequent amendment to it, must be provided to the Fund. The current statement must also be made available to any scheme member upon request.

3.2 Employers who are Scheduled Employers (i.e. who are not participating by means of an Admission Agreement) must also make and keep under review policies as necessary under the Discretionary Regulations.

3.3 Other Employers may adopt the provisions of the Discretionary Regulations in order to mirror the powers available to Scheduled Employers.

3.4 Guidance on preparing and establishing any policies is available from the Fund on request.

## **APPENDIX B – The Role and Responsibilities of the Fund**

### **1. Main Duties Under Scheme Regulations**

- To maintain The Highland Council Pension Fund
- To invest pension contributions received and account for and manage the Fund's assets.
- To set up and maintain a record for each member which contains all the necessary information for the production of an accurate benefit calculation.
- 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 members of decisions regarding the counting of service or additional pension.
- To calculate and pay the appropriate benefits, based on the member's record, and the termination and pay details provided by the employer when a member ceases employment.
- To calculate and process transfers of members' pension rights inwards and outwards.
- To supply members with a Statutory Notice on commencing membership, or on an increase in membership following a transfer of pension rights.
- To supply survivor beneficiaries with notification of their entitlements.
- To appoint a suitable person for the purposes of the scheme's internal dispute resolution procedure.
- To increase pensions annually in accordance with Annual Pensions Increase (Review) Orders.
- To produce and despatch annual pension forecasts to members.
- To arrange for the triennial actuarial valuation of the Fund and send copies of the resulting report to employers by the first anniversary of the valuation date.
- To publish and review the Fund's Governance Policy and Funding Strategy Statement and prepare annual report and accounts.

### **2. Responsibilities**

In addition, the responsibilities of the Fund in administering the Scheme are as follows:

- To appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.
- To appoint an Additional Voluntary Contributions provider
- To comply with any orders or instructions issued by The Pensions Regulator or the Pensions Ombudsman. Where the order or instruction requires financial compensation or a fine to be paid from the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned shall be recharged to the employer (see 7.1 above).

- To issue forms, newsletters, booklets and such other materials as are necessary in the administration of the Scheme, for members and for use by employers. This includes providing HMRC with details of early leavers for contracting-out purposes.
- To provide accurate, timely data to the Fund actuary for the purposes of the triennial actuarial valuation of the Fund and for employer accounting reports requested (e.g. IAS19/FRS17 reports).
- Where appropriate, to pay benefits based on additional compensatory service awarded by an employer in accordance with the provisions of the Discretionary Regulations.
- To provide assistance to employers in regard to the pension implications of outsourcing services and to deal with any related bulk transfers of pension rights.
- To comply with HMRC reporting requirements regarding pension benefits.
- To ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.
- To ensure that steps are taken at all times to pay benefits to appropriate beneficiaries only and to reduce the possibility of fraud.
- To ensure compliance with Data Protection legislation including use of appropriate secure data transfer methods.

### **3. Discretions**

The Fund has published policies on discretions afforded by the scheme regulations and related regulations. The policy statement has been supplied to employers and is available from the Fund's website. Changes to that statement may be published from time to time and revised versions provided to employers.

**APPENDIX C – Performance Measures**

**EMPLOYER PERFORMANCE MEASURES**

**Service Standards**

<b>Standard – target compliance rate 90%</b>	<b>Number</b>	<b>%age in target</b>	<b>Previous year %age</b>
New starts notification – within 30 days of joining (or 10 days from first deduction if later)			
Retirement info - to allow benefits to be paid on time			
Early leaver notification – within 30 days of leaving (or 10 days after last deduction if later)			
Death in service notification – within 7 days of death			
Year end query responses – within 14 days			

**Contribution payments (due 19<sup>th</sup> of month)**

<b>Latest 12 months</b>	<b>%age received in target</b>
April - March	

**ADMINISTERING AUTHORITY PERFORMANCE MEASURES****Service Standards**

<b>Standard</b>	<b>Number</b>	<b>%age in target</b>	<b>Previous year %age</b>
Estimates supplied – within 10 days			
Query responses – within 10 days			

**Key Administration Tasks**

<b>Task</b>	<b>Target</b>	<b>Total received (annually)</b>	<b>% Completed within target</b>	<b>Previous year %age</b>
New entrants	Issue stat notice within 14 days of receipt of new start notification			
Early leavers	Issue entitlement notice within 2 months of leaving			
Retirements	To be paid by date of entitlement			
Deaths in service	Contact next of kin within 5 days of notification			
Transfers In	Stat notice within 14 days of receipt of payment			
Transfers Out	Payment made within 14 days of receipt of election			
Estimates	Issue within 10 days of request			
Annual Benefit Statements	Issued by 30th September			
Annual Increase Notification to Pensioners	Issued by 30th April			