

# PENSION ADMINISTRATION STRATEGY STATEMENT

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*June 2012*



SHROPSHIRE COUNTY  
PENSION FUND

## 1. INTRODUCTION

Shropshire County Pension Fund (*"the Fund"*) is responsible for the administration of the Local Government Pension Scheme (*"the Scheme"*) within the geographical area of Shropshire. The Fund also administers the Scheme on behalf of a number of qualifying employers who are not situated within the Shropshire area. The service is carried out by Shropshire Council (*"the administering authority"*) on behalf of qualifying employers and ultimately the Scheme members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

## 2. COMPLIANCE

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the more extensive commentary provided by the Employers' Guide and Website for day-to-day.

## 3. REVIEW

The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

## 4. REGULATORY FRAMEWORK

Regulation 65(1) of the LGPS (*Administration*) Regulations 2008 enables an LGPS administering authority to prepare a document (*"the pension administration strategy"*) detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 43 of the (*Administration*) Regulations 2008 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations. See Poor Performance section.

This document has been presented, considered and ratified by the Pensions Committee on the 14th June 2012 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from that date.

## 5. LIAISON AND COMMUNICATION

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS.

The Fund currently holds the name of an individual for each Scheme Employer as a the main point of contact as supplied through Service Level Agreements currently in place, but this document will replace that former Agreement.

### Their key responsibilities will be to:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities.

### Employer Training

The Fund holds annual training for employers: officers provide information on Fund Finances, Investment Performance and also Administration Performance. Attendance by each employer's main contact and Senior Management is actively encouraged.

### Policy Discretions

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.

### Notification of Employee's Rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

### Internal Disputes Resolution Procedures (IDRP)

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept up-to-date with the Fund.

### Computer Links

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to

produce retirement estimates and enquire on their employees' record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

## 6. SERVICE STANDARDS TO SCHEME MEMBERS

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties – not least of which the Scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and Employers.

## THESE PERFORMANCE STANDARDS ARE HELD WITHIN THE FOLLOWING TABLES:

### NEW APPOINTMENTS

#### EMPLOYERS' RESPONSIBILITY

To ensure that pensions information is included as part of any induction process.

To provide each new employee with a booklet and application form, either with their contract or within two weeks of starting work.

#### FUND'S RESPONSIBILITY

To provide to employers on request appropriate tools for inductions.

To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.

### NEW STARTERS

#### EMPLOYERS' RESPONSIBILITY

To ensure that all employees subject to automatic admission are brought into the Scheme from the date of appointment, and provide the Pension Administration Team, with details within 4 weeks of their start date by electronic interface or approved paper form.

To assist the Fund in ensuring that all new starters complete the Scheme application form containing information including National Insurance Number, Date of Birth and Home Address on either electronic interface or approved forms to the Fund within four weeks of the employees first pay date.

Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.

To send the Fund notification in agreed electronic or paper format of any eligible employees subject to automatic entry, who do not wish to join, or elect to leave the scheme within three months of appointment.

#### FUND'S RESPONSIBILITY

To accurately record and update associated member records on the pension administration system.

To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme. As stated within the Regulations.

To accurately record these member records on the pension administration system within four weeks of receipt of documents.

To accurately record and update member records on the pension administration system within four weeks of receipt of the notification.

## CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

### EMPLOYERS' RESPONSIBILITY

To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within four weeks of the change. Forms can be found in Section C of the Employers Guide.

These include:

#### Status:

- Change of Name
- Marital Status
- National insurance Number

#### Conditions of service:

- Contractual Hours
- Remuneration changes due to promotion and down grading
- Contribution Rate
- Employee Number and or Post Number
- Date Joined Scheme (if adjusted)

#### Absence:

- Maternity, Paternity and Adoption
- Paid & Unpaid leave of absence
- Industrial Action
- Any other material period of absence

Each employer must ensure that the relevant contributions are deducted, if required.

### FUND'S RESPONSIBILITY

To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.

To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements.

## VALUATION & ANNUAL BENEFIT STATEMENTS

### EMPLOYERS' RESPONSIBILITY

To provide the Fund with year-end information to 31 March each year in an approved format no later than 30 April or the next working day.

The information should be accompanied by a final statement, duly signed, balancing the amounts paid during the year with the total amounts on the year end return data file.

To provide any additional information that may be requested for the production of Annual Benefit Statements for service up until the 31st March in each particular year by the end of May of each year.

To provide the Fund with up to date and correct information on members working hours, breaks in service and pensionable pay in accordance with agreed timescales.

To ensure that all errors highlighted from the annual contribution posting exercise are responded to and corrective action taken promptly.

### FUND'S RESPONSIBILITY

To process employer year end contribution returns within three months of receipt i.e. 30th April, or within three months of receipt of the information if later.

To produce annual benefit statements for all active members and post to member's home address and provide Annual Allowance information by the 31st October each year.

Statements will also be produced for deferred members, but no information from employers will be required.

To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.

To provide an electronic copy of the valuation report and contributions certificate to each employer answer any questions arising.

## RETIREMENT ESTIMATES

### EMPLOYERS' RESPONSIBILITY

To submit a request using forms PEN010 by post or attaching it to an e-mail.

For larger bulk estimates, requests can be made in alternative formats.

### FUND'S RESPONSIBILITY

To issue the quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.

To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.

## ACTUAL RETIREMENTS

### EMPLOYERS' RESPONSIBILITY

To submit the appropriate form to the Fund at least one month before retirement.

Further information can be found in Section F of the Employers Guide.

### FUND'S RESPONSIBILITY

To issue the member with a letter and retirement information within seven days of notification.

To make payment of any lump sum within two working days of the date of retirement provided all relevant forms and certificates have been received from the member.

In the case of Shropshire Council Compulsory Redundancies within seven working days, provided all forms and certificates have been received.

To pay any pension payment on the 29th of each month, following retirement unless this falls on a weekend or bank holiday.

## III HEALTH RETIREMENTS

### EMPLOYERS' RESPONSIBILITY

To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (*Independent Medical Registered Practitioners (IMRP)*) whether an ill health award is to be made and determine which tier 1, 2 or 3.

Arrange for completion of the PEN007 or PEN006 and then submit to the Fund with all related paperwork and signatures.

To keep a record of all Tier 3 ill health retirements, particularly in regard to the 18 month review of their gainful employment and any subsequent appointment with an (IMRP) approved by the Administration Authority for a further medical certificate.

To recover any overpayment of pension benefits following subsequent re-employment and notify the Fund, where appropriate.

To review all Tier 3 ill health retirement cases prior to discontinuance at three years.

Further information on Ill health retirements can be found in Section F of the Employers Guide.

### FUND'S RESPONSIBILITY

To calculate and pay required benefits in line with actual retirement timescales.

To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

To notify employers three months prior to scheduled discontinuation of benefit payments and before updating the members records as becoming a "pensioner member with deferred benefits from the date of the suspension".

## MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT

### EMPLOYERS' RESPONSIBILITY

To notify the Fund of the employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event.

### FUND'S RESPONSIBILITY

To accurately record and update member records on the pension administration system.

To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.

## FORMER MEMBERS WITH DEFERRED BENEFITS

### EMPLOYERS' RESPONSIBILITY

To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:

- Name & Last known address
- National Insurance Number
- Payroll Number
- Date of Birth
- Last job including job description
- Salary details
- Date and reason for leaving

On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an (*IMRP*) approved by the Administering Authority, to determine whether benefits should to be released early on compassionate grounds and whether any early retirement reduction should be waived.

### FUND'S RESPONSIBILITY

To record and update member records on pension administration system.

To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.

To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.

## DEATH IN SERVICE & TERMINAL ILLNESS

### EMPLOYERS' RESPONSIBILITY

To inform the Fund immediately on the death of an employee, or when a member is suffering from a potentially terminal illness and provide details of next of kin..

Further information can be found in Section G of the Employers Guide.

### FUND'S RESPONSIBILITY

To assist employers, employees and their Next of Kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate caring manner.

## FINANCIAL OBLIGATIONS

### EMPLOYERS' RESPONSIBILITY

To pay the Fund all contributions deducted from payroll (*not including* AVCs) of its employees and employer contributions, no later than the 19th day of the month following the period of deductions.

Further information can be found in Section H of the Employer Guide.

To apply the correct employee contribution rate. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.

To pay all rechargeable items to the Fund within Four weeks of the invoice.

### FUND'S RESPONSIBILITY

To allocate the received contributions to each employers record.

Interest will be charged for late payment as detailed in Regulation 44(4) of the LGPS (*Administration*) Regulations 2008.

Inform each employer of any new contribution banding

The Fund will inform employers of any recharge items as they become due.

## ADDITIONAL BENEFITS (ARCs)

### EMPLOYERS' RESPONSIBILITY

To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following deduction, as stated in the Regulations (Reg 42 Admin Regs 2008). More Information can be found in the Employers Guide Sections D & H.

### FUND'S RESPONSIBILITY

To provide information on ARCs on request to members and employers and issue quotations to a Scheme member on the option of making Additional Regular Contributions (ARCs), within seven days.

## 7. STANDARDS OF DATA

### Overriding Legislation

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes (*Disclosure of Information*) Regulations 1986;
- the Pensions Act 1995 & 2004;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and
- Current GAD Guidance

and any future amendments to the above legislation.

### Secure Data Transfer

The Fund will follow Shropshire Council data security guidelines when sending any personal data in bulk.

### This means that if data is sent on CD or by email:

- We will agree an authentication process and confirm that it is an appropriate person and contact number in the receiving organisation.
- Encryption software will be used, which will be self extracting, and allow the recipient to open the file, without the need for the software, but with the requested password.
- We will follow delivery guidelines if the data is sent by courier.
- The appropriate agreed person will confirm the data has been received, request the password and confirm the file is successfully opened.

If you have access to the Shropshire Council Intranet these guidelines can be found by clicking on:

- > ESHROPS
- > TOP SHROP
- > INFORMATION MANAGEMENT & GOVERNANCE
- > INFORMATION SECURITY
- > USE OF ENCRYPTION

## 8. FUND ADMINISTRATION PERFORMANCE MEASURES

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

PERFORMANCE MEASURE	TARGET (WORKING DAYS)
Payment of retirement benefits	7 DAYS
Payment of monthly pensions on the appropriate day of the month	1 DAY
Payment of transfer values	7 DAYS
Provision of inward transfer quotes	10 DAYS
Notification of deferred benefits	30 DAYS
Respond to members general postal / telephone enquiries	5 DAYS

All these measures start from the date of receipt of all relevant information. The annual figures for the Fund performance measures across all employers are reported in the Annual Report.

### Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

### Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be published in the Annual Report.

## 9. EMPLOYER PERFORMANCE REPORTING

As part of this Pensions Administration Strategy the Fund will develop, with employer consultation, arrangements for quarterly reporting on key performance measures as contained in section 6 of this document

This approach to reporting will facilitate early engagement with employers and also provide a mechanism for service level review and recognition of best practice.

### Poor Performance

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

**In dealing with poor performance the Fund will:**

- write to the employer setting out the area(s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

**9. ASSOCIATED POLICY STATEMENTS & DISCRETIONS COMMUNICATIONS POLICY**

The statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities

**Governance Policy**

Shropshire Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

**Employer Discretions**

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of the Employer discretions can be found in your Employers Guide in Section A.

**LOCAL GOVERNMENT PENSION SCHEME (ADMINISTRATION) REGULATIONS 2008  
REGULATION EXCERPTS RELATED TO PENSIONS ADMINISTRATION STRATEGY DOCUMENTS**

**Exchange of information by authorities**

**64. -**

1. An employing authority which is not an administering authority must -
  - a. inform the appropriate administering authority of all decisions made by the employer under Part 6 or this Part concerning members; and
  - b. give that authority such other information as it requires for discharging its Scheme functions.
2. If -
  - a. an administering authority makes any decision under Part 6 or this Part about a person for whom it is not the employing authority; and
  - b. information about the decision is required by his employing authority for discharging that employer's Scheme functions, that authority must give that employer that information.

**Pension administration strategy**

**65. -**

1. An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("*its pension administration strategy*") and, where it does so, paragraphs (3) to (7) apply.
2. The matters are -
  - a. procedures for liaison and communication with employers in relation to which it is the administering authority ("*its employers*");
  - b. the establishment of levels of performance which the administering authority and its employers are expected to achieve in carrying out their Scheme functions by -
    - i. the setting of performance targets,
    - ii. the making of agreements about levels of performance and associated matters, or
    - iii. such other means as the administering authority considers appropriate;
  - c. procedures which aim to secure that the administering authority and its employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
  - d. procedures for improving the communication by the administering authority and its employers to each other of information relating to those functions;
  - e. the circumstances in which the administering authority may consider giving written notice to any of its employers under regulation 43(2) on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance



- established under sub-paragraph (b);
- f. the publication by the administering authority of annual reports dealing with -
  - i. the extent to which that authority and its employers have achieved the levels of performance established under sub-paragraph (b), and
  - ii. such other matters arising from its pension administration strategy as it considers appropriate; and
- g. such other matters as appear to the administering authority, after consulting its employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

**3. An administering authority must -**

- a. keep its pension administration strategy under review; and
- b. make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

**4. In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employers and such other persons as it considers appropriate.**

**5. An administering authority must publish -**

- a. its pension administration strategy; and
- b. where revisions are made to it, the strategy as revised.

**6. When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employers and to the Secretary of State.**

**7. An administering authority and its employers must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.**

**8. In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.**

- the opinion mentioned in paragraph (1);
- b. the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;
- c. the basis on which the specified amount is calculated; and
- d. where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in subparagraph (a), (b) or (c).

**Interest**

**44.**

- 1. An administering authority may require an administering or employing authority from which payment of any amount due under regulations 39 to 42 (employers' contributions or payments) or regulation 86 (changes of fund) is overdue to pay interest on that amount.
- 2. The date on which any amount due under regulations 39 to 41 is overdue is the date one month from the date specified by the administering authority for payment.
- 3. The date on which any amount due under regulation 42 (other than any extra charge payable under regulation 40 or 41 and referred to in regulation 42(1)(c)) is overdue is the day after the date when that payment is due.
- 4. Interest due under paragraph (1) or payable to a person under regulation 45(5) (deduction and recovery of member's contributions), 46(2) (rights to return of contributions) or 51 (interest on late payment of certain benefits) must be calculated at one per cent. above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
- 5. Interest on any amount due in respect of regulation 86 shall be calculated in accordance with guidance issued by the Government Actuary.

**Additional costs arising from employing authority's level of performance**

**43.**

- 1. This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.
- 2. The administering authority may give written notice to the employing authority stating -
  - a. the administering authority's reasons for forming