



# Pensions Administration Strategy 2013

April 2013

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This document sets out the framework of the Pensions Administration Strategy of West Midlands Pension Fund (the Fund) by outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. The delivery of this service is a joint partnership arrangement between a number of different stakeholders, eg, the Fund and all employers and IT Services to meet the diverse requirements of the membership.

## 1. Introduction

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The Local Government Pension Scheme (LGPS) Administration Regulations 2008 enables an administering authority to introduce an administration strategy for the purpose of improving administration performance within the LGPS fund (LGPS (Administration 2008 – Regulation 65)). The strategy recognises the current and future administrative challenges faced by the Fund and all its employers. It contains proposals to implement new methods of communication with all our stakeholders and establish agreed levels of performance for all relevant stakeholders.

## 2. Compliance

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This strategy is being developed in consultation with the seven major employers, and some amendments are currently incorporated in the additional documents which support the main strategy.

The content of the strategy will be reviewed annually by the Fund and changes agreed between employers. The document does not replace any dialogue between the Fund and employers as part of day-to-day 'business as usual' operational requirements.

## 3. Review

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The Fund will review the strategy and make revisions as appropriate following a material change in policies which affect the content of the document. All employers will be consulted and informed of the changes.

## 4. Regulatory Framework

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Regulation 65(1) of the LGPS (Administration) Regulations 2008 (formerly Regulation 76C of the Local Government Pension Scheme Regulations 1997) enables an LGPS administering authority to prepare a document, namely the Pensions Administration Strategy which details the following:

- a) Administration standards
- b) Performance measures
- c) Data and workload charts, annual report on performance
- d) Employer liaison and communication procedures

In addition, Regulation 43 of the (Administration) Regulations 2008 allows an administering authority to recover additional costs from an employing authority where they are directly relating to:

- Level of performance of the employing authority
- Extra costs incurred by the administering authority due to no data, poor quality data or the timeliness or data submitted by the employing authority.

## 5. Employer Relationship

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The delivery of a high quality and cost-effective pension administration service is dependent upon the joint working relationship between the Fund and individuals within employing authorities, to ensure that all Scheme members and stakeholders receive the appropriate level of service and ensure that statutory requirements are met.

This partnership arrangement should encompass the following key activities:

- a) Ensure an excellent working relationship between the Fund and appropriate staff within an employer, eg. HR, pensions teams, payroll teams and finance teams are established and maintained.
- b) Ensure that standards and levels of service are maintained.

- c) Ensure the timely submissions of data to the Fund by the employers, and jointly with the Fund, provide assurance with regard to data quality.
- d) Ensure that details of all nominated employer signatories are correct, and notify the Fund of any changes immediately.
- e) Assist and liaise with the Fund on promotional events and Scheme (Fund) literature to increase knowledge about the overall benefits of LGPS to all members.
- f) Inform the Fund of any alternative service arrangements which ensure equitable member access to the pension service.

Each employer is required to produce, publish and update a statement of policy regarding discretionary functions as part of the LGPS regulations. All employers must send the policy statement to the Fund including any regular revisions.

Any decisions undertaken by the employing authority which affect an employee's rights to membership or entitlement to benefits must be notified to the employee in writing. This will also include the implementation of auto-enrolment requirements.

All employing authorities are aware of the internal dispute resolution procedures (IDRP) and the requirements to nominate an officer who will liaise with the Fund during the stages of the procedure.

## 6. Communication

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The Fund now has a dedicated secure web portal for all employers which is accessed by officers in the employing authorities via a unique username and password. The website is the main communication tool between employing authorities of the Fund.

The web portal will contain information on the procedures for administering LGPS within the West Midlands and appropriate pension documentation as a means to submit data securely.

In the future, it will also contain information on training activities and Fund events provided to employing authorities. Important information is also sent to the Fund to specific employing authority staff, but regular access to the website is advised.

An AGM will be held each year which will provide an opportunity to have regular face-to-face contact with major employers to ensure that issues are resolved and priorities shared.

## 7. Financial Obligations

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It is a requirement of the Pensions Act that all contributions are received by the Fund by the 19th of the month following their deduction from an employers payroll.

The correct employee contributions rate is determined at the 1 April each year by the employing authority in line with the appropriate contributions band. Changes to levels of employee contribution rates must be updated in the employing authorities' discretionary policy statement.

Each employing authority must pay all AVC employee deductions to the appropriate provider (Prudential) according to the agreement and no later than the 19th of the month following the deduction.

The Fund will provide a schedule of any recharge items in accordance with Regulation 44(1) to each employing authority and interest for late payment as detailed in Regulation 44(4) of the LGPS (Administration) Regulations 2008. The Fund has to be revalued every three years by the Fund actuary to determine the employers' contributions rates. Interim valuations also occur within the triennial cycle which are used to monitor the trend in ill-health and early retirements

## 8. Administration Standards

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The service standards which the Fund will deliver to all Scheme members will be in consultation with employing authorities, as it will be the key driver of the partnership arrangement.

The service standards are set out in Appendix 2.

The standards of data quality and the timeliness of these standards must take account of overriding legislation which assists both the Fund and employing authorities in administering the LGPS.

Currently, data quality is a major facet of delivering the pension service to members and stakeholders and as such both the Fund and employers must ensure that all activities, functions and tasks are undertaken to agreed quality standards:

- a) Compliance with all legislative, regulatory and procedural requirements.
- b) All employer information provided to the Fund must be authorised by the agreed signatory.
- c) Information must be completed on the approval forms or in an agreed electronic format.

d) Information to be accurate and checked by the appropriate member of staff from the employing authority. The Fund does provide a secure email facility for the transfer of person identifiable data from employers. All employers should provide the Fund with year-end information to 31 March each year in an improved format by the 30 April in the valuation year and by 31 May in the other two years. It remains the responsibility of the employing authority to ensure a complete and accurate data submission to the Fund within the timescales, even if the payrolls are contracted out to a third party or bureau. The appropriate information must be accompanied by a final statement certifying that the amounts reflect the contributions deducted from employees during the year.

## 9. Fund Performance

Since June 2012, the Fund has established a set of key performance indicators (KPIs) which drive the delivery of the Pension Service.

Key Performance Indicator	Target/In Working Days
Joiner triage	2
Joiners	8
Rejoiner	8
TV in quote	10
TV in actual	10
TV out quote	10
TV out quote actual	10
Retirement quote	10
Retirement actual	5
Death in service and death in deferment	10

Alongside the above measures, the Fund also monitors customer telephone calls (Scheme members) and data quality from the employing authorities. All information is reported to Pensions Committee quarterly and is included in the Annual Report and Accounts.

The Fund is subject to an annual audit of its processes, procedures and internal controls. Employers are expected to comply with any requests for information from the Fund's internal and external auditors by ensuring recommendations will be considered and, where appropriate, implemented with employing authority co-operation. The Fund strives to continually reduce its unit costs and, as such, we regularly monitor costs and service performance by benchmarking with other administering authorities as comparators. All details relating to the above will be published in the Annual Report and Accounts.

An updated customer service strategy is currently being produced which will establish a programme of customer satisfaction surveys aimed at Fund members. The results will be published on the Fund's website.

## 10. Employer Performance

In consultation with employer authorities and as part of the Pensions Administration Strategy, the Fund will develop arrangements for reporting on all performance measures quarterly. The report will be published on the employer website and consolidated into one table for all employers within the Fund. This proactive approach will facilitate early engagement with employers and provide a regular mechanism for service members and recognition of best practice.

As part of the partnership arrangement between the Fund and employers, we will work closely together to identify areas where performance should be improved. The Fund will provide the necessary training to improve the service level for the future. In the event of no improvement in performance and/or remedial action by an employing authority the Fund will seek to recover any administrative costs.

Additional costs incurred by the Fund include:

- Fines imposed by the Pensions Ombudsman/courts.
- Extra charges in respect of actuarial fees.
- Additional printing and distribution costs.

## 11. Key Changes Proposed as Part of Consultation

The Fund will establish five key 'changes in circumstance' which will have customer implications and the decisions which need to be taken when determining the proposed service standard for each change. The proposed changes are:

- Notification of new joiners
- Notification of leavers (deferred members)
- Notification of forthcoming retirement
- Notification of death in Service
- Changes to member data

It is believed that this approach will both improve the service to Scheme members by focusing on the quality of employer data held by the Fund. In practical terms, it will assist employers with the identification of data issues as they implement the agenda for auto-enrolment.

## Appendix 1

### Local Government Pension Scheme (Administration) Regulations 2008 Regulation excepts related to Pension Administration Strategy documents

#### **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 employing authorities in relation to which it is the administering authority ("its employing authorities");

(b) the establishment of levels of performance which the administering authority and its employing authorities 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 employing authorities 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 employing authorities 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 employing authorities 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 employing authorities 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 employing authorities 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 employing authorities 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 employing authorities and to the Secretary of State.

(7) An administering authority and its employing authorities 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.

#### **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 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 sub-paragraph (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.

#### **N Perrins**

**August 2012**

## Appendix 2

### Administration Standards

New Starters	
Employer Responsibility	Fund Responsibility
To ensure that pensions information is included as part of any induction process.	To provide employers on request appropriate tools for induction purposes – literature and newsletters.
To provide each new employee with a pension information letter, either with the letter of appointment or within one month of starting work.	To update pension information booklets on line in accordance to regulatory changes.
To ensure that all employees subject to contractual admission are brought into the scheme from the date of appointment.	To accurately record and update member records on pension administration systems.
To assist the Fund in ensuring that all new starters complete form A1.	To review the A1 as a result of auto enrolment and bulk joiner data.
To complete form N1 or electronic templates and send to the Fund within four weeks of the employees first pay date.	To produce a membership certificate and forward to the member's home address, within ten working days of joining the Scheme.
Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.	To accurately record and update member records on pension administration systems within ten working days of receipt of documents.
To send the Fund a completed opt out form signed by any eligible employee subject to automatic entry, who do not wish to join, or elect to leave the Scheme and to arrange a payroll refund of contributions to the employee with appropriate adjustments to tax and national insurance.  To store a copy of the opt-out form with the employers' records for that employee.	To accurately record and update member records on pension administration systems within four weeks of receipt of document.

Change in Circumstances (Active Members)	
Employer Responsibility	Fund 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.	To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.
<p>Status:</p> <ul style="list-style-type: none"> <li>• Change of name</li> <li>• Marital status</li> <li>• National insurance number</li> <li>• National insurance category</li> </ul> <p>Conditions of service:</p> <ul style="list-style-type: none"> <li>• Contractual hours</li> <li>• Pensionable pay</li> <li>• Contribution rate</li> <li>• Department and payroll number</li> <li>• Date joined Scheme (if adjusted)</li> </ul> <p>Absence:</p> <ul style="list-style-type: none"> <li>• Maternity &amp; paternity leave</li> <li>• Paid &amp; unpaid leave of absence (including details of contributions paid)</li> <li>• Industrial action (strikes)</li> <li>• Any other material period of absence</li> </ul>	To accurately record and update member records on pension administration systems within ten working days of notification or any shorter period as requested by the employer with regard to specific requirements.

End of Year Data	
Employer Responsibility	Fund Responsibility
To provide a year end contribution return, and to ensure all errors and additional information are resolved within four weeks in a valuation year, eight weeks in the other two years.	To process employer year end contribution returns within two months of receipt.  To provide consolidated and grouped error reports for action by employers.

Valuation	
Employer Responsibility	Fund Responsibility
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 provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined and new cost sharing arrangements applied.
To ensure that all errors highlighted from the annual contribution posting exercise are responded to and corrective action taken promptly	To provide a copy of the valuation report and contributions certificate to each employer and answer any questions arising.

Annual Benefits Statements	
Employer Responsibility	Fund Responsibility
To provide an initial point of contact (Pension Officer or helpline number) for handling queries – this will be printed on the annual benefits statements sent to members.	To produce annual benefit statements for all active members at financial year-end and post to members' home addresses.

Annual Benefits (AVCs)	
Employer Responsibility	Fund Responsibility
To collect from employee payroll, contributions and to arrange the prompt payment directly to the appropriate provider according to the published schedule and to be no later than the 19th of the month following deduction.	To provide information and offer alternative Scheme-negotiated providers that offer a portfolio of additional voluntary contribution (AVC) options.  To review provision to ensure services offered are reasonable.

Annual Benefits (ARCs)	
Employer Responsibility	Fund Responsibility
To collect from 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 the deduction.	To provide information and quotations to a Scheme member on the option of making additional regular contributions (ARCs)

## Members Electing to Opt Out of the Scheme More than Three Months

Employer Responsibility	Fund Responsibility
To send the Fund a completed S4 opt out form signed by any eligible employees subject to automatic entry, who do not wish to join, or elect to leave the Scheme <b>after three months of appointment</b> .	To accurately record and update member records on pension administration systems within four weeks of receipt of document.  Advise member of deferred benefits.

## Retirement (Information)

Employer Responsibility	Fund Responsibility
To provide members retiring with form RB1 & RB1(d) at least two months before retirement.	Pre-retirement events

## Members Leaving Employment/Retiring

Employer Responsibility	Fund Responsibility
To notify the Fund of an employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event.	To accurately record and update member records on pension administration systems.  To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement.
If benefits are to be brought into payment on the member leaving their employment (ie retirement, including flexible retirement) the employer is to notify the Fund, ideally in advance of the leaving date but <b>no later</b> than four weeks following the actual date of leaving to enable payments to be made promptly.	To notify member of their retirement options within ten working days.  To pay the retirement lump sum within five working days of receipt of the completed option form.
To inform the Fund within four weeks of any changes affecting former employees, especially re-employment and retrospective pay awards.	To accurately record and update member records on pension administration systems within two months of the event.
To keep a record of all tier 3 ill-health retirements, particularly in regard the 18 month review of their gainful employment and any subsequent appointment with an occupational medical officer for a further medical certificate.  To recover any overpayments of pension benefits following subsequent re-employment and notify the Fund.	To notify the employer of their legislative responsibility to review tier 3 ill-health cases at 18 months.

## Death in Service

Employer Responsibility	Fund Responsibility
To inform the Fund immediately on the death of an employee.	To assist employers and the next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate and caring manner.

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