

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD– 31 AUGUST 2015

REPORT ON: PENSION ADMINISTRATION STRATEGY

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 318-2015

ITEM No ...3.....

1 PURPOSE OF REPORT

This report sets out, in conjunction with the implementation of a self-service pension site (pensionsWEB), the standards required of the participating employers and the Fund to ensure that the Fund meet their statutory obligations and demonstrate ability to deliver services efficiently. The strategy contains a variety of performance measures against which the Fund and participating employers are assessed with performance being reported to the Committee.

2 RECOMMENDATIONS

The Sub-Committee are asked to:

- Agree the policy contained within, which would be effective following successful implementation of pensionsWEB by the end of the current financial year.
- Consent to distribute to all employers.
- Consent to engage in production of key partnership agreements with larger employers within the Fund.

3 BACKGROUND

As part of Tayside Pension Fund service improvements, an online communications tool has been introduced. Hosted by Hymans Robertson, PensionsWEB enables direct access for employers and pensioners alike. This tool reduces administrative burden and enables the Fund to agree a definite administration strategy.

3 FINANCIAL IMPLICATIONS

There are no financial implications.

INTRODUCTION

4 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues, other than Risk Management itself, which is addressed through the register.

5 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

6 BACKGROUND PAPERS

None

**MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

21 AUGUST 2015



PENSIONS ADMINISTRATION STRATEGY

1. Introduction

- 1.1. Dundee City Council administers the Local Government Pension Scheme (LGPS) on behalf of employers participating in the Scheme through the Tayside Pension Fund (the Fund). The scheme is governed by statutory regulations.
- 1.2. The Fund is committed to providing a high quality pension service to both members and employers and particularly to ensure 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 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.
 - 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, which will also be supplemented by individual Partnership Agreements with larger employers. The content of this strategy will therefore be reflected in the content of any Partnership Agreements made.
- 1.5. It is essential that both parties understand what they are required to do and communicate with each other effectively and in a timely manner. A failure to achieve this can result in:
 - members suffering loss and distress
 - the pensions regulatory organisations fining and publicly naming and shaming a party that is at fault
 - employers' contributions being set at higher levels.
- 1.6. This Strategy is designed to help employers and the Fund work together to improve data quality and reduce the risk of rules breaches that could result in penalties. Its focus is on the timely flow of accurate information between employers and the Fund.

2. Pension Administration Strategy Statement

- 2.1. This strategy statement will be kept under review and revised where appropriate. The statement will be published to all participating employers.
- 2.2 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 strategy, 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 on the Fund's website.

4. Service standards

4.1 Service standards expected from the employer

Information required relating to members must be provided on the Fund's electronic forms, completed by an authorised user of the secure online pensionsWEB system.

Employers should provide the information below within the agreed timescales shown. More details on the information required are set out in the Employer Guide.

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 differences between information provided by the employer and information already provided. The pensionsWEB system allows employers to review member information and will also highlight discrepancies.

Bulk processes

For the following processes, the bulk process facility on pensionsWEB should be used to provide the information needed.

Process	Information Required	Timescale
New starts	Information to create a new member record	Within 20 working days of the month end in which the member joins
Change in circumstances	Details of new circumstances (including changes in working hours etc)	Within 20 working days of the month end in which the change occurs
Monthly contributions	Amounts of contributions paid by each employee (including any additional contributions)	By the 19th of the month after they have been deducted from pay

Other information

For the following processes, online forms are available to complete and submit via pensionsWEB.

Process	Information Required	Timescale
Retirement	Completed retiral form and where appropriate also upload: <ul style="list-style-type: none"> •signed ill-health certificate •signed letter authorising early payment of benefits •previous year's pay information if a certificate of protection is held 	At least 20 working days before the member's date of leaving.
Early leaver (where the member is age 60 or over please process as a retirement)	Completed early leaver form or cancellation of membership form as appropriate and also upload previous year's pay information if a certificate of protection is held	No later than 20 working days after the member's date of leaving
Death in Service	Completed death in service form and also upload a certified copy certificates if available	No later than 10 working days after the member's date of death
Queries raised/further information requested by the Fund in dealing with a member's retirement	Any further information as required should be provided using the online secure message form.	No later than 5 working days after request for information has been sent to the employer
Any other queries (except those relating to year end)	Any further information as required, using the online secure message form or other online forms or uploaded documents as applicable.	No later than 10 working days after the query has been sent to the employer

Annual Contribution Information

Type of return	Information Required	Timescale
Annual reconciliation (format will be specified by the Fund)	<ul style="list-style-type: none"> •Completed and signed AB2 schedule; •Sufficient year end information to 31st March as required by the Scheme regulations. 	by the 19th of April each year
Year end queries	Any further information as required using the online secure message form or other online forms or uploaded documents as applicable	No later than 20 working days after the query has been sent to the employer

4.2 Service standards employers can expect from the Fund

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

Employer requests

- Once all required information is received, the Fund will provide the employer with ad-hoc estimates of benefits within 10 working 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.
- The Fund will respond to a pension-related query raised by the employer within 10 working days of its receipt.

Information to members

- Statements, leaflets and other correspondence will generally be issued directly to members' home addresses where available. The Fund will advise employers of the general content and planned issue date of such material in advance.
- 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 10 working days of its receipt.

General administration

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 provide updates on relevant information through:

- website
- regular employer bulletins
- employer events

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

The Fund will maintain and develop training information on pensionsWEB (user guides and training videos) as required.

5 Performance Measurement and Reporting

5.1 Fund performance against Customer Charter and Service Standards

The Fund will carry out its duties and responsibilities to members in accordance with its service standards (as published within its "Customer Charter and Service Standards"). It will also monitor, measure and report on its performance against those standards and its performance targets.

5.2 Fund and Employer performance against agreed service standards

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

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.

7 Procedures for improving employer performance

7.1 The Fund will seek, at the earliest opportunity, to assist employers in identifying any areas of poor performance. The Fund will:

- Provide regular reports of employer and Fund performance, identifying any areas for improvement;
- Remind employers of the required standards (both regulatory and Fund);
- Provide training and guidance for employers;
- Offer to meet with the employer to discuss the area(s) of poor performance and how they can be addressed.

8 Circumstances where costs might be recovered as a result of poor performance

The cost of administering the Fund is met by all employers, however when additional costs arise due to the poor performance of one employer, it is fair that these are attributed to the relevant employer.

8.1 Circumstances where direct costs can be recovered from employers:

- In the event of a failure to meet its requirements, under the Occupational Pension Schemes (Disclosure of Information) Regulations, the Fund will be penalised by the Pensions Regulator. If this failure is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- 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.

8.2 Circumstances where indirect costs can be recovered from employers:

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 recharged to the employer in accordance with powers available under scheme regulations.

Where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue(s), the following sets out the steps that will be taken in dealing with the situation in the first instance:

- The Fund will write to the Chief Executive (or equivalent) of the Scheme employer, setting out the area(s) of poor performance and the potential consequences including any costs which may be incurred.
- The Fund will offer to meet with the employer to discuss the area(s) of poor performance and how they can be addressed
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, the Fund will issue a formal written notice to the employer, setting out:
 - the area(s) of poor performance which have been identified
 - steps taken to resolve the problem(s) and giving notice that additional costs may now be reclaimed
- The Fund will explain the calculations of any loss or additional costs incurred by the Fund taking account of time and resources incurred in resolving the specific area of poor performance.
- The Fund will recharge the employer for these costs, setting out reasons for doing so, the basis of the calculation of the amount, and the relevant part of this statement which, in the Fund's opinion, has been contravened.

9 Other actions which the Fund may be required to take

- The Fund may appeal to Scottish Ministers against a decision, or failure to make a decision, under scheme regulations by an employer.
- Where the employer fails to comply with statutory contributions payment requirements the Fund will inform 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.

APPENDIX A – The Role and Responsibilities of the Employer

1. Main duties under scheme regulations:

New members

- 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 advise employees of their rights under Auto Enrolment legislation.
- 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.

During the course of a member's Scheme membership

- 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 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 issue a Certificate of Protection of Pension Benefits if asked 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. A copy of the Certificate should be kept on file, with another sent to the Fund.
- If a Certificate of Protection of Pension Benefits 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 comply with relevant auto-enrolment legislation regarding members who have previously opted out of the Scheme, including auto-enrolling such members again as required.
- 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.

General

- To notify a member, in writing, whose rights or liabilities are affected by a 'first instance' decision made by the employer under the Regulations
- To appoint a person designated to receive appeals from employees on 'first instance decisions' under the 2008 Regulations.
- When issuing any statement issued to an employee relating to any decision made about the scheme, to include a notice drawing the employee's attention to their right of appeal under the LGPS. However the Fund will normally issue, on behalf of the employer, a Statutory Notice detailing when a member joins the Fund or where there is a change in a member's pension records. This Statutory Notice includes details of the employee's right of appeal against the decisions made at these times.

When an employee leaves the Scheme

- 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 authorisation as and when appropriate.
- If an employee opts out of the Scheme within the timescale for auto-enrolment, the employer must:
 - ensure that pension contributions deducted previously are refunded previously
 - advise the Fund via the appropriate pensionsWEB form that the employee has opted out and should be treated as never having been a member of the Scheme
- To determine final pay for the purposes of calculating benefits due from the Scheme.

Payments

- To collect, pay over and account for the deduction of the correct rate of pension contributions payable by both the members and the Employer.
- If notified of a member's election to pay Additional Voluntary Contributions, to deduct from the member's pay the specified amount and to pay over those amounts to the relevant AVC provider. To notify the Fund of any subsequent election to vary or cease paying AVC contributions.
- To ensure that final payments are deducted made to the provider before a member's retirement. So that retirement benefits can be paid on time, no AVC deductions should be made from the last month's salary.

2. Responsibilities

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

New employees

- 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.

General administration

- 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 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. Where the Fund is not reimbursed within the agreed timescale, the payment of such additional benefits may cease until the matter is resolved to the satisfaction of the Fund.

- To provide details of officers or representatives who are to receive employer communications issued by the Fund. Details should be kept up to date as necessary.
- To provide details of senior officers or representatives authorised to sign early retirement authorisation letters/memos.
- To ensure that all relevant officers (eg HR/Payroll) can access pensionsWEB in order to submit forms and other information

Supplying information to the Fund

- To ensure all information is provided as required regarding members' employment, using the secure online pensionsWEB system. Data provided should comply with Data Protection legislation.
- 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 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 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.
- Annual report and account information should be provided to the Fund as soon as possible after the Employers year end.
- To maintain awareness and understanding of the Fund's Employer Guide, Governance Policy, Actuarial Valuation Reports and Funding Strategy Statement and take part in consultations on strategic issues.
- Employers must complete and return a compliance certificate on an annual basis. This document confirms that employers understand their responsibilities and statutory obligations under the Scheme Regulations.

Communication with members

- To inform members awarded additional compensatory years that the payment of the award will be subject to restriction should they take up further employment with an employer participating in the LGPS.

Payments

- 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 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 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).

3. Discretions

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

Funding

- To maintain the Tayside Pension Fund.
- To invest pension contributions received and account for and manage the Fund's assets.
- 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.

New members

- To set up and maintain a record for each member which contains all the necessary information for the production of an accurate benefit calculation.

During the course of a member's Scheme membership

- 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 including the method of calculation.

General administration

- To appoint a suitable person for the purposes of the scheme's internal dispute resolution procedure.
- To increase pensions annually in accordance with the provisions of Pensions Increase Acts and Orders.
- To produce and despatch annual pension forecasts to members.
- 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 Additional Voluntary Contributions provider(s).
- 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 (e.g. FRS17) requested.
- 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.

Data

- To ensure compliance with Data Protection legislation including use of appropriate secure data transfer methods.
- To approve employer users who request access to pensionsWEB

4. 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

Standard – target compliance rate 90%	Number	% received in target	Previous year %
New starts notification – within 20 working days			
Changes notified – within 20 working days			
Retirement info – at least 20 working days before			
Early leaver notification – within 20 working days			
Death in service notification – within 10 working days			
Query responses – within 10 working days			
Year-end queries – within 10 working days			

Contribution payments (due 19th of month)

Month	% received in target	Month	% received in target
April		October	
May		November	
June		December	
July		January	
August		February	
September		March	

ADMINISTERING AUTHORITY PERFORMANCE MEASURES

Service Standards

Standard	Number	% in target	Previous year %
Estimates Supplied – within 15 working days			
Query Responses – within 20 working days			
Complaints – within 10 working days			
Customers - seen within 10 minutes			

Other Measures

Area	Number	Previous year

Employer Events		
Employer Training Events		
Employer Briefings		
Employer Bulletins		

Key Administration Tasks – latest period

Task	Target	Total Received	% Completed in target	Previous year %
New entrants	20 working days			
Early leavers	20 working days			
Retirements	20 working days			
Death in service	10 working days			
Transfers	20 working days			
Estimates	15 working days			